



Q2

Interim report for the period
from 1 January to 30 June 2014

 **KRONES**

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Highlights and key figures

KRONES' Value strategy programme is working.

- Revenue increases 4.2% to €1,435.5 million in the first half.
- Earnings continue to gain strength. EBT margin grows from 5.8% to 6.2%.
- New orders improve by 5.7%.
- KRONES is cautiously optimistic that the company will achieve its targets for 2014 as a whole.

Key figures for H1 2014		1 Jan – 30 Jun 2014	1 Jan – 30 Jun 2013	Change
Revenue	€ million	1,435.5	1,377.5	+4.2%
New orders	€ million	1,461.9	1,382.8	+5.7%
Orders on hand at 30 June	€ million	1,018.8	1,004.6	+1.4%
EBITDA	€ million	127.8	116.8	+9.4%
EBIT	€ million	86.1	78.3	+10.0%
EBT	€ million	89.4	79.7	+12.2%
Net income	€ million	62.4	55.6	+12.2%
Earnings per share	€	1.98	1.81	+9.4%
Capital expenditure for PP&E and intangible assets	€ million	29.1	38.1	-9.0
Free cash flow	€ million	-19.6	-54.3	+34.7
Net cash and cash equivalents at 30 June	€ million	157.2	128.6	+28.6
ROCE (liabilities side)	%	15.9	15.6	-
ROCE (assets side)	%	13.4	12.9	-
Employees at 30 June				
Worldwide		12,374	12,057	+317
Germany		9,094	9,012	+82
Outside Germany		3,280	3,045	+235

Key figures for Q2 2014		1 Apr – 30 Jun 2014	1 Apr – 30 Jun 2013	Change
Revenue	€ million	732.5	694.1	+5.5%
New orders	€ million	723.1	697.6	+3.7%
EBITDA	€ million	64.7	59.4	+8.9%
EBIT	€ million	43.9	39.9	+10.0%
EBT	€ million	46.3	40.8	+13.5%
Net income	€ million	32.5	28.7	+13.2%
Earnings per share	€	1.03	0.92	+11.9%

Dear shareholders and friends of **KRONES**,

KRONES' team delivered a strong performance in the first half of 2014. Structural changes that were implemented at the start of the year are taking hold and our figures are right on target. Revenue and new orders were up 4.2% and 5.7% year-on-year in the period from January to June. Earnings before taxes improved 12.2% to €89.4 million.

We are confident going into the second half of 2014. Although the world economy is expected to continue to pick up speed, current geopolitical uncertainties make forecasting very difficult. Our continued implementation of the Value strategy programme will help us to grow profitably. A number of promising product launches from our innovation pipeline will make an important contribution here.

July began with two critical events. First, it became evident that we must take measures to cut costs at our subsidiary KOSME in Italy (Roverbella). Negotiations with the unions have begun and are ongoing. We intend to ensure the site's long-term future – even if that entails personnel reductions. KOSME continues to play an important strategic role for KRONES. Second, after weighing the benefits and risks, we opted to withdraw from the bidding process for assets of the now-insolvent KLUG GmbH. Intralogistics remains part of KRONES' strategy.

Overall, we are cautiously optimistic that the dedication of our people and our exceptional team spirit will lead us to a successful 2014 and secure us a strong starting position for 2015.



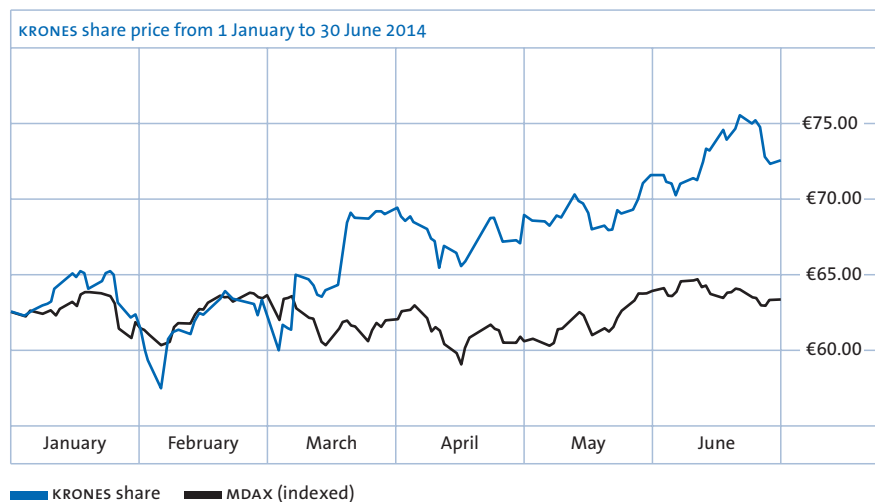
Volker Kronseder
Chairman of the Executive Board

KRONES share gains 16% in the first half

After the explosive year-end rally in 2013, many share indexes took a breather in the first quarter of 2014. The world's stock markets moved overwhelmingly upward again in the second quarter despite mild setbacks caused by geopolitical risks in Ukraine and Iraq and uncertainties over possible interest rate hikes in the USA. While the Dow Jones in the USA gained 3.0% in the first half, Japan's Nikkei index lost 6.9% in the same period after strong gains in the year-earlier period. European shares benefited from the modest economic recovery in the euro area. The EURO STOXX 50 index rose 3.8% in the reporting period. The DAX closed the first half up 2.9%. The MDAX, Germany's mid-cap index, recouped the slight loss from the first quarter and went on to post a gain of 1.9% for the first half.

The KRONES share fared much better in the reporting period. After a strong first quarter, the share continued to demonstrate its relative strength over the major German indices in the second quarter. Our shares outperformed in March and June in particular. Our preliminary revenue and earnings figures and the high dividend for 2013 contributed to this development. The share reached a new historic high of €75.80 on 23 June. After the €2.00 per share dividend payout, the share was still worth €72.39 at the middle of the year, closing the first half of 2014 with a gain of 16.0%. Including the dividend, the improvement came to 19.2%. With that, KRONES' share was once again one of the top performers within the MDAX.

KRONES held its annual shareholders' meeting on 25 June. The shareholders present (representing 82% of share capital) approved all of the resolutions proposed for voting by a large majority. KRONES paid its shareholders a dividend of €2.00 per share (previous year: €0.75) for the financial year 2013. The dividend includes a €1.00 per share bonus from the sale of our treasury shares.



The KRONES share outperformed the MDAX considerably in the period from January through June 2014.

Growth forecast for world economy lowered slightly

Economists with the International Monetary Fund (IMF) remain optimistic for 2014 and expect growth to be stronger than last year (+3.0%). However, they did lower their forecast for global economic growth slightly from 3.6% at the end of July (after this report went to press). The slower growth is due primarily to developments in the USA. The harsh winter there hit the US economy much harder than expected in the first quarter of 2014. As a result, gross domestic product (GDP) in the USA is expected to gain only 2.0% year-on-year instead of 2.8% as previously forecast. The IMF still believes the euro area can achieve modest growth after last year's recession. Euro area GDP is projected to increase 1.1% in 2014 (previous year: -0.5%). The economists expect Germany to do better than average, with 1.9% GDP growth.

The International Monetary Fund (IMF) lowered its 2014 growth forecast for the world economy in July.

After slackening a bit last year, the emerging and developing economies will likely gain momentum again in 2014. The strongest growth engines within the emerging markets are projected to be China, with GDP expected to grow by +7.5%, India (+5.4%), and sub-Saharan Africa (+5.4%). In all, the IMF is forecasting 4.9% economic growth for the emerging and developing economies for 2014, after 4.7% in the previous year.

However, the IMF also warns of threats to the global economy. Persistent low interest rates are one such risk. Geopolitical uncertainties like the recent crises in Ukraine, Israel, and Iraq can also have a negative impact on the global economy.

New orders in Germany's machinery sector still slightly below previous year

New orders in the German machinery sector were 2% lower in May 2014 than in the year-earlier period. Domestic orders rose 5% while export business was down 4% year-on-year. Orders from non-euro countries in particular continued to decrease. A less volatile three-month comparison of the period from March to May 2014 shows a 3% decline in new orders overall year-on-year. In this timeframe, domestic orders were up 9% and international orders were down 8%.

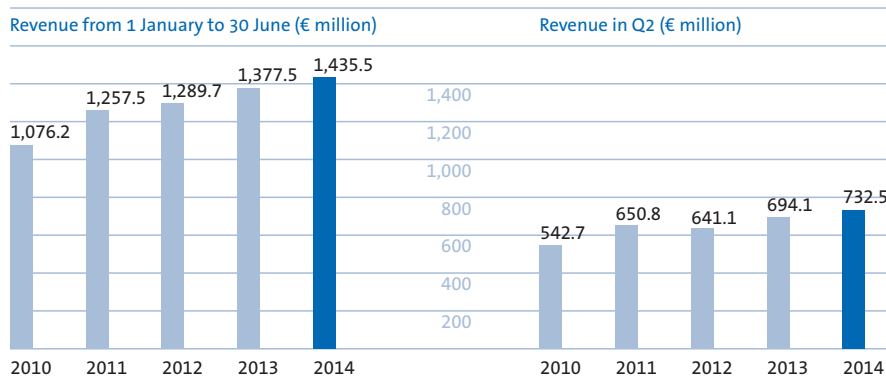
The German Engineering Federation (VDMA) is forecasting an uptrend in the sector for the second half of 2014.

Despite the year getting off to a slow start for Germany's machinery sector, the German Engineering Federation (VDMA) expects 2014 to see new orders increase and output for the year as a whole rise 3% over 2013. The food and packaging machinery subsector, which is relevant for KRONES, is likely to develop better than the industry as a whole.

Growth at KRONES picks up in the second quarter

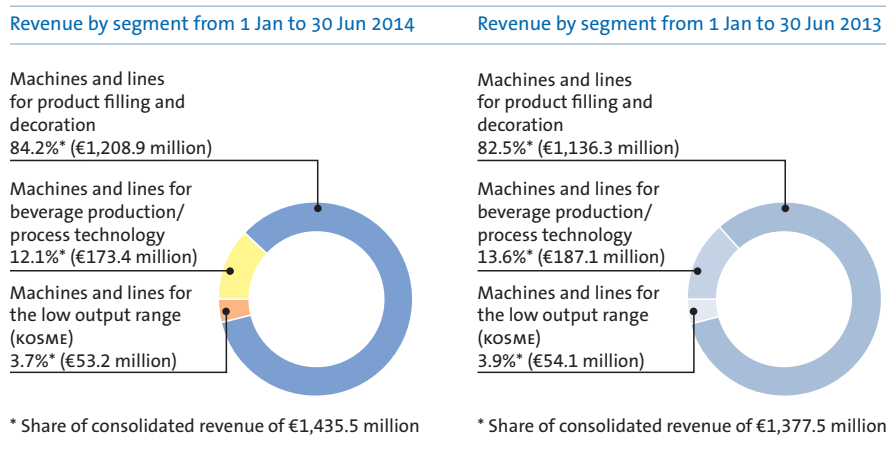
KRONES was able to accelerate its growth in the period from April to June 2014 over the first quarter. Revenue increased 5.5% year-on-year, from €694.1 million to €732.5 million. First-quarter revenue growth was 2.9% in 2014. The emerging markets contributed an important part of the growth, particularly the Asia-Pacific and South America sales regions.

Strong business in the emerging markets yielded a 4.2% increase in revenue for KRONES in the first half of 2014.



Revenue in the first half of the year was up 4.2% to €1,435.5 million. KRONES has a very broad footing in terms of both regional sales and its range of products and services. That enabled us to offset temporary shifts in demand in certain regions or product areas during the reporting period. The sound, steady growth of our services business continued in the first six months of 2014.

At the end of the first half, we are confident overall that we will achieve our revenue growth target of 4% for the year 2014 as a whole.



Revenue by region

KRONES' revenue in Germany was down 11.4% year-on-year in the first half of 2014, to €132.4 million. A large part of the decrease was due to the high year-earlier figure and normal fluctuations in ordering. Domestic revenue accounted for 9.2% of consolidated revenue in the first half of 2014 (previous year: 10.9%).

Business in Europe (excluding Germany) picked up somewhat in the reporting period. Revenue development in the individual regions varied widely. While revenue was up sharply in Central Europe (Austria, Switzerland, and the Netherlands) and in Russia/CIS, revenue was flat in Eastern Europe. Revenue declined 8.5% in Western Europe. Overall, revenue in Europe (excluding Germany) improved 3.4% year-on-year in the period from January to June 2014, to €397.9 million. That corresponds to a 27.7% share of consolidated revenue (previous year: 27.9%).

As expected, KRONES was able to recoup some of the first-quarter revenue deficit in the Middle East/Africa region in the second quarter of 2014. At €159.8 million, revenue was down by around one-third year-on-year in the first half. At the end of the first quarter, revenue was down 52.7% year-on-year. Business in China also picked up considerably in the second quarter. At the close of the first half, revenue there was up 1.7% year-on-year, to €129.2 million. First-quarter revenue was still down 41.8% from the same period of the previous year. Demand for KRONES products and services remained very high in the first half in the rest of the Asia-Pacific region. Revenue rose 53.8% to €289.5 million in this region.

KRONES also achieved high growth rates in the South America/Mexico sales region, which cannot be extrapolated to the year as a whole. At €210.1 million, revenue in the first half of 2014 exceeded the year-earlier period by around two-thirds. In contrast, revenue in the North and Central America region contracted 26.1% to €116.6 million.

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

KRONES generated 62.9% of consolidated revenue in the emerging markets in the first half (previous year: 56.2%).

KRONES Group revenue by region

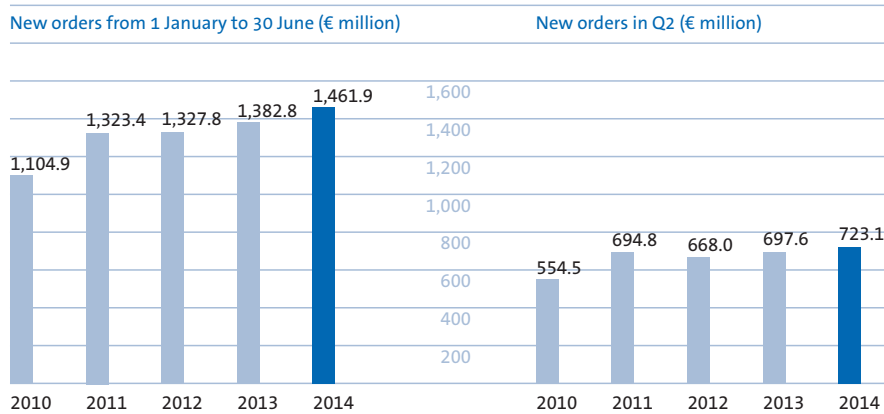
Share of consolidated revenue	30 June 2014		30 June 2013		Change
	€ million	%	€ million	%	
Germany	132.4	9.2	149.3	10.8	-11.4
Central Europe (excluding Germany)	46.7	3.3	37.9	2.8	+23.4
Western Europe	236.5	16.5	258.6	18.8	-8.5
Eastern Europe	44.1	3.1	44.5	3.2	-0.9
Russia, Central Asia (CIS)	70.6	4.9	43.8	3.2	+61.2
Middle East/Africa	159.8	11.1	244.6	17.8	-34.6
Asia-Pacific	289.5	20.2	188.2	13.7	+53.8
China	129.2	9.0	126.9	9.2	+1.7
South America/Mexico	210.1	14.6	126.1	9.2	+66.7
North and Central America	116.6	8.1	157.8	11.5	-26.1
Total	1,435.5	100.0	1,377.5	100.0	+4.2

New orders rose 5.7% in the first half

Demand for KRONES' products and services remained high in the period from January to June 2014. New orders increased 5.7% year-on-year from €1,382.8 million to €1,461.9 million. Orders in the Middle East/Africa, Asia-Pacific, and Central Europe sales regions developed especially well. In China, business was increasingly stable in the reporting period.

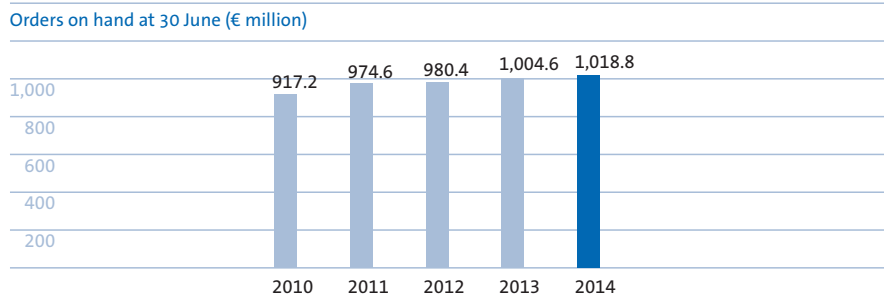
New orders at KRONES exceeded revenue in the first half of 2014.

New orders in the second quarter totalled €723.1 million, up 3.7% from the year-earlier period. We expect new orders growth for the year 2014 as a whole to be on par with revenue growth.



KRONES has a large orders backlog

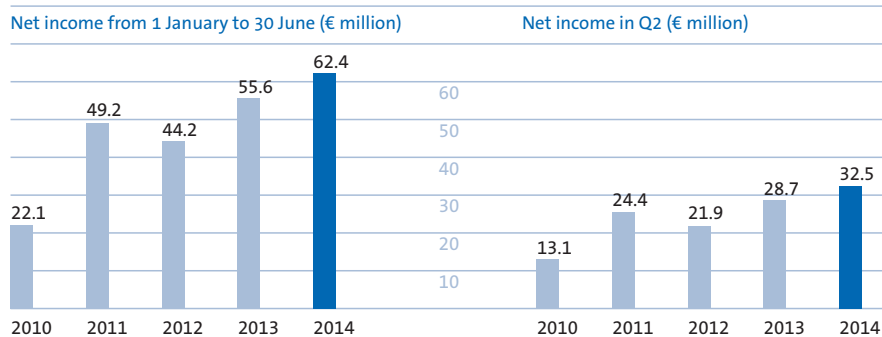
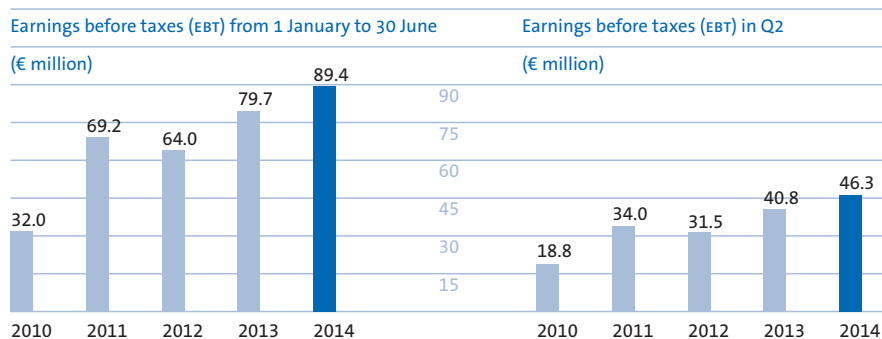
Given the strong demand, the volume of orders on hand increased in the period from January to June 2014 despite the increase in revenue. At 30 June, the company had orders on hand totalling €1,018.8 million. That is an increase of 1.4% over the previous year. The comfortable orders cushion ensures that KRONES will be able to balance capacity utilisation in the months ahead and serves as a good basis for achieving the company's growth target for 2014.



Strong EBT growth

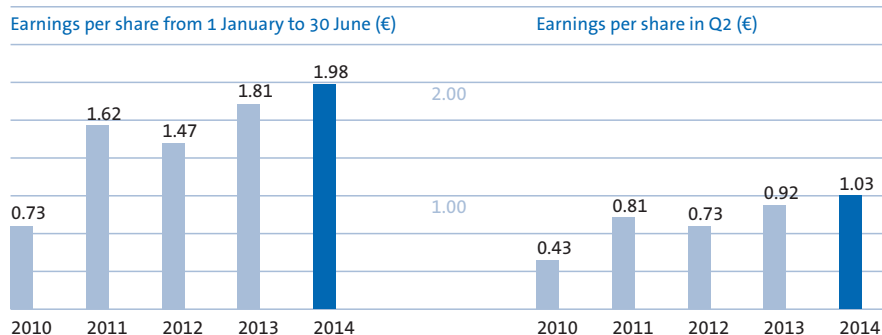
KRONES' markets were highly competitive the first half of 2014. There were no positive effects from prices. Nevertheless, we were able to improve earnings as planned. The Value strategy programme contributed significantly here as it has enabled us to progressively increase efficiency. From January to June 2014, earnings before taxes (EBT) were up 12.2% year-on-year, from €79.7 million to €89.4 million. The EBT margin, the ratio of earnings before taxes to segment revenue, rose from 5.8% to 6.2% year-on-year.

Measures taken under the Value strategy programme enabled KRONES to strengthen earnings as planned.



At €62.4 million after taxes, first-half net income was also up, 12.2% on the year-earlier period. That corresponds to earnings per share of €1.98 (previous year: €1.81).

Earnings before taxes improved 13.5% year-on-year to €46.3 million in the period from April to June 2014. The EBT margin improved from 5.9% to 6.3%. After taxes, net income for the second quarter of 2014 was up 13.2% on the year-earlier period to €32.5 million. Earnings per share rose from €0.92 to €1.03.



KRONES Group earnings structure

€ million	2014	2013	Change
	1 Jan–30 Jun	1 Jan–30 Jun	
Revenue	1,435.5	1,377.5	+ 4.2%
Changes in inventories of finished goods and work in progress	–32.7	–0.4	–
Total operating performance	1,402.8	1,377.1	+ 1.9%
Goods and services purchased	–671.2	–684.7	–2.0%
Personnel expenses	–434.0	–414.1	+ 4.8%
Other operating income (expenses) and own work capitalised	–169.8	–161.5	+ 5.1%
EBITDA	127.8	116.8	+ 9.4%
Depreciation and amortisation on non-current assets	–41.7	–38.5	+ 8.3%
EBIT	86.1	78.3	+ 10.0%
Financial income	3.3	1.4	–
EBT	89.4	79.7	+ 12.2%
Income tax	–27.0	–24.1	+ 12.0%
Consolidated net income	62.4	55.6	+ 12.2%

KRONES reduced its inventory of finished goods and work in progress by €32.7 million in the first half of 2014. As a result, the company's total operating performance increased 1.9% year-on-year in the reporting period, slightly less than revenue (4.2%).

KRONES' earnings were up thanks to lower expenditure for goods and services purchased, which was down 2.0% year-on-year to €671.2 million in the period from January to June 2014. The lion's share of the savings resulted from the Value strategy programme. KRONES is increasingly designing its machines to be modular and using a large number of same parts. That also enables us to obtain more favourable purchasing conditions. The ratio of goods and services purchased to total operating performance decreased from 49.7% in the year-earlier period to 47.9% in the first half of 2014.

Expenditure for goods and services purchased was down in the first half of 2014 despite higher total operating performance.

Personnel expenses were up 4.8% to €434.0 million in the reporting period, more sharply than total operating performance. This trend reflects the increase in pay rates. Overall, the ratio of personnel expenses to total operating performance was a satisfactory 30.9% (previous year: 30.1%).

The net of other operating income and expenses and own work capitalised worsened by 5.1% year-on-year to –€169.8 million (previous year: –€161.5 million). The ratio of this figure to total operating performance was 12.1% (previous year: 11.7%). KRONES invested heavily in growth during the reporting period. That is reflected in the depreciation and amortisation of non-current assets line item, which increased by 8.3% from €38.5 million in the previous year to €41.7 million in the first half of this year.

Earnings before interest and taxes (EBIT) rose 10.0% to €86.1 million. High net cash and cash equivalents contributed to an improvement in the company's financial income, from €1.4 million in the previous year to €3.3 million. As a result, earnings before taxes increased a bit more than EBIT, 12.2% to €89.4 million. At 30.2% KRONES' tax rate was largely unchanged year-on-year. At €62.4 million, consolidated net income for the first half of 2014 was up 12.2% on the year-earlier period.

KRONES Group consolidated cash flow

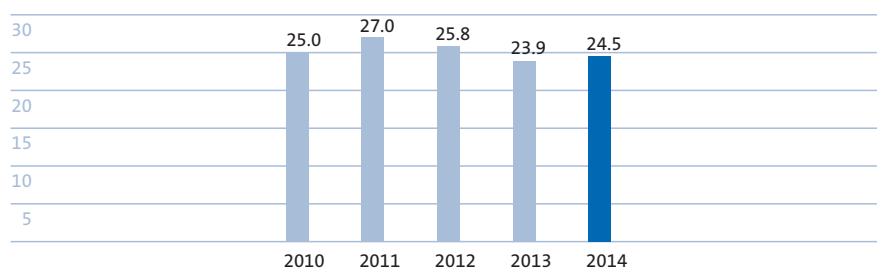
€ million	2014	2013	Change
	1 Jan–30 Jun	1 Jan–30 Jun	€ million
Earnings before taxes	+89.4	+79.7	+9.7
Non-cash expenses and income	+101.8	+77.2	+24.6
Changes in working capital	–157.9	–157.1	–0.8
Other (primarily income taxes)	–20.8	–14.9	–5.9
Cash flow from operating activities	+12.5	–15.1	+27.6
Capital expenditure for intangible assets and property, plant and equipment	–29.1	–38.1	+9.0
Other	–3.0	–1.1	–1.9
Free cash flow	–19.6	–54.3	+34.7
Cash flow from financing activities	–63.2	+50.0	–113.2
Change in cash and cash equivalents arising from exchange rates	+0.1	0.0	+0.1
Net change in cash and cash equivalents	–82.7	–4.3	–78.4
Cash and cash equivalents at the end of the period	157.2	128.6	+28.6

In the period from January to June 2014, KRONES' cash flow from operating activities improved by €27.6 million over the year-earlier period to €12.5 million. This was due to the better earnings figure as well as higher provisions. The net of non-cash expenses and income was +€101.8 million (previous year: +€77.2 million).

KRONES improved free cash flow by €34.7 million in the first half.

KRONES increased working capital only slightly in the reporting period, to €157.9 million (year-earlier period: €157.1 million). The ratio of average working capital for the past four quarters to revenue came to 24.5%, after 23.9% in the year-earlier period.

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

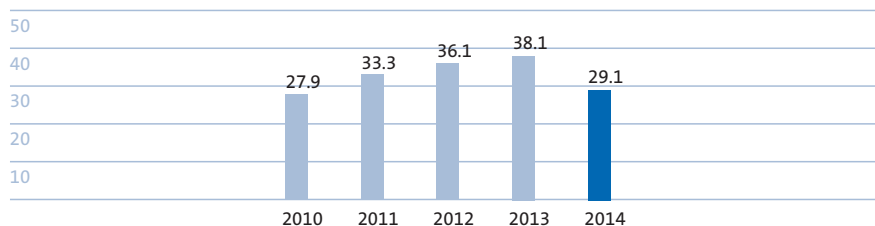


KRONES' ratio of average working capital for the past four quarters to revenue was 24.5% in the first half, up slightly from the very low year-earlier figure.

KRONES invested €29.1 million in intangible assets and property, plant and equipment in the reporting period (previous year: €38.1 million). KRONES' free cash flow (net cash generated from operating activities) improved by €34.7 million in the first half of 2014 to –€19.6 million. 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 by €113.2 million to –€63.2 million (previous year: +€50.0 million). The dramatic change resulted from the fact that the company paid out an exceptionally high dividend (including a “special dividend”) of €63.2 million in the reporting period (previous year: €23.7 million) and that company had received €73.7 million in proceeds from the sale of treasury shares in the year-earlier period. All told, KRONES had cash and cash equivalents totalling €157.2 million at 30 June 2014 (previous year: €128.6 million).

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



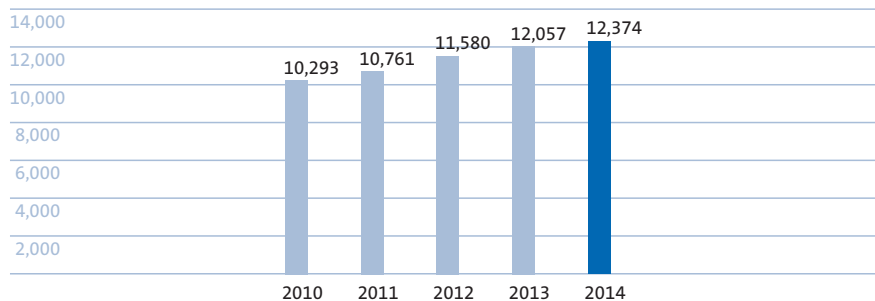
Employees

KRONES' workforce grows

Since KRONES sells around 85% of its machines and lines to customers outside Germany and we are working to strengthen our local after-sales service for customers, growing our international workforce is a strategic goal. At the end of June 2014, we employed 3,280 people outside Germany, 235 more than in the previous year. The company's workforce in Germany grew to 9,094 (previous year: 9,012). In all, KRONES employed 12,374 people at 30 June 2014. That is 317 more than in the previous year. KRONES was training 446 young people at the end of June 2014.

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

KRONES employees worldwide at 30 June



KRONES Group asset and capital structure

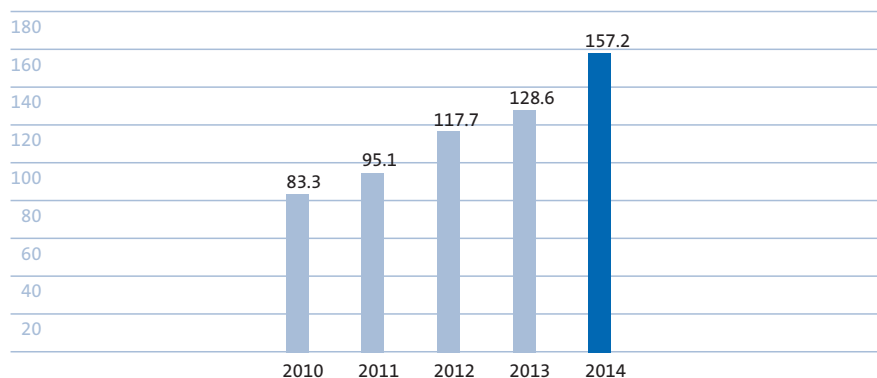
€ million	30 Jun 2014	31 Dec 2013	31 Dec 2012	31 Dec 2011
Non-current assets	649	642	625	603
of which fixed assets	593	605	587	555
Current assets	1,582	1,596	1,445	1,443
of which cash and equivalents	157	240	133	125
Equity	945	954	798	763
Total debt	1,286	1,284	1,272	1,283
Non-current liabilities	216	213	193	162
Current liabilities	1,070	1,071	1,079	1,121
Total	2,231	2,238	2,070	2,046

At 30 June 2014, KRONES had total assets amounting to €2,231.2 million, which is 0.3% less than at the end of 2013, despite the increase in business volume.

Non-current assets were up slightly in the first half. At 30 June 2014, KRONES had non-current assets totalling €649.0 million (31 December 2013: €641.8 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 €593.0 million (31 December 2013: €605.1 million), of which €461.8 million were property, plant and equipment. Intangible assets, which consist primarily of development costs that must be capitalised, were up slightly to €128.6 million at 30 June (31 December 2013: €128.2 million).

KRONES' good equity and liquidity position gives the company sufficient leeway to seize growth opportunities.

Cash and cash equivalents at 30 June (€ million)



Current assets amounted to €1,582.2 million at the end of the reporting period, which is 0.9% less than at 31 December 2013. While inventories were up from €17.7 million and trade receivables increased by €40.3 million, cash and cash equivalents were down in the reporting period from €239.9 million to €157.2 million. The main factor here was the unusually high dividend payout of €63 million to shareholders in June 2014. However, cash and cash equivalents were up compared with the previous year's figure of €128.6 million.

Cash and cash equivalents decreased in the reporting period due to the large dividend payout at the end of June.

KRONES' non-current liabilities, consisting largely of provisions for pensions and other personnel provisions, increased slightly to €216.1 million at 30 June 2014 (31 December 2013: €213.2 million). The company had no non-current bank debt at 30 June 2014.

At €1,069.9 million, current liabilities were down only marginally compared with the end of 2013 (31 December 2013: €1,070.7 million). At 30 June 2014, KRONES also had no current bank debt.

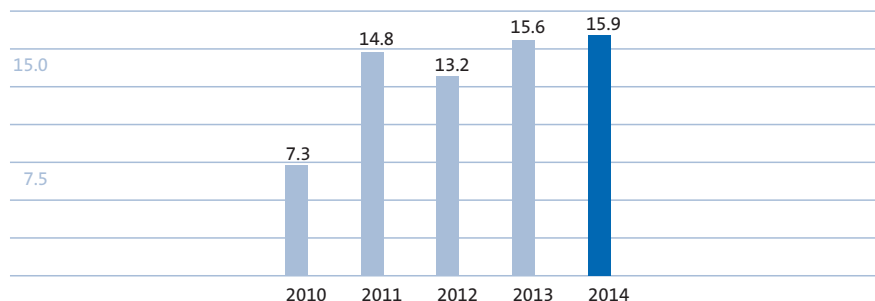
Despite the positive first-quarter earnings, equity decreased in the reporting period from €954.2 million at the end of 2013 to €945.2 million. The high dividend payout to shareholders, which included a one-time "special dividend", was the reason for the slight decrease. However, our equity ratio was still a very good 42.4% at 30 June (31 December 2013: 42.6%). Thus, with net cash and cash equivalents (cash and cash equivalents less bank debt) of €157.2 million at 30 June 2014, KRONES still has an extremely robust financial and capital structure.

ROCE up to 15.9%

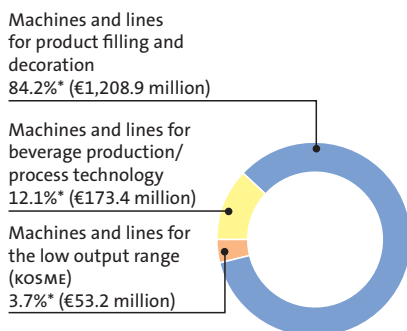
KRONES improved its return on capital employed (ROCE), that is the ratio of EBIT to average net tied-up capital, to 15.9% in the first half of 2014 (previous year: 15.6%). The dramatic improvement in EBIT (+10.0%) was primarily responsible for the change. This puts us on track to achieve our ROCE target of over 16% for the year 2014 as a whole.

ROCE is up slightly year-on-year in the first half. That puts us on track to achieve our ROCE target of more than 16% for the year as a whole.

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

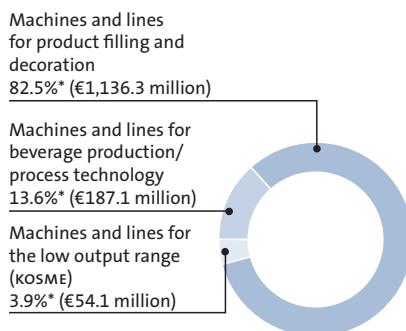


Revenue by segment from 1 Jan to 30 Jun 2014



* Share of consolidated revenue of €1,435.5 million

Revenue by segment from 1 Jan to 30 Jun 2013



* Share of consolidated revenue of €1,377.5 million

Segment revenue

As expected, business in our core segment, “machines and lines for product filling and decoration”, picked up considerably in the period from April to June 2014.

Second-quarter revenue was up 13.1% on the year-earlier figure. In all, revenue in our core segment rose 6.4% in the first half, from €1,136.3 million in the previous year to €1,208.9 million. The segment increased its share of consolidated revenue to 84.2% (previous year: 82.5%).

Sales revenue in the “machines and lines for beverage production/process technology” segment, which had grown sharply in the previous year, developed as planned. At €173.4 million, revenue here was down 7.3% year-on-year in the reporting period. For the year as a whole, we expect segment revenue to come very close to the high year-earlier figure. The segment contributed 12.1% of consolidated revenue in the first half of 2014 (previous year: 13.6%).

Revenue in our smallest segment, “machines and lines for the low output range (KOSME)”, was down 1.7% from €54.1 million in the previous year to €53.2 million. Orders here were not strong enough to ensure balanced capacity utilisation. KOSME’s share of total revenue decreased from 3.9% in the previous year to 3.7%.

Growth in KRONES' core segment accelerated in the second half of 2014.

Segment earnings

KRONES started the financial year 2014 with the aim of improving 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 10.2% year-on-year, from €79.5 million to €87.6 million in the reporting period. The EBT margin, the ratio of segment earnings before taxes to segment revenue, advanced from 7.0% to 7.2%. This largely reflects progress achieved under the Value programme.

KRONES improved the EBT margin in its machines and lines for product filling and decoration segment from 7.0% to 7.2%.

The earnings situation in our “machines and lines for beverage production/process technology” segment also improved in the first half of 2014. Earnings before taxes rose from €0.3 million in the previous year to €2.3 million despite lower revenue. With that, the segment has in the first half established a good basis for generating a positive result in 2014 as planned.

Earnings before taxes in the “machines and lines for the low output range (KOSME)” segment were still negative at –€0.5 million in the first half (previous year: –€0.1 million). We intend to strengthen KOSME’s competitiveness by implementing a raft of measures at the Italian site in Roverbella. KOSME Italy began negotiations with the unions in July. KOSME and the Italy site continue to play an important strategic role for KRONES.

Product filling and decoration		2014	2013
		1 Jan–30 Jun	1 Jan–30 Jun
EBT	€ million	87.6	79.5
EBT margin	%	7.2	7.0

Beverage production/process technology		2014	2013
		1 Jan–30 Jun	1 Jan–30 Jun
EBT	€ million	2.3	0.3
EBT margin	%	1.3	0.2

KOSME		2014	2013
		1 Jan–30 Jun	1 Jan–30 Jun
EBT	€ million	–0.5	–0.1
EBT margin	%	–1.0	–0.2

KRONES' risk management system

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

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

Risk analysis

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

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

Risk monitoring

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

Risk planning and control

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

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

Threats

Viewed from today's perspective, KRONES is not exposed to any risks that threaten the company's continued existence. A detailed discussion of the risks faced by the company and a detailed description of our risk management can be found in the consolidated management report on pages 96 through 107 of our 2013 Annual Report. In the reporting period from 1 January to 30 June 2014, there were no material changes with respect to the statements made in the annual report regarding the company's key risks.

KRONES intends to grow profitably in 2014

KRONES is cautiously optimistic about the outlook for the global economy in 2014 despite many geopolitical uncertainties. The markets in which KRONES operates continue to offer good prospects for growth. The company intends to expand its strong position in the emerging markets and grow its profitable after-sales business. We expect business to hold steady in the established markets of North America and Europe in 2014.

KRONES to improve earnings in all three segments

As part of the Value strategy, KRONES is once again focusing on growth and profitability in 2014. 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 2014. The core segment should post stronger revenue growth in 2014 than in 2013 (+3.2%) and improve profitability slightly.

In our process technology segment, we will further expand our services business to include components and software upgrades and grow our product portfolio this year. Moreover, higher capacity utilisation should enable the segment to generate positive earnings in 2014. Revenue is likely to be similar to the previous year’s high level.

We launched measures in early July to improve the competitiveness of our “machines and lines for the low output range – KOSME” segment. These measures apply only to the Roverbella site. KOSME Italy has begun negotiations with the unions. KRONES aims to optimise KOSME’s product range and capacities to ensure that KOSME can operate profitably for the long term.

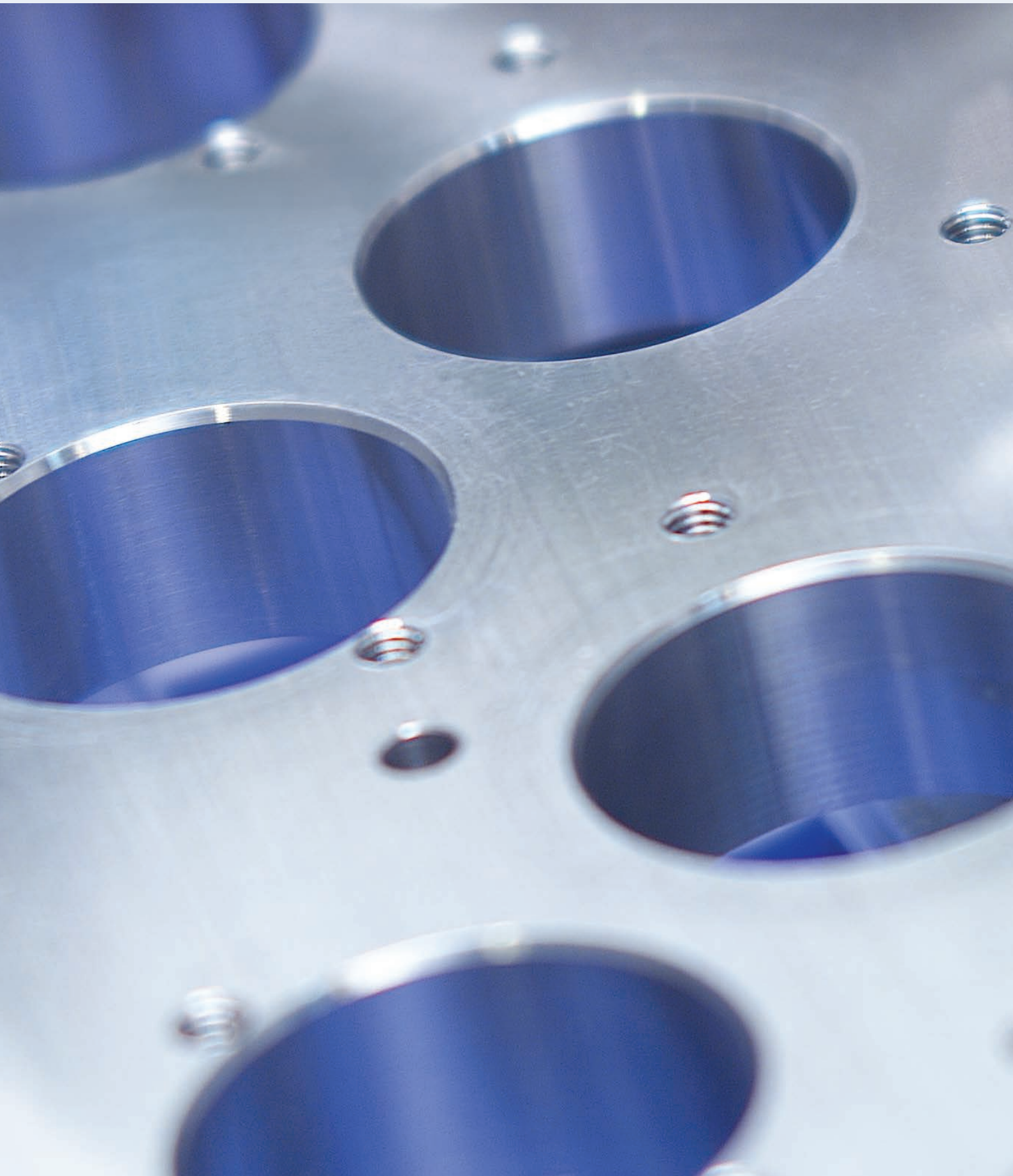
KRONES is cautiously optimistic about achieving its targets for 2014

Overall, based on the development of the markets relevant to KRONES and the continuing uncertain economic outlook, we expect revenue to grow by 4% in 2014. KRONES expects only little support from price levels.

Earnings performance should continue to increase. KRONES expects the EBT margin (earnings before taxes to revenue) to be around 6.2%. That is still below our medium-term target of 7%. For our third financial target, we intend to achieve a ROCE of over 16% this year. Our medium- to long-term target is 20%.

KRONES is cautiously optimistic about achieving its growth and earnings targets for 2014.

	Forecast for 2014	Actual value 1 Jan – 30 Jun 2014
Revenue growth	+ 4%	+ 4.2%
EBT margin	approx. 6.2%	6.2%
ROCE	> 16%	15.9%



€ million	2014 1 January– 30 June	2013 1 January– 30 June	Change %
Sales revenue	1,435.5	1,377.5	+ 4.2
Changes in inventories of finished goods and work in progress	–32.7	–0.4	
Total operating performance	1,402.8	1,377.1	+1.9
Goods and services purchased	–671.2	–684.7	–2.0
Personnel expenses	–434.0	–414.1	+ 4.8
Other operating income (expenses) and own work capitalised	–169.8	–161.5	+ 5.1
Depreciation and amortisation on fixed assets	–41.7	–38.5	+ 8.3
EBIT	86.1	78.3	+ 10.0
Financial income/expense	3.3	1.4	
Earnings before taxes	89.4	79.7	+ 12.2
Income tax	–27.0	–24.1	+ 12.0
Consolidated net income	62.4	55.6	+ 12.2
Profit share of non-controlling interests	0.0	0.0	
Profit share of KRONES Group shareholders	62.4	55.6	
Earnings per share (diluted/basic) in €	1.98	1.81	

€ million	2014 Q2	2013 Q2	Change %
Sales revenue	732.5	694.1	+ 5.5
Changes in inventories of finished goods and work in progress	–19.1	2.5	
Total operating performance	713.4	696.6	+ 2.4
Goods and services purchased	–340.3	–344.2	–1.1
Personnel expenses	–214.0	–203.5	+ 5.2
Other operating income (expenses) and own work capitalised	–94.4	–89.5	+ 5.5
Depreciation and amortisation on fixed assets	–20.8	–19.5	+ 6.7
EBIT	43.9	39.9	+ 10.0
Financial income/expense	2.4	0.9	
Earnings before taxes	46.3	40.8	+ 13.5
Income tax	–13.8	–12.1	+ 14.0
Consolidated net income	32.5	28.7	+ 13.2
Profit share of non-controlling interests	0.0	0.0	
Profit share of KRONES Group shareholders	32.5	28.7	
Earnings per share (diluted/basic) in €	1.03	0.92	

Assets € million	30 June 2014		31 December 2013	
Intangible assets	128.6		128.2	
Property, plant and equipment	461.8		475.1	
Non-current financial assets	2.6		1.8	
Fixed assets	593.0		605.1	
Deferred tax assets	19.0		17.3	
Trade receivables	29.3		12.7	
Income tax receivables	5.1		5.1	
Other assets	2.6		1.6	
Non-current assets		649.0		641.8
Inventories	658.7		641.0	
Trade receivables	651.2		610.9	
Current income tax receivables	1.7		7.5	
Other assets	113.4		97.0	
Cash and cash equivalents	157.2		239.9	
Current assets		1,582.2		1,596.3
Total		2,231.2		2,238.1

Equity and liabilities	30 June 2014		31 December 2013	
€ million				
Equity		945.2		954.2
Provisions for pensions	148.5		145.9	
Deferred tax liabilities	22.2		22.3	
Other provisions	41.0		39.1	
Liabilities to banks	0.0		0.0	
Trade payables	2.2		3.3	
Other financial liabilities	1.2		1.7	
Other liabilities	1.0		0.9	
Non-current liabilities		216.1		213.2
Other provisions	176.1		154.7	
Provisions for taxes	14.7		8.0	
Liabilities to banks	0.0		0.0	
Advances received	435.1		468.8	
Trade payables	165.3		192.0	
Current income tax liabilities	1.0		3.7	
Other financial liabilities	5.6		9.5	
Other liabilities and accruals	272.1		234.0	
Current liabilities		1,069.9		1,070.7
Total		2,231.2		2,238.1

Statement of cash flows for the KRONES Group

€ million	2014 1 January – 30 June	2013 1 January – 30 June
Earnings before taxes	89.4	79.7
Depreciation and amortisation (reversals)	41.7	38.5
Increase in provisions	60.8	47.9
Deferred tax item changes recognised in profit or loss	1.8	–9.7
Interest expenses and interest income	–2.2	0.1
Gains and losses from the disposal of fixed assets	0.1	0.1
Other non-cash expenses and income	–0.4	0.3
Decrease (increase) in inventories, trade receivables, and other assets not attributable to investing or financing activities	–104.1	39.3
Decrease in trade payables and other liabilities not attributable to investing or financing activities	–53.8	–196.4
Cash generated from operating activities	33.3	–0.2
Interest paid	–0.5	–1.0
Income tax paid and refunds received	–20.3	–13.9
Cash flow from operating activities	12.5	–15.1
Cash payments to acquire intangible assets	–16.0	–18.1
Proceeds from the disposal of intangible assets	0.0	0.1
Cash payments to acquire property, plant and equipment	–13.1	–20.0
Proceeds from the disposal of property, plant and equipment	1.3	1.0
Cash payments to acquire non-current financial assets	–0.3	–0.4
Proceeds from the disposal of non-current financial assets	0.0	1.3
Cash payments to acquire shares in affiliated companies	–6.3	–5.0
Interest received	1.3	0.4
Dividends received	1.0	1.5
Cash flow from investing activities	–32.1	–39.2
Cash payments to company owners	–63.2	–23.7
Proceeds from the sale of treasury shares	0.0	73.7
Cash flow from financing activities	–63.2	50.0
Net change in cash and cash equivalents	–82.8	–4.3
Change in cash and cash equivalents arising from exchange rates	0.1	0.0
Cash and cash equivalents at the beginning of the period	239.9	132.9
Cash and cash equivalents at the end of the period	157.2	128.6

€ million	Parent company							Non-controlling interests	Group equity
	Share capital	Capital reserves	Profit reserves	Currency differences in equity	Other reserves	Group retained earnings	Equity		
At 1 January 2013	40.0	66.8	365.2	3.6	-40.7	363.6	798.5	0.0	798.5
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	-1.1				73.8		73.8
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	364.1	-1.2	-41.3	395.5	898.8	0.0	898.8
Consolidated net income H2 2013						63.8	63.8	0.0	63.8
Allocation to profit reserves			0.2			-0.2	0.0		0.0
Allocation to capital reserves		0.0				0.0	0.0		0.0
Currency differences				-10.3			-10.3		-10.3
Actuarial gains (losses) on pension plans					0.6		0.6		0.6
Hedge accounting					1.3		1.3		1.3
At 31 December 2013	40.0	141.7	364.3	-11.5	-39.4	459.1	954.2	0.0	954.2
Dividend payment (€2.00 per share)						-63.2	-63.2		-63.2
Consolidated net income H1 2014						62.4	62.4	0.0	62.4
Currency differences				-8.1			-8.1		-8.1
Actuarial gains (losses) on pension plans					-0.3		-0.3		-0.3
Hedge accounting					0.2		0.2		0.2
At 30 June 2014	40.0	141.7	364.3	-19.6	-39.5	458.3	945.2	0.0	945.2

Statement of comprehensive income

€ million	2014 1 January – 30 June	2013 1 January – 30 June
Consolidated net income	62.4	55.6
Items that will not be reclassified subsequently to profit or loss		
Actuarial gains (losses) on defined benefit pension plans and similar obligations	-0.3	-0.7
	-0.3	-0.7
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation	-8.1	-4.8
Derivative financial instruments	0.2	0.1
	-7.9	-4.7
Other comprehensive income	-8.2	-5.4
Total comprehensive income	54.2	50.2
of which attributable to non-controlling interests	0.0	0.0
of which attributable to KRONES Group shareholders	54.2	50.2

Segment reporting of the KRONES Group

	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	
	2014 1 Jan–30 Jun	2013 1 Jan–30 Jun	2014 1 Jan–30 Jun	2013 1 Jan–30 Jun	2014 1 Jan–30 Jun	2013 1 Jan–30 Jun	2014 1 Jan–30 Jun	2013 1 Jan–30 Jun
Sales revenue	1,208.9	1,136.3	173.4	187.1	53.2	54.1	1,435.5	1,377.5
EBT	87.6	79.5	2.3	0.3	-0.5	-0.1	89.4	79.7
EBT margin	7.2%	7.0%	1.3%	0.2%	-1.0%	-0.2%	6.2%	5.8%
Employees at 30 June*	10,761	10,616	789	643	501	498	12,051	11,757

* Consolidated group

General disclosures

■ Legal basis

The consolidated financial statements of KRONES AG (“KRONES Group”) for the period ended 30 June 2014 have been prepared in accordance with the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB), London, applicable at the end of the reporting period, including the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) as adopted by the European Union. No early application was made of IFRSs that had not yet entered into force or their interpretations.

Non-controlling interests in group equity, 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 2014 include all material domestic and foreign subsidiaries in which KRONES AG holds more than 50% of the voting rights.

In the financial year 2014, HST Maschinenbau GmbH, Dassow, Germany, was acquired and acquisition accounting was done to include it in the consolidated group. Moreover, Albatros GmbH, Neutraubling, was established and acquisition accounting done to include it in the consolidated group.

The first-time consolidation of the new companies was effected at the time of acquisition or establishment.

■ 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”.

Companies over which KRONES has the ability to exercise significant influence, that is, to participate in operating and financial policy decisions (generally by indirectly or directly holding between 20% and 50% of the voting shares), are accounted for using the equity method and initially recognised at cost. Any excess of KRONES’ share of the net fair value of the associate’s identifiable assets and liabilities over the cost of the investment is adjusted on a fair-value basis and the remaining amount is recognised as goodwill. Goodwill relating to the associate is included in the carrying amount of the investment and is not amortised. Instead, it is tested for impairment as part of the entire carrying amount of the investment in the associate. KRONES’ share in the associate’s profit or loss post-acquisition is recognised in consolidated profit or loss. The carrying amount of the associate is increased or decreased to recognise the cumulative changes in value after the date of acquisition. KRONES’ share in the associate’s gains or losses resulting from transactions between KRONES and its associates is eliminated.

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

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

■ Currency translation

The functional currency for KRONES AG is the euro.

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

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

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

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

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

		Closing rate		Average rate	
		30 Jun 2014	31 Dec 2013	2014	2013
us dollar	USD	1.365	1.376	1.371	1.313
British Pound	GBP	0.801	0.836	0.822	0.850
Swiss franc	CHF	1.216	1.227	1.221	1.230
Danish krone	DKK	7.456	7.460	7.463	7.457
Canadian dollar	CAD	1.458	1.474	1.503	1.334
Japanese yen	JPY	138.360	144.750	140.504	125.377
Brazilian real	BRL	2.994	3.204	3.148	2.669
Chinese renminbi (yuan)	CNY	8.469	8.344	8.421	8.200
Mexican peso	MXN	17.727	18.000	17.976	16.488
Ukrainian hryvnia	UAH	16.039	11.190	14.377	10.677
South African rand	ZAR	14.482	14.460	14.663	12.092
Kenyan shilling	KES	119.783	118.900	119.013	112.479
Nigerian naira	NGN	222.430	215.620	222.949	207.699
Russian ruble	RUB	46.350	45.105	47.994	40.740
Thai baht	THB	44.290	45.150	44.630	39.194
Indonesian rupiah	IDR	16,182.700	16,787.000	16,022.991	12,786.602
Angolan kwanza	AOA	133.178	134.382	133.844	126.086
Turkish lira	TRY	2.899	2.940	2.965	2.379

■ 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 0.43%.

■ 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 non-current financial assets:

- Financial instruments held for trading (derivative financial instruments)
- Available-for-sale financial instruments
- Financial receivables and liabilities

For the measurement categories, the carrying amounts correspond to the fair values.

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

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

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 13.72. 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 economic position.

■ Inventories

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

Selling costs and general administrative costs are not included in the costs of inventories. For inventory risks arising from increased storage periods or reduced usability, write-downs are 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 state pensions and salaries are taken into account with due consideration to relevant factors that will affect the benefit amount, which are estimated on a prudent basis. The provision is calculated on the basis of actuarial valuations that take into account biometric factors.

Actuarial gains and losses are recognised directly in the consolidated statement of financial position and resulted in an increase in provisions for pensions and similar obligations and a reduction in equity (in other comprehensive income, OCI). The separate income statement for the group is free of effects from actuarial gains and losses, which are recognised in other com-

prehensive income. Net interest on the net defined benefit liability (asset) is determined by multiplying the net defined benefit liability (asset) by the discount rate used to measure the defined benefit obligation at the start of the annual period. Because the net defined benefit liability is reduced by any plan assets, the same (discount) rate is used to calculate the returns on the plan assets.

■ Partial retirement benefit obligations

The “top-up payments” promised under partial retirement agreements fall under “other long-term employee benefits”. Thus, top-up payments are not recognised in full as liabilities at their net present value. Instead, they are accrued on a pro-rated basis across the relevant years of active service of the employee taking partial retirement.

■ Other provisions

Other provisions are recognised when the group has an obligation to a third party as a result of a past event, an outflow is probable, and a reliable estimate of the amount of the obligation can be made. Measurement of these provisions is computed at fully attributable costs or on the basis of the most probable expenditures needed to settle the obligation.

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

■ Financial liabilities

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

■ Revenue

With the exception of those contracts that are measured according to IAS 11, revenue is recognised, in accordance with the criteria laid out under IAS 18, when the significant risks and rewards of ownership are transferred, when a price is agreed or can be determined, and economic benefit from the sale of goods is sufficiently probable.

Revenue is reported less reductions.

■ Segment reporting

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

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

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

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

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

Name and location of the company	Share in capital held by KRONES AG %*
■ neuspel Neutraublinger Speditions-GmbH, Neutraubling, Germany	100.00
■ KIC KRONES Internationale Cooperations-Gesellschaft mbH, Neutraubling, Germany	100.00
■ ecomac Gebrauchtmachines GmbH, Neutraubling, Germany	100.00
■ EVOGUARD GmbH, Nittenau, Germany	100.00
■ MAINTEC Service GmbH, Collenberg/Main, Germany	100.00
■ HST Maschinenbau GmbH, Dassow, Germany	100.00
■ KLUG GmbH Integrierte Systeme, Teunz, Germany**	26.00
■ ALBATROS GmbH, Neutraubling, Germany	100.00
■ 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., Viviers du Lac, 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
■ KRONES Spółka z.o.o., Warsaw, Poland	100.00
■ KRONES Portugal Equipamentos Industriais Lda., Barcarena, Portugal	100.00
■ KRONES o.o.o., Moscow, Russian Federation	100.00
■ KRONES Romania Prod. S.R.L., Bucharest, Romania	100.00
■ KRONES AG, Buttwil, Switzerland	100.00
■ KRONES Iberica, S.A., Barcelona, Spain	100.00
■ KRONES S.R.O., Prague, Czech Republic	100.00
■ KONPLAN S.R.O., Pilsen, Czech Republic	100.00
■ KRONES Makina Sanayi ve Tikaret Ltd. Sirketi, Istanbul, Turkey	100.00
■ KRONES Ukraine LLC, Kiev, Ukraine	100.00
■ KRONES Angola – Representacoes, Comercio e Industria, Lda., Luanda, Angola	100.00
■ KRONES Surlatina S.A., Buenos Aires, Argentina	100.00
■ KRONES do Brazil Ltda., São Paulo, Brazil	100.00
■ KRONES S.A., São Paulo, Brazil	100.00
■ KRONES Machinery (Taicang) Co. Ltd., Taicang, China	100.00
■ KRONES Trading (Taicang) Co. Ltd., Taicang, China	100.00
■ KRONES Asia Ltd., Hong Kong, China	100.00
■ KRONES India Pvt. Ltd., Bangalore, India	100.00
■ PT. KRONES Machinery Indonesia, Jakarta, Indonesia	100.00
■ KRONES Japan Co. Ltd., Tokyo, Japan	100.00
■ KRONES Machinery Co. Ltd., Mississauga, Ontario, Canada	100.00
■ KRONES LCS Center East Africa Limited, Nairobi, Kenya	100.00
■ KRONES Andina Ltda., Bogotá, Colombia	100.00
■ KRONES Korea Ltd., Seoul, Korea	100.00
■ KRONES Mex S.A. DE C.V., Mexico D.F., Mexico	100.00
■ KRONES LCS Center West Africa Limited, Lagos, Nigeria	100.00
■ KRONES Southern Africa (Prop.) Ltd., Johannesburg, South Africa	100.00
■ KRONES (Thailand) Co. Ltd., Bangkok, Thailand	100.00
■ KRONES, Inc., Franklin, Wisconsin, USA	100.00
■ Maquinarias KRONES de Venezuela S.A., Caracas, Venezuela	100.00

* Direct and indirect shareholdings ** In bankruptcy

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 Number 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
* ADVISORY BOARD OF BAYERISCHE BETRIEBSKRANKENKASSEN

Klaus Gerlach**

Head of Central International Operations and Services

Dr. Klaus Heimann**

Director of the Youth, Training, and Qualification Policy Division of IG METALL

Dr. Jochen Klein

Managing director of I-Invest GmbH (until 25 June 2014)
* DÖHLER GMBH
* HOYER GMBH
* CONSORTIUM GASTRONOMIE GMBH

Norman Kronseder

Farmer and forester
* BAYERISCHE FUTTERSATBAU GMBH

Philipp Graf

von und zu Lerchenfeld
Member of the German Bundestag, 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
* COMMERZBANK AG

Jürgen Scholz**

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

Hans-Jürgen Thaus

Former Deputy Chairman of the Executive Board of KRONES AG (since 25 June 2014)
* MASCHINENFABRIK RHEINHAUSEN GMBH
* KURTZ HOLDING GMBH & BETEILIGUNGS KG
* SCHULER AG

Josef Weitzer**

Stv. Gesamtbetriebsratsvorsitzender
* SPARKASSE REGENSBURG

Executive Board

Volker Kronseder

Chairman
Human Resources, Communications and Quality

Christoph Klenk

Finance, Controlling and Information Management

Rainulf Diepold

Sales and Marketing

Werner Frischholz

Plants and Components

Thomas Ricker

Bottling and Packaging Equipment

Markus Tischer

International Operations and Services (since 1 January 2014)

* 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.

“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 2014



Volker Kronseder
(Vorsitzender)



Christoph Klenk



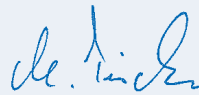
Rainulf Diepold



Werner Frischholz



Thomas Ricker



Markus Tischer

Glossary

Cash flow	All inflows and outflows of cash and cash equivalents during a period.
DAX	Deutscher Aktienindex (DAX). Index containing the 30 biggest German companies (based on market capitalisation and trading volume).
EBIT	Earnings before interest and taxes.
EBITDA	Earnings before interest, taxes, depreciation and amortisation.
EBT	Earnings before taxes.
EBT margin	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.
MDAX	Index that contains the 50 biggest German and non-German companies (based on market capitalisation and trading volume) in the traditional sectors after those included in the DAX.
Net cash and equivalents	Cash and highly liquid securities under current assets less liabilities to banks.
Return on equity before taxes	Ratio of earnings before taxes to average equity.
ROCE (assets side)	Ratio of EBIT to the average sum of fixed assets and working capital.
ROCE (liabilities side)	Ratio of EBIT to average capital employed (total assets less interest-free liabilities and interest-free other provisions).
Statement of cash flows	Statement of inflows and outflows of cash that shows the sources and uses of funds within the financial year.
Total debt	Combined term for the provisions, liabilities, and deferred income stated on the liabilities side of the balance sheet.
Total operating performance	Referred to as »total operating revenue« in previous reports, this figure is the sum of »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)



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Financial calendar
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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 2014". In case of discrepancies the German text shall prevail.

 **KRONES**