Q2

Interim report for the period from 1 January to 30 June 2013

KRONES

Contents

KRONES grows profitably, strengthens earnings

- Revenue rose 6.8% year-on-year in the first half of 2013 to €1,377.5 million
- KRONES benefited from its strong position on the emerging markets
- Earnings before taxes were up more sharply than revenue, 24.5%, to €79.7 million, EBT margin improved from 5.0% a year earlier to 5.8%.
- KRONES is raising its earnings target for 2013 as a whole. The company is now targeting an EBT margin of 5.8% to 6.0%.

Key figures for H1 2013		1 Jan–30 Jun 2013	1 Jan–30 Jun 2012	Change
Revenue	€ million	1,377.5	1,289.7	+6.8%
New orders, cumulative, including Lifecycle Service	€ million	1,382.8	1,327.8	+4.1%
Orders on hand at 30 June, including Lifecycle Service	€ million	1,004.6	980.4	+2.5%
EBITDA	€ million	116.8	100.7	+16.0%
EBIT	€ million	78.3	62.7	+24.9%
EBT	€ million	79.7	64.0	+24.5%
Net income	€ million	55.6	44.2	+25.8%
Earnings per share	€	1.81	1.47	+23.1%
Capital expenditure for PP&E and intangible assets	€ million	38.1	36.1	+€2.0m
Free cash flow	€ million	–54.3	–88.7	+€34.4m
Net cash and cash equivalents	€ million	128.6	18.2	+€110.4m
ROCE (liabilities side)	%	15.6	13.2	–
ROCE (assets side)	%	12.9	10.7	–
Employees at 30 June				
Worldwide		12,057	11,580	+477
Germany		9,012	8,900	+112
Outside Germany		3,045	2,680	+365

Key figures for Q2 2013		1 Apr–30 Jun 2013	1 Apr–30 Jun 2012	Change
Revenue	€ million	694.1	641.1	+8.3%
New orders, cumulative, including Lifecycle Service	€ million	697.6	668.0	+4.4%
EBITDA	€ million	59.4	50.2	+18.3%
EBIT	€ million	39.9	31.2	+27.9%
EBT	€ million	40.8	31.5	+29.5%
Net income	€ million	28.7	21.9	+31.1%
Earnings per share	€	0.92	0.73	+ 26.0%

Letter from the Executive Board

Dear shareholders and friends of KRONES,

KRONES took important steps to secure the company's future as part of our Value strategy programme thus far in the first half of 2013. On behalf of the entire Executive Board, I would like to thank our employees for their excellent work implementing the Value programme. We will continue to expand our international service business and improve logistics within our entire value chain.

KRONES acquired a stake in KLUG GmbH at the start of the year. At the same time, we signed a cooperation agreement with the company to ensure that KRONES can continue to deliver logistics solutions to our customers. KRONES had decided to discontinue its own loss-making material flow technology/intralogistics operations in 2013.

We are pleased to report that Value is increasingly bearing fruit. Although the macroeconomic environment remained challenging in the first two quarters of 2013, KRONES continued to grow profitably. In the period from January to June 2013, revenue increased 6.8% year-on-year to €1,377.5 million. New orders were up 4.1% to €1,382.8 million. Earnings before taxes improved in the first six months of 2013, from €64.0 million in the year-earlier period to €79.7 million. We remain cautiously optimistic for the second half of 2013.

The stand-out event for the second half of the year will be the »drinktec«, the world's premier trade fair for the international beverage and packaging industry. We have prepared well for the fair, which will take place from 16 to 20 September in Munich. KRONES will present several highlights from its product range. We look forward to inspiring decision-makers from the international beverage industry with our innovations and further strengthening our foundations for long-term profitable growth.

Volker Kronseder
Chairman of the Executive Board

Mounting concerns over Europe

The overall economic outlook worsened in the second quarter. The IMF has lowered its global growth forecast from 3.3% to 3.1% for 2013.

The economic situation in the euro area remains difficult. Major national economies such as France, Italy, and Spain are in recession. There is little hope that the situation will improve in the short term. For this reason, the International Monetary Fund (IMF) revised its economic forecast for the euro zone downward in July. The IMF is now predicting a 0.6% year-on-year contraction of the single currency area's economy for 2013 instead of 0.3% as previously forecast.

IMF economists have lowered their 2013 growth forecast for the emerging markets slightly, from 5.3% to 5.0%. Economic trends in these countries will vary. Whereas growth is expected to accelerate in large portions of Africa and Latin America, it is slowing in Russia. Despite its latest downward revision, the IMF expects the Chinese economy to grow at the same rate as last year, 7.8%.

For the USA, the IMF is relatively optimistic despite the country's continued budget woes and is forecasting 1.7% GDP growth for 2013. In Japan, where extremely loose monetary policy is supporting the economy, GDP is expected to increase by 2.0% in 2013. In all, the IMF concluded in July that the global economy would likely grow more slowly than expected in 2013. The IMF has lowered this growth forecast for this year from 3.3% to 3.1%.

Rising demand for packaging machinery

New orders for German machinery and equipment were 5% lower year-on-year in May 2013. Whereas the value of orders from abroad stagnated, domestic orders dropped 14%. In the period from January to May 2013, new orders in the industry were 1% lower than a year earlier.

In light of the weak first five months of 2013, the German Engineering Federation (VDMA) lowered its forecast for the industry's output for the year as a whole. Instead of 2% growth, the VDMA is now predicting a 1% contraction of output in 2013.

Packaging machinery subsegment is stronger than the rest of the industry.

For the subsegment packaging machinery, the VDMA is predicting 4% growth.

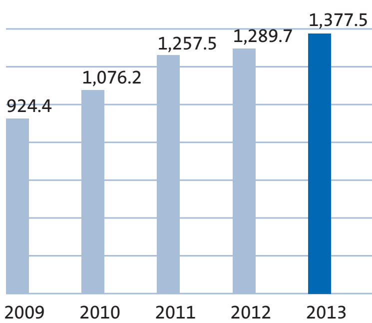
KRONES in figures
Revenue

KRONES sales revenue up 6.8% in the first half

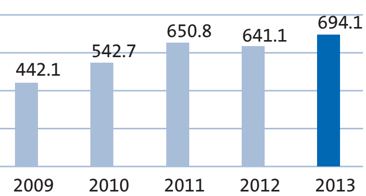
Despite the slight worsening of the macroeconomic environment in the past months, KRONES' growth picked up in the second quarter of 2013. From April to June, revenue increased 8.3% over the year-earlier period from €641.1 million to €694.1 million. KRONES' strong position on the emerging markets was a significant growth driver. We continue to further expand our stable, profitable services business in these markets.

KRONES' growth gained momentum in the second quarter of 2013.

Revenue from 1 January to 30 June (€ million)

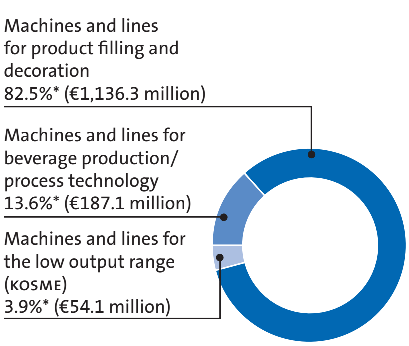


Revenue in Q2 (€ million)



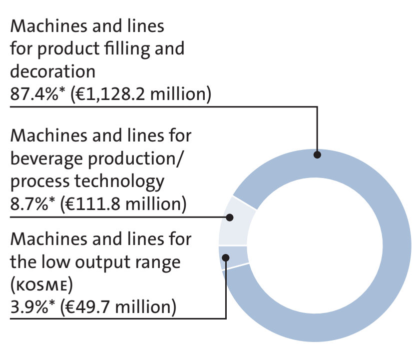
Revenue was up 6.8% year-on-year in the first six months of 2013, from €1,289.7 million to €1,377.5 million. Revenue was up in all three of KRONES' segments. At +67.3%, revenue in our »machines and lines for beverage production/process technology« segment rose the most dramatically (see p. 15–16 for details).

Revenue by segment from 1 Jan to 30 Jun 2013



* Share of consolidated revenue of €1,377.5 million

Revenue by segment from 1 Jan to 30 Jun 2012



* Share of consolidated revenue of €1,289.7 million

Revenue by region

Our German customers' capital spending increased over the past several months. In the first half of the year, KRONES' revenue in our home market was up 6.8% to €149.3 million. Thus, as in the previous year, the company generated 10.8% of consolidated sales in Germany.

KRONES achieved the steepest improvement in revenue in the Western Europe, Middle East/Africa, and Asia-Pacific sales regions.

Despite the unfavourable economic situation in Europe, KRONES' business in Europe (excluding Germany) fared very well in the first half of 2013. That underscores the fact that we, as a provider of products and services for the food and beverage industries, are not heavily dependent on economic cycles. Revenue in Western Europe was up 31.0% year-on-year to €238.6 million. Business slowed considerably in Eastern Europe and the Russia/CIS region. Revenue was down by around 30% year-on-year in each of these regions in the first six months of 2013.

The Middle East/Africa sales region, which is now KRONES' biggest market, saw the steepest growth in the reporting period. Revenue here rose 47.3% to €246.6 million. While revenue in China was down slightly from the very high year-earlier figure (–5.5%), revenue in the rest of the Asia-Pacific region was up 16.0%. Revenue in the Americas was lower year-on-year in the first half. Revenue declined 19.3% in South America/Mexico and dipped 5.3% in North and Central America. However, KRONES expects these markets to stabilise in the second half. Overall, the share of revenue KRONES generated on the emerging markets came to 57.7% (previous year: 59.4%).

KRONES Group revenue by region

Share of consolidated revenue	30 June 2013		30 June 2012		Change
	€ million	%	€ million	%	%
Germany	149.3	10.8%	139.8	10.8%	+6.8
Central Europe (excluding Germany)	47.9	3.5%	45.0	3.5%	+6.4
Western Europe	238.6	17.3%	182.1	14.1%	+31.0
Eastern Europe	44.5	3.2%	63.2	4.9%	–29.6
Russia, Central Asia (CIS)	43.7	3.2%	62.6	4.9%	–30.0
Middle East/Africa	246.6	17.9%	167.4	13.0%	+47.3
Asia-Pacific	188.2	13.7%	162.2	12.6%	+16.0
China	135.8	9.9%	143.8	11.1%	–5.5
South America/Mexico	135.1	9.8%	167.5	13.0%	–19.3
North and Central America	147.8	10.7%	156.1	12.1%	–5.3
Total	**1,377.5**	**100.0%**	**1,289.7**	**100.0%**	**+6.8**

New orders and orders on hand

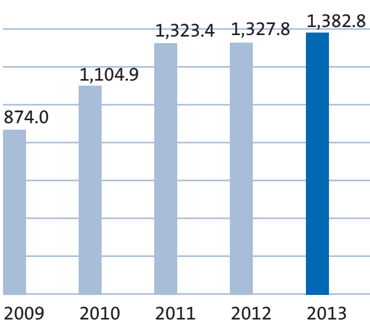
New orders rise according to plan

New orders at KRONES were up 4.1% year-on-year in the period from January to June 2013, to €1,382.8 million (previous year: €1,327.8 million). The biggest growth in new orders came from Asia-Pacific and our South America sales region. Because our focus is on profitable growth, KRONES consciously chose not to accept unprofitable orders in the reporting period.

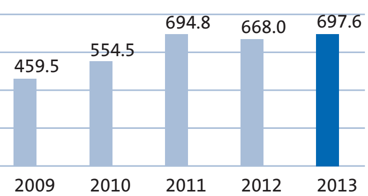
Demand for KRONES products and services was up in the reporting period.

At €697.6 million, new orders in the second quarter of 2013 were up 4.4% year-on-year (previous year: €668.0 million). In the period from April to June, demand from the important sales region USA stabilised.

New orders from 1 January to 30 June (€ million)



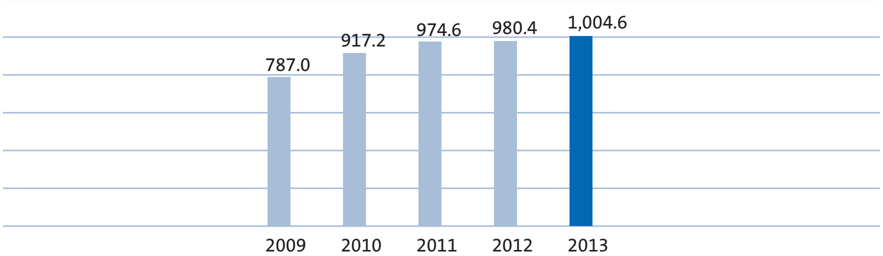
New orders in Q2 (€ million)



Orders backlog of around €1bn ensures stable capacity utilisation

KRONES is entering the second half of 2013 with an orders backlog of €1,004.6 million, which is 2.5% more than a year earlier. The comfortable orders cushion provides a solid basis for balancing our capacity utilisation over the rest of the year.

Orders on hand at 30 June (€ million)

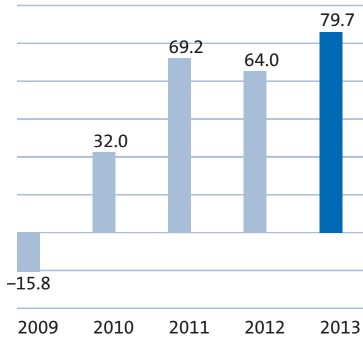


KRONES improves profitability

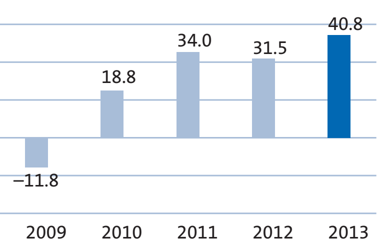
The company generated earnings before taxes (EBT) of €79.7 million in the period from January to June 2013. That is up 24.5% over the previous year. The EBT margin, the ratio of earnings before taxes to revenue, improved from 5.0% in the previous year to 5.8%. The measures with which KRONES is increasing efficiency as part of the Value programme contributed significantly to the higher margin. There were no positive effects from market prices.

KRONES' EBT margin was 5.9% for the second quarter of 2013 (previous year: 4.9%).

Earnings before taxes (EBT) from 1 January to 30 June
(€ million)



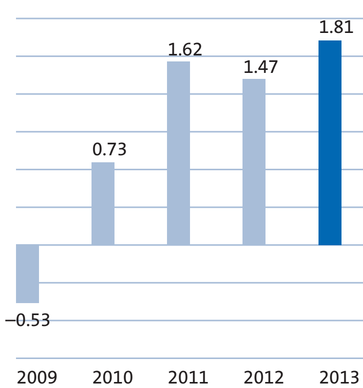
Earnings before taxes (EBT) in Q2
(€ million)



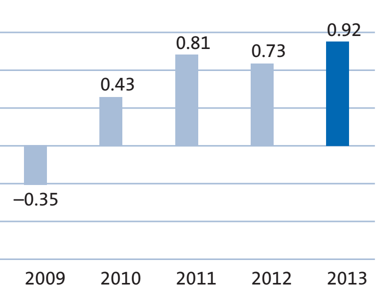
Net income improved 25.8% in the first half of 2013 to €55.6 million. As a result, earnings per share were up from €1.47 to €1.81.

Second-quarter EBT in 2013 was up 29.5% year-on-year, from €31.5 million to €40.8 million. The EBT margin improved from 4.9% to 5.9% for the second quarter. In all, in the period from April to June 2013, KRONES' net income was up 31.1% to €28.7 million. That corresponds to earnings per share of €0.92 (previous year: €0.73).

Earnings per share from 1 January to 30 June (€)



Earnings per share in Q2 (€)



KRONES Group earnings structure

€ million	2013 1 Jan–30 Jun	2012 1 Jan–30 Jun	Change %
Revenue	**1,377.5**	**1,289.7**	**+6.8**
Changes in inventories of finished goods and work in progress	–0.4	–15.3	–
Total operating performance	**1,377.1**	**1,274.4**	**+8.1**
Goods and services purchased	–684.7	–619.3	+10.6
Personnel expenses	–414.1	–406.0	+2.0
Other operating income (expenses) and own work capitalised	–161.5	–148.4	+8.8
EBITDA	116.8	100.7	+16.0
Depreciation and amortisation on non-current assets	–38.5	–38.0	+1.3
EBIT	**78.3**	**62.7**	**+24.9**
Financial income	1.4	1.3	+7.7
EBT	**79.7**	**64.0**	**+24.5**
Income tax	–24.1	–19.8	+21.7
Consolidated net income	**55.6**	**44.2**	**+25.8**

In the period from January to June 2013, KRONES increased sales revenue 6.8% to €1,377.5 million. Total operating performance increased 8.1% to €1,377.1 million. Despite the disproportionate increase in goods and services purchased, KRONES was able to increase earnings performance as planned in the first half of 2013.

Higher expenses for goods and services purchased were offset by cost reductions in other areas.

Expenses for goods and services purchased rose 10.6% year-on-year to €684.7 million in the reporting period, due largely to shifts in the product mix. As a result, the ratio of goods and services purchased to total operating performance increased from 48.6% in the year-earlier period to 49.7% in the first half of 2013.

Personnel expenses were up just 2.0% from €406.0 million in the previous year to €414.1 million in the first half of 2013. As a result, the ratio of personnel expenses to total operating performance declined from 31.9% in the year-earlier period to 30.1%. This development was based on efficiency improvements in production that were made as part of the Value programme.

The net of other operating income and expenses and own work capitalised increased 8.8% to –€161.5 million (previous year: –€148.4 million). Depreciation and amortisation of non-current assets increased slightly to €38.5 million (previous year: €38.0 million). Earnings before interest and taxes (EBIT) amount to €78.3 million (+24.9%). With financial income at €1.4 million (previous year: €1.3 million), earnings before taxes (EBT) came to €79.7 million for the first half of 2013 after €64.0 million in the year-earlier period. Because our tax rate decreased slightly, from 30.9% to 30.2%, the percentage increase in consolidated net income (25.8%) was slightly larger than the percentage increase in earnings before taxes (24.5%).

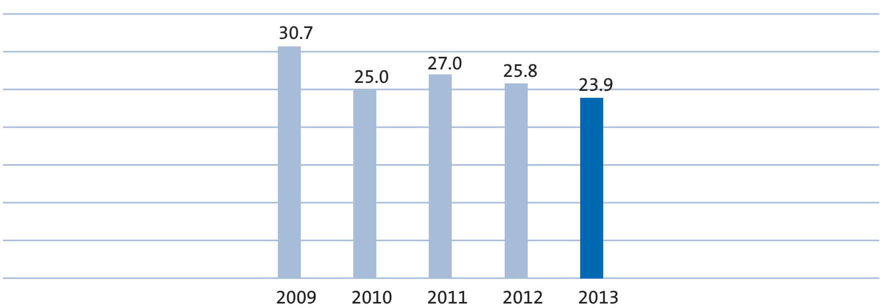
Consolidated cash flow

KRONES Group consolidated cash flow

€ million	2013 1 Jan–30 Jun	2012 1 Jan–30 Jun	Change € million
Earnings before taxes	79.7	64.0	+15.7
Cash flow from operating activities	–15.1	–54.8	+39.7
Cash flow from investing activities	–39.2	–33.9	–5.3
Free cash flow	**–54.3**	**–88.7**	**+34.4**
Cash flow from financing activities	50.0	80.6	–30.6
Net change in cash and cash equivalents	–4.3	–8.1	+3.8
Change in cash and cash equivalents arising from exchange rates	0.0	0.3	–0.3
Cash and cash equivalents at the beginning of the period	132.9	125.5	+7.4
Cash and cash equivalents at the end of the period	**128.6**	**117.7**	**+10.9**

In the period from January to June 2013, KRONES' cash flow from operating activities improved by €39.7 million over the year-earlier period to –€15.1 million. This was due to the better earnings figure as well as higher provisions. While receivables declined further despite the increase in revenue, liabilities and advances received were down sharply. In all, the company increased working capital only slightly year-on-year in the reporting period, to €157.1 million (previous year: €150.1 million). The ratio of average working capital for the past 12 months to sales revenue was down from 25.8% to 23.9%. That puts us on target to reach our goal of 24% for the year 2013 as a whole.

KRONES Group working capital to sales from 1 January to 30 June (%) (LTM)



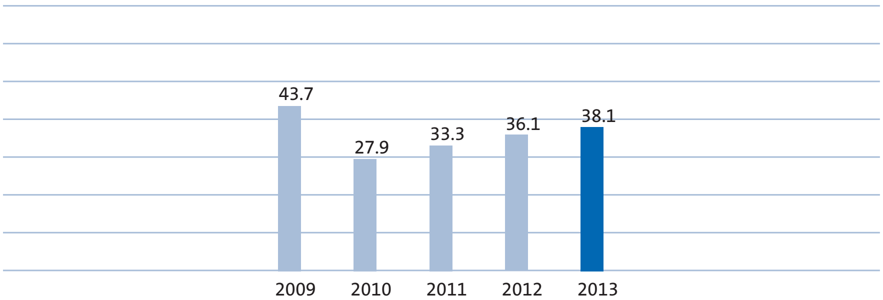
The ratio of working capital to revenue decreased from 25.8% in the previous year to 23.9% in the first half of 2013.

KRONES invested €38.1 million in intangible assets and property, plant and equipment during the reporting period (previous year: €36.1 million). Free cash flow (cash flow from operating activities less capital expenditure) came to –€54.3 million for the first half of 2013, a €34.4 million improvement on the year-earlier figure. In our business, it is not unusual for free cash flow to be negative at various points throughout the year.

Total cash flow from financing activities was down to €50.0 million, from €80.6 million in the year-earlier period. We should note here that the company paid out a record dividend of €23.7 million in the reporting period (previous year: €18.1 million) and took out no bank loans whereas proceeds from new borrowing had come to

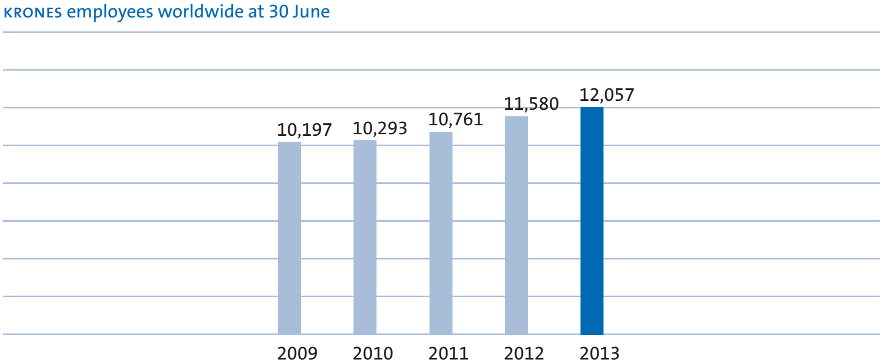
€99.5 million in the year-earlier period. The lack of these inflows during the reporting period was not quite offset by the €73.7 million sale of treasury shares. All told, KRONES had cash and cash equivalents of €128.6 million at 30 June 2013 (previous year: €117.7 million).

Capital expenditure for PP&E and intangible assets from 1 January to 30 June (€ million)



Employees

KRONES employees worldwide at 30 June



KRONES has 12,057 employees worldwide

KRONES' workforce has grown steadily over the past few years. This trend continued in the first half of 2013. At the end of June 2013, the number of employees was up by 477 over the previous year to 12,057. Of these, 9,012 worked in Germany (112 more than at the end of the first half of 2012). The number of employees outside Germany increased more sharply. KRONES' team abroad grew by 365 people to 3,045. This growth reflects the company's internationalisation strategy.

KRONES' internationalisation strategy is reflected in the growing share of group employees working abroad.

KRONES attaches great importance to training young people. We view providing the best possible training opportunities as an important investment in the future of both young people and our company. KRONES was training 416 young people (previous year: 376) at the end of June 2013.

KRONES Group asset and capital structure

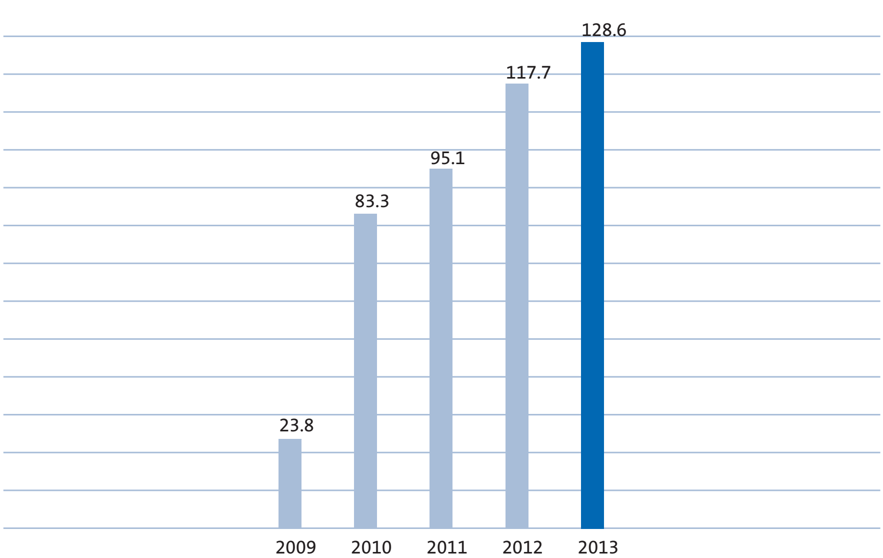
€ million	30 Jun 2013	31 Dec 2012	31 Dec 2011	31 Dec 2010
Non-current assets	641	625	597	569
of which fixed assets	590	587	555	519
Current assets	1,390	1,445	1,443	1,317
of which cash and equivalents	129	133	125	147
Equity	883	783	785	759
Total debt	1,148	1,287	1,255	1,127
Non-current liabilities	222	208	134	125
Current liabilities	926	1,079	1,121	1,002
Total	**2,031**	**2,070**	**2,040**	**1,886**

At 30 June 2013, KRONES had total assets amounting to €2,031.1 million, which is 1.9% less than at the end of 2012 despite the increase in business volume. The decrease in the reporting period was due primarily to lower receivables from customers and lower advances received.

KRONES' liquidity and equity position remain very strong.

Non-current assets were up slightly in the first half. At 30 June 2013, KRONES had non-current assets totalling €640.5 million (31 December 2012: €625.1 million). Within this figure, property, plant and equipment, intangible assets, and non-current financial assets (referred to collectively as »fixed assets« in this report) totalled €590.4 million (31 December 2012: €586.5 million), of which €459.4 million were property, plant and equipment. Intangible assets, which consist primarily of development costs that must be capitalised, were up to €124.5 million at 30 June (31 December 2012: €119.1 million).

Cash and cash equivalents at 30 June (€ million)



Current assets amounted to €1,390.6 million at the end of the reporting period, which is 3.7% less than at 31 December 2012. The change was due to an €8.9 million decrease in inventories and a €37.2 million decrease in trade receivables to €522.7 million. Cash and cash equivalents decreased slightly, from €132.9 million to €128.6 million during the reporting period.

KRONES reduced current assets such as inventories and receivables from customers in the first half of 2013.

KRONES' non-current liabilities, consisting largely of provisions for pensions and other personnel provisions, increased to €222.0 million at 30 June 2013 (31 December 2012: €208.6 million). The company had no non-current bank debt at 30 June 2013.

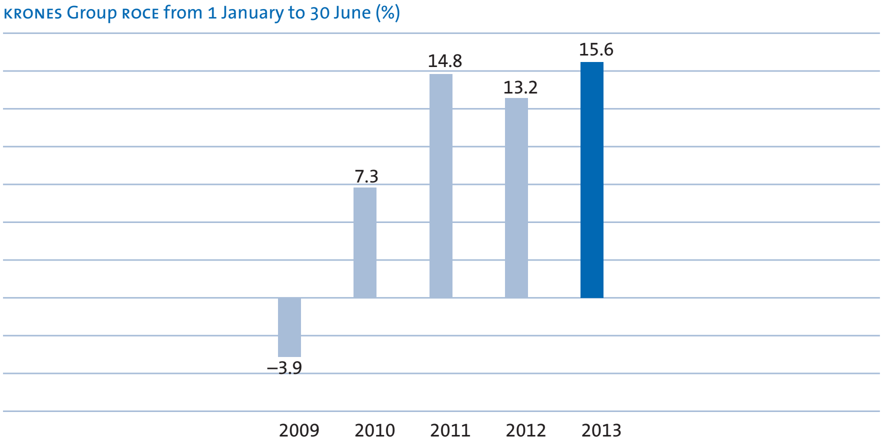
Current liabilities were down by €152.1 million compared with the end of the year 2012 to €926.2 million. The change resulted from a reduction in trade payables and lower advances received. At 30 June 2013, KRONES had no non-current bank debt.

Our positive first-half earnings and the sale of treasury shares in the second quarter of 2013 pushed equity up from €782.7 million at the reporting date for 2012 to €882.9 million at 30 June 2013. As a result, our equity ratio was 43.5% at 30 June (31 December 2012: 37.8%). With net cash and cash equivalents (cash and cash equivalents less bank debt) of €128.6 million, KRONES still has an extremely robust financial and capital structure.

ROCE up to 15.6%

KRONES improved its return on capital employed (ROCE), that is the ratio of EBIT to average net tied-up capital, to 15.6% in the first half of 2013 (previous year: 13.2%). The dramatic improvement in EBIT was primarily responsible for the change. This puts us on track to achieve our ROCE target of 15% for the year 2013 as a whole.

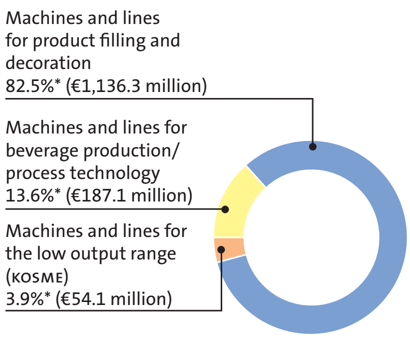
KRONES Group ROCE from 1 January to 30 June (%)



KRONES improved ROCE considerably.

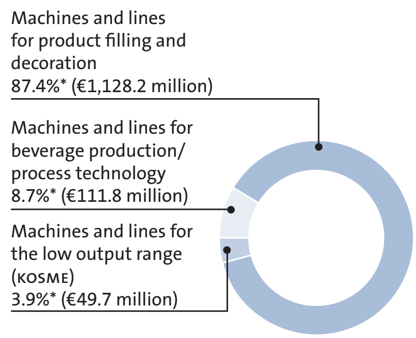
Report from the segments

Revenue by segment from 1 Jan to 30 Jun 2013



* Share of consolidated revenue of €1,377.5 million

Revenue by segment from 1 Jan to 30 Jun 2012



* Share of consolidated revenue of €1,289.7 million

Segment revenue

The biggest percentage increase in revenue in the first half of 2013 came in the »machines and lines for beverage production/process technology« segment.

Sales in our core segment, »machines and lines for product filling and decoration«, increased 0.7% to €1,136.3 million in the first half of 2013 (previous year: €1,128.2 million). This change was within our expectations. For the financial year as a whole, we also expect growth in our core segment to be slight. Our biggest segment's share of consolidated revenue decreased year-on-year from 87.4% to 82.5% in the first half of 2013.

Revenue in our »machines and lines for beverage production/process technology« segment increased sharply in the months from January through June 2013. Segment revenue was up 67.3% year-on-year from €111.8 million to €187.1 million. This strong growth was driven primarily by large projects for international breweries that were invoiced in the first half. This trend will continue over the entire year. The segment contributed 13.6% of consolidated sales in the first half of 2013 (previous year: 8.7%).

Revenue in our smallest segment, »machines and lines for the low output range (KOSME)«, increased as planned in the first six months of 2013. Segment revenue improved 8.9% from €49.7 million in the year-earlier period to €54.1 million. We are quite satisfied with this figure given the difficult macroeconomic environment in Europe, KOSME's main sales market. As in the previous year, the segment contributed 3.9% of consolidated revenue in the reporting period.

Segment earnings

KRONES started the financial year 2013 with the aim of increasing earnings slightly in our biggest segment, »machines and lines for product filling and decoration«. Our first-half earnings have us well on our way to achieving this goal. Earnings before taxes (EBT) rose 5.6% year-on-year, from €75.3 million to €79.5 million in the reporting period. The EBT margin, the ratio of segment earnings before taxes to segment revenue, advanced from 6.7% to 7.0%. This largely reflects progress achieved under the Value programme.

Earnings improved in all three of KRONES' segments in the first half of 2013.

The earnings situation in our »machines and lines for beverage production/process technology« segment improved considerably in the first half of 2013. Earnings before taxes rose from –€7.5 million in the previous year to +€0.3 million in the reporting period. Alongside strong revenue growth, cost savings contributed to the successful turnaround. In all, after four years of losses, KRONES is on track to break even in the process technology segment in 2013 as planned.

In the »machines and lines for the low output range (KOSME)« segment, earnings before taxes were –€0.1 million in the first half of 2013 (previous year: –€3.8 million). KOSME's second-quarter EBT was even slightly positive at €0.1 million. Optimised cost and sales structures certainly paid off. Our target for KOSME for the year 2013 as a whole is also to break even.

Product filling and decoration		2013 1 Jan–30 Jun	2012 1 Jan–30 Jun
EBT	€ million	79.5	75.3
EBT margin	%	7.0	6.7

Beverage production/process technology		2013 1 Jan–30 Jun	2012 1 Jan–30 Jun
EBT	€ million	0.3	–7.5
EBT margin	%	0.2	–6.7

KOSME		2013 1 Jan–30 Jun	2012 1 Jan–30 Jun
EBT	€ million	–0.1	–3.8
EBT margin	%	–0.2	–7.6

Risk management system is being implemented and is always evolving

KRONES is exposed to a variety of risks that are inextricably linked with doing business globally. We continuously monitor all significant business processes to identify risks early and to actively manage and limit them. An internal control system with which we record, analyse, and assess all relevant risks is an integral part of KRONES' 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. We conduct a profitability analysis on all of our quotes before accepting any order. For orders that exceed a specified volume, we also 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. Thus, risk management at KRONES begins before risks arise.

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 in a timely manner.

Risk planning and control

We use the following tools to plan our business activities and control risk within our risk monitoring and 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, and 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 beginning on page 94 of our 2012 Annual Report. In the reporting period from 1 January to 30 June 2013, there were no material changes with respect to the statements made in the annual report regarding the company's key risks.

Report on expected developments

We remain cautiously optimistic about the outlook for the global economy in 2013. The markets in South America, Africa, the Middle East, and Asia offer good prospects for growth. KRONES intends to grow further in these regions.

The North American market, which already recovered in 2012, is expected to remain stable in 2013. We deem the euro area markets to be relatively stable despite the continuing euro debt crisis.

KRONES raises earnings forecast for 2013

KRONES intends to grow by 4% and generate an EBT margin of 5.8% to 6.0% in 2013.

KRONES' focus for 2013 within the Value strategy programme is on the pillars growth and profitability. In our core segment, machines and lines for product filling and decoration, we intend to further improve cost structures and make them more flexible in order to offset future cost increases. We intend to break even in the process technology and KOSME segments in 2013 by means of a variety of measures, some of which have already been implemented. Expanding our international service structures and LCS Centres to ensure that we can provide our customers with the best services and products fast is an important factor for profitable growth in all three segments.

The first successes as a result of measures taken under Value have KRONES' earnings slightly better than planned at the end of the first half of 2013. For this reason, the Executive Board has raised its forecast for our EBT margin (earnings before taxes to sales) for the year 2013 as a whole to between 5.8% and 6.0% (previous forecast: over 5.5%). With that, we have made good progress this year toward our medium-term target of 7%. Because the overall economic outlook remains uncertain, we are leaving our forecast for revenue growth for 2013 at 4%. We expect no support from price levels.

We are confident that we will achieve our third strategy target, ROCE of 15%, in 2013. Our medium- to long-term target is 20%. KRONES also expects free cash flow for the year 2013 as a whole to be improved over the previous year on higher earnings and lower working capital.

According to forecasts by leading economic research institutions, the overall economic picture is likely to improve only slightly in 2014. Nevertheless, we intend to further improve our key performance indicators in 2014.

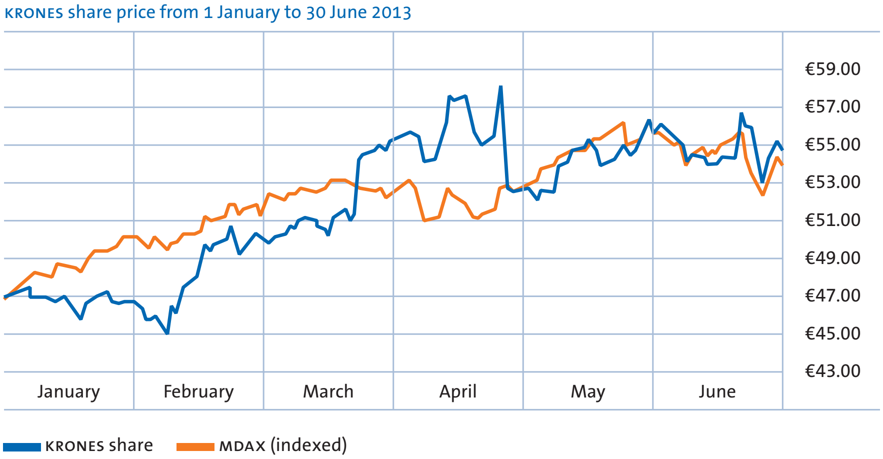
Fears of an interest-rate turnaround slow stock market rally

Current news on the euro and sovereign debt crises dominated activity on the stock markets for quite some time in the first six months of 2013. Germany's blue-chip index, the DAX, started the year 2013 at around 7,600 points, took some wild ups and downs, and hit a new record high of 8,556 points on 22 May. Then share prices slumped worldwide. In the US, Fed Chairman Ben Bernanke indicated that the central bank's very loose monetary policy could soon come to an end. Poor economic data from China also weighed on sentiment. At the end of June, the DAX was down to just 7,759 points, posting a total gain of 4.6% for the first half of 2013.

Due to the unfavourable economic situation in several euro countries, the Euro Stoxx 50 dropped 1.3% in the first two quarters. The US stock markets developed favourably. The Dow Jones index rose 15.2% in the period from January through June 2013. Japan's stock market created a furore as the Japanese central bank's extremely loose monetary policy fuelled demand for shares and sent the Nikkei index soaring by around 30% in the first half of 2013.

KRONES share outperforms the MDAX

KRONES share price from 1 January to 30 June 2013



The KRONES share gained 16.4%, slightly more than the MDAX, in the first six months of 2013.

Germany's MDAX mid-cap index gained 15.0% in the first six months of 2013. Its strong performance was driven by continued high demand for shares of sound, growth-driven companies, of which there are many in the MDAX. KRONES' share price fared even better. At the end of June, it was up 16.4% from the start of the year to €54.69. Thus, the share price reflects the company's strong operating performance.

At the end of April, KRONES sold 1,425,421 treasury shares (4.51% of share capital) to institutional investors at €52.55 per share. Gross revenue from the sales came to €74.9 million. With the sale of the treasury shares, KRONES' free float rose to around 47% and the share's weighting within the MDAX increased.

KRONES held its annual shareholders' meeting in Neutraubling on 19 June. Shareholders approved all of the resolutions proposed for voting by a large majority. For the financial year 2012, KRONES paid a dividend of €0.75 per share, €0.15 more than for the previous year.

Separate income statement for the KRONES Group

€ million	2013 1 January – 30 June	2012 1 January – 30 June	Change %
Sales revenue	**1,377.5**	**1,289.7**	**+6.8**
Changes in finished goods inventories and work in progress	–0.4	–15.3	
Total operating performance	**1,377.1**	**1,274.4**	**+8.1**
Goods and services purchased	–684.7	–619.3	+10.6
Personnel expenses	–414.1	–406.0	+2.0
Other operating income (expenses) and own work capitalised	–161.5	–148.4	+8.8
Depreciation and amortisation on non-current assets	–38.5	–38.0	+1.3
EBIT	**78.3**	**62.7**	**+24.9**
Financial income (expense)	1.4	1.3	
Earnings before taxes	**79.7**	**64.0**	**+24.5**
Income tax	–24.1	–19.8	+21.7
Consolidated net income	**55.6**	**44.2**	**+25.8**
Profit share of non-controlling interests	0.0	0.0	
Profit share of KRONES Group shareholders	55.6	44.2	
Earnings per share (diluted/basic) in €	1.81	1.47	

€ million	2013 Q2	2012 Q2	Change %
Sales revenue	**694.1**	**641.1**	**+8.3**
Changes in finished goods inventories and work in progress	2.5	2.8	
Total operating performance	**696.6**	**643.9**	**+8.2**
Goods and services purchased	–344.2	–313.0	+10.0
Personnel expenses	–203.5	–200.0	+1.8
Other operating income (expenses) and own work capitalised	–89.5	–80.7	+10.9
Depreciation and amortisation on non-current assets	–19.5	–19.0	+2.6
EBIT	**39.9**	**31.2**	**+27.9**
Financial income (expense)	0.9	0.3	
Earnings before taxes	**40.8**	**31.5**	**+29.5**
Income tax	–12.1	–9.6	+26.0
Consolidated net income	**28.7**	**21.9**	**+31.1**
Profit share of non-controlling interests	0.0	0.0	
Profit share of KRONES Group shareholders	28.7	21.9	
Earnings per share (diluted/basic) in €	0.92	0.73	

KRONES Group statement of financial position

Assets € million	30 June 2013		31 December 2012	
Intangible assets	124.5		119.1	
Property, plant and equipment	459.4		464.9	
Non-current financial assets	6.5		2.5	
Fixed assets	**590.4**		**586.5**	
Deferred tax assets	23.3		21.6	
Trade receivables	18.4		8.5	
Income tax receivables	6.6		6.6	
Other assets	1.8		1.9	
Non-current assets		**640.5**		**625.1**
Inventories	639.5		648.4	
Trade receivables	522.7		559.9	
Current income tax receivables	3.5		12.6	
Other assets	96.3		90.7	
Cash and cash equivalents	128.6		132.9	
Current assets		**1,390.6**		**1,444.5**
Total		**2,031.1**		**2,069.6**

Equity and liabilities € million	30 June 2013		31 December 2012	
Equity		**882.9**		**782.7**
Provisions for pensions	144.3		141.1	
Deferred tax liabilities	32.5		21.1	
Other provisions	38.0		35.5	
Liabilities to banks	0.0		0.0	
Trade payables	5.0		6.8	
Other financial liabilities	0.9		2.2	
Other liabilities	1.3		1.9	
Non-current liabilities		**222.0**		**208.6**
Other provisions	136.0		128.7	
Provisions for taxes	14.5		14.0	
Liabilities to banks	0.0		0.0	
Advances received	353.1		497.2	
Trade payables	150.9		197.8	
Current income tax liabilities	0.6		0.6	
Other financial liabilities	13.8		14.9	
Other liabilities and accruals	257.3		225.1	
Current liabilities		**926.2**		**1,078.3**
Total		**2,031.1**		**2,069.6**

Statement of cash flows for the KRONES Group

€ million	2013 1 January – 30 June	2012 1 January – 30 June
Earnings before taxes	79.7	64.0
Depreciation and amortisation (reversals)	38.5	38.0
Increase (decrease) in provisions	47.9	–1.9
Deferred tax item changes recognised in profit or loss	–9.7	6.9
Interest expenses and interest income	0.1	–0.3
Gains and losses from the disposal of fixed assets	0.1	–0.1
Other non-cash expenses and income	0.3	0.2
Decrease (increase) in inventories, trade receivables, and other assets not attributable to investing or financing activities	39.3	–96.0
Decrease in trade payables and other liabilities not attributable to investing or financing activities	–196.4	–54.1
Cash generated from operating activities	**–0.2**	**–43.3**
Interest paid	–1.0	2.0
Income tax paid and refunds received	–13.9	–13.5
Cash flow from operating activities	**–15.1**	**–54.8**
Cash payments to acquire intangible assets	–18.1	–17.0
Proceeds from the disposal of intangible assets	0.1	0.2
Cash payments to acquire property, plant and equipment	–20.0	–19.1
Proceeds from the disposal of property, plant and equipment	1.0	0.8
Cash payments to acquire non-current financial assets	–0.4	–0.1
Proceeds from the disposal of non-current financial assets	1.3	0.0
Cash payments to acquire shares in affiliated companies	–5.0	0.0
Interest received	0.4	0.3
Dividends received	1.5	1.0
Cash flow from investing activities	**–39.2**	**–33.9**
Cash payments to company owners	–23.7	–18.1
Proceeds from the sale of treasury shares	73.7	0.0
Proceeds from new borrowing	0.0	99.5
Cash payments to pay lease liabilities	0.0	–0.8
Cash flow from financing activities	**50.0**	**80.6**
Net change in cash and cash equivalents	**–4.3**	**–8.1**
Change in cash and cash equivalents arising from exchange rates	0.0	0.3
Cash and cash equivalents at the beginning of the period	132.9	125.5
Cash and cash equivalents at the end of the period	**128.6**	**117.7**

Statement of changes in equity for the KRONES Group

€ 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 1 January 2012	**40.0**	**66.8**	**364.6**	**8.9**	**–37.9**	**310.8**	**753.2**	**0.0**	**753.2**
Dividend payment (€0.60 per share)						–18.1	–18.1		–18.1
Consolidated net income H1 2012						44.2	44.2	0.0	44.2
Currency differences				–0.7			–0.7		–0.7
Actuarial gains (losses) on pension plans					–0.5		–0.5		–0.5
Hedge accounting					1.7		1.7		1.7
At 30 June 2012	**40.0**	**66.8**	**364.6**	**8.2**	**–36.7**	**336.9**	**779.8**	**0.0**	**779.8**
Consolidated net income H2 2012						22.8	22.8	0.0	22.8
Withdrawals from profit reserves			0.0			0.0	0.0		0.0
Allocation to profit reserves			0.5			–0.5	0.0		0.0
Allocation to capital reserves		0.0				0.0	0.0		0.0
Changes in the consolidated group							0.0	0.0	0.0
Currency differences				–4.5			–4.5		–4.5
Actuarial gains (losses) on pension plans					–20.7		–20.7		–20.7
Hedge accounting					5.3		5.3		5.3
At 31 December 2012	**40.0**	**66.8**	**365.1**	**3.7**	**–52.1**	**359.2**	**782.7**	**0.0**	**782.7**
Dividend payment (€0.75 per share)						–23.7	–23.7		–23.7
Consolidated net income H1 2013						55.6	55.6	0.0	55.6
Sale of treasury shares		74.9	–1.2				73.7		73.7
Currency differences				–4.8			–4.8		–4.8
Actuarial gains (losses) on pension plans					–0.7		–0.7		–0.7
Hedge accounting					0.1		0.1		0.1
At 30 June 2013	**40.0**	**141.7**	**363.9**	**–1.1**	**–52.7**	**391.1**	**882.9**	**0.0**	**882.9**

Statement of comprehensive income

€ million	2013 1 January – 30 June	2012 1 January – 30 June
Consolidated net income	**55.6**	**44.2**
Items that will not be reclassified subsequently to profit or loss		
Actuarial gains (losses) on defined benefit pension plans and similar obligations	–0.7	–0.5
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation	–4.8	–0.7
Derivative financial instruments	0.1	1.7
	–4.7	1.0
Other comprehensive income	**–5.4**	**0.5**
Total comprehensive income	**50.2**	**44.7**
of which attributable to non-controlling interests	0.0	0.1
of which attributable to KRONES Group shareholders	50.2	44.6

Segment reporting

		Machines and lines for product filling and decoration		Machines and lines for beverage production/ process technology		Machines and lines for the low output range (KOSME)		KRONES Group	
		2013 1 Jan–30 Jun	2012 1 Jan–30 Jun	2013 1 Jan–30 Jun	2012 1 Jan–30 Jun	2013 1 Jan–30 Jun	2012 1 Jan–30 Jun	2013 1 Jan–30 Jun	2012 1 Jan–30 Jun
Sales revenue	€ million	1,136.3	1,128.2	187.1	111.8	54.1	49.7	1,377.5	1,289.7
EBT	€ million	79.5	75.3	0.3	–7.5	–0.1	–3.8	79.7	64.0
EBT margin		7.0%	6.7%	0.2%	–6.7%	–0.2%	–7.6%	5.8%	5.0%
Employees at 30 June*		10,616	10,164	643	660	498	487	11,757	11,311

* Consolidated group

General disclosures

Legal basis

The consolidated financial statements of KRONES AG (»KRONES Group«) for the period ended 30 June 2013 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.

The half-yearly report has not undergone a voluntary audit under § 317 of the German Commercial Code (HGB) or voluntary review.

Non-controlling interests in group equity, if applicable, 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.

If applicable, 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 30 June 2013 include all material domestic and foreign subsidiaries in which KRONES AG holds more than 50% of the voting rights.

KRONES acquired a 26% stake in KLUG GmbH Integrierte Systeme, Teunz, Germany, in 2013. Consolidation of the shareholding is done using the equity method of accounting.

Moreover, EVOGUARD GmbH, Nittenau, Germany, was established and acquisition accounting was done to include it in the consolidated group in the financial year 2013. The first-time consolidation of the new shares was effected at the time of establishment.

KRONES AG holds a direct 100% stake in this company.

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 »purchase 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.

If applicable, shares in the equity of subsidiaries that are not held by the parent company are reported as »non-controlling interests«.

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. 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 equity) 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	
		30 Jun 2013	31 Dec 2012	2013	2012
US dollar	USD	1.307	1.319	1.313	1.298
British pound	GBP	0.858	0.816	0.850	0.823
Swiss franc	CHF	1.235	1.207	1.230	1.205
Danish krone	DKK	7.459	7.461	7.457	7.435
Canadian dollar	CAD	1.370	1.312	1.334	1.305
Japanese yen	JPY	129.440	113.650	125.377	103.505
Brazilian real	BRL	2.873	2.700	2.669	2.416
Chinese renminbi (yuan)	CNY	8.020	8.215	8.200	8.194
Mexican peso	MXN	17.018	17.206	16.488	17.190
Ukrainian hryvnia	UAH	10.657	10.614	10.677	10.433
South African rand	ZAR	13.075	11.187	12.092	10.295
Kenyan shilling	KES	111.989	113.593	112.479	109.142
Nigerian naira	NGN	211.460	205.960	207.699	206.671
Russian ruble	RUB	42.780	40.249	40.740	39.686
Thai baht	THB	40.516	40.334	39.194	40.366
Indonesian rupiah	IDR	12,950.000	12,707.500	12,786.602	11,905.000
Angolan kwanza	AOA	125.303	126.640	126.086	123.669
Turkish lira	TRY	2.523	2.356	2.379	2.337

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 IAS 27.

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, because their 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 0.60%.

Goodwill

There is no goodwill in these consolidated accounts.

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 lives. 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.

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:

- 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 7.27A).

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. The currencies materially affected by this are the US dollar, Australian dollar, Canadian dollar, and British pound.

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 7.27A. Gains and losses from the measurement are recognised as profit or loss on the separate income statement and the statement of comprehensive income 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-than-market 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 business situation.

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 made 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 statement of financial position-oriented »liability method«, which 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 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.

Due to the amendment of IAS 19, »Employee benefits«, actuarial gains and losses are now only recognised in equity, specifically, in other comprehensive income as items that will not be reclassified subsequently to profit or loss.

The option of recognising actuarial gains and losses using the corridor method, which KRONES has exercised in the past, has been eliminated and prior-year figures must now be presented as if they have always been recognised directly in equity. We have adjusted the prior-year figures accordingly in this report.

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.

Shareholdings

Name and location of the company	Share in capital held by KRONES AG %*
neusped Neutraublinger Speditions-GmbH, Neutraubling, Germany	100.00
KIC KRONES Internationale Cooperations-Gesellschaft mbH, Neutraubling, Germany	100.00
ecomac Gebrauchtmaschinen GmbH, Neutraubling, Germany	100.00
EVOGUARD GmbH, Nittenau, Germany	100.00
MAINTEC Service GmbH, Collenberg/Main, Germany	100.00
KLUG GmbH Integrierte Systeme, Teunz, Germany	26.00
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 Nederland B.V., Bodegraven, Netherlands	100.00
KOSME Gesellschaft mbH, Sollenau, Austria	100.00
MAINTEC Service Ges.m.b.H., Dorf an der Pram, Austria	100.00
KRONES Spólka z.o.o., Warsaw, Poland	100.00
KRONES Portugal Equipamentos Industriais Lda., Barcarena, Portugal	100.00
KRONES O.O.O., Moscow, 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., Brampton, 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

Following fulfilment of the requirements for application of the German Codetermination Act [Mitbestimmungsgesetz] of 1976 in 1987, the Supervisory Board was extended from six to twelve members. Pursuant to § 8 (1) of the articles of association, six members are elected by the shareholders in accordance with the German Stock Corporation Act (§§ 96 (1) and 101). Six members are elected by the employees pursuant to §§ 1 (1) and 7 (1) Sentence 1 No. 1 of the Codetermination Act.

Supervisory Board

Ernst Baumann
Chairman of the Supervisory Board
* ZF FRIEDRICHSHAFEN AG

Werner Schrödl**
Chairman of the Central Works Council
Deputy Chairman of the Supervisory Board
* VERWALTUNGSRAT DER BAYERISCHEN BETRIEBSKRANKENKASSEN

Klaus Gerlach**
Senior Vice President
Material Management

Dr. Klaus Heimann**
Director of the Youth, Training and Qualification Policy Division of IG METALL

Dr. Jochen Klein
Managing director of I-Invest GmbH
* DÖHLER GMBH
* HOYER GMBH
* CONSORTIUM GASTRONOMIE GMBH

Norman Kronseder
Farmer and forester
* BAYERISCHE FUTTERSAATBAU GMBH

Philipp Graf von und zu Lerchenfeld
Member of the Bavarian Landtag, Dipl.-Ing. agr., auditor and tax consultant

Dr. Alexander Nerz
Attorney

Johann Robold**
Member of the Works Council

Petra Schadeberg-Herrmann
Managing partner at KROMBACHER FINANCE GMBH, SCHAWEI GMBH, DIVERSUM HOLDING GMBH & CO. KG

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

Josef Weitzer**
Deputy Chairman of the Works Council
* SPARKASSE REGENSBURG

Executive Board

Volker Kronseder
Chairman
Human Resources and Corporate Communications

Christoph Klenk
Finance and Information Management

Rainulf Diepold
Sales and Marketing

Werner Frischholz
Operations and Service

Thomas Ricker
Technology, Research and Development

* Other Supervisory Board seats held, pursuant to § 125 (1), Sentence 3 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.

Responsibility Statement

»To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the group, and the interim consolidated management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group over the remainder of the financial year.«

Neutraubling, July 2013

Volker Kronseder
Chairman of the
Executive Board

Christoph Klenk

Rainulf Diepold

Werner Frischholz

Thomas Ricker

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).
Deferred tax items	Temporary differences between the taxes calculated on the results reported on tax statements and those calculated on the results recognised in the financial statements under IFRSs. The purpose is to show the tax expense in relation to the result under IFRSs.
EBIT	Earnings before interest and taxes.
EBITDA	Earnings before interest, taxes, depreciation and amortisation.
EBT	Earnings before taxes.
EBT margin	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.
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.
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 »sales 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)

Financial calendar

19 September 2013	Analyst meeting at drinktec, Munich
24 October 2013	Interim report for the period ended 30 September
30 April 2014	Financial press conference and annual report for 2013
30 April 2014	Interim report for the period ended 31 March
25 June 2014	Annual shareholders' meeting
23 July 2014	Interim report for the period ended 30 June
23 October 2014	Interim report for the period ended 30 September

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This English language report is a translation of the original German »Bericht über den Zeitraum vom 1. Januar bis 30. Juni 2013«. In case of discrepancies the German text shall prevail.

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