Q3

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

KRONES

Contents

Highlights and key figures

KRONES continues solid, profitable growth trend

- Revenue improved 7.1% from €1,897.6 million in the year-earlier period to €2,032.9 million in the first three quarters of 2013.
- KRONES generated an EBT margin of 5.8% in the period from January to September 2013.
- All three segments are on the right track to achieve their targets for 2013.
- KRONES confirms its growth and earnings target for 2013 and expects higher revenue and further improved profitability in 2014.

Key figures for 1 January – 30 September 2013		1 Jan – 30 Sep 2013	1 Jan – 30 Sep 2012	Change
Revenue	€ million	2,032.9	1,897.6	+7.1%
New orders, cumulative, including Lifecycle Service	€ million	2,103.8	1,967.3	+6.9%
Orders on hand at 30 Sep, including Lifecycle Service	€ million	1,070.2	1,012.1	+5.7%
EBITDA	€ million	175.8	101.4	+73.4%
EBIT	€ million	116.3	47.2	–
EBT	€ million	117.1	50.4	–
Net income	€ million	81.7	36.2	–
Earnings per share	€	2.64	1.20	–
Capital expenditure for PP&E and intangible assets	€ million	57.7	56.0	+€1.7 m
Free cash flow	€ million	–62.6	–60.3	–€2.3 m
Net cash and cash equivalents	€ million	120.4	46.2	+€74.2 m
ROCE (liabilities side)	%	15.3	6,7	–
ROCE (assets side)	%	12.6	9.7	–
Employees at 30 September				
Worldwide		12,227	11,900	+327
Germany		9,078	9,050	+28
Outside Germany		3,149	2,850	+299

Key figures for Q3		1 Jul – 30 Sep 2013	1 Jul – 30 Sep 2012	Change
Revenue	€ million	655.4	607.9	+7.8%
New orders, cumulative, including Lifecycle Service	€ million	721.0	639.5	+12.7%
EBITDA	€ million	59.0	0.7	–
EBIT	€ million	38.0	–15.5	–
EBT	€ million	37.4	–13.6	–
Net income	€ million	26.1	–8.0	–
Earnings per share	€	0.83	–0.27	–

Letter from the Executive Board

Dear shareholders and friends of KRONES,

For KRONES, the drinktec trade fair dominated the third quarter of 2013. Therefore, we are all the more pleased to report that the world's premier trade fair for the beverage and packaging industry, which took place from 16 to 20 September 2013 in Munich, fully met our high expectations. Around 90% of the over 66,000 visitors from 182 countries, including many decision-makers from big multinational companies as well as small and mid-sized companies, saw and experienced our latest products, machines, and systems at our booth. The reception and our customers' response in terms of new orders were resoundingly positive.

Of equal importance to us is that the drinktec is an innovation fair and thus a major driver of developments in the years ahead. We were able to present our pioneering developments to a broad public. Visitors' positive feedback on our new technologies and innovations gives us confidence for the years ahead.

But we will not rest on our drinktec laurels. The fair also served as a reminder that we operate in a very dynamic market environment. That is why we are continuing to implement our Value strategy programme and its four pillars of **innovation**, **growth**, **profitability**, and **quality** with undiminished vigour. It is the only way we can consolidate our market and technology leadership for the long term.

As our nine-month figures show, we have made good progress with the Value programme this year despite the difficult economic conditions. Revenue and new orders were up 7.1% and 6.9%, respectively, year-on-year. Earnings before taxes rose from €50.4 million to €117.1 million. With that, we are confident that we will achieve our revenue and earnings targets for the year 2013 and enter 2014 with renewed momentum.

Volker Kronseder
Chairman of the Executive Board

Global economic growth weaker than expected

In October 2013, the International Monetary Fund lowered its growth forecast for the global economy for the fourth time this year. The IMF is now predicting only 2.9% global economic growth for 2013 (previously: 3.1%). The downward revision was prompted by high unemployment in Europe, uncertainty over the consequences of tighter monetary policy in the USA, and a slowing of activity in the emerging markets.

The International Monetary Fund (IMF) is waxing increasingly pessimistic. For 2013, the IMF now expects only 2.9% global economic growth.

While the Indian and Russian economies are expected to see markedly slower growth in 2013 than originally expected, the IMF has lowered its forecast for China only slightly. Overall, IMF economists have lowered their 2013 growth forecast for the emerging markets from 5.0% to 4.5%. That figure is still well above the growth forecast for the industrialised countries. For instance, the IMF is predicting 1.6% GDP growth for the USA for this year. Austerity will prevent stronger growth there. The Japanese economy is benefiting from very loose monetary policy and is expected to gain 2.0% this year.

Because the first signs are emerging of an economic recovery in Europe's core countries, the IMF is slightly more optimistic about the euro area economy than it has been. IMF experts now expect GDP for the common currency area to contract by only 0.4% instead of 0.5% in 2013. Germany's GDP is predicted to increase 0.5% year-on-year in 2013.

Solid demand for food and packaging machinery

In August, Germany's machinery sector posted its first year-on-year gain in new orders in three months. In all, new orders were up 6% on the year-earlier period. Exports improved 9% while the contract value of domestic orders rose 2%.

A less volatile three-month comparison of the period from June to August 2013 shows a 1% decline in new orders year-on-year. The German Engineering Federation (VDMA) confirmed its forecast of a 1% decline in the sector's output for 2013 as a whole.

The food and packaging machinery subsector is developing better than the industry as a whole. The VDMA expects this segment to increase output by 4% year-on-year in 2013.

While the machinery sector as a whole is contracting slightly in 2013, output in the packaging machinery subsegment is likely to continue to rise.

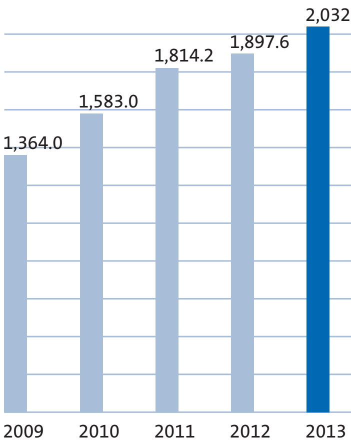
Revenue

KRONES' revenue up further

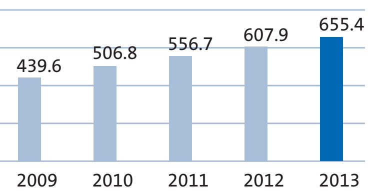
KRONES continued its robust growth in the third quarter of 2013. In the period from July to September, revenue increased 7.8% year-on-year from €607.9 million to €655.4 million. The emerging markets contributed a significant part of the company's revenue growth, which was especially strong in the North and Central America and South America/Mexico sales regions in the third quarter.

KRONES posted strong revenue growth in the North and Central America and South America/Mexico sales regions in the third quarter.

Revenue from 1 January to 30 September (€ million)

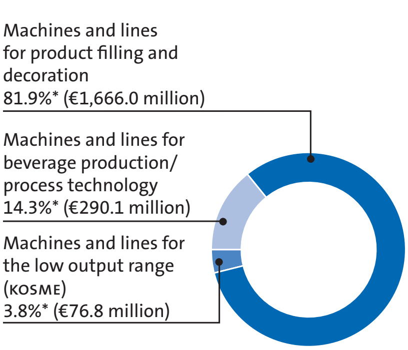


Revenue in Q3 (€ million)



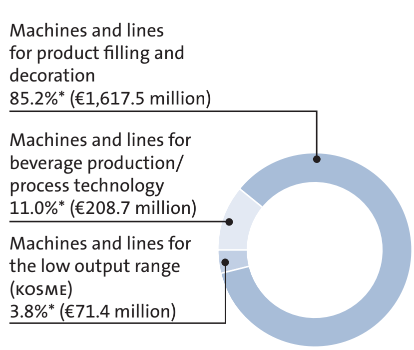
Sales in the first nine months of 2013 were up 7.1% year-on-year, from €1,897.6 million to €2,032.9 million. That put KRONES well on our way to achieving our growth target of 4% for the year as a whole although fourth-quarter growth is expected to be slightly weaker than the strong year-earlier quarter. Growth in the »machines and lines for beverage production/process technology« segment was stronger than the company's overall growth. As expected, revenue in our »machines and lines for product filling and decoration« segment was up only slightly year-on-year in the first three quarters of 2013 (see more on this topic on page 26).

Revenue by segment from 1 Jan to 30 Sep 2013



* Share of consolidated revenue of €2,032.9 million

Revenue by segment from 1 Jan to 30 Sep 2012



* Share of consolidated revenue of €1,897.6 million

Revenue by region

North and Central America posted the biggest percentage growth for the first three quarters of 2013.

After a strong first half, revenue generated with our customers in Germany rose even further in the third quarter of 2013. In all, revenue in KRONES' home market was up 29.5% to €204.0 million in the first nine months of the year. The company generated 10.0% of consolidated sales in Germany.

In Europe (excluding Germany), business was satisfactory in the period from January to September 2013 despite the debt and euro crises. While revenue in Western Europe increased 20.8% to €344.3 million year-on-year, revenue was down in the smaller sales regions of Central Europe (–29.6%), Eastern Europe (–18.4%), and Russia/CIS (–34.9%).

KRONES posted high rates of growth in the reporting period in the Middle East/Africa region, the company's biggest market. There, KRONES benefited from robust growth in demand for industrially packaged beverages. At €352.0 million, revenue in this region in the first nine months of 2013 exceeded the year-earlier period by 17.6%. The Chinese market, on the other hand, continued to cool as expected. Revenue for the first three quarters was down 24.2% from the very high year-earlier period. Revenue was up 23.1% in the rest of the Asia-Pacific region.

The North and Central America markets experienced the biggest growth spurt in the third quarter. After being slightly negative at the half-year mark, revenue for the first three quarters was up 38.0% to €238.0 million. Our South America/Mexico sales region also stabilised and reduced the revenue decline, which was at nearly 20% at the end of the first half, to just 6.0%. Overall, the share of revenue KRONES generated on the emerging markets came to 59.0% (previous year: 64.0%).

KRONES Group revenue by region

Share of consolidated revenue	30 September 2013		30 September 2012		Change
	€ million	%	€ million	%	%
Germany	204.0	10.0	157.6	8.3	+29.5
Central Europe (excluding Germany)	47.5	2.3	67.5	3.6	–29.6
Western Europe	344.3	17.0	285.0	15.0	+20.8
Eastern Europe	63.9	3.1	78.2	4.1	–18.4
Russia, Central Asia (CIS)	59.7	2.9	91.7	4.8	–34.9
Middle East/Africa	352.0	17.4	299.4	15.8	+17.6
Asia-Pacific	279.9	13.8	227.3	12.0	+23.1
China	182.6	9.0	240.8	12.7	–24.2
South America/Mexico	261.0	12.8	277.6	14.6	–6.0
North and Central America	238.0	11.7	172.5	9.1	+38.0
Total	**2,032.9**	**100.0**	**1,897.6**	**100.0**	**+7.1**

New orders and orders on hand

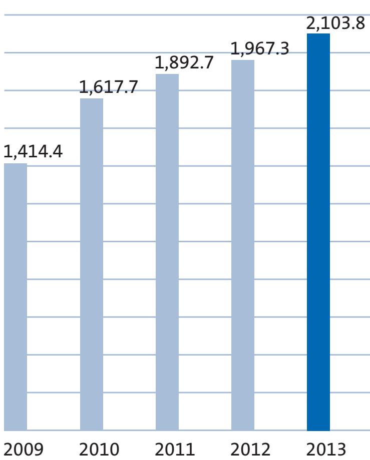
Strong orders inflow in the third quarter

KRONES products and services remained in high demand in the third quarter of 2013. In the period from July to September 2013, new orders were up 12.7% year-over-year, from €639.5 million to €721.0 million.

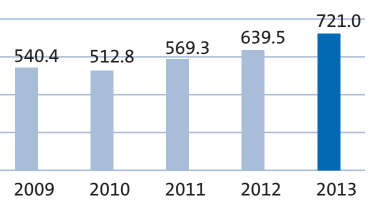
New orders far exceeded quarterly revenue in the third quarter of 2013.

At €2,103.8 million, new orders in the first nine months of 2013 were 6.9% higher than the year-earlier figure of €1,967.3 million. The biggest increases came in the Asia-Pacific and Africa/Middle East sales regions in the first three quarters. As expected, the contract value of orders from China was down from the exceptionally high year-earlier level in the period from January to September 2013.

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



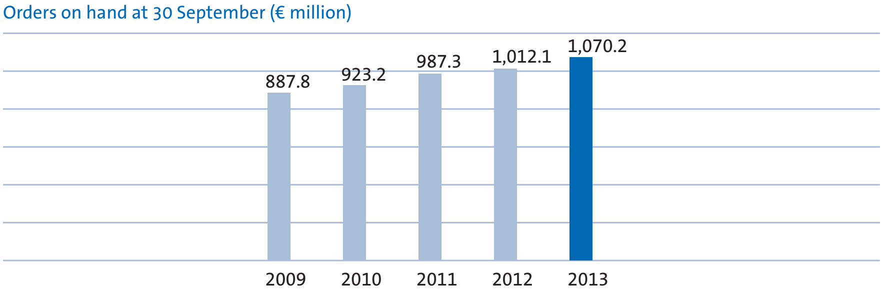
New orders in Q3 (€ million)



Comfortable orders backlog ensures good capacity utilisation

Orders on hand at KRONES were up 5.7% at 30 September 2013, from €1,012.1 million a year earlier to €1,070.2 million. The large orders cushion will enable us to balance our capacity utilisation in the fourth quarter. It also ensures a good basic level of capacity utilisation for the first quarter of 2014.

Orders on hand at 30 September (€ million)



KRONES increases profitability as planned

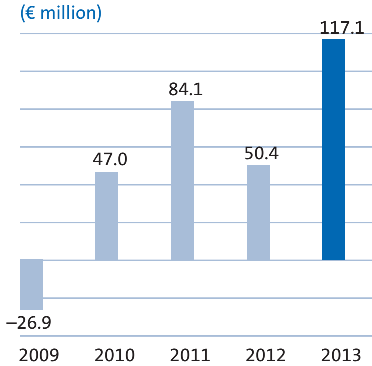
KRONES' EBT margin was 5.8% in the period from January to September 2013.

Higher revenue and the positive effects of our Value strategy programme have enabled KRONES to improve its earnings margins in the third quarter despite continued price pressures. In the period from July to September 2013, the company generated €37.4 million in earnings before taxes (EBT). The resulting EBT margin – the ratio of EBT to quarterly sales revenue – was 5.7%.

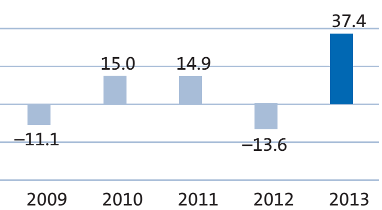
EBT had been –€13.6 million in the third quarter of 2012 due to a one-time expense totalling €40.6 million. The »operating« EBT margin (adjusted to eliminate the charge) was 4.4% in the third quarter of last year.

After income taxes, KRONES' net income for the period from July to September 2013 came to €26.1 million (previous year: net loss of €8.0 million). Earnings per share improved from –€0.27 a year earlier to €0.83 in the third quarter of 2013.

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

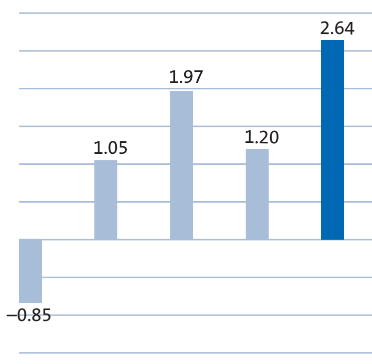


Earnings before taxes (EBT) in Q3 (€ million)

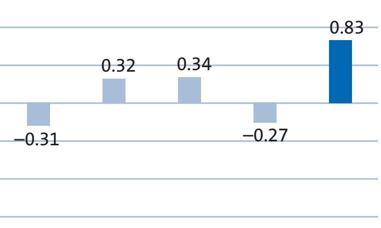


EBT was up in the first nine months of 2013, from €50.4 million in the year-earlier period to € 117.1 million. KRONES generated an EBT margin of 5.8% in the first three quarters of 2013 (year-earlier period: »operating« EBT margin of 4.8%). Net income amounted to €81.7 million for the first nine months of 2013 (previous year: €36.2 million). That corresponds to earnings per share of €2.64 (previous year: €1.20).

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



Earnings per share in Q3 (€)



KRONES Group earnings structure

€ million	2013 1 Jan–30 Sep	2012 1 Jan–30 Sep	Change %
Revenue	**2,032.9**	**1,897.6**	**+7.1%**
Changes in inventories of finished goods and work in progress	5.8	–17.6	–
Total operating performance	**2,038.7**	**1,880.0**	**+8.4%**
Goods and services purchased	–1,011.5	–916.9	+10.3%
Personnel expenses	–608.9	–581.8	+4.7%
Other operating income (expenses) and own work capitalised	–242.5	–279.9	–13.4%
EBITDA	175.8	101.4	+73.4%
Depreciation and amortisation on non-current assets	–59.5	–54.2	+9.8%
EBIT	**116.3**	**47.2**	**–**
Financial income	0.8	3.2	–
EBT	**117.1**	**50.4**	**–**
Income tax	–35.4	–14.2	–
Consolidated net income	**81.7**	**36.2**	**–**

KRONES' business volume in the period from January to September 2013 was up dramatically over the year-earlier period. Revenue rose 7.1% to €2,032.9 million and total operating performance improved 8.4% to €2,038.7 million. Operating earnings were up dramatically year-on-year in the reporting period.

Expenses for goods and services purchased increased 10.3% to €1,011.5 million, more than proportionately to total operating performance. Changes in the product mix were largely responsible here. The ratio of expenses for goods and services purchased to total operating performance rose year-on-year from 48.8% to 49.6% in the reporting period.

The higher ratio of spending for goods and services purchased to total operating performance was more than offset by efficiency improvements achieved under the Value programme.

Personnel expenses also rose less sharply than sales and total operating performance. They were up 4.7% to €608.9 million in the period from January to September. As a result, the ratio of personnel expenses to total operating performance declined from 31.0% in the year-earlier period to 29.9%. This improvement reflects the increased efficiency of our production processes, which has been an important part of the Value programme.

The net of other operating income and expenses and own work capitalised decreased considerably in the reporting period, from –€279.9 million in the year-earlier period to –€242.5 million. The reason for the change is that the year-earlier figure was affected by a one-time expense of around €40 million to settle legal disputes in the USA.

Earnings before interest and taxes (EBIT) rose from €47.2 million to €116.3 million and earnings before taxes (EBT) dropped from €50.4 million to €117.1 million. The sharp earnings increase is due in part to the fact that the one-time expense had reduced earnings in the previous year. Adjusted to exclude this expense, the EBT margin, the ratio of earnings before taxes to revenue, improved from 4.8% in the previous year to 5.8% in the reporting period. KRONES is posting consolidated net income of €81.7 million for the first nine months of 2013 (previous year: €36.2 million).

KRONES Group consolidated cash flow

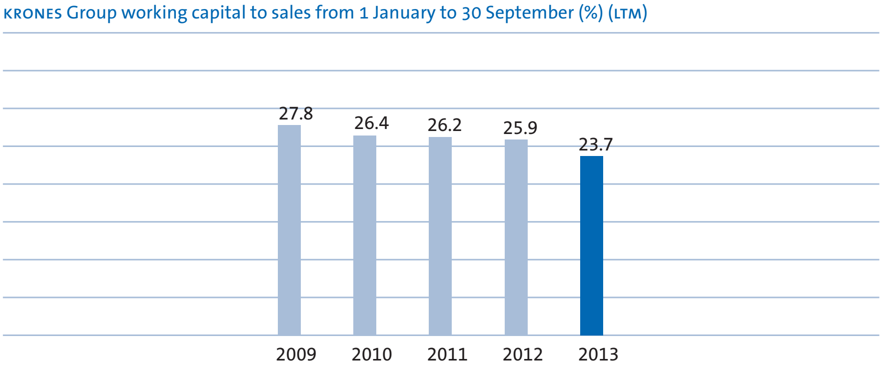
€ million	2013 1 Jan–30 Sep	2012 1 Jan–30 Sep	Change € million
Earnings before taxes	**117.1**	**50.4**	**+66.7**
Cash flow from operating activities	–4.9	–7.7	+2.8
Cash flow from investing activities	–57.7	–52.6	–5.1
Free cash flow	**–62.6**	**–60.3**	**–2.3**
Cash flow from financing activities	51.4	41.7	+9.7
Net change in cash and cash equivalents	–11.2	–18.6	+7.4
Change in cash and cash equivalents arising from exchange rates	0.1	0.3	–0.2
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	**121.8**	**107.2**	**+14.6**

Cash flow from operating activities improved slightly, from –€7.7 million in the year-earlier period to –€4.9 million in the first three quarters of 2013. Because KRONES increased working capital by a total of €229.7 million in the reporting period (year-earlier period: €135.7 million), cash flow from operating activities was negative despite the €117.1 million EBT figure and higher provisions. Receivables declined, moving inversely to the increase in revenue, and inventories increased. Trade payables and advances received were down sharply in the first nine months of 2013. The ratio of average working capital for the past 12 months to sales revenue was down year-on-year from 25.9% to 23.7%. That puts us on target to reach our goal of 24% for the year 2013 as a whole.

Free cash flow was still negative after nine months. For the year 2013 as a whole, KRONES is aiming to achieve free cash flow similar to the previous year (+€30.6 million).

KRONES invested €57.7 million (previous year: €56.0 million) in property, plant and equipment and intangible assets in the reporting period from January to September 2013. Free cash flow (cash flow from operating activities less capital expenditure) came to –€62.6 million for the first three quarters of 2013 (previous year: –€60.3 million). In our business, it is not unusual for free cash flow to be negative at various points throughout the year. KRONES intends to generate a level of free cash flow in 2013 similar to that of the previous year (+€30.6 million).

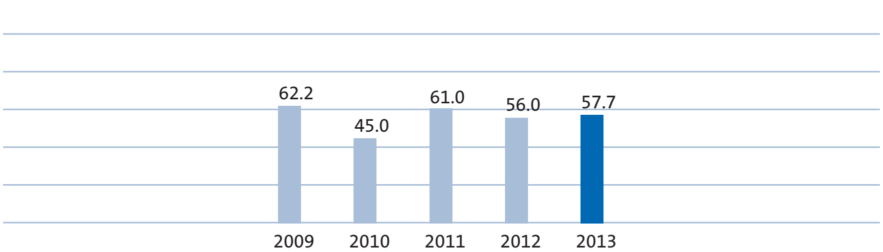
KRONES Group working capital to sales from 1 January to 30 September (%) (LTM)



KRONES is on track to bring the ratio of working capital to revenue below our 2013 target of 24%.

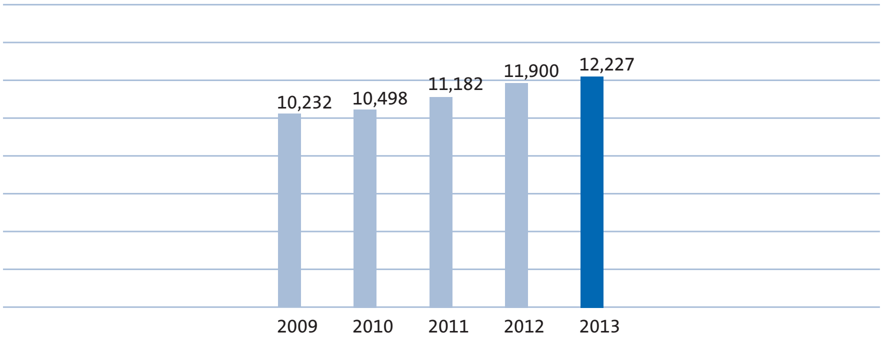
In all, cash flow from financing activities was up to €51.4 million in the reporting period from €41.7 million in the year-earlier period. The €73.7 million in proceeds from the sale of our treasury shares more than made up for the smaller amount of borrowing (€1.4 million in the reporting period versus €61.0 million in the year-earlier period). KRONES paid out a record dividend of €23.7 million in the second quarter of 2013 (previous year: €18.1 million). All told, KRONES had cash and cash equivalents of €121.8 million at 30 September 2013 (previous year: €107.2 million).

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



Employees

KRONES employees worldwide at 30 September



KRONES workforce grows to 12,227

The number of people employed by KRONES was up by 327 at 30 September 2013 to a total of 12,227. A large part of this growth took place outside Germany. As part of its internationalisation strategy, KRONES is continually expanding its service workforce around the world. At the end of September, the KRONES' workforce outside Germany totalled 3,149 people, 299 more than a year earlier. The number of employees in Germany also rose in the same period, by 28 from 9,050 to 9,078.

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

KRONES' future success will also depend on the skill level of our employees. For this reason, the company places great importance on ensuring that our people have excellent training and invests heavily in building young talent. At the end of September 2013, KRONES was training 528 young people (previous year: 512).

Assets and capital structure

KRONES Group asset and capital structure

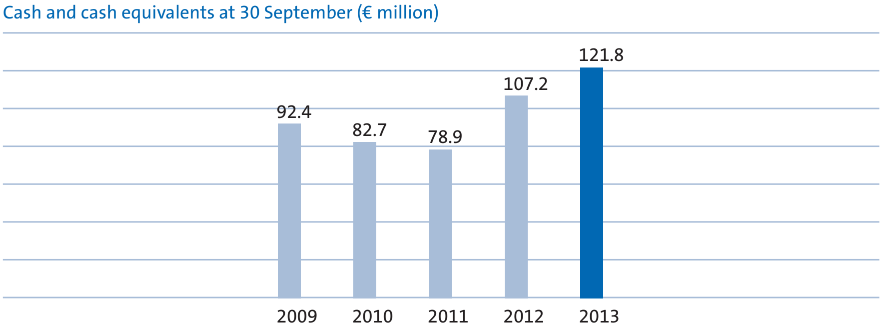
€ million	30 Sep 2013	31 Dec 2012	31 Dec 2011	31 Dec 2010
Non-current assets	628	625	597	569
of which fixed assets	588	587	555	519
Current assets	1,434	1,445	1,443	1,317
of which cash and equivalents	122	133	125	147
Equity	898	783	785	759
Total debt	1,164	1,287	1,255	1,127
Non-current liabilities	220	208	134	125
Current liabilities	944	1,079	1,121	1,002
Total	**2,062**	**2,070**	**2,040**	**1,886**

Total assets at 30 September 2013 (€2,062.0 million) were down slightly from the end of 2012 (€2,069.6 million) despite the higher business volume. Lower receivables from customers and lower advances received were factors driving this change.

Inventories increased in the reporting period while trade receivables decreased.

After three quarters, non-current assets were up slightly from the start of 2013. At 30 September 2013, KRONES had non-current assets totalling €627.9 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 €587.9 million (31 December 2012: €586.5 million), of which €454.8 million were property, plant and equipment. Intangible assets, which consist primarily of development costs that must be capitalised, were up to €126.2 million at 30 September (31 December 2012: €119.1 million).

Cash and cash equivalents at 30 September (€ million)



At the end of the reporting period, current assets totalled €1,434.1 million, slightly less than at 31 December 2012 (€1,444.5 million). Inventories were up from €648.4 million to €674.3 million and trade receivables were down by €20.7 million to €539.2 million. Cash and cash equivalents decreased from €132.9 million to €121.8 million in the reporting period.

On the liabilities side, KRONES' non-current liabilities, which consist largely of provisions for pensions and other personnel provisions, came to €220.1 million at 30 September 2013 (31 December 2012: €208.6 million). KRONES had no non-current bank debt at the end of the third quarter of 2013.

Current liabilities were down by €134.0 million compared with the end of the year 2012 to €944.3 million. This was due to lower trade payables and advances received. At 30 September 2013, KRONES had current bank debt totalling €1.4 million (31 December 2012: €0.0 million). As a result, the company's net cash and cash equivalents (cash and cash equivalents less bank debt) amounted to €120.4 million at the end of September 2013.

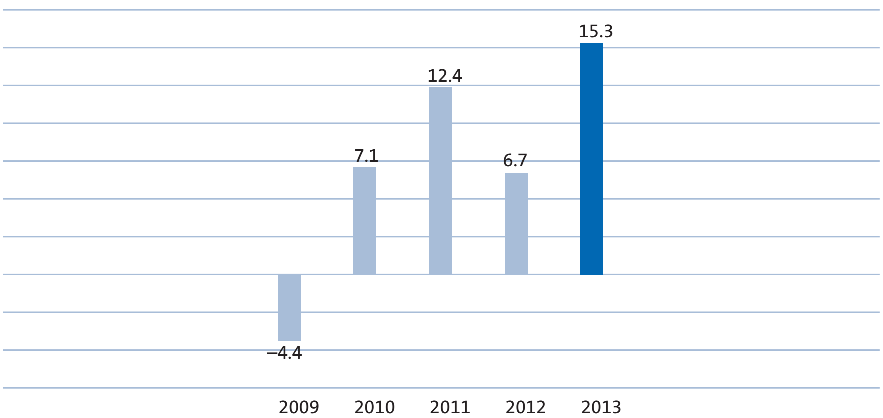
The positive net income figure for the first nine months of 2013 and the sale of treasury shares in the second quarter of 2013 brought equity up dramatically, from €782.7 million to €897.6 million. As a result, our equity ratio was 43.5% at 30 September 2013 (31 December 2012: 37.8%). Thus, KRONES still has an extremely robust financial and capital structure overall.

A comfortable liquidity cushion and a sound equity position give KRONES a high level of financial flexibility.

ROCE improved to 15.3%

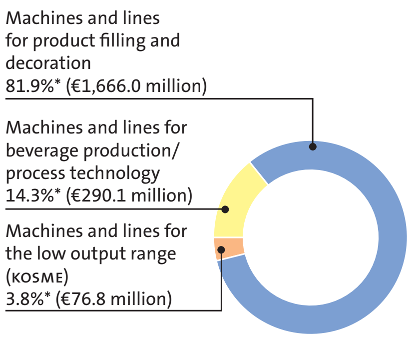
KRONES increased its return on capital employed (ROCE), that is the ratio of EBIT to average net tied-up capital, to 15.3% in the reporting period (previous year: 6.7%). The dramatic improvement in EBIT was primarily responsible for the increase. We are confident that we will achieve our ROCE target of 15% for the year 2013 as a whole.

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



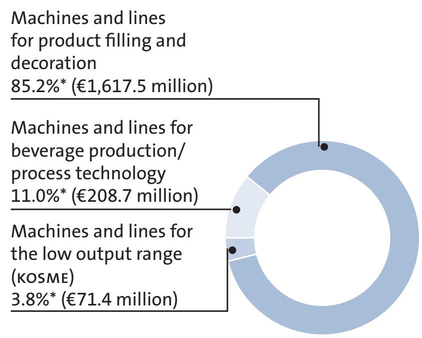
KRONES is right on track to increase ROCE to 15% for the year 2013 as a whole.

Revenue by segment from 1 Jan to 30 Sep 2013



* Share of consolidated revenue of €2,032.9 million

Revenue by segment from 1 Jan to 30 Sep 2012



* Share of consolidated revenue of €1,897.6 million

Segment revenue

Sales in our core segment, »machines and lines for product filling and decoration«, increased 3.0% to €1,666.0 million in the period from January to September 2013 (year-earlier period: €1,617.5 million). For the year as a whole, the segment's growth will be slower than that of the company as a whole. Our core segment's share of consolidated revenue in the first three quarters of 2012 was down year-on-year from 85.2% to 81.9%.

»Process technology« achieved the highest growth rate in the first nine months of 2013.

Revenue in our »machines and lines for beverage production/process technology« segment was up more sharply than overall revenue in the first three quarters of 2013. At €290.1 million, segment revenue was 39.0% higher than in the year-earlier period. That is primarily due to the fact that KRONES concluded several large projects for international breweries. The segment's contribution to consolidated sales in the first three quarters of this year increased from 11.0% a year earlier to 14.3%.

Revenue in the »machines and lines for the low output range (KOSME)« segment improved 7.5% from €71.4 million in the previous year to €76.8 million in the first nine months of 2013. Thus, the generally positive trend continued despite the difficult macroeconomic environment in Europe, KOSME's main sales market. The segment contributed 3.8% of consolidated revenue for the first three quarters.

Segment earnings

KRONES improved earnings in all three segments.

In KRONES' most profitable segment, »machines and lines for product filling and decoration«, earnings before taxes (EBT) rose to €116.8 million in the period from January to September 2013 (year-earlier period: €67.8 million). It is important to note that earnings in the year-earlier period were burdened by a one-time expense of around €40.6 million relating to the legal disputes in the USA. In the first three quarters of 2013, the segment generated an EBT margin (segment earnings before taxes to segment revenue) of 7.0%. In the year-earlier period, the EBT margin adjusted to exclude the one-time expense was 6.7%.

KRONES started the financial year 2013 with the aim of breaking even in the »machines and lines for beverage production/process technology« segment following four consecutive years of losses. In the first three quarters, we laid a good foundation for achieving this goal. Earnings before taxes improved dramatically, from –€10.3 million in the year-earlier period to +€0.5 million in the reporting period.

In the »machines and lines for the low output range (KOSME)« segment, earnings before taxes improved year-on-year from –€7.1 million to –€0.2 million in the first three quarters of 2013. Thus, optimised cost and sales structures had borne fruit. In all, we are on the right track toward breaking even with KOSME in 2013. However, given the tense market situation, further capacity utilisation measures will be necessary.

Product filling and decoration		2013 1 Jan–30 Sep	2012 1 Jan–30 Sep
EBT	€ million	116.8	67.8
EBT margin	%	7.0	4.2

Beverage production/process technology		2013 1 Jan–30 Sep	2012 1 Jan–30 Sep
EBT	€ million	0.5	–10.3
EBT margin	%	0.2	–4.9

KOSME		2013 1 Jan–30 Sep	2012 1 Jan–30 Sep
EBT	€ million	–0.2	–7.1
EBT margin	%	–0.3	–9.9

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 September 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

On track to achieve 2013 targets

The prospects for the economy as a whole worsened somewhat in the third quarter. However, we do not expect the economic slowdown to influence our business for the rest of the 2013 financial year. KRONES remains cautiously optimistic overall. As in the first three quarters, we expect to benefit especially from our strong position on the emerging markets in the final quarter of this year.

We expect to achieve 4% year-on-year growth in consolidated revenue. The successes of measures taken under our Value strategy programme have enabled KRONES to further improve earnings in the first three quarters of 2013. We expect to achieve an EBT margin – EBT to sales revenue – of between 5.8% and 6.0% for the year as a whole.

We are confident that we will achieve our ROCE (return on capital employed) target of 15%, in 2013. We also expect to generate a level of free cash flow in 2013 similar to that of the previous year.

KRONES intends to continue to grow profitably in 2014

In October, the International Monetary Fund (IMF) lowered slightly its global economic growth forecast for 2014. Nevertheless, momentum is likely to be somewhat stronger than it was in 2013, both in the industrialised countries and in the emerging economies.

Overall, the markets in which KRONES operates continue to offer good prospects for growth. This is especially true of the Africa, Middle East, Asia, and South America sales regions. The North American market is becoming progressively more stable and also offers interesting potential for KRONES. The age of installed equipment there is higher than average, which suggests that there will be a need for replacement at least in the medium term.

From today's perspective, we expect KRONES' consolidated revenue to grow by 4% in 2014. Revenue in our core segment, »machines and lines for product filling and decoration«, will increase more steeply compared with 2013. Following the strong growth achieved in 2013, revenue in the »process technology« segment will likely hold steady in the year ahead. For KOSME, we expect revenue to decline slightly in 2014.

Under our Value strategy programme, we aim to increase efficiency along the entire value chain in 2014. We expect market prices to remain tight. Overall, the company expects to achieve an EBT margin of around 6.2% in 2014.

KRONES aims to increase its third strategy target, ROCE, to 16% in 2014.

KRONES' medium-term goals

KRONES intends to grow with the market, an average of 4% to 6%, in the medium term. We are standing by our medium-term EBT margin target of 7%. In order to achieve this goal, we intend to generate an EBT margin of 8% in the »machines and lines for product filling and decoration« segment in the medium term, 4% in the »machines and lines for beverage production/process technology« segment, and 3% in the »machines and lines for the low output range (KOSME)« segment. Our medium-term ROCE target is 20%.

DAX hits new record

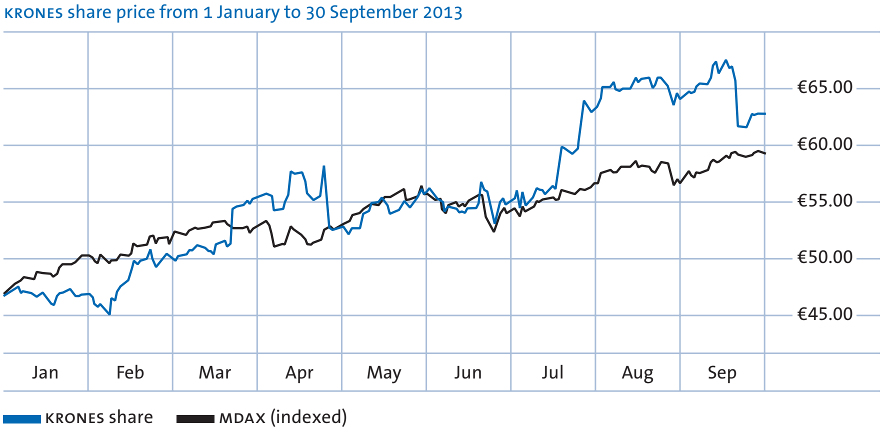
Share prices continued to rise in the third quarter of 2013 despite recurring waves of concern that the Fed might soon tighten its very loose monetary policy in the USA. These concerns only resulted in brief setbacks from which the markets recovered quickly. Investors expect the US central bank to reduce its bond buybacks only slightly and the markets' liquidity to remain high.

Germany's blue chip index, the DAX, reached a new record high of 8,770 points on 19 September. At the end of the third quarter of 2013, the index stood at 8,594 points, which was 12.9% higher than at the start of the year. The Euro Stoxx 50 benefited from emerging signs of a European economic recovery. Europe's leading share index had gained 9.7% year-to-date at the end of the third quarter.

Share prices in the USA and Japan fared even better than those in Europe in the first nine months of 2013. The Dow Jones Industrial Average closed 15.5% higher at the end of September than it had started the year. The Nikkei index climbed nearly 40% in the first three quarters of 2013, driven by the Bank of Japan's policy of quantitative easing.

KRONES share gains 33.7%

KRONES share price from 1 January to 30 September 2013



KRONES' share price gained sharply in the third quarter. The share has considerably outperformed the MDAX since the start of the year.

Like the DAX, Germany's MDAX mid-cap index also reached a new record high in September. The MDAX gained a total of 26.2% over the first nine months of 2013. Shares from nearly every sector were in high demand among investors. KRONES' share price rose more sharply than average, climbing 33.7% in the first three quarters to €62.85. Alongside the generally positive mood on the markets, our strong first-half figures contributed to the share price gain.

On 19 September, KRONES hosted an analyst meeting at the drinktec trade fair, welcoming some 20 financial market experts. Executive Board members Christoph Klenk (Finance) and Thomas Ricker (R&D) gave the analysts a tour of KRONES' booth and explained the special features of the machines and systems on display. After the tour, the Executive Board members presented market trends and the company's latest innovations to the analysts.

Separate income statement for the KRONES Group

€ million	2013 1 January – 30 September	2012 1 January – 30 September	Change %
Sales revenue	**2,032.9**	**1,897.6**	**+7.1**
Changes in finished goods inventories and work in progress	5.8	–17.6	
Total operating performance	**2,038.7**	**1,880.0**	**+8.4**
Goods and services purchased	–1,011.5	–916.9	+10.3
Personnel expenses	–608.9	–581.8	+4.7
Other operating income (expenses) and own work capitalised	–242.5	–279.9	–13.4
Depreciation and amortisation on non-current assets	–59.5	–54.2	+9.8
EBIT	**116.3**	**47.2**	**–**
Financial income (expense)	0.8	3.2	
Earnings before taxes	**117.1**	**50.4**	**–**
Income tax	–35.4	–14.2	–
Consolidated net income	**81.7**	**36.2**	**–**
Profit share of non-controlling interests	0.0	0.0	
Profit share of KRONES Group shareholders	81.7	36.2	
Earnings per share (diluted/basic) in €	2.64	1.20	

€ million	2013 Q3	2012 Q3	Change %
Sales revenue	**655.4**	**607.9**	**+7.8**
Changes in finished goods inventories and work in progress	6.2	–2.3	
Total operating performance	**661.6**	**605.6**	**+9.2**
Goods and services purchased	–326.8	–297.6	+9.8
Personnel expenses	–194.8	–175.8	+10.8
Other operating income (expenses) and own work capitalised	–81.0	–131.5	–38.4
Depreciation and amortisation on non-current assets	–21.0	–16.2	+29.6
EBIT	**38.0**	**–15.5**	**–**
Financial income (expense)	–0.6	1.9	
Earnings before taxes	**37.4**	**–13.6**	**–**
Income tax	–11.3	5.6	–
Consolidated net income	**26.1**	**–8.0**	**–**
Profit share of non-controlling interests	0.0	0.0	
Profit share of KRONES Group shareholders	26.1	–8.0	
Earnings per share (diluted/basic) in €	0.83	–0.27	

KRONES Group statement of financial position

Assets € million	30 September 2013		31 December 2012	
Intangible assets	126.2		119.1	
Property, plant and equipment	454.8		464.9	
Non-current financial assets	6.9		2.5	
Fixed assets	**587.9**		**586.5**	
Deferred tax assets	21.6		21.6	
Trade receivables	11.8		8.5	
Income tax receivables	5.1		6.6	
Other assets	1.5		1.9	
Non-current assets		**627.9**		**625.1**
Inventories	674.3		648.4	
Trade receivables	539.2		559.9	
Current income tax receivables	1.3		12.6	
Other assets	97.5		90.7	
Cash and cash equivalents	121.8		132.9	
Current assets		**1,434.1**		**1,444.5**
Total		**2,062.0**		**2,069.6**

Equity and liabilities € million	30 September 2013		31 December 2012	
Equity		**897.6**		**782.7**
Provisions for pensions	145.9		141.1	
Deferred tax liabilities	30.6		21.1	
Other provisions	37.7		35.5	
Liabilities to banks	0.0		0.0	
Trade payables	3.9		6.8	
Other financial liabilities	1.0		2.2	
Other liabilities	1.0		1.9	
Non-current liabilities		**220.1**		**208.6**
Other provisions	141.6		128.7	
Provisions for taxes	9.9		14.0	
Liabilities to banks	1.4		0.0	
Advances received	357.8		497.2	
Trade payables	164.0		197.8	
Current income tax liabilities	1.0		0.6	
Other financial liabilities	6.0		14.9	
Other liabilities and accruals	262.6		225.1	
Current liabilities		**944.3**		**1,078.3**
Total		**2,062.0**		**2,069.6**

Statement of cash flows for the KRONES Group

€ million	2013 1 January – 30 September	2012 1 January – 30 September
Earnings before taxes	117.1	50.4
Depreciation and amortisation (reversals)	59.5	54.2
Increase in provisions	75.4	48.2
Deferred tax item changes recognised in profit or loss	–9.5	–0.7
Interest expenses and interest income	0.8	–1.7
Gains and losses from the disposal of fixed assets	0.1	–0.2
Other non-cash expenses and income	0.4	0.4
Increase in inventories, trade receivables, and other assets not attributable to investing or financing activities	–30.3	–56.7
Decrease in trade payables and other liabilities not attributable to investing or financing activities	–199.4	–79.0
Cash generated from operating activities	**14.1**	**14.9**
Interest paid	–2.7	–2.3
Income tax paid and refunds received	–16.3	–20.3
Cash flow from operating activities	**–4.9**	**–7.7**
Cash payments to acquire intangible assets	–28.4	–27.2
Proceeds from the disposal of intangible assets	0.9	0.4
Cash payments to acquire property, plant and equipment	–29.3	–28.8
Proceeds from the disposal of property, plant and equipment	1.1	0.9
Cash payments to acquire non-current financial assets	–0.7	–0.1
Proceeds from the disposal of non-current financial assets	1.4	0.0
Cash payments to acquire shares in affiliated companies	–5.0	0.0
Interest received	0.6	0.7
Dividends received	1.7	1.5
Cash flow from investing activities	**–57.7**	**–52.6**
Cash payments to company owners	–23.7	–18.1
Proceeds from the sale of treasury shares	73.7	0.0
Proceeds from new borrowing	1.4	61.0
Cash payments to pay lease liabilities	0.0	–1.2
Cash flow from financing activities	**51.4**	**41.7**
Net change in cash and cash equivalents	**–11.2**	**–18.6**
Change in cash and cash equivalents arising from exchange rates	0.1	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	**121.8**	**107.2**

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 9 months 2012						36.2	36.2	0.0	36.2
Currency differences				–2.5			–2.5		–2.5
Actuarial gains (losses) on pension plans					–0.1		–0.1		–0.1
Hedge accounting					3.9		3.9		3.9
At 30 September 2012	**40.0**	**66.8**	**364.6**	**6.4**	**–34.1**	**328.9**	**772.6**	**0.0**	**772.6**
Consolidated net income Q4 2012						30.8	30.8	0.0	30.8
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				–2.7			–2.7		–2.7
Actuarial gains (losses) on pension plans					–21.1		–21.1		–21.1
Hedge accounting					3.1		3.1		3.1
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 9 months 2013						81.7	81.7	0.0	81.7
Sale of treasury shares		74.9	–1.2				73.7		73.7
Currency differences				–17.1			–17.1		–17.1
Actuarial gains (losses) on pension plans					–1.3		–1.3		–1.3
Hedge accounting					1.6		1.6		1.6
At 30 September 2013	**40.0**	**141.7**	**363.9**	**–13.4**	**–51.8**	**417.2**	**897.6**	**0.0**	**897.6**

Statement of comprehensive income

€ million	2013 1 January – 30 September	2012 1 January – 30 September
Consolidated net income	**81.7**	**36.2**
Items that will not be reclassified subsequently to profit or loss		
Actuarial gains (losses) on defined benefit pension plans and similar obligations	–1.3	–0.1
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation	–17.1	–2.5
Derivative financial instruments	1.6	3.9
	–15.5	1.4
Other comprehensive income	**–16.8**	**1.3**
Total comprehensive income	**64.9**	**37.5**
of which attributable to non-controlling interests	0.0	0.0
of which attributable to KRONES Group shareholders	64.9	37.5

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 January– 30 September	2012 1 January– 30 September	2013 1 January– 30 September	2012 1 January– 30 September	2013 1 January– 30 September	2012 1 January– 30 September	2013 1 January– 30 September	2012 1 January– 30 September
Sales revenue	€ million	1,666.0	1,617.5	290.1	208.7	76.8	71.4	2,032.9	1,897.6
EBT	€ million	116.8	67.8	0.5	–10.3	–0.2	–7.1	117.1	50.4
EBT margin		7.0%	4.2%	0.2%	–4.9%	–0.3%	–9.9%	5.8%	2.7%
Employees at 30 Sep.*		10,631	10,456	624	670	502	495	11,757	11,621

* Consolidated group

General disclosures

Legal basis

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

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 September 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 Sep 2013	31 Dec 2012	2013	2012
US dollar	USD	1.350	1.319	1.317	1.282
British pound	GBP	0.836	0.816	0.852	0.813
Swiss franc	CHF	1.222	1.207	1.231	1.204
Danish krone	DKK	7.458	7.461	7.457	7.439
Canadian dollar	CAD	1.392	1.312	1.348	1.285
Japanese yen	JPY	131.980	113.650	127.268	101.768
Brazilian real	BRL	3.046	2.700	2.791	2.456
Chinese renminbi (yuan)	CNY	8.264	8.215	8.188	8.101
Mexican peso	MXN	17.827	17.206	16.692	16.953
Ukrainian hryvnia	UAH	11.058	10.614	10.713	10.334
South African rand	ZAR	13.608	11.187	12.476	10.311
Kenyan shilling	KES	116.350	113.593	113.511	107.929
Nigerian naira	NGN	217.140	205.960	209.755	204.236
Russian ruble	RUB	43.817	40.249	41.647	39.797
Thai baht	THB	42.253	40.334	40.027	39.975
Indonesian rupiah	IDR	15,436.700	12,707.500	13,217.304	11,895.330
Angolan kwanza	AOA	131.998	126.640	126.626	122.216
Turkish lira	TRY	2.751	2.356	2.456	2.311

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 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

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.

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

30 April 2014	Financial press conference and annual report for 2013
30 April 2014	Interim report for the period ended 31 March 2014
25 June 2014	Annual shareholders' meeting 2014
23 July 2014	Interim report for the period ended 30 June 2014
23 October 2014	Interim report for the period ended 30 September 2014

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