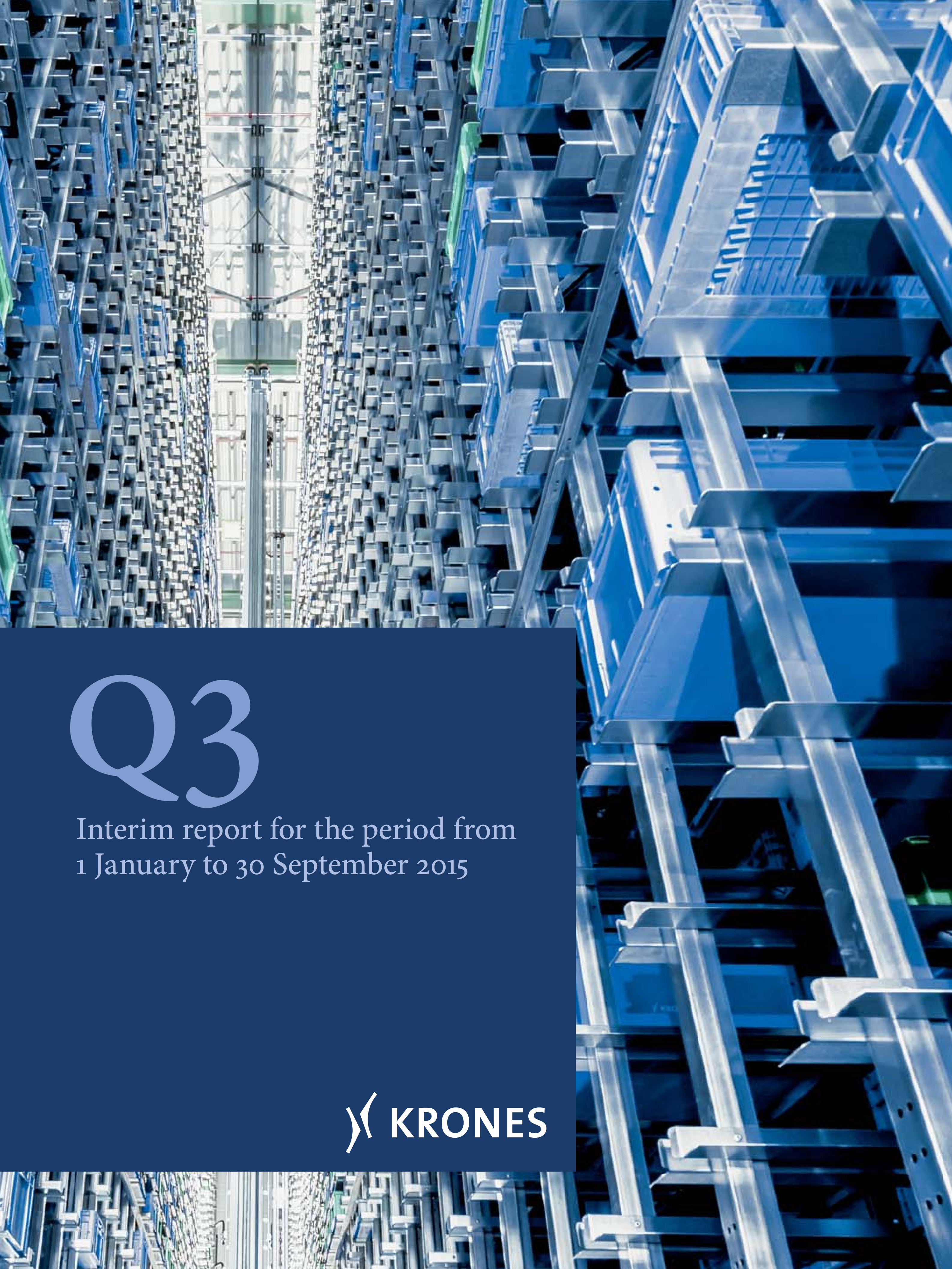


Q3

Interim report for the period from
1 January to 30 September 2015

KRONES

Contents

Highlights and key figures

KRONES is right on target after the first three quarters of 2015

- Revenue climbed 4.9% to €2,270.7 million.
- New orders increased 5.2% to €2,311.3 million for the period from January to September.
- EBT margin improved from 6.3% to 6.9% thanks to the Value strategy programme.
- KRONES confirms growth and earnings targets for 2015.

Key figures for 1 January – 30 September		1 Jan – 30 Sep 2015	1 Jan – 30 Sep 2014	Change
Revenue	€ million	2,270.7	2,164.4	+4.9%
New orders	€ million	2,311.3	2,197.8	+5.2%
Orders on hand at 30 September	€ million	1,119.7	1,025.8	+9.2%
EBITDA	€ million	218.2	196.7	+10.9%
EBIT	€ million	152.6	132.9	+14.8%
EBT	€ million	156.1	136.7	+14.2%
EBT margin	%	6.9	6.3	–
Net income	€ million	108.3	95.1	+13.9%
Earnings per share	€	3.45	3.01	+14.6%
Capital expenditure for PP&E and intangible assets	€ million	55.4	49.6	+€5.8 million
Free cash flow	€ million	–48.1	+30.4	–€78.5 million
Net cash and cash equivalents at 30 September*	€ million	253.7	207.1	+€46.6 million
ROCE (liabilities side)	%	17.0	16.1	–
ROCE (assets side)	%	14.9	13.6	–
Employees at 30 September				
Worldwide		13,149	12,586	+563
Germany		9,655	9,264	+391
Outside Germany		3,494	3,322	+172

* Cash and cash equivalents less debt

Key figures for Q3		1 Jul – 30 Sep 2015	1 Jul – 30 Sep 2014	Change
Revenue	€ million	767.0	728.9	+5.2%
New orders	€ million	787.2	735.9	+7.0%
EBITDA	€ million	74.1	68.9	+7.5%
EBIT	€ million	51.4	46.8	+9.8%
EBT	€ million	52.0	47.3	+9.9%
EBT margin	%	6.8	6.5	–
Net income	€ million	35.6	32.7	+8.9%
Earnings per share	€	1.13	1.03	+9.7%

Dear shareholders and friends of KRONES,

The past several months have had their fill of discouraging headlines on politics, the economy, and business. Poor economic data, particularly from the "economic miracle" China, have dampened sentiment. Concerns that a weaker China could drag down growth in the rest of the world sent the stock markets into a tailspin. These fears seem to have been justified, as the IMF recently lowered its forecast for global economic growth for the second time this year.

And now for the good news: KRONES is still on target, despite the difficult economic environment. After the first nine months, revenue growth comes to 4.9% and new orders are up 5.2%. Earnings before taxes improved by 14.2%. Overall, we are confident that we will achieve our targets for 2015, which we revised upwards three months ago.

What makes KRONES so stable? First, our market. Demand for packaged beverages is virtually independent of economic cycles and is growing steadily, driven by various megatrends. Second, our highly successful Value strategy programme and our new corporate structure have made KRONES far more agile and flexible. We are able to respond quickly to changes in the markets, and our strong international presence enables us to offset shifts in demand.

That will remain the case. It must. The markets are not becoming simpler, and the days of stable uptrends for the global economy are over. For this reason, the entire KRONES team will continue to work hard every day to achieve long-term profitable growth. I am very optimistic that KRONES will continue on this successful path with its new Executive Board team beginning in 2016.

Volker Kronseder
Chairman of the Executive Board

Share price up 16.5% after the first nine months

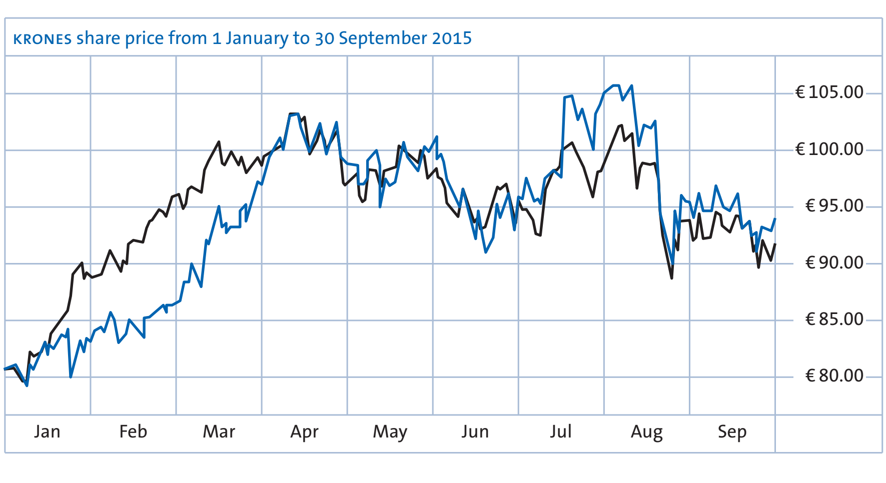
The third quarter was a volatile period on the stock markets once again this year, bringing bitter losses for some. Stocks were still trending upwards in the period from early July through mid-August. Then began a two-week sell-off that dragged down almost every index worldwide. The main reason for the sell-off was a spate of bad news from China. Share prices there collapsed, swiftly losing about half of their value after having rallied since the start of the year. Increasing concerns about the Chinese economy caused the speculative bubble to burst. Rising fears of a change in interest rates policy in the USA also contributed downward momentum.

The combination of these risk factors caused the DAX to drop by 20% in the period from 10 to 24 August. In all, the DAX lost 11.7% in the third quarter, sliding into negative territory in terms of year-to-date performance (–1.5%). The Nikkei index in Japan lost 14.1% in the period from July to September while the impact on the Dow Jones Index in the USA was less dramatic, at –7.6%. Both the Nikkei (–0.4%) and the Dow (–9.4%) closed the period down from the start of the year. Germany's MDAX mid-cap index was very stable in the third quarter, slipping only 1.7%.

KRONES share outperforms strong MDAX

Therefore, it is all the more noteworthy that the KRONES share closed the third quarter of 2015 with a gain of 0.4%. The main reasons for this comparatively strong performance were the company's good half-year results and the higher earnings forecast for the year as a whole. After this news was released at the end of July, the KRONES share rose to an all-time high of €106.65 on 3 August. However, the share was unable to hold its ground against the downward pull of the overall market. It hit its low for the quarter, €88.52, on 24 August. The share recovered at the end of the quarter to close at €94.10.

The KRONES share price gained 16.5% from the start of the year. After factoring in the dividend of €1.25 per share, the share's performance comes to 18.1%. With that, the KRONES share outperformed the MDAX, which itself had fared quite well, gaining 13.8% since the start of the year.



The KRONES share outperformed the MDAX in the period from January through September 2015.

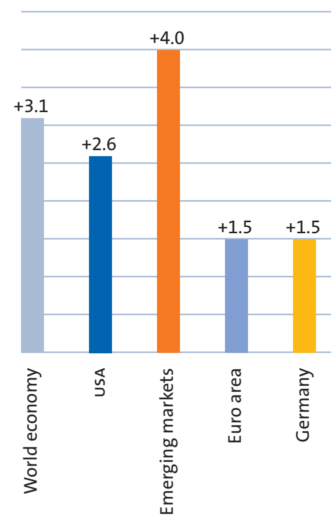
Global economy is growing more slowly

The International Monetary Fund (IMF) lowered its 2015 growth forecast for the world economy in October, from 3.3% to 3.1%. Slowing momentum in the emerging market and developing economies was the primary reason for the downward revision. The IMF experts also pointed out the increased downside risks for the global economy. For instance, higher interest rates in the USA could further slow growth in the emerging markets. The IMF has also expressed concerns about China's uncertain economic outlook and low commodity prices.

At present, the IMF is forecasting 4.0% economic growth for the emerging market and developing economies for 2015. Growth there came to 4.6% in 2014. Apart from obvious hotspots Russia and Brazil, which have been in a deep recession in 2015, slowing momentum in China has also had a negative impact on growth in the emerging markets. China's gross domestic product (GDP) is expected to grow by 6.8% in 2015. The Chinese economy had expanded 7.3% in the previous year. Growth is also expected to slow in the Middle East and Northern Africa this year. After advancing 2.7% last year, the region's GDP is expected to pick up 2.5% in 2015.

Among the advanced economies, the US is increasingly the growth driver. Unlike many other regions, the outlook for the world's biggest economy has improved in recent months. Therefore, the IMF has raised its forecast for GDP growth in the USA from 2.5% to 2.6%. Most of the other advanced economies are moving along at a much slower pace. The IMF is forecasting just 0.6% GDP growth for Japan and 1.5% for the euro zone. The IMF has even lowered its expectation for German GDP growth to 1.5%. In July, the forecast was for 1.6%.

Economic growth in 2015
over previous year (%)
(IMF forecast)



Slight uptrend in the German machinery sector

Germany's machinery sector still faces challenges, like the Russia crisis and the slowdown in China. Nevertheless, new orders have recently improved slightly overall. In the period from June to August 2015, orders were up 2% year-on-year. While new domestic orders rose 10%, orders from abroad declined 2% year-on-year.

In the period from January to August 2015, new orders overall were up 1% year-on-year. The German Engineering Federation (VDMA) is standing by its forecast of zero output growth in the sector for 2015.

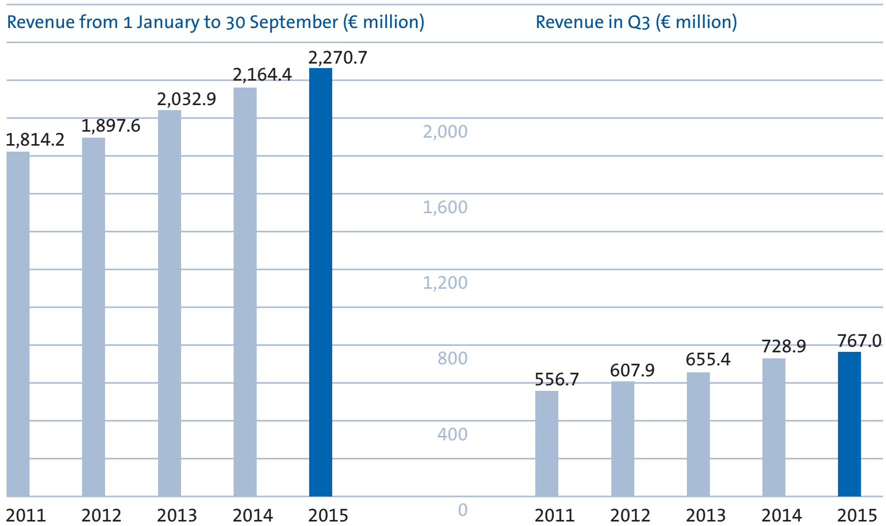
The organisation is more optimistic about the food and packaging machinery subsector, which is relevant for KRONES. The VDMA expects output here (based on contract value) to increase by 5% in 2015.

Revenue

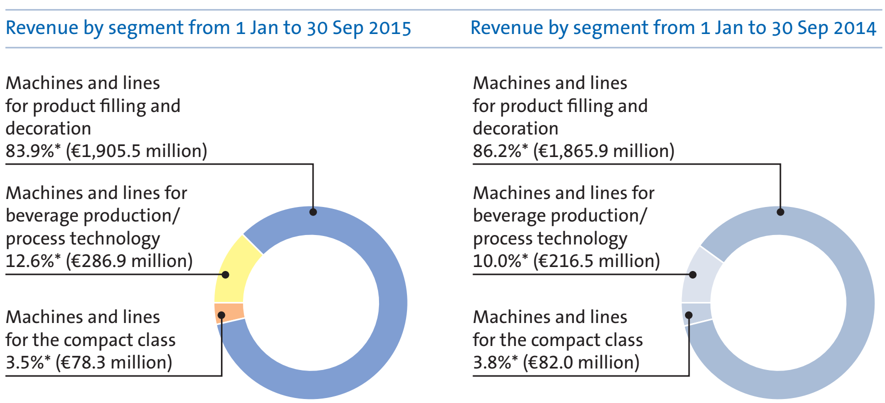
KRONES continues stable growth

KRONES' sound business model works well, even in a difficult economy.

Development of KRONES' markets was stable overall in the third quarter of 2015 and therefore better than the economy as a whole. The company's broad international position enabled us to offset temporary shifts in demand in individual regions and continue to grow steadily. Revenue increased 5.2% in the third quarter of 2015 from €728.9 million in the year-earlier period to €767.0 million.



In the period from January to September 2015, revenue was up 4.9% to €2,270.7 million. KRONES' broad range of products and services, with the growing role of after-sales service, provided a strong foundation for the positive development in the first three quarters. As expected, revenue was down in regions grappling with major economic challenges, such as Russia/CIS and parts of South America. However, we were able to more than offset these declines with increased revenue in other markets, such as Central and Western Europe, North and Central America, and the Middle East/Africa sales regions. All in all, after the first nine months, KRONES is on track to achieve its growth target of 4% for the year 2015 as a whole.



* Share of consolidated revenue of €2,270.7 million

* Share of consolidated revenue of €2,164.4 million

KRONES Group revenue by region

Business in Germany developed very well overall in the first three quarters of 2015. Revenue was up 25.3% year-on-year in the period from January to September 2015, to €237.1 million. Domestic revenue's share of consolidated revenue grew from 8.7% in the previous year to 10.4%.

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

The rest of Europe (excluding Germany) also contributed a significant portion of consolidated revenue growth in the reporting period, with the exception of the Russia/CIS region. In all, KRONES' revenue in Europe (excluding Germany) increased 14.0% year-on-year in the period from January to September 2015, to €670.9 million. The region's share of consolidated revenue increased to 29.5% (previous year: 27.2%).

As we had forecast, business in the Middle East/Africa sales region picked up again after a weaker 2014. In the first three quarters, revenue improved 28.4% year-on-year to €350.0 million. Revenue in China was down 14.7% in the reporting period, to €182.3 million. It should also be noted that revenues were relatively high in the year-earlier period. The same is true for the rest of the Asia-Pacific sales region, where revenue was down 22.4% to €318.1 million. The year-earlier figure was very high because KRONES had invoiced large orders in Japan during that period.

The share of revenue generated in China is precisely in line with our medium-term forecast.

After a years-long lean period, investment activity among our customers in the North and Central America region has picked up considerably, as we had hoped it would. In the first three quarters of 2015, revenue increased 55.8% year-on-year to €292.4 million. The situation in South America/Mexico is a different story. Brazil in particular but also other South American countries are grappling with major macroeconomic difficulties. By contrast, business in Mexico was relatively good for KRONES. Overall, revenue in the South America/Mexico region was down 27.4% to €219.9 million in the first nine months of 2015.

KRONES generated 52.9% of consolidated revenue in the emerging markets in the reporting period (previous year: 62.4%). KRONES' revenue is very well balanced internationally. BRIC countries account for only about 15% of revenue.

KRONES Group revenue by region

Share of consolidated revenue	30 September 2015		30 September 2014		Change
	€ million	%	€ million	%	%
Germany	237.1	10.4	189.2	8.7	+25.3
Central Europe (excluding Germany)	97.6	4.3	70.5	3.3	+38.4
Western Europe	441.8	19.5	366.2	16.9	+20.6
Eastern Europe	65.8	2.9	62.0	2.9	+6.1
Russia, Central Asia (CIS)	65.7	2.9	89.8	4.1	−26.8
Middle East/Africa	350.0	15.4	272.6	12.6	+28.4
Asia-Pacific	318.1	14.0	409.8	18.9	−22.4
China	182.3	8.0	213.8	9.9	−14.7
South America/Mexico	219.9	9.7	302.8	14.0	−27.4
North and Central America	292.4	12.9	187.7	8.7	+55.8
Total	**2,270.7**	**100**	**2,164.4**	**100.0**	**+4.9**

New orders and orders on hand

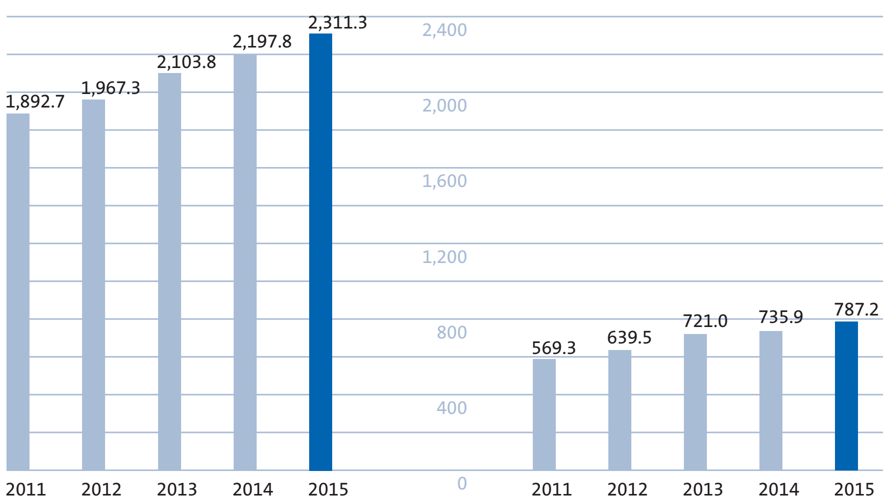
New orders up 5.2% in the first three quarters of 2015

After a somewhat slow second quarter, our customers' ordering activity picked up in the third quarter of 2015. In the period from July to September 2015, new orders were up 7.0% year-over-year, from €735.9 million to €787.2 million.

New orders were up 7.0% in the third quarter of 2015. New orders for the first nine months of the year were 5.2% higher than in the year-earlier period.

Despite the increasingly poor outlook for the global economy, our customers' capital spending was very satisfactory overall in the first nine months of 2015 – with the exception of crisis regions like Russia/CIS. In the period from January to September 2015, the contract value of new orders was up 5.2% from €2,197.8 million in the previous year to €2,311.3 million. New orders growth at KRONES was particularly strong in the North and Central America, Western Europe, and Middle East/Africa sales regions in the reporting period. Orders were down considerably in the Russia/CIS region due to the Ukraine crisis. We expect new orders across the group to be around 4% higher in 2015 as a whole than they were in 2014.

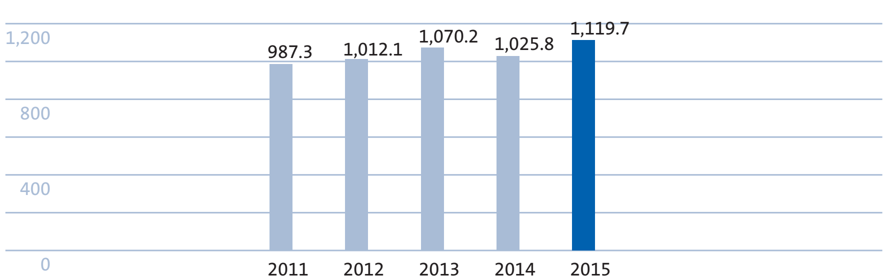
New orders from 1 January to 30 September (€ million) | New orders in Q3 (€ million)



KRONES' order books are well-filled

Orders on hand at KRONES came to €1,119.7 million at the end of September 2015. In terms of contract value, that is up 9.2% from the year-earlier period. This strong orders situation ensures good, balanced capacity utilisation for the months ahead.

Orders on hand at 30 September (€ million)

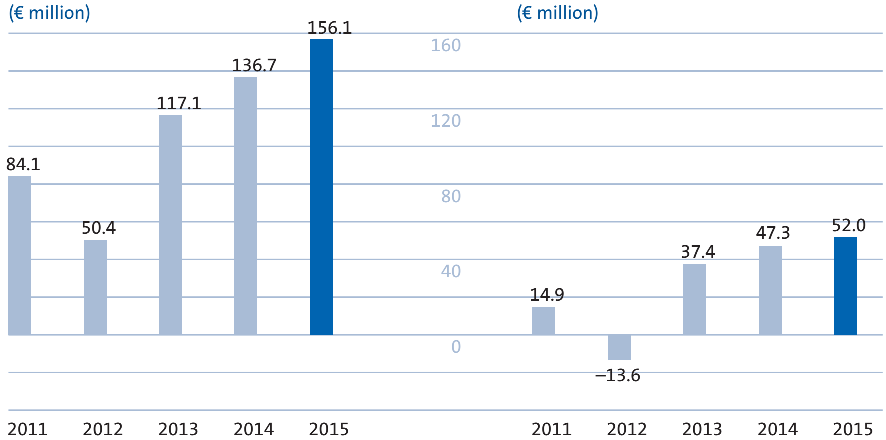


KRONES is approaching its EBT margin target of 7.0%

KRONES' profitability improved considerably in the first nine months of 2015. At €156.1 million, earnings before taxes (EBT) overshot the year-earlier figure of €136.7 million by 14.2%. The EBT margin, the ratio of EBT to revenue, rose from 6.3% in the previous year to 6.9%. The improved earnings performance is the result of our Value strategy programme. Prices have not improved. The higher margin reflects actions taken under Value, such as our increasing use of modular concepts for our machines and the expansion of our local structures as well as our services business. After the first three quarters, KRONES is already very close to our margin target of 7.0% for the year 2015 as a whole. We are confident that we will achieve this target.

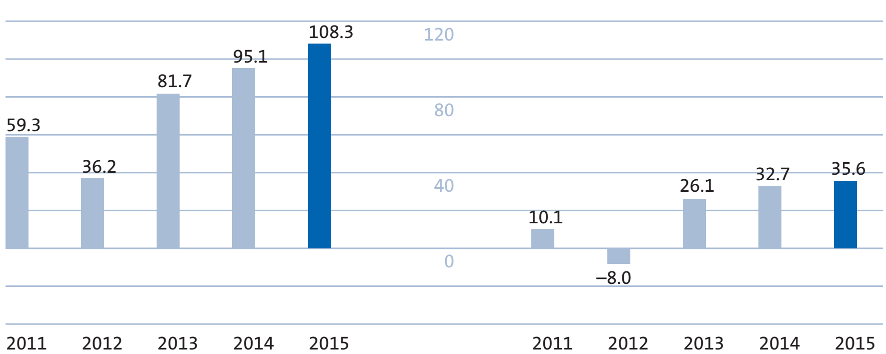
The Value strategy programme continues to bear fruit. The EBT margin improved from 6.3% in the previous year to 6.9% in the first three quarters of 2015.

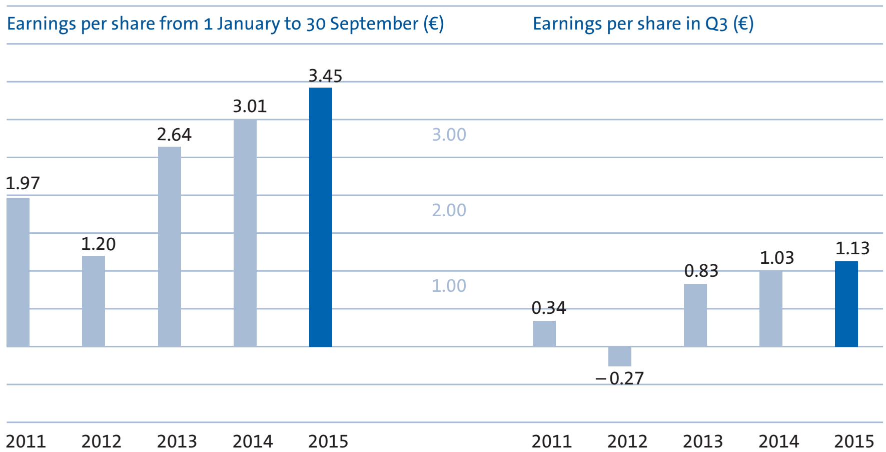
Earnings before taxes (EBT) from 1 January to 30 September (€ million) | Earnings before taxes (EBT) in Q3 (€ million)



KRONES' net income for the first three quarters of 2015 was up 13.9% year-on-year to €108.3 million. That corresponds to earnings per share of €3.45 (previous year: €3.01).

Net income from 1 January to 30 September (€ million) | Net income in Q3 (€ million)





For the period from July to September 2015, KRONES' earnings before taxes came to €52.0 million, which is up 9.9% over the year-earlier period. The EBT margin improved from 6.5% to 6.8%. Earnings before taxes increased 8.9% to €35.6 million. Earnings per share for the period rose from €1.03 in the previous year to €1.13.

KRONES Group earnings structure

€ million	2015 1 Jan – 30 Sep	2014 1 Jan – 30 Sep	Change %
Revenue	**2,270.7**	**2,164.4**	**+4.9**
Changes in inventories of finished goods and work in progress	37.0	−29.2	
Total operating performance	**2,307.7**	**2,135.2**	**+8.1**
Goods and services purchased	−1,107.7	−1,046.1	+5.9
Personnel expenses	−695.2	−647.0	+7.4
Other operating income (expenses) and own work capitalised	−286.6	−245.4	+16.8
EBITDA	218.2	196.7	+10.9
Depreciation and amortisation on non-current assets	−65.6	−63.8	+2.8
EBIT	**152.6**	**132.9**	**+14.8**
Financial income	3.5	3.8	
EBT	**156.1**	**136.7**	**+14.2**
Income tax	−47.8	−41.6	+14.9
Consolidated net income	**108.3**	**95.1**	**+13.9**

The company further increased earnings performance as planned. Successful implementation of the Value strategy programme contributed a large part of the improvement. These changes had a positive impact on expenditure for goods and services purchased, which increased less than total operating performance in the first nine months of 2015 (5.9% year-on-year to €1,107.7 million from €1,046.1 million in the previous year). The ratio of spending for goods and services purchased to total operating performance declined year-on-year from 49.0% to 48.0% in the reporting period.

Personnel expenses also increased less than total operating performance in the period from January to September 2015. This figure was up 7.4% to €695.2 million. Thus, the ratio of personnel expenses to total operating performance decreased slightly, from 30.3% in the year-earlier period to 30.1%, in the first nine months of 2015.

Two major expense items, "goods and services purchased" and "personnel expenses", grew less than total operating performance in the first three quarters of 2015. As a result, KRONES improved profitability as forecast.

The net of other operating income and expenses and own work capitalised increased less than proportionately, by 16.8% from –€245.4 million to –€286.6 million. High freight costs and currency fluctuations were responsible for this development. At €65.6 million, depreciation and amortisation of non-current assets in the first nine months of 2015 were up 2.8% on the year-earlier figure (€63.8 million).

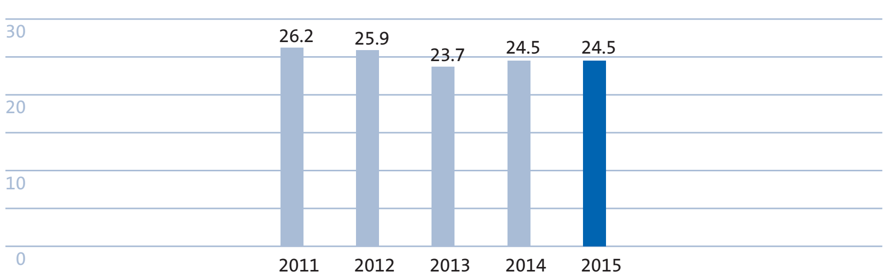
Earnings before interest and taxes (EBIT) improved 14.8% to €152.6 million in the first three quarters. With financial income of €3.5 million, which is slightly less than in the previous year (€3.8 million), earnings before taxes (EBT) were up 14.2% to €156.1 million, a smaller increase than EBIT. KRONES improved its EBT margin, the ratio of earnings before taxes to revenue, from 6.3% in the previous year to 6.9% in the period from January to September 2015. At 30.6% KRONES' tax rate had changed only marginally year-on-year in the reporting period (previous year: 30.4%). Consolidated net income was up 13.9% in the first nine months of 2015, to €108.3 million (previous year: €95.1 million).

KRONES Group cash flow

€ million	2015 1 Jan – 30 Sep	2014 1 Jan – 30 Sep	Change € million
Earnings before taxes	**156.1**	**136.7**	+19.4
Non-cash expenses and income	+83.4	+128.9	−45.5
Changes in working capital	−189.0	−161.1	−27.9
Other (primarily income taxes)	−29.5	−24.6	−4.9
Cash flow from operating activities	**+21.0**	**+79.9**	−58.9
Capital expenditure for intangible assets and property, plant and equipment	−55.4	−49.6	−5.8
Other	−13.7	+0.1	−13.8
Free cash flow	**−48.1**	**+30.4**	−78.5
Cash flow from financing activities	−39.5	−63.4	+23.9
Change in cash and cash equivalents arising from exchange rates	+4.9	+0.2	+4.7
Net change in cash and cash equivalents	**−82.7**	**−32.8**	−49.9
Cash and cash equivalents at the end of the period	**253.7**	**207.1**	**+46.6**

In the period from January to September 2015, KRONES' cash flow from operating activities decreased from €79.9 million in the year-earlier period to €21.0 million. The change can be attributed to unusually high inventories, trade receivables, and other assets at the reporting date and a smaller-than-usual increase in provisions. The high working capital figure stems primarily from our large orders backlog. This, and our efforts to balance use of our production resources, resulted in a temporary, large increase in inventories. Nevertheless, the ratio of average working capital for the past four quarters to revenue, which factors out short-term fluctuations, was unchanged year-on-year at 24.5%.

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



Average working capital for the past four quarters to revenue came to 24.5% unchanged from the previous year.

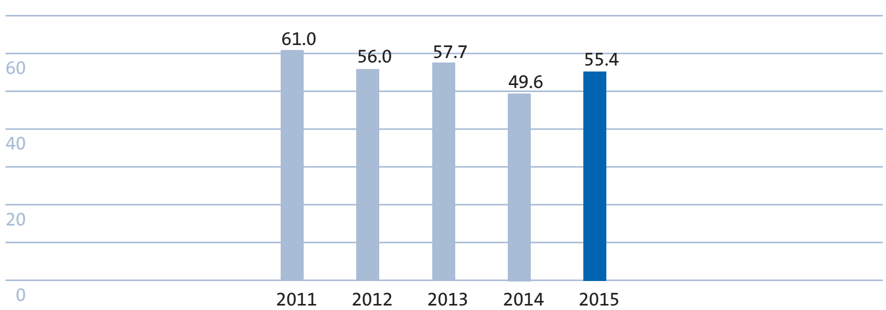
KRONES invested €55.4 million in intangible assets and property, plant and equipment in the first nine months of the year (previous year: €49.6 million). That was in keeping with our capital expenditure planning. Cash flow from investing activities rose from €49.5 million to €69.1 million as the company made a number of smaller acquisitions. KRONES' free cash flow (net cash generated from operating activities)

KRONES increased capital expenditure in the first three quarters of 2015 as planned, to €55.4 million from €49.6 million in the year-earlier period.

came to –€48.1 million after the first three quarters of 2015, after a positive figure of €30.4 million in the previous year. In our business, it is not unusual for free cash flow to be negative at various points throughout the year. We are confident that we will generate positive free cash flow for the year as a whole.

Cash flow from financing activities improved to –€39.5 million in the first nine months of 2015, from –€63.4 million in the year-earlier period. This item consists primarily of the dividend payout to shareholders for both periods. The previous year's payout was higher due to the additional "special dividend". All told, KRONES had cash and cash equivalents of €253.7 million at 30 September (previous year: €207.1 million).

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



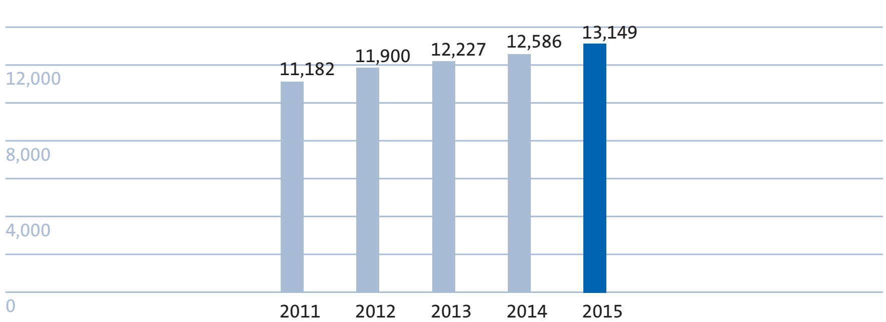
Employees

KRONES employs 13,149 worldwide

Growing our international workforce remains a strategic goal.

In the third quarter of 2015, our workforce surpassed the 13,000 mark for the first time. At the end of September 2015, KRONES employed 13,149 people worldwide (previous year: 12,586). Our team has grown by 525 since the start of the year. At 30 September, the workforce in Germany had grown from 9,264 in the previous year to 9,655 as a result of several small acquisitions and the establishment of SYSKRON. The number of employees abroad increased by 172, from 3,322 in the year-earlier period to 3,494. It should be noted that KRONES had to reduce the workforce at KOSME Italy by around 100 in the fourth quarter of 2014 due to capacity changes.

KRONES employees worldwide at 30 September



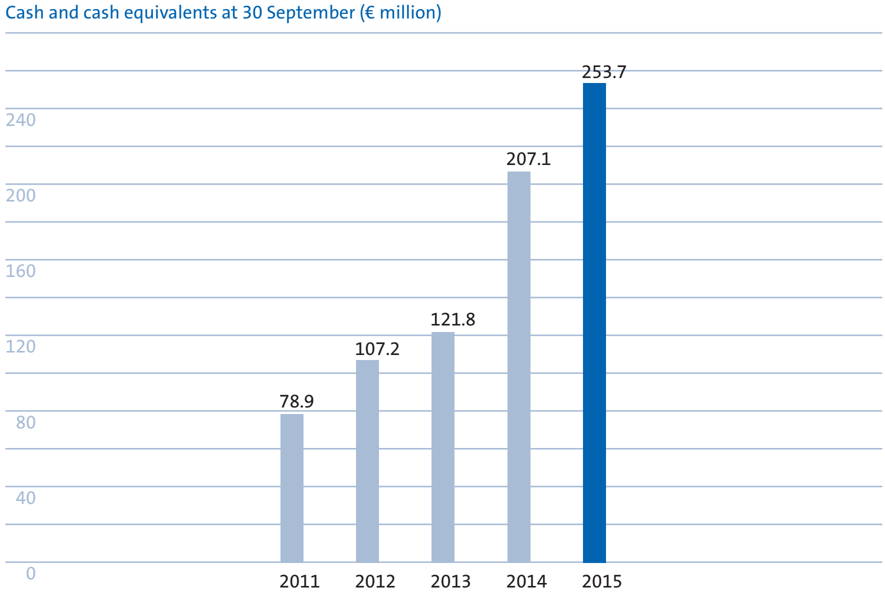
KRONES Group asset and capital structure

€ million	30 Sep 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012
Non-current assets	678	672	642	625
of which fixed assets	628	624	605	587
Current assets	1,847	1,756	1,596	1,445
of which cash and equivalents	254	336	240	133
Equity	1,042	989	954	798
Total debt	1,483	1,439	1,284	1,272
Non-current liabilities	280	275	213	193
Current liabilities	1,203	1,164	1,071	1,079
Total	**2,525**	**2,428**	**2,238**	**2,070**

Due to the higher business volume, total assets at 30 September 2015 were up to €2,525.2 million, a 4.0% increase from the end of 2014.

At the end of the first nine months, the company had non-current assets totalling €678.3 million (31 December 2014: €672.0 million). Property, plant and equipment, intangible assets, and non-current financial assets (referred to collectively as “fixed assets” in this report) totalled €627.5 million (31 December 2014: €624.2 million). Of this, €470.9 million were property, plant and equipment. Intangible assets, which consist primarily of development costs that must be capitalised, were up to €155.1 million after the first three quarters (31 December 2014: €143.3 million).

Cash and cash equivalents at 30 September (€ million)



At the end of September 2015, cash and cash equivalents totalled €253.7 million, which is up €46.6 million on the year-earlier period.

At the end of the reporting period, current assets totalled €1,846.9 million, which is 5.2% more than at 31 December 2014 (€1,755.5 million). Trade receivables were up only slightly, from €691.7 million to €716.8 million while inventories increased considerably, from €650.0 million to €744.2 million. Cash and cash equivalents decreased from €336.4 million to €253.7 million in the reporting period.

A comfortable liquidity cushion, no bank debt, and a sound equity position give KRONES a high level of financial stability.

On the liabilities side, KRONES' non-current liabilities were up slightly, to €279.7 million at 30 September 2015 (31 December 2014: €274.9 million). Higher deferred tax liabilities were the main factor here. The company had no non-current bank debt at 30 September.

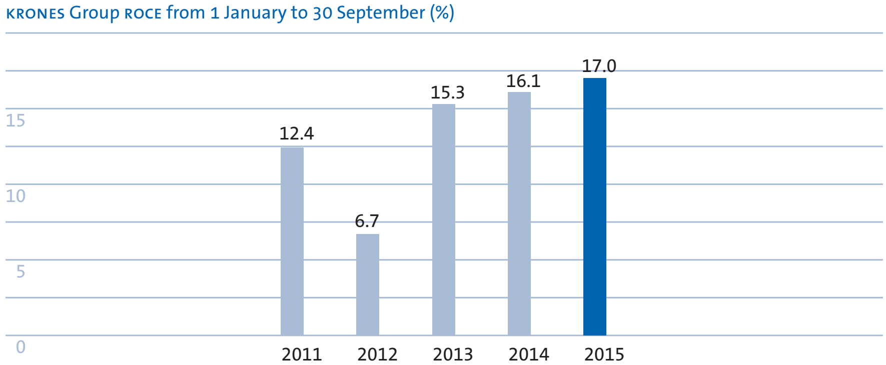
Current liabilities were up 3.4% over the end of the year 2014, to €1,203.2 million. KRONES also had no current bank debt after the first three quarters. The company's net cash and cash equivalents (cash and cash equivalents less bank debt) amounted to €253.7 million at the end of September 2015.

Due to the positive consolidated earnings, equity increased from €988.5 million to €1,042.3 million in the reporting period. Our equity ratio was a comfortable 41.3% at 30 September 2015 (31 December 2014: 40.7%). All in all, our balance sheet shows that KRONES still has an extremely robust financial and capital structure.

KRONES increases return on capital employed (ROCE) to 17.0 %

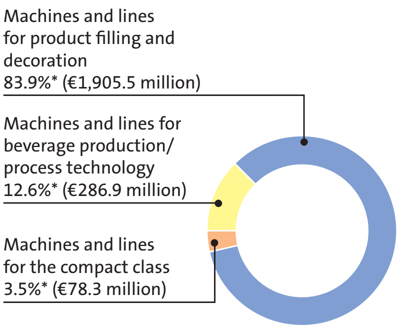
KRONES increased its return on capital employed (ROCE), that is the ratio of EBIT to average net tied-up capital, to 17.0% in the reporting period (previous year: 16.1%). The dramatic improvement in EBIT (14.8%) was primarily responsible for the increase. We are confident that we will achieve our ROCE target of 17% for the year 2015 as a whole.

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



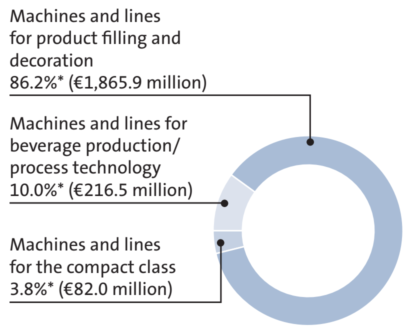
KRONES is confident that the company will achieve its ROCE target of 17% for the year 2015 as a whole.

Revenue by segment from 1 Jan to 30 Sep 2015



* Share of consolidated revenue of €2,270.7 million

Revenue by segment from 1 Jan to 30 Sep 2014



* Share of consolidated revenue of €2,164.4 million

Segment revenue

Revenue in KRONES' core segment grew 2.1% in the first three quarters of 2015.

Revenue in our core segment, "machines and lines for product filling and decoration", increased 2.1% from €1,865.9 million to €1,905.5 million in the first nine months of 2015. Segment revenue for the third quarter of 2015 was down 4.9% year-on-year to €624.6 million. We had expected the decline since the year-earlier figure had been exceptionally high. All in all, we are on track to achieve our growth target of 4% for the year as a whole in our core segment. The segment contributed 83.9% of consolidated revenue in the first nine months, which is down from the previous year (86.2%).

Revenue in the "machines and lines for beverage production/process technology" segment rose 32.5% from €216.5 million in the previous year to €286.9 million in the first three quarters of 2015. Revenue in this segment fluctuates sharply throughout the year due to long project lead times. Therefore, the strong growth rate from the first three quarters cannot be extrapolated to the year as a whole. The segment contributed 12.6% of consolidated revenue in the reporting period (previous year: 10.0%).

Revenue development in the "machines and lines for the compact class" segment was as forecast in the first nine months. At €78.3 million, revenue was down 4.5% from the previous year. One reason for the decrease in business volume is that KRONES streamlined KOSME Italy's portfolio in the second half of 2014 and discontinued the subsidiary's own production of packing and palletising systems. The segment's share of consolidated revenue decreased to 3.5% (previous year: 3.8%).

Segment earnings

KRONES increased operating profitability in all three segments.

Earnings before taxes (EBT) in the "machines and lines for product filling and decoration" segment were up 3.3% in the first three quarters of 2015, from €141.0 million to €145.6 million. The EBT margin, the ratio of segment earnings before taxes to segment revenue, came to 7.6%, as in the year-earlier period. It should be noted, however, that KRONES had reversed provisions for the now-concluded legal disputes in the USA in the third quarter of 2014. The reversal had a positive impact of around €5 million on EBT in 2014. With this effect factored out, the EBT margin improved year-over-year in the first nine months of 2015.

Earnings in our "machines and lines for beverage production/process technology" segment were up sharply in the first three quarters of 2015. The segment generated €6.4 million in earnings before taxes (EBT) in the reporting period (previous year: €1.2 million). The EBT margin improved from 0.6% to 2.2%. Strong revenue growth in the first nine months was the main factor driving the increase in earnings.

Earnings in the "machines and lines for the compact class" segment reflect the success of KOSME Italy's restructuring. In the period from January to September 2015, earnings before taxes (EBT) improved considerably, from –€5.5 million in the year-earlier period to +€4.1 million. It should be noted that KRONES had recognised a provision in the mid-single-digit millions range for the capacity and staff reductions at KOSME Italy in the third quarter of the previous year, which had a negative impact on earnings for the period. The segment's EBT margin was 5.2% for the first three quarters (previous year: –6.7%).

Product filling and decoration		2015 1 Jan–30 Sep	2014 1 Jan–30 Sep
EBT	€ million	145.6	141.0
EBT margin	in %	7.6	7.6

Beverage production/process technology		2015 1 Jan–30 Sep	2014 1 Jan–30 Sep
EBT	€ million	6.4	1.2
EBT margin	in %	2.2	0.6

Compact class		2015 1 Jan–30 Sep	2014 1 Jan–30 Sep
EBT	€ million	4.1	–5.5
EBT margin	in %	5.2	–6.7

KRONES' risk management system

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

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

Risk analysis

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

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

Risk monitoring

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

Risk planning and control

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

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

Threats

Viewed from today's perspective, KRONES is not exposed to any risks that threaten the company's continued existence. A detailed discussion of the risks faced by the company and a detailed description of our risk management can be found in the consolidated management report on pages 106 through 117 of our 2014 Annual Report. In the period from 1 January to 30 September 2015, there were no material changes with respect to the statements made in the annual report regarding the company's key risks.

KRONES intends to continue to grow profitably in 2015

Despite the many political and economic uncertainties, KRONES is optimistic about the business outlook for 2015. The markets in which KRONES operates continue to offer good prospects for growth. In the established markets, we expect business to pick up the most in North America. Revenue in Europe should also develop well overall.

KRONES expects to improve earnings and revenue in all three segments

KRONES expects prices to trend sideways in 2015. Therefore, reducing costs, launching new products and services, and further improving quality remain important topics under our Value programme in all three segments in the fourth quarter of 2015, so that we can grow profitably.

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

In the process technology segment, we will increase local value creation and further expand local structures in the regions this year. In addition, we will substantially expand the area of internal logistics under SYSKRON Holding. We expect earnings in the process technology segment to move into slightly positive territory in 2015 with revenue growth of around 7%. We will implement additional structural measures in process technology this year in order to reach our medium-term margin target of 4%.

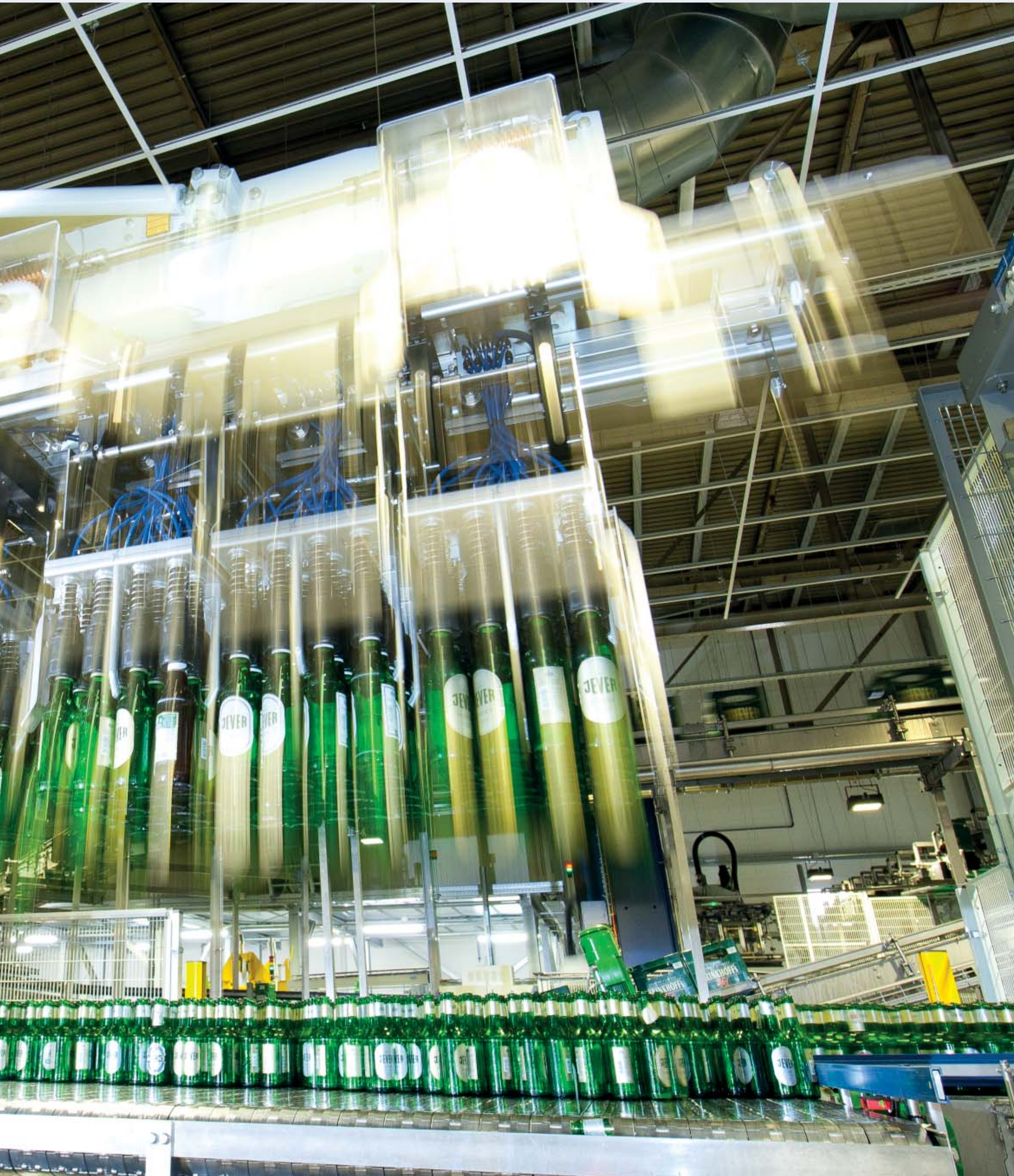
In the machines and lines for the compact class segment, the restructuring of our Roverbella, Italy, site will begin to take hold in 2015. The segment is expected to generate a profit margin (EBT margin) of 4% to 5% on stable revenue and lower costs.

All forecasts for 2015 affirmed

Based on the current forecasts for global economic growth and developments on the markets relevant to KRONES, we expect consolidated revenue to grow by 4% in 2015. We are also confident that we will achieve the higher profitability target set this summer: an EBT margin of 7.0% for 2015 as a whole. We want to increase our third strategy target, ROCE, to 17% this year.

KRONES is right on track to achieve its targets for 2015 as a whole.

	Forecast for 2015	Actual value Q1–Q3 2015
Revenue growth	+ 4%	+ 4.9%
EBT margin	7.0%	6.9%
ROCE	17%	17.0%



Statement of financial position

Assets € million	30 September 2015		31 December 2014	
Intangible assets	155.1		143.3	
Property, plant and equipment	470.9		479.2	
Non-current financial assets	1.5		1.7	
Fixed assets	**627.5**		**624.2**	
Deferred tax assets	19.2		22.3	
Trade receivables	25.9		20.0	
Income tax receivables	3.3		3.4	
Other assets	2.4		2.1	
Non-current assets		**678.3**		**672.0**
Inventories	744.2		650.0	
Trade receivables	716.8		691.7	
Current income tax receivables	4.8		3.8	
Other assets	127.4		73.6	
Cash and cash equivalents	253.7		336.4	
Current assets		**1,846.9**		**1,755.5**
Total		**2,525.2**		**2,427.5**

Equity and liabilities € million	30 September 2015		31 December 2014	
Equity		**1,042.3**		**988.5**
Provisions for pensions	211.8		211.3	
Deferred tax liabilities	9.8		2.5	
Other provisions	46.7		49.8	
Liabilities to banks	0.0		0.0	
Other financial liabilities	10.4		9.7	
Other liabilities	1.0		1.6	
Non-current liabilities		**279.7**		**274.9**
Other provisions	163.2		162.8	
Provisions for taxes	20.0		14.7	
Liabilities to banks	0.0		0.0	
Advances received	532.8		493.7	
Trade payables	191.4		214.9	
Current tax liabilities	1.0		6.5	
Other financial liabilities	11.2		12.0	
Other liabilities and accruals	283.6		259.5	
Current liabilities		**1,203.2**		**1,164.1**
Total		**2,525.2**		**2,427.5**

Separate income statement

€ million	2015 1 January– 30 September	2014 1 January– 30 September	Change %
Revenue	**2,270.7**	**2,164.4**	**+4.9**
Changes in inventories of finished goods and work in progress	37.0	−29.2	
Total operating performance	**2,307.7**	**2,135.2**	**+8.1**
Goods and services purchased	−1,107.7	−1,046.1	+5.9
Personnel expenses	−695.2	−647.0	+7.4
Other operating income/expenses and own work capitalised	−286.6	−245.4	+16.8
Depreciation and amortisation on fixed assets	−65.6	−63.8	+2.8
EBIT	**152.6**	**132.9**	**+14.8**
Financial income/expense	3.5	3.8	
Earnings before taxes	**156.1**	**136.7**	**+14.2**
Income tax	−47.8	−41.6	+14.9
Consolidated net income	**108.3**	**95.1**	**+13.9**
Profit share of non-controlling interests	−0.8	0.0	
Profit share of KRONES Group shareholders	109.1	95.1	
Earnings per share (diluted/basic) in €	3.45	3.01	

€ million	2015 1 July– 30 September	2014 1 July– 30 September	Change %
Revenue	**767.0**	**728.9**	**+5.2**
Changes in inventories of finished goods and work in progress	12.5	3.5	
Total operating performance	**779.5**	**732.4**	**+6.4**
Goods and services purchased	−382.2	−374.9	+1.9
Personnel expenses	−226.3	−213.0	+6.2
Other operating income/expenses and own work capitalised	−96.9	−75.6	+28.2
Depreciation and amortisation on fixed assets	−22.7	−22.1	+2.7
EBIT	**51.4**	**46.8**	**+9.8**
Financial income/expense	0.6	0.5	
Earnings before taxes	**52.0**	**47.3**	**+9.9**
Income tax	−16.4	−14.6	+12.3
Consolidated net income	**35.6**	**32.7**	**+8.9**
Profit share of non-controlling interests	−0.3	0.0	
Profit share of KRONES Group shareholders	35.9	32.7	
Earnings per share (diluted/basic) in €	1.13	1.03	

Statement of cash flows

€ million	2015 1 January – 30 September	2014 1 January – 30 September
Earnings before taxes	156.1	136.7
Depreciation and amortisation (reversals)	65.6	63.8
Increase in provisions	30.7	66.6
Deferred tax item changes recognised in profit or loss	−10.4	1.3
Interest expenses and interest income	−1.5	−2.0
Proceeds and losses from the disposal of fixed assets	−0.1	−0.2
Other non-cash expenses and income	−0.9	−0.6
Increase in inventories, trade receivables, and other assets not attributable to investing or financing activities	−190.3	−140.5
Increase (previous year: decrease) in trade payables and other liabilities not attributable to investing or financing activities	1.3	−20.6
Cash generated from operating activities	**50.5**	**104.5**
Interest paid	−0.5	−0.8
Income tax paid and refunds received	−29.0	−23.8
Cash flow from operating activities	**21.0**	**79.9**
Cash payments to acquire intangible assets	−27.0	−24.2
Cash payments to acquire property, plant and equipment	−28.4	−25.4
Proceeds from the disposal of property, plant and equipment	0.4	1.9
Cash payments to acquire non-current financial assets	0.0	−0.5
Proceeds from the disposal of non-current financial assets	0.1	0.1
Cash payments to acquire shares in affiliated companies	−18.3	−6.3
Interest received	2.1	3.1
Dividends received	2.0	1.8
Cash flow from investing activities	**−69.1**	**−49.5**
Cash payments to company owners	−39.5	−63.2
Cash payments to service debt	0.0	−0.2
Cash flow from financing activities	**−39.5**	**−63.4**
Net change in cash and cash equivalents	**−87.6**	−33.0
Change in cash and cash equivalents arising from exchange rates	4.9	0.2
Cash and cash equivalents at the beginning of the period	336.4	239.9
Cash and cash equivalents at the end of the period	**253.7**	**207.1**

Statement of changes in equity

	Parent company							Non-controlling interests	Group equity
€ million	Share capital	Capital reserves	Profit reserves	Currency differences in equity	Other reserves	Group retained earnings	Equity	Equity	
At 31 December 2013	**40.0**	**141.7**	**364.2**	**−11.5**	**−39.3**	**459.1**	**954.2**	**0.0**	**954.2**
Dividend payment (€2.00 per share)						−63.2	**−63.2**		**−63.2**
Consolidated net income 9 months 2014						95.1	**95.1**	0.0	**95.1**
Currency differences				3.2			**3.2**		**3.2**
Actuarial gains (losses) on pension plans					−27.4		**−27.4**		**−27.4**
Hedge accounting					−2.1		**−2.1**		**−2.1**
At 30 September 2014	**40.0**	**141.7**	**364.2**	**−8.3**	**−68.8**	**491.0**	**959.8**	**0.0**	**959.8**
Consolidated net income Q4 2014						40.8	**40.8**	−0.2	**40.6**
Allocation to profit reserves			0.0			0.0	**0.0**		**0.0**
Changes in the consolidated group							**0.0**	1.0	**1.0**
Currency differences				7.8			**7.8**		**7.8**
Actuarial gains (losses) on pension plans					−18.5		**−18.5**		**−18.5**
Hedge accounting					−2.2		**−2.2**		**−2.2**
At 31 December 2014	**40.0**	**141.7**	**364.2**	**−0.5**	**−89.5**	**531.8**	**987.7**	**0.8**	**988.5**
Dividend payment (€1.25 per share)						−39.5	**−39.5**		**−39.5**
Consolidated net income 9 months 2015						109.1	**109.1**	−0.8	**108.3**
Currency differences				−19.1			**−19.1**		**−19.1**
Actuarial gains (losses) on pension plans					0.5		**0.5**		**0.5**
Hedge accounting					3.6		**3.6**		**3.6**
At 30 September 2015	**40.0**	**141.7**	**364.2**	**−19.6**	**−85.4**	**601.4**	**1,042.3**	**0.0**	**1,042.3**

Statement of comprehensive income

	2015 1 January – 30 September	2014 1 January – 30 September
Consolidated net income	**108.3**	**95.1**
Items that will not be reclassified subsequently to profit or loss		
Actuarial gains and losses on pensions and similar obligations	0.5	–27.4
	0.5	–27.4
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation	–19.1	3.2
Derivative financial instruments	3.6	–2.1
	–15.5	1,1
Other comprehensive income	**–15.0**	**–26.3**
Total comprehensive income	**93.3**	**68.8**
of which attributable to non-controlling interests	–0.8	0.0
of which attributable to KRONES Group shareholders	94.1	68.8

Notes to the consolidated financial statements

Segment reporting

	Machines and lines for product filling and decoration		Machines and lines for beverage production/ process technology		Machines and lines for the compact class		KRONES Group	
€ million	2015 1 Jan – 30 Sep	2014 1 Jan – 30 Sep	2015 1 Jan – 30 Sep	2014 1 Jan – 30 Sep	2015 1 Jan – 30 Sep	2014 1 Jan – 30 Sep	2015 1 Jan – 30 Sep	2014 1 Jan – 30 Sep
Revenue	1,905.5	1,865.9	286.9	216.5	78.3	82.0	2,270.7	2,164.4
EBT	145.6	141.0	6.4	1.2	4.1	–5.5	156.1	136.7
EBT margin	7.6%	7.6%	2.2%	0.6%	5.2%	–6.7%	6.9%	6.3%
Employees at 30 September*	11,344	10,951	926	813	487	488	12,757	12,252

* Consolidated group

General disclosures

Legal basis

The consolidated financial statements of KRONES AG ("KRONES Group") for the period ended 30 September 2015 have been prepared in accordance with the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB), London, applicable at the end of the reporting period, including the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) as adopted by the European Union. No early application was made of IFRSs that had not yet entered into force.

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

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

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

Consolidated group

Besides KRONES AG, the consolidated financial statements for the period ended 30 September 2015 include all material domestic and foreign subsidiaries over which KRONES AG has direct or indirect control.

In 2015, KRONES acquired TRIACOS Consulting & Engineering GmbH of Altenstadt an der Waldnaab, Germany, GERNEP GmbH Etikettiertechnik of Barbing, Germany, GERNEP Verwaltungs GmbH of Barbing, Germany, and GERNEP Immobilien GmbH & Co. KG of Barbing, Germany, as well as SCHAEFER Förderanlagen- und Maschinenbau GmbH of Unterföhring, Germany.

First-time consolidation of TRIACOS Consulting & Engineering GmbH, Altenstadt an der Waldnaab, Germany, and GERNEP GmbH Etikettiertechnik of Barbing, Germany, was effected as of the time of acquisition. GERNEP Verwaltungs GmbH, Barbing, Germany, and GERNEP Immobilien GmbH & Co. KG, Barbing, Germany, were merged into Krones AG, Neutraubling, Germany.

Consolidation principles

The separate financial statements of the companies included in the consolidated financial statements are prepared in accordance with uniform accounting policies and were all prepared as of the end of the reporting period of the consolidated financial statements.

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

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

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

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

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

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

Currency translation

The functional currency for KRONES AG is the euro.

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

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

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

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

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

		Closing rate		Average rate	
		30 Sep 2015	31 Dec 2014	2015	2014
US dollar	USD	1.122	1.216	1.116	1.356
British Pound	GBP	0.738	0.779	0.728	0.812
Swiss franc	CHF	1.092	1.202	1.063	1.218
Danish krone	DKK	7.460	7.445	7.458	7.459
Canadian dollar	CAD	1.502	1.407	1.404	1.483
Japanese yen	JPY	134.850	145.030	134.879	139.578
Brazilian real	BRL	4.549	3.230	3.518	3.102
Chinese renminbi (yuan)	CNY	7.134	7.437	6.887	8.337
Mexican peso	MXN	19.000	17.864	17.360	17.780
Ukrainian hryvnia	UAH	23.720	19.226	23.870	15.151
South African rand	ZAR	15.511	14.043	13.692	14.530
Kenyan shilling	KES	117.592	110.302	107.956	118.354
Nigerian naira	NGN	222.120	222.430	220.225	220.479
Russian ruble	RUB	73.432	72.700	66.474	48.004
Thai baht	THB	40.742	39.967	37.604	43.946
Indonesian rupiah	IDR	16,430.300	15,053.300	14,787.030	15,882.957
Angolan kwanza	AOA	151.798	125.027	127.683	132.369
Turkish lira	TRY	3.400	2.829	2.966	2.932
Kazakhstan tenge	KZT	305.000	222.260	219.070	241.967

Accounting policies

The separate financial statements of KRONES AG and its domestic and foreign subsidiaries have been prepared using uniform accounting policies, in accordance with IFRS 10. The accounting policies used in these interim financial statements are the same as those used for the financial statements prepared for the period ended 31 December 2014.

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

Intangible assets

Acquired and internally generated intangible assets, excluding goodwill, are capitalised pursuant to IAS 38 if it is sufficiently probable that the use of the asset will result in a future economic benefit and the cost of the asset can be reliably determined. They are stated at cost and amortised systematically on a straight-line basis over their estimated useful lives. The amortisation of intangible assets is carried out over a useful life of between three and five years and is recognised under "Depreciation and amortisation of intangible assets and property, plant and equipment".

Research and development expenditure

Development expenditure of the KRONES Group is capitalised at cost to the extent that costs can be allocated clearly and the technical feasibility and a future economic benefit as a result of their use are probable. According to IAS 38, research expenditure cannot be capitalised and is, therefore, recognised as an expense directly in profit or loss. Borrowing costs are capitalised as cost at a capitalisation rate of 0.46%.

Goodwill

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

Testing for impairment on goodwill is done at the level of the cash-generating unit or group of cash-generating units represented by a division (or corresponding unit). The cash-generating unit or group of cash-generating units represent the lowest level at which the goodwill is monitored for internal management purposes.

For impairment testing, goodwill acquired in a business combination is allocated to the cash-generating unit or group of cash-generating units that are expected to benefit from the synergies of the business combination. If the carrying amount of the cash-generating unit or group of cash-generating units to which the goodwill is allocated exceeds the recoverable amount, an impairment loss is recognised for the goodwill to which the cash-generating unit or group of cash-generating units are allocated. The recoverable amount is either the fair value less costs of disposal or the value in use, whichever is higher, of the cash-generating unit or group of cash-generating units. If one of these amounts exceeds the carrying amount, it is not always necessary to determine both values. These values are based on discounted cash flow measurements. Even if the recoverable amount of the cash-generating unit or group of cash-generating units to which the goodwill is allocated exceeds the carrying amount in subsequent periods, impairment losses on that goodwill are not reversed.

Property, plant and equipment

The KRONES Group's property, plant and equipment are accounted for at cost less scheduled depreciation on a straight-line basis over their estimated useful lives. The cost of internally generated plant and equipment includes all costs that are directly attributable to the production process and an appropriate portion of overheads.

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

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

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

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

Government grants are only recognised if there is reasonable assurance that the conditions attaching to them will be complied with and the grants will be received.

Government grants related to assets are deducted from the cost of the asset and recognised in profit and loss in the subsequent periods in the proportions in which depreciation expense on those assets is recognised.

Leasing

Leases in which the KRONES Group, as the lessee, bears substantially all the risks and rewards incidental to ownership of the leased asset are treated as finance leases pursuant to IAS 17 upon inception of the lease. The leased asset is recognised as a non-current asset at fair value or, if lower, at the present value of the minimum lease payments. The leased asset is depreciated systematically using the straight-line method over the shorter of the "lease term" and its "useful life". Payment obligations for future lease instalments are recognised under "other liabilities".

In the case of operating leases, the leased assets are treated as assets belonging to the lessor since the lessor bears the risks and rewards.

Financial instruments

Financial instruments under IAS 39 used by KRONES consist of the following:

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

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

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

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

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

Transactions against cash settlement are accounted for using the settlement date. Derivative financial instruments are accounted for using the trade date.

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

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

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

Non-current financial assets

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

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

Derivative financial instruments

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

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

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

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

The derivative financial instruments are measured at fair value at the end of the reporting period. The fair values are determined using Level 2 inputs under IFRS 13.72. Gains and losses from the measurement are recognised as profit or loss on the separate income statement unless the conditions for hedge accounting are met. The derivative financial instruments for which hedge accounting is applied comprise forward currency contracts and currency swaps whose changes in fair value are recognised as a "fair value hedge" in profit or loss or a "cash flow hedge" as part of equity. In the case of cash flow hedges, to mitigate currency risks from existing underlying transactions, changes in fair value are initially recognised directly in equity and subsequently reclassified to profit and loss when the hedged item affects profit or loss. These derivative financial instruments are measured on the basis of the relevant commercial bank's forward rates.They are derecognised only when substantially all risks and rewards of ownership are transferred.

Receivables and other assets

Receivables and other assets, with the exception of derivative financial instruments, are assets that are not held for trading. They are recognised at amortised cost. Receivables with maturities of over one year that bear no or lower interest are discounted. Impairments are recognised to take account for all identifiable risks. The indicators used for this are the ageing of the receivables and the customer's economic position.

Inventories

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

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

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

Construction contracts for specific customers

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

Deferred tax items

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

The deferred tax items are computed on the basis of the national income tax rates that apply in the individual countries at the time of realisation. Changes in the tax rates are taken into account if there is sufficient certainty that they will occur. Where permissible under law, deferred tax assets and liabilities have been offset.

Provisions for pensions

Provisions for pensions are calculated using the “projected unit credit method” pursuant to IAS 19. Under this method, known vested benefits at the end of the reporting period as well as expected future increases in state pensions and salaries are taken into account with due consideration to relevant factors that will affect the benefit amount, which are estimated on a prudent basis. The provision is calculated on the basis of actuarial valuations that take into account biometric factors.

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

Partial retirement benefit obligations

According to the definition of post-employment benefits under IAS 19, the “top-up payments” promised under partial retirement agreements fall under “other long-term employee benefits”. Thus, top-up payments are not recognised in full as liabilities at their net present value. Instead, they are accrued on a pro-rated basis across the relevant years of active service of the employee taking partial retirement.

Other provisions

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

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

Financial liabilities

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

Revenue

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

Revenue is reported less reductions.

Segment reporting

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

Segment 1 comprises machines and lines for product filling and decoration. Segment 2 comprises machines and lines for beverage production and process technology. Segment 3 comprises machines and lines for the compact class.

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 capitalheld 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	100.00
SYSKRON Holding GmbH, Wackersdorf, Germany	100.00
SYSKRON GmbH, Wackersdorf, Germany	100.00
TRIACOS Consulting & Engineering GmbH, Altenstadt an der Waldnaab, Germany	100.00
HST Maschinenbau GmbH, Dassow, Germany	100.00
SCHAEFER Förderanlagen- und Maschinenbau GmbH, Unterföhring, Germany	100.00
TILL GmbH, Hofheim, Germany	50.97
GERNEP GmbH Etikettiertechnik, Barbing, 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., Lyon, France	100.00
KRONES UK Ltd., Bolton, UK	100.00
KRONES S.R.L., Garda (VR), Italy	100.00
KOSME S.R.L., Roverbella, Italy	100.00
KRONES Kazakhstan TOO, Almaty, Kazakhstan	100.00
KRONES Nederland B.V., Bodegraven, Netherlands	100.00
KOSME Gesellschaft mbH, Sollenau, Austria	100.00
KRONES 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., Mississauga, Ontario, Canada	100.00
KRONES LCS Center East Africa Limited, Nairobi, Kenya	100.00
KRONES Andina Ltda., Bogotá, Columbia	100.00
KRONES Korea Ltd., Seoul, Korea	100.00
KRONES Mex S.A. DE C.V., Mexico D.F., Mexico	100.00
KRONES LCS Center West Africa Limited, Lagos, Nigeria	100.00
KRONES Southern Africa (Prop.) Ltd., Johannesburg, South Africa	100.00
KRONES (Thailand) Co. Ltd., Bangkok, Thailand	100.00
KRONES, Inc., Franklin, Wisconsin, USA	100.00
Maquinarias KRONES de Venezuela S.A., Caracas, Venezuela	100.00

*Direct and indirect shareholdings

Members of the Supervisory Board and the Executive Board

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

Supervisory Board

Ernst Baumann
Chairman of the Supervisory Board
* ZF FRIEDRICHSHAFEN AG

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

Klaus Gerlach**
Head of Central International Operations and Services

Norman Kronseder
Farmer and forester
* BAYERISCHE FUTTERSAATBAU GMBH

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

Dr. Alexander Nerz
Attorney

Dr. Verena Di Pasquale**
Deputy Chairperson of DGB Bayern (the German Trade Union Confederation in Bavaria)

Johann Robold**
Member of the Works Council

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

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

Hans-Jürgen Thaus
Former deputy chairman of KRONES AG
* HAWE HYDRAULIK SE
* MASCHINENFABRIK RHEINHAUSEN GMBH
* KURTZ HOLDING GMBH & BETEILIGUNGS KG
* SCHULER AG

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

Executive Board

Volker Kronseder
Chairman
Human Resources, Communications and Quality

Christoph Klenk
Finance, Controlling and Information Management

Rainulf Diepold
Sales and Marketing

Thomas Ricker
Bottling and Packaging Equipment

Markus Tischer
International Operations and Services

Ralf Goldbrunner
Plants and Components

* Other Supervisory Board seats held, pursuant to Section 125 (1) Sentence 5 of the German Stock Corporation Act
** Elected by the employees

In addition, each of the group companies is the responsibility of two members of the Executive Board.

Glossary

Cash flow	All inflows and outflows of cash and cash equivalents during a period.
DAX	Deutscher Aktienindex (DAX). Index containing the 30 biggest German companies (based on market capitalisation and trading volume).
EBIT	Earnings before interest and taxes.
EBITDA	Earnings before interest, taxes, depreciation and amortisation.
EBT	Earnings before taxes.
EBT margin	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.
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.
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.
Working capital	Calculated as follows: (trade receivables + inventories + prepayments) – (trade payables + advances received)

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Financial calendar

28 April 2016	Annual Report 2015
28 April 2016	Interim report for the period ended 31 March 2016
21 July 2016	Interim report for the period ended 30 June 2016
26 October 2016	Interim report for the period ended 30 September 2016

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