

Acting responsibly

Sustainability Report 2012

2012 highlights

- KRONES increased revenue 7.4% to €2,664.2 million.
- Earnings before taxes (EBT) rose from €74.6 million in the previous year to €97.9 million.
- Direct and indirect CO₂ emissions were down 10.6% to a combined total of 34,851 metric tonnes
- Water consumption came to 43 m³ per €1 million in revenue, which is down 8.5% from the previous year

		2012	2011	Change
Revenue	€ million	2,664.2	2,480.3	+7.4%
EBT	€ million	97.9	74.6	+31.2%
Consolidated net income	€ million	67.0	43.7	+53.3%
Value added	€ million	870	815	+6.7%
Capital expenditure for PP&E and intangible assets	€ million	110.9	106.0	+0.4%
Equity	€ million	836	785	+6.5%
Total CO ₂ emissions	metric tonnes	34,851	39,012	-10.6%
Water consumption	m ³	116,043	126,778	-8.5%
Total waste generated	metric tonnes	14,683	13,506	+8.7%
Employees at 31 December				
Worldwide		11,963	11,389	+574
Germany		9,076	8,887	+189
Outside Germany		2,887	2,502	+385
Employee turnover rate*	%	1.1	0.9	-
Women in the workforce	%	13.0	12.8	-

* Based on the number of employees who quit

Acting responsibly – KRONES, our customers, and our employees exist within an economic and social environment that defines the basic framework for sustainable action.

We are committed to practicing responsible stewardship of all resources. This includes treating people – customers, employees, and the general public – with respect and using all material resources wisely over the entire lifecycle of our products.

The KRONES Sustainability Report provides an overview of our approach, our current position, and our progress. We will continue on this path and grow our business with a keen focus on sustainability.

KRONES compact

Economic

Environmental

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About the KRONES Sustainability Report

This Sustainability Report has been prepared in accordance with the GRI Sustainability Reporting Guidelines Version 3.1 and meets the criteria of application level B.

This report covers the period from 1 January 2012 to 31 December 2012. The previous report was published in May 2012 for the year 2011. The Sustainability Report is published annually.

Labour practices and decent work

Society

Other

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Dear Readers,



Once again this year, we present you with our Sustainability Report on the goals we have set and actions we are taking with respect to corporate social responsibility. Our Sustainability Report complements our Annual Report on business development, presenting a comprehensive overview of KRONES AG's sustainability concept.

Products and their performance are no longer the sole factors for a company's success. Other questions also come into play such as: How do we manufacture our machines and lines? What resources do we consume in production? What measures are we taking to ensure that we have a highly skilled workforce worldwide? How do we include all of KRONES AG's stakeholders in our information policy? Which leads to the bigger question: How seriously does KRONES take responsibility for all aspects of sustainability?

First, let me say this: Sustainability is essential to KRONES if we want to be able to offer our machines, lines, and services in a favourable environment for the long term. Each of our departments and divisions is working on numerous topics that make up our sustainability policy. However, our efforts are guided not only by our own goals and standards but also by the standards set by society as a whole. The United Nations (UN) Global Compact is an excellent compilation of these standards, defining principles in the areas of human rights, labour standards, environmental protection, and anti-corruption worldwide. KRONES is committed to these principles and joined the initiative in May 2012.

Our Value strategy programme, with its focus on profitability, growth, quality, and innovation, is a crucial tool for positioning sustainability within our company. Thus, our CSR strategy, with its focus on environment, labour, and society, is inextricably linked with Value. We are developing action plans relating to these topics in all of our divisions and departments.

Looking at what has happened on the markets over the long-term worldwide, we very clearly see two overlapping development trends. Steadily rising standards of living and advancing urbanisation in many emerging markets – such as China, South America, and Africa – mean that consumption in general and therefore demand for industrially packaged beverages and foodstuffs will grow continually in many regions. We will increasingly take these megatrends into account as we continue to develop and evolve our sustainability activities. Strengthening our presence in these markets is a core topic in the short and medium terms.

Sustainability is crucial to KRONES' business success. We implemented many important CSR projects in 2012. We also have set ambitious goals for sustainability for the years ahead and will work together to achieve them.

The ten principles of the UN Global Compact inform our actions in every part of our business.

In addition, we have to adapt our machines to cope with dwindling energy resources. Continually evolving our machines and lines with respect to resource consumption is a crucial part of our sustainability efforts. Our enviro programme is setting an industry-wide standard for sustainable machine design. We intend to complete our assessment of all of our machines with respect to energy and media efficiency and eco-friendliness by 2015.

Now, let's take a brief look back over the year 2012. KRONES can be satisfied with its business development in 2012. Despite the difficult macroeconomic environment, all of our key performance indicators such as sales revenue, profit, and new orders exceeded our year-earlier figures and our own expectations. Our Value strategy was pivotal to this success and we made further good progress with it during the reporting period. An extremely important – albeit painful – development in 2012 was the settlement of the lawsuits against KRONES in the USA that had been ongoing since 2008. We entered into settlements with the plaintiffs to avoid possible risks arising from the legal proceedings and to be able once again to focus all of our energy forwards. The agreements involve settlement payments of around USD110 million to the various plaintiffs, plus a payment by KRONES Inc. to the US Treasury amounting to USD15 million relating to a discontinuation of the investigation. After factoring in the contribution from the relevant insurances, the total net impact on KRONES' pre-tax earnings amounts to €74.5 million (approximately USD100 million), of which €36.7 million (USD47 million) had already been charged against income in the 2011 financial year.

An ethical trade audit performed on the basis of SMETA guidance, which was carried out at all of our German sites at the end of 2012 for a major customer, serves as an excellent document of our close, long-term partnership with our employees. The results show that our employees and temporary workers are very satisfied with the company and therefore highly motivated and loyal to KRONES.

Without a doubt, continually evolving our activities with respect to sustainability requires intensive effort in many individual projects aimed at achieving short- and medium-term goals. But we believe we are on the right track. Sustainability is our duty if we want to further expand our leadership as machinery suppliers to the food and beverage industry.



Volker Kronseder, Chairman of the Executive Board
Human Resources and Corporate Communications



Christoph Klenk,
Member of the Executive Board
Finance and Information
Management

The demands the capital markets place on listed companies with respect to sustainability reporting are growing rapidly. Many large investors have made a good sustainability rating a fundamental prerequisite for investment. KRONES actively participated in the sustainability ratings once again in 2012. We aim to further improve our external CSR ratings with active communications in the years ahead.

Fast, personalised service for the markets worldwide and our customers locally is a key factor for our long-term success. That is why we are investing to continually expand our LCS Centres in the regions. This effort is part of our Value strategy, which also maintains a steady focus on the company's profitability. We have made good progress in this area by reducing costs in all three segments.

Christoph Klenk



Rainulf Diepold,
Member of the Executive Board
Sales and Marketing

KRONES is aware of its responsibility toward its customers. We work closely with our customers to ensure that we meet their requirements completely – worldwide. We deliver innovative, resource-friendly products, systems, and services of the highest quality. We also strive to comply with global codes of conduct and our customers' corporate principles and guidelines. In this way, we are securing our place in our customers' value chains as a sustainable supplier and further strengthening KRONES' position as a sustainability leader. Our efforts are confirmed by the successful SMETA ethical trade audit that was carried out at all of our German sites in 2012. Our customers need to know that KRONES is a reliable partner in every respect.

Rainulf Diepold



Werner Frischholz,
Member of the Executive Board
Operations and Service

KRONES holds its suppliers to the same high auditing standards to which our customers hold us. That gives us documented proof of our sustainable supply chain. Going forward, KRONES will continuously fine tune the quality of our supplier audits.

Expanding our global service structures is one of the most important actions we are taking to provide our customers with fast, uncomplicated service of the highest quality. That is why KRONES is hiring additional qualified staff from within the respective regions, particularly in our LCS (Lifecycle Service) Centres and local service offices around the world.

Werner Frischholz



Thomas Ricker,
Member of the Executive Board
Technology, Research and
Development

Being technology leader means that new products and innovations are fundamental to our long-term success. KRONES is committed to being a one-stop provider of efficient, state-of-the-art production systems and services. That is why we are continually expanding our enviro sustainability programme. KRONES machines that bear the enviro seal give customers the certainty of energy and media-efficient production and, therefore, reduced resource consumption.

Another aim of our innovation work is to deliver machines that require minimal maintenance, are easy to operate, and provide maximum uptime. This and the reduced complexity of our production lines further increase plant efficiency.

Thomas Ricker



KRONES AG's CSR Committee:

From left to right:

Volker Kronseder (Chairman of the Executive Board), Claudia Islinger, Prof. Dr. Erich Kohnhäuser, Roland Pokorny, Prof. Dr. Thomas Schwartz, Kristina Ebenbeck, Philipp Graf von und zu Lerchenfeld.

The CSR team brings together representatives from the various stakeholder groups and works together to develop topics of focus for KRONES' sustainability strategy.

Volker Kronseder, Chairman of the Executive Board of KRONES AG, bundles all of the initiatives that are being worked on in the committee and serves as a representative of shareholders in the committee.

Claudia Islinger, member of the Works Council, represents the company's employees and therefore brings issues of current interest to employees into the committee's work.

Prof. Dr. Erich Kohnhäuser is the committee's connection to academia as a result of his long career as a university professor.

Roland Pokorny, Vice President Corporate Communications at KRONES AG, uses his comprehensive communications with all interest groups to firmly establish KRONES AG's activities in society.

Prof. Dr. Thomas Schwartz, honorary professor of applied ethics particularly business ethics and corporate ethics, is the committee's source of inspiration on all matters relating to ethical and sustainable action.

Kristina Ebenbeck is KRONES AG's CSR Officer, who pursues topics relating to sustainable business policies both within and outside the company.

Philipp Graf von und zu Lerchenfeld, member of the Bavarian Landtag, supports the CSR Committee on all questions relating to political topics.

Ladies and Gentlemen,

The CSR Committee steers KRONES' sustainability activities worldwide. It prescribes the CSR strategy and the associated actions and oversees their implementation. The body consists of six members. Together, and in dialogue with all stakeholder groups, they work to develop new ideas for improvement to ensure that KRONES maintains its leadership role with respect to sustainability in the machinery sector.

Due to illness, the CSR Committee held only three instead of four meetings in Neutraubling in the year under review. In these sessions, CSR Committee members and the respective KRONES project heads presented and discussed various CSR issues and topics and made the resolutions needed to implement them.

In the first meeting in March 2012, committee member Roland Pokorny presented KRONES AG's new mission statement, which was then approved by the committee. The committee also recommended to the Executive Board that the company join the United Nations (UN) Global Compact and the Executive Board promptly resolved to do so. Since May 2012, KRONES has been a member of this global initiative, which has established standardised guidelines that apply worldwide. The structure and content of the 2011 Sustainability Report was also explained, discussed, and approved in this meeting. With the fundraising project for a clinic in Nepal having expired as scheduled in 2011, the committee is currently deciding on a new fundraising project. A decision will be made in 2013.

The company's integrated management system (IMS) was the main focus of the second meeting, which was held in July 2012. Albert Bauer, Vice President for Systems Management in our Quality Department, explained the company's current certification status and how it compares with the competition. His findings showed that no competitors have as comprehensive a management system as KRONES. To consolidate this leadership position, the IMS will now be expanded to include the Lifecycle Service (LCS) Centres in the USA, Brazil, and China as part of the Value programme and associated internationalisation efforts.

The status and goals of the enviro sustainability programme were also presented at this meeting. KRONES is still the only machinery and plant supplier on the market that is authorised to conduct its own certifications. Dr. Sven Fischer, a member of the enviro specialist team, explained TÜV SÜD's suggestions for how KRONES can further evolve the enviro programme and establish it as the standard on the market. The company is standing by its target of having assessed all KRONES machines under enviro criteria by 2015. In addition, enviro assessments will be expanded to include criteria such as the reusability and recyclability of machine materials, energy, and media. The committee was then presented with the communications plan for the Value programme.

In the committee's first meeting of 2012, KRONES' new mission statement was presented and joining the UN Global Compact was recommended.

KRONES' social media strategy was presented in the committee's third meeting, in October 2012. Project lead Charles Schmidt presented the successes to date and the Social Media project plans relating to CSR going forward. Comprehensive social media communication benefits the company because it maintains ongoing exchange with all external stakeholders. It enables KRONES to react immediately to stakeholders' information needs and to quickly identify and respond to trends and external influences. The committee then turned its attention to a status report on the energy management system that was introduced in 2012 and further steps to reduce energy consumption.

CSR Committee member Prof. Dr. Thomas Schwartz explained the significance of corporate culture. He stressed the particular importance of ensuring that the culture prevailing within the company matches the communicated CSR strategy. CSR Officer Kristina Ebenbeck concluded the meeting with a report on the steadily growing requirements that customers and investors are placing on the transparency of CSR communications and on the ethical trade audit that was conducted in all of our German plants in late 2012.

The fourth meeting, which had been scheduled for December, had to be cancelled due to illness. The issues on that agenda were discussed in the March 2013 meeting. The results of the successful ethical trade audit were presented in greater detail and Mr. Pokorny presented the Value strategy 2015+. From this, the committee then discussed in detail the CSR strategy 2015+, which was presented by Ms. Ebenbeck and Prof. Schwartz, and defined its core points (page 22).

Four more CSR Committee meetings are planned for 2013.

Neutraubling, April 2013

The CSR Committee



Volker Kronseder



Kristina Ebenbeck



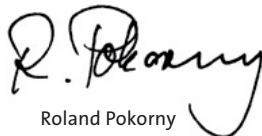
Claudia Islinger



Prof. Dr. Erich Kohnhäuser



Philipp Graf von und zu Lerchenfeld



Roland Pokorny



Prof. Dr. Thomas Schwartz

In all of its meetings in 2012, the CSR Committee dealt in depth with the question of how KRONES can meet increased demand for information from all stakeholder groups.

Petra Schadeberg-Herrmann, Member of the Supervisory Board

Sustainability is an integral part of our corporate strategy. It infuses all of our decisions, as business success requires sustainable action. KRONES' Supervisory Board, of which I have been a member since 2011, takes securing our company's future position very seriously. At our meetings, I have noticed that the board takes a very long view in its human resource policies. Long-term, sustainable human resource planning is particularly crucial in regard to developments in the market for skilled labour. The board also takes a holistic view of relations with customers and suppliers.

Consumer awareness of sustainability is growing. Consumers are demanding proof of sustainable practices from industry, including KRONES' customers. As a result, beverage producers are increasing their own focus on sustainability. The importance of operating costs and emissions relative to capital expenditure will also increase. Our competition knows that, too. To prevail in this tough competitive environment, we have to promote and make even better use of our employees' impressive innovative power. To remain the clear market leader, we have to invest in the pursuit of more forward-looking technologies. Here, too, economy and ecology go hand in hand in the long term.

I see very good prospects in the Asian market for our sustainable machines going forward, as local consumers are gradually becoming more aware of the importance of sustainability. That indicates a vast and promising market for KRONES' machines.



A KRONES filling line is composed of innovative individual machines and systems that produce, fill, label, and pack bottles. Custom IT solutions from KRONES control and document all processes within the line.

10 Internal logistics

Products are stored in a state-of-the-art high-bay warehouse until it's time for them to be delivered. Sophisticated software manages all inventories and fills customer orders fully automatically and just in time.

5 Conveyors

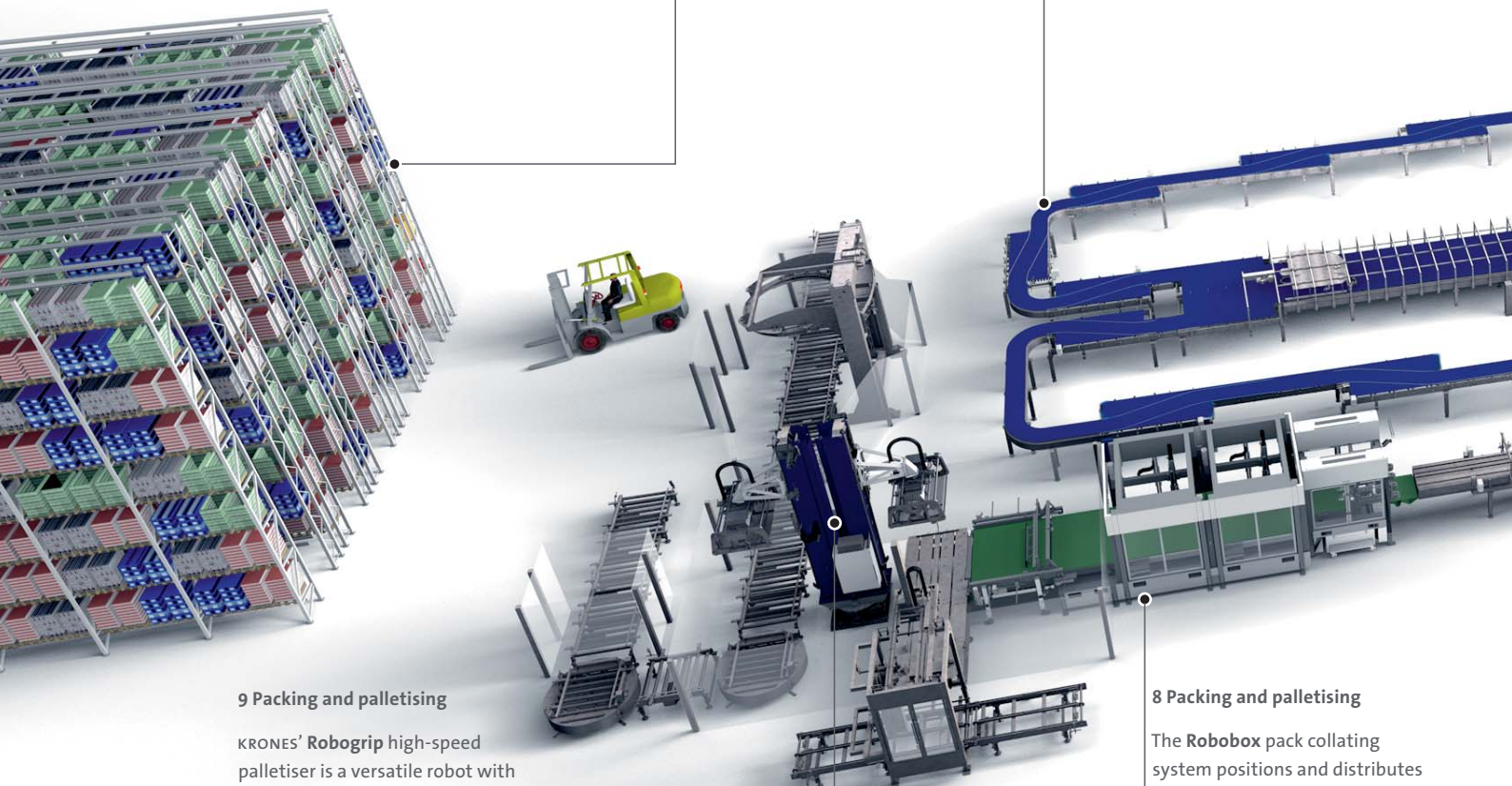
On KRONES lines, containers are moved quickly and reliably from one stage of production to the next. Our conveyors are equipped with state-of-the-art control technology.

9 Packing and palletising

KRONES' **Robogrip** high-speed palletiser is a versatile robot with a reliable grip. It uses clamping gripper heads to pick up an entire row of packs and accurately place it on the waiting pallet.

8 Packing and palletising

The **Robobox** pack collating system positions and distributes one-way packs quickly and fully automatically, setting the stage for reliable, precise palletising.



3 Process technology

Beverage production systems combine various components to produce ready-to-fill beverages like sodas and sparkling juices.

4 Filling

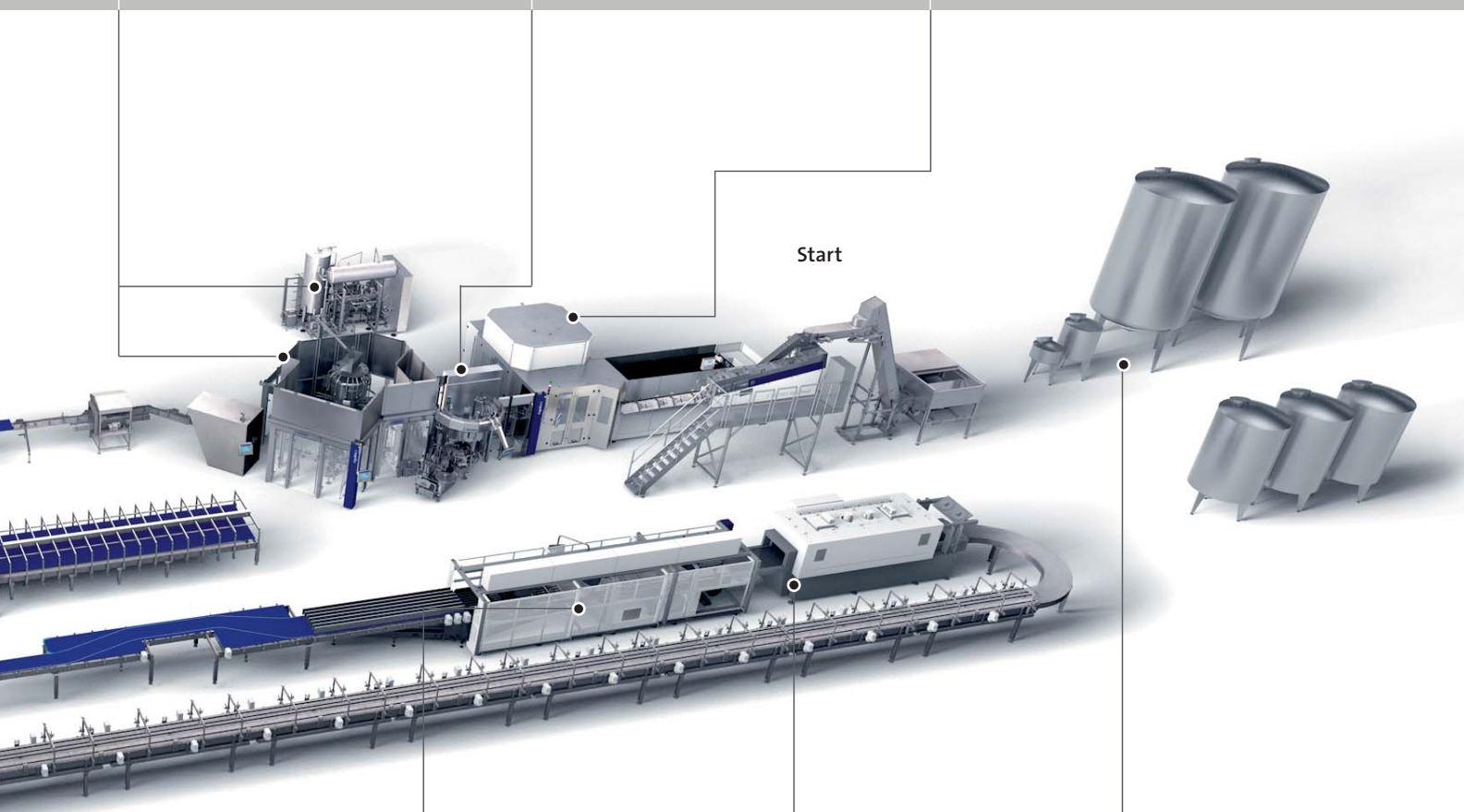
A variety of filling processes are available for each type of beverage and each type or shape of container. In KRONES' **Volumetric** filler, an inductive flow meter precisely determines the correct fill quantity.

2 Labelling

Bottles have to look appealing for consumers to buy them. Labels play a crucial role here. KRONES offers a broad range of high-performance labelling machines.

1 Plastics technology

On this machine, PET preforms are blow-moulded into bottles. With the new generation, **Contiform 3**, up to 2,250 PET containers can be produced per cavity per hour.



Start

6 Packing and palletising

The options for packaging are myriad. For this reason, packaging lines need to be highly versatile. The various models of KRONES' **Variopac Pro** fully automated packer cover all types of packaging.

7 Packing and palletising

In the **shrink tunnel**, the plastic film that encases a pack of containers is heated, causing the film to shrink and hold the containers firmly in place.

3 Process technology

Tanks play a key role in beverage production. KRONES delivers the highest quality storage and production tanks to suit customers' individual needs.

KRONES develops, plans, manufactures, and installs machinery and complete systems for filling and packaging and for beverage production. KRONES' customers include breweries, beverage producers, and companies from the food, chemical, pharmaceutical, and cosmetic industries.

KRONES relies on a proprietary network of 40 sales offices to distribute its products.

The KRONES Group is organised in three segments:

■ Machines and lines for product filling and decoration

This is KRONES' biggest segment, offering machinery and systems for labelling, filling, inspection, bottle washing, and PET bottle production.

■ Machines and lines for beverage production/process technology

This segment comprises brewhouse and filtration technology for the brewing industry and the complete production of non-alcoholic beverages, ready-to-drink teas, and alcoholic mixed drinks.

■ Machines and lines for the low output range (KOSME)

KRONES' subsidiary KOSME offers machines and lines for product filling and decoration for the low output range.

KRONES generated the highest sales revenue in the company's history in 2012.

KRONES posted sales revenue of around €2.66 billion and generated net income of approximately €67.0 million in 2012. The company generated 92% of its sales revenue outside Germany in 2012.

At 31 December 2012, the KRONES Group employed 11,963 people. The company's headquarters and largest production site is Neutraubling, Germany. Production also takes place at plants in Nittenau, Flensburg, Freising, and Rosenheim, Germany. In addition, KRONES has a network of around 40 companies outside Germany that offer a variety of products and services for the entire life of a line. The subsidiary KOSME manufactures its products in Italy and Austria.

With our own production sites and the manufacturing sites at our LCS Centres, KRONES has great vertical depth of production. KRONES does not outsource individual production steps.

Key figures for the KRONES Group

		2012	2011
Revenue	€ million	2,664	2,480
Export share	%	92	90
Earnings before taxes	€ million	98	75
Consolidated net income	€ million	67	44
Earnings per share	€	2.22	1.45
Total assets	€ million	2,070	2,040
Equity	€ million	836	786
Employees (at 31 December)		11,963	11,389
In Germany		9,076	8,887
Outside Germany		2,887	2,502
Dividend per share	€	0.75*	0.60

Export shares:

2012: 92%
2011: 90%
2010: 89%
2009: 90%
2008: 87%
2007: 84%
2006: 85%
2005: 87%
2004: 82%
2003: 80%

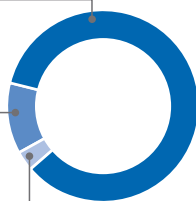
* As per proposal for the appropriation of retained earnings

KRONES Group revenue by segment

Machines and lines
for product filling
and decoration
84.8% (€2,258.3 million)

Machines and lines
for beverage production/
process technology
11.7% (€311.9 million)

Machines and lines
for the low output range
(KOSME)
3.5% (€94.0 million)

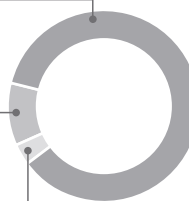


Revenue in 2012: €2,664.2 million

Machines and lines
for product filling
and decoration
86.1% (€2,137.0 million)

Machines and lines
for beverage production/
process technology
10.5% (€259.7 million)

Machines and lines
for the low output range
(KOSME)
3.4% (€83.6 million)



Revenue in 2011: €2,480.3 million

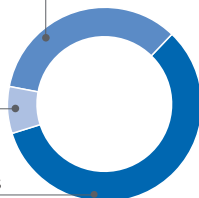
The machines and lines for beverage production/process technology segment grew more than the other segments in 2012, expanding its share of total sales from 10.5% to 11.7%.

KRONES Group revenue by industry

Alcoholic beverages 39.4%

Food, chemicals,
pharmaceuticals,
cosmetics 5.8%

Non-alcoholic beverages
54.8%

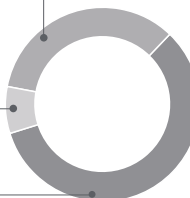


Revenue in 2012: €2,664.2 million

Alcoholic beverages 33.5%

Food, chemicals,
pharmaceuticals,
cosmetics 8.1%

Non-alcoholic beverages
58.4%



Revenue in 2011: 2,480.3 million

Share of consolidated revenue	31 Dec 2012		31 Dec 2011		Change %
	€ million	%	€ million	%	
Germany	224.1	8.4	253.2	10.2	-11.5
Central Europe (excluding Germany)	95.5	3.6	82.0	3.3	+16.5
Western Europe	358.2	13.5	366.8	14.8	-2.3
Eastern Europe	110.4	4.1	97.6	3.9	+13.1
Russia, Central Asia (cis)	116.0	4.3	128.7	5.2	-9.9
Middle East/Africa	383.0	14.4	348.5	14.0	+9.9
Asia-Pacific	340.3	12.8	334.2	13.5	+1.8
China	359.8	13.5	260.7	10.5	+38.1
North and Central America	327.7	12.3	277.3	11.2	+18.2
South America/Mexico	349.2	13.1	331.3	13.4	+5.4
Total	2,664.2		2,480.3		+7.4

Strong sales in China, North and Central America, and the Middle East/Africa region more than offset the declines in Western Europe and Germany.

More figures and information about our business development is in the 2012 Annual Report.

Legal form

Stock corporation under German law (Aktiengesellschaft, AG)

Executive Board

Volker Kronseder, Chairman of the Executive Board, 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

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

Supervisory Board

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

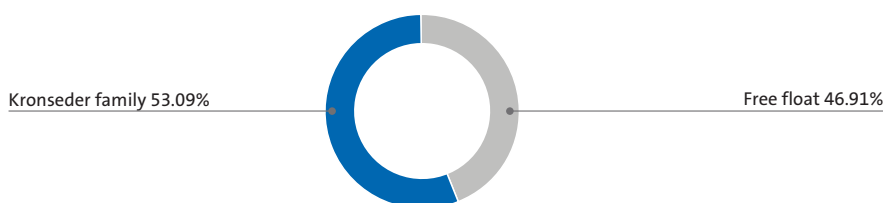
The Supervisory Board appoints the members of the Executive Board and approves important corporate decisions.

The structure of the compensation system for the Executive Board was discussed in detail and determined by the Supervisory Board on the basis of the recommendations contained in the German Corporate Governance Code. Details can be found on pages 110 to 112 of KRONES' 2012 Annual Report.

Shares

KRONES shares are no par value ordinary bearer shares. Each share carries one vote. The stock has been listed and available for trading on all German stock exchanges since 29 October 1984. KRONES' share capital of €40.0 million is divided into 31,593,072 shares. KRONES is included in the MDAX share index, the German stock exchange's midcap index.

Shareholder structure (as of 26 February 2013)



Inclusion of Executive Board Chairman Volker Kronseder in the CSR Committee ensures that KRONES AG's highest governing body is directly responsible for economic, environmental and social performance.

KRONES is a member of the German Engineering Federation (Verband Deutscher Maschinen- und Anlagenbau e.V.). Volker Kronseder is currently chairman of the trade association for food and beverage processing machinery (Fachverband Nahrungsmittelmaschinen und Getränkemaschinen).

Information on shareholder rights pursuant to § 121 (3) Sentence 3 Number 3 of the German Stock Corporation Act (AktG) can be found (in German) at http://www.krones.com/downloads/Re_Akt_2013_d.pdf.

In addition, information on how shareholders can exercise their voting rights is available (in German) at http://www.krones.com/downloads/eVollmacht_Krones_2013_d.pdf.

The company sold its treasury shares in April 2013, bringing the free float up to 47%.

This report marks the beginning of our reporting in strict accordance with GRI G3.1 Guidelines. Our sustainability reporting in previous years followed these guidelines loosely. The Economic section of this report presents the data for the KRONES Group; the other sections present the information for KRONES AG. The reports published in 2010 and 2011 followed the same structure. Thus, the report boundaries match those from previous years 100%. KRONES AG has no joint ventures or other outsourced operations which might affect the comparability of this report with prior-year reports. For this reporting period we have gathered considerably more data within the company – with the proviso that we may only be able to collect partial data on certain aspects at this time. This significant expansion of the data set is reflected in the GRI Content Index.

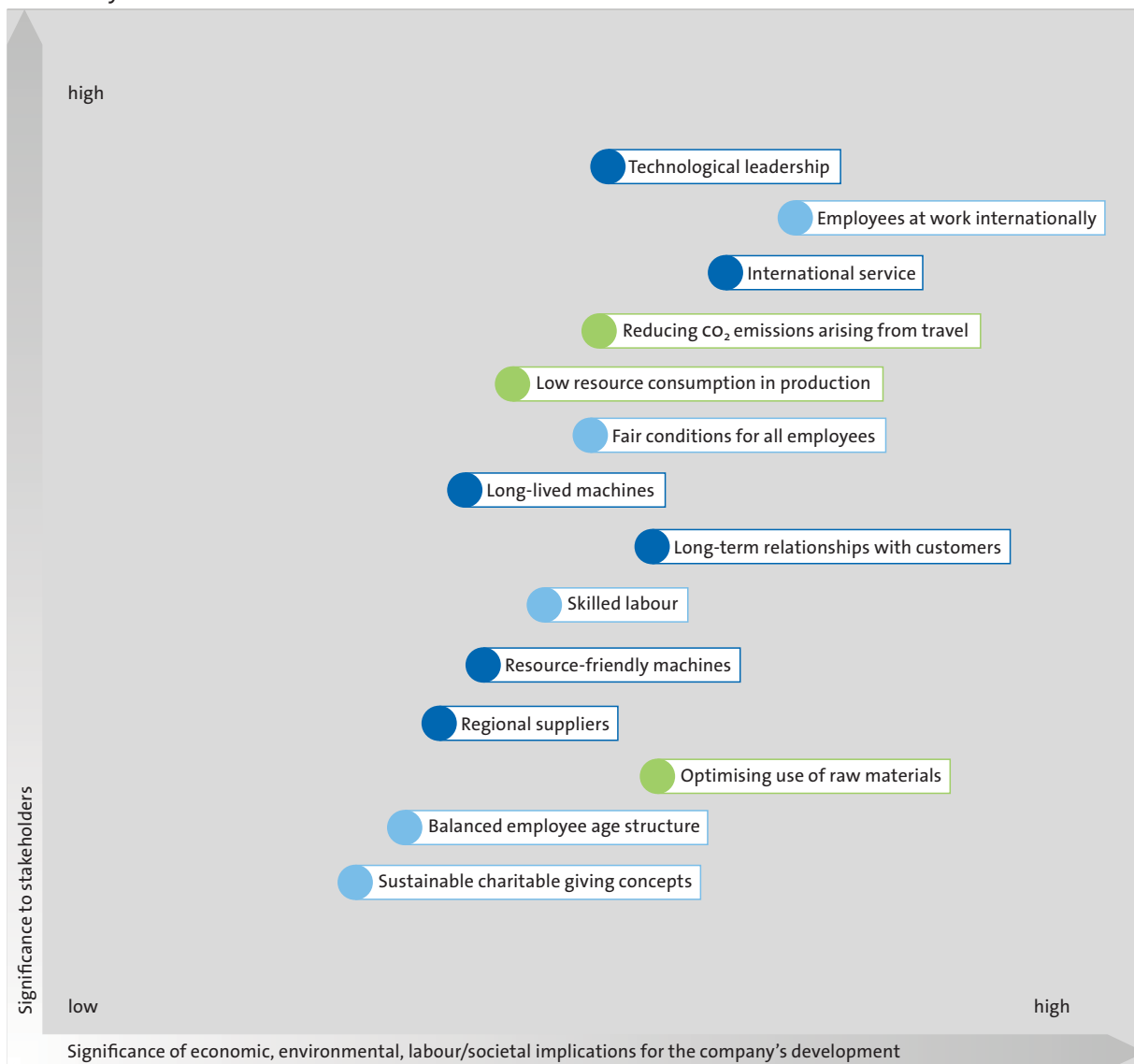
As concerns the methods used to measure the data: We use the departments' analyses of the required data from their data sets. Non-quantifiable data, such as the efforts to develop improvements in the eco-efficiency of the machines, are based on the individual divisions' priority lists. The divisions report on their activities in a comprehensive monitoring process. Some data that was included in the prior-year report is not in this year's report because it is not required under the GRI Guidelines and we would like to keep the volume of information within that scope. For instance, for our presentation of CO₂ emissions, we have in the past used the Bavarian Environment Agency's method to calculate direct and indirect emissions. Now, we are using the GRI calculation method and have converted the data for the previous years to this basis.

Because our reporting is limited to KRONES AG, some topics are given a lower priority than they would have if we were reporting on activities worldwide. For instance, the human rights indicator set reflects a very high standard for our operations in Germany and its legal framework (even within the European Union). For this reason, we present our management approach along with some contextual information. This indicator will need to be assessed more intensively as we expand our reporting to cover our sites worldwide.

Of course, we are aware that a global group of companies should also include the data for its sites worldwide. We will progressively add this information to our reporting in the years ahead. An initial strategy here will be to provide information on the goals and objectives of sustainability reporting worldwide in order to establish awareness of sustainability topics at all of our international sites. Furthermore, we will communicate certain relevant indicators to our European offices and initiate data collection there. This action is planned for the year 2013. In the years that follow, we will extend this procedure to our sites outside Europe – our aim here is to have data on all of our locations worldwide by 2018.

For determining materiality, we have defined relevant data in cooperation with the individuals responsible for each division and put them into a materiality matrix. Our determination of reporting priority for data measurement is based on the fact that we are reporting the data for KRONES AG. Future inclusion of international data may result in certain topics shifting within the materiality matrix. We expect the employee, customer, financial market, and community stakeholder groups to include this report in their assessments of KRONES AG's activities.

Materiality matrix for KRONES AG



● Economic ● Environmental ● Labour practises/society

KRONES' sustainability strategy and values

Doing business in a sustainable, socially responsible manner has been an integral part of KRONES' corporate philosophy for decades. The overarching goal of our corporate social responsibility (CSR) strategy is to be guided by fundamental values such as honesty, transparency, fairness, and authenticity. With our CSR strategy, we are integrating social and environmental considerations into our business processes and therefore helping to ensure our long-term success.



KRONES' mission statement

Living up to our values and creating value – together

Our customers around the world are primarily in the food and beverage (liquid food) industry. We provide them with machinery, lines, and systems, including all related services, that are the best in every respect.

KRONES' mission statement answers the questions: Who are we, where do we want to go, and how can we get there?

To consolidate our position, we will continue to grow profitably and further expand our technology leadership – with innovation, a passion for change, and consistent performance. We listen to our customers and develop our products to meet their needs. Our lines and complete solutions provide the highest level of efficiency at competitive prices. Our global network enables us to provide fast, cost-effective, high-quality service – anytime, anywhere around the world.

All strategic decisions are aimed at ensuring the company's sustainable development. Even when optimising profits and cash flow in the short term, we still keep sustainability sharply in focus. This makes KRONES a dependable partner for our customers, employees, shareholders, and suppliers. Our financial strength gives us independence. We use resources wisely in order to safeguard this freedom for the long term.

Our sites around the world form a global value chain that serves as the very foundation of our success. Each of our core modules is built at only one site worldwide, with exceptional cost-effectiveness. These sites concentrate our expertise and experience in the relevant technology. To secure this advantage for the long term, KRONES offers attractive working conditions, promising training opportunities, and plenty of room for individual development at all of our sites worldwide. Transparent hierarchies, appreciative leadership, and clear goals inform our corporate culture. To stay agile and competitive going forward, we keep our structures lean and efficient.

We are a multinational corporation where a diversity of cultures, languages, and ways of life come together on equal footing. We are fair and forthright in our interactions. Honesty and transparency inform all of our actions. We are interested in the thoughts and opinions of our employees and partners and are willing to learn from others.

KRONES – »We do more«

KRONES Code of Conduct

As the market leader, KRONES intends to be, and ultimately has to be, the standard-setter – and this includes our ethical behaviour. Sustainability has always been an important part of KRONES' corporate strategy. This places high demands on each and every one of us. We want to ensure that our actions are always irreproachable, correct, and exemplary. For this reason, we have drafted a Code of Conduct on the basis of the shared values that are our corporate guidelines.

The aim of the Code of Conduct is to ensure company-wide compliance with laws, standards, and guidelines. It also is to create a working environment of integrity, respect, and fair, responsible coexistence at KRONES. It is binding for all KRONES employees – including the Executive Board, management, and every member of our staff worldwide. All employees are urged to not only comply with the guidelines in the Code of Conduct in a formal sense but to live and breathe their meaning and purpose. Only in this way can they serve as the basis of a culture of openness and compliance.

In the interest of all employees, violations of the Code of Conduct are systematically investigated and disciplinary action taken. Of course, we want KRONES to be recognised as the market and technology leader. But we also want our customers, employees, suppliers, and shareholders as well as government agencies, institutions, and the general public to perceive us as a reputable, trustworthy, and dependable partner. That is crucial to retaining and expanding our position as the market leader in all areas.

The complete KRONES Code of Conduct is available online at www.krones.com/downloads/Coco_2010_e.pdf.

Suppliers' Code

KRONES has a supplier's code to ensure that all suppliers meet certain sustainability criteria and contribute to a sustainable supply chain. The Suppliers' Code is available online for download at www.krones.com/downloads/Liko_2010_e.pdf. The code covers safety, health, the environment, quality, human rights, labour standards, and preventing and fighting corruption. Our quality assurance team performs audits on site at the suppliers' facilities to verify compliance. In addition, KRONES seeks to use vendors that are also certified by an independent institution.

Corporate governance

With a few exceptions, KRONES follows the recommendations of the German Corporate Governance Code. The Code presents essential statutory regulations for the management and supervision (governance) of German listed companies and contains internationally and nationally recognised standards for good and responsible corporate governance. More information and details on our statement of compliance as well as the compensation report are published in our Annual Report (pages 114 to 116 and 110 to 112) and online (www.krones.com).



KRONES' Suppliers' Code commits suppliers to act in accordance with the company's sustainability principles.

The Suppliers' Code is available online for download at www.krones.com/downloads/Liko_2010_e.pdf.

Sustainability in our organisation

KRONES AG has systematically anchored its sustainability strategy in the company by way of group-wide standards and an organisational structure that includes clearly defined responsibilities (see chart below).

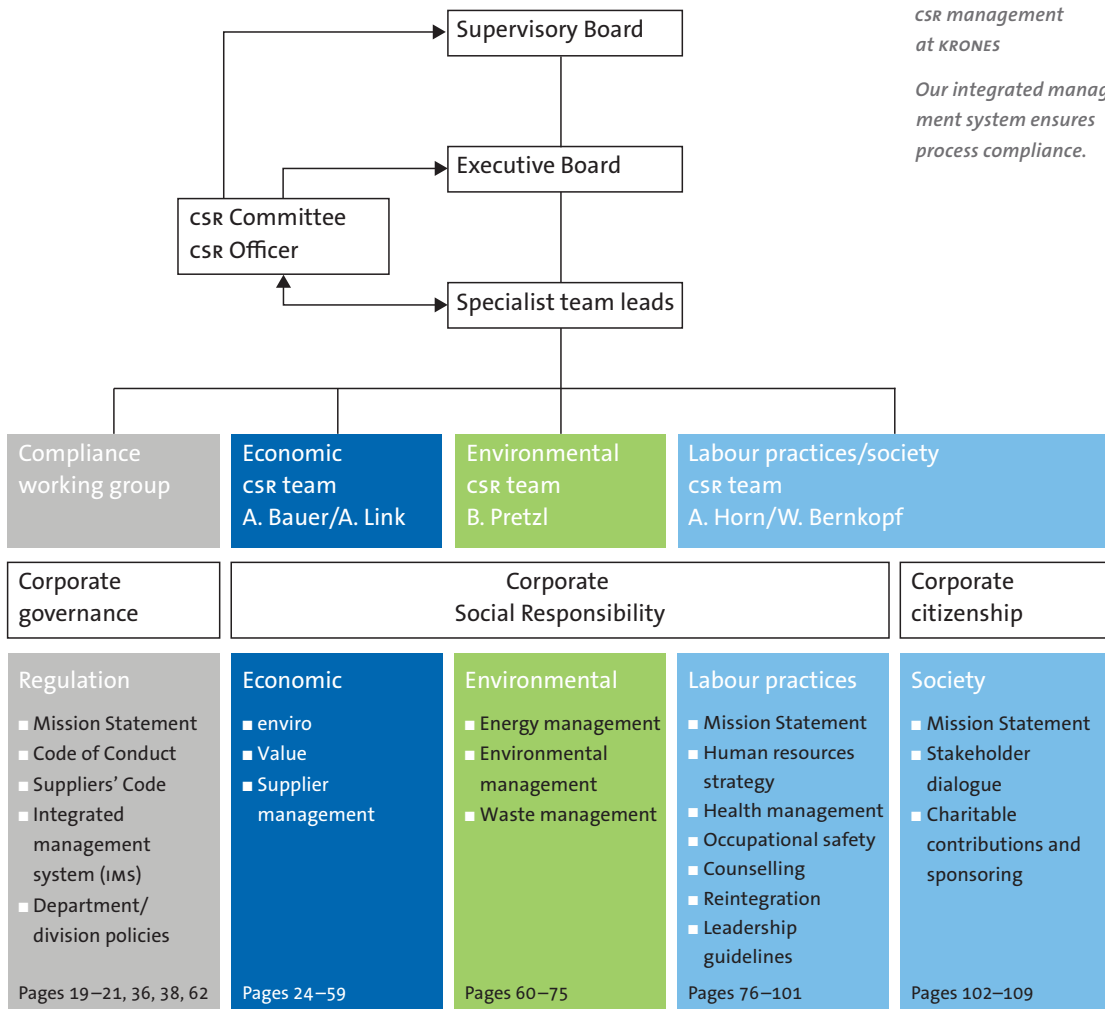
CSR Committee

The most important body in this respect is the CSR Committee, which is endowed with far-reaching authority. The CSR Committee monitors compliance with the group-wide CSR guidelines and initiates open, neutral dialogue with stakeholders. Another of the committee's core duties is to oversee implementation of the company's CSR goals and intervene where necessary.

The CSR Committee meetings, which take place once per quarter, serve as an information platform for the Executive Board throughout the year, enabling ongoing assessment of the company's sustainability performance.

CSR specialist teams

These teams consist of representatives from various departments and define goals, actions, and tasks for their areas. The CSR Officer brings these proposals to the CSR Committee. In collaboration with the Executive Board, the CSR Committee in turn ensures that sustainability issues are translated into appropriate actions throughout the group.



Our CSR strategy is a key element and important pillar of the overarching Value strategy programme. Both strategies are based on KRONES' mission statement and values.

We want to put our sustainability expertise to work to seize opportunities that present themselves and reduce existing and potential risks. To this end, we are establishing clear, ambitious, traceable goals with respect to sustainability and defining measures with which we will achieve them (pages 110 to 115). This report contains numerous examples of the actions taken and progress made in 2012.

KRONES is by no means contenting itself with its achievements thus far. We want to improve significantly further in all areas (economic, environmental, labour practices/society) and serve as the benchmark for CSR in our industry.

All CSR goals and actions are aligned with the four pillars of Value:

- Quality
- Profitability
- Growth
- Innovation

Our people are a key factor for the success of our CSR strategy and Value. Their skill and commitment are crucial to KRONES' ability to seize the opportunities presented by the food and beverage packaging market. Thus, the goals and actions established in the CSR strategy with respect to labour practices (page 114) form the basis for KRONES' long-term success.

Our environmental goals (pages 112 to 113) aim not only to protect the environment and do our part to ensure a liveable future. By reducing our consumption of valuable resources, we are also reducing costs, increasing profitability, and thus ensuring that more money is available for investing in new products and technologies and in our employees.

The enviro sustainability programme (pages 50 to 59) is an excellent example of our CSR strategy and Value converging. With the enviro label, customers have documented certainty that their KRONES machines save resources and, thus, costs.

The economic goals and actions within our CSR strategy are fully incorporated in the Value strategy and can be reduced to the formula 7/7/20. That stands for our medium-term goals of 7% more sales revenue per year on average, a 7% pre-tax return on sales (EBT margin), and a return on capital employed (ROCE) of 20%.

For 2013, the CSR Committee has set a goal of defining the CSR strategy 2015+. It will be elaborated by the CSR specialist teams, taking into account megatrends and the Value strategy, and presented in the 2013 CSR report.



Our sustainability strategy incorporates the principles of the Global Compact at its core.

KRONES AG joined the UN Global Compact on 17 May 2012 and is committed to its ten principles in the areas of human rights, labour, environment, and anti-corruption. We are taking an active role to ensure that these standards are adhered to in all of our business processes and demand the same of our suppliers.

Human rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

Labour

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- Principle 4: Businesses should support the elimination of all forms of forced and compulsory labour.
- Principle 5: Businesses should support the effective abolition of child labour.
- Principle 6: Businesses should support the elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges.
- Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility.
- Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Our 2012 Sustainability Report provides many examples of our ongoing efforts to incorporate the Global Compact principles into our day-to-day actions.

Revenue up by

+7.4%

Profit margin* up to

+5.1%

* earnings before taxes (adjusted to exclude Le-Nature's) in relation to sales revenue

Dividend* per share up from
€0.60 to

€0.75

* as per proposal for the appropriation of retained earnings

Capital expenditure up to

€111
million

Share of value creation that
goes to our employees

89%

At the end of 2012,
KRONES had net cash and
cash equivalents of

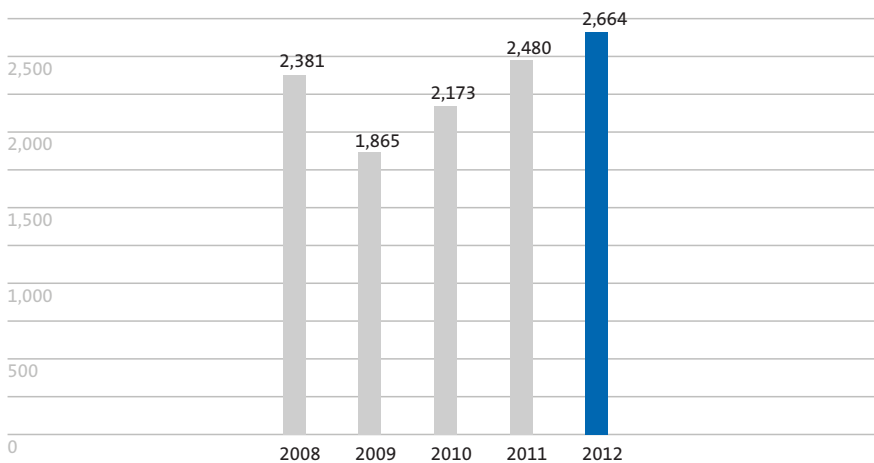
€133
million

Economic responsibility

A company must be consistently profitable to be able to fulfil its responsibilities toward its employees, business partners, and shareholders and to the environment and society. KRONES is also convinced that the only way a company can be profitable in the long term is by treating all of its partners fairly, conserving resources, and taking on social responsibility.

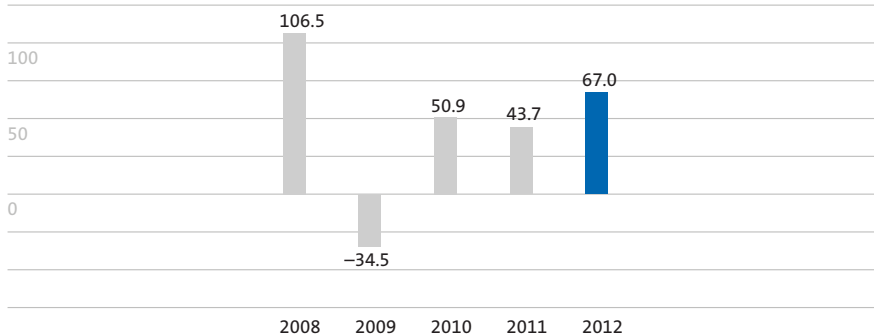
KRONES generates record sales revenue in 2012

KRONES Group revenue (€ million)



KRONES used the opportunities provided by the long-term growth of the market for beverage packaging lines in the reporting period. Sales revenue at KRONES increased 7.4% to a record €2.66 billion despite the challenging macroeconomic environment. Overall, KRONES benefited from its broad range of products and services in 2012. The company's strong position internationally has also proved its value. The company's bottom line was positive in 2012 with consolidated net income of €67.0 million (previous year: €43.7 million).

KRONES Group Consolidated net income (€ million)



Consolidated net income at KRONES was up to €67.0 million in the year under review.

KRONES settles lawsuits in the USA

In 2012, the company settled the legal disputes that had been ongoing in the USA since 2008. The proceedings concerned relate to claims for damages asserted by several American financial service providers in connection with the financial scandal involving the bankruptcy of the US company Le-Nature's. We entered into settlements with the plaintiffs to avoid risks that would arise if it came to court proceedings and to enable us to once again focus all of our energy forwards. The settlement reduced earnings before taxes by €37.8 million in the reporting period and by €36.7 million in the previous year.

KRONES settled the legal disputes relating to Le-Nature's in 2012. The payment, though painful, brought an end to the unpleasant matter.

The Value target: 7/7/20

We have set ambitious goals through 2015 to keep KRONES on course for sustainable, profitable growth.

- 7 percent more sales revenue per year
- 7 percent EBT margin (pre-tax return on sales)
- 20 percent ROCE (return on capital employed)

The measures that make up Value will enable us to reach our ambitious growth and earnings targets by 2015 and consolidate our leadership on the market for the long term.

KRONES made excellent progress already last year. But we know that we are only at the beginning of a long »Value« road and will continue to systematically implement the programme in 2013.

Continued focus on profitability

To improve our profitability and ROCE, we have to improve our production cost structures. Reducing costs in all three segments remains an important topic within Value. We made good progress in this respect in the reporting period.

Growth through internationalisation

The emerging economies in Asia, South America, and Africa offer the biggest potential for growth in our market. Apart from new machinery sales, KRONES intends to further consolidate the already-strong position of our services business in these markets. In 2012, KRONES generated 62% of sales revenue in the emerging markets.

KRONES has set ambitious goals for growth and returns. The Value programme is our roadmap.

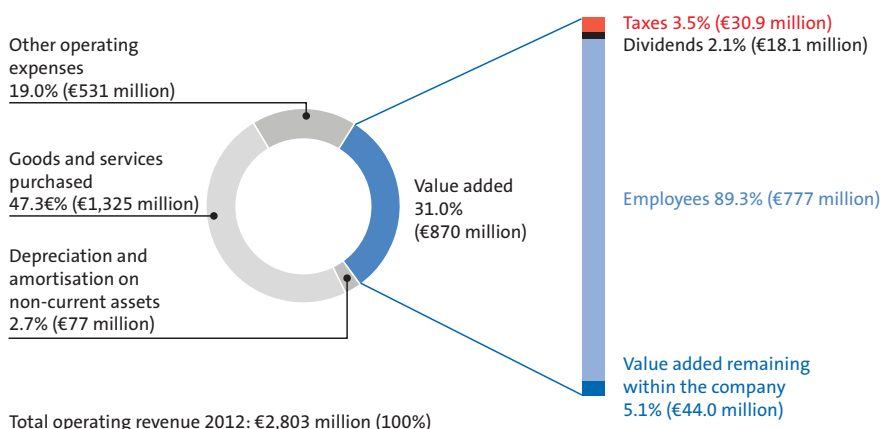
High value added at KRONES

The value added calculation presented here shows the KRONES Group's contributions to the economy and society. A company's value added is calculated by deducting the expenses for production – that is, cost of goods and services purchased, depreciation and amortisation on non-current assets, and other operating expenses – from total operating performance. The result for KRONES for the year under review is value added of €870 million (previous year: €815 million).

The lion's share – 89.3% or €777 million – went towards our employees. Besides wages and salaries (€645 million), KRONES spent €132 million on social security contributions, pension plans, and employee benefits.

In addition, €30.9 million or 3.5% of value added went to the state in the form of tax payments. Shareholders received €18.1 million or 2.1% in the form of dividends. Thus, €44.0 million in value added remained within the company in the year under review. This amount is available for expansion projects and for funding future growth.

KRONES Group value added calculation



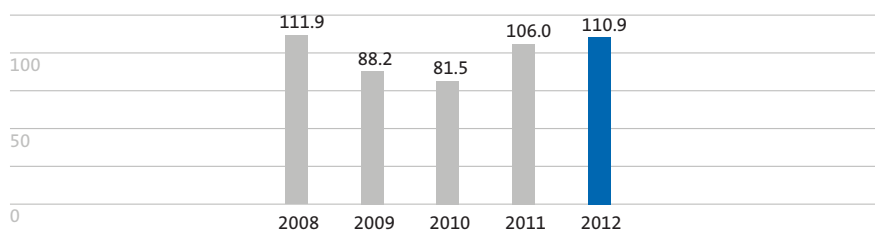
KRONES increased its value added from €815 million to €870 million in the reporting period. Almost 90% of this went to our employees in the form of wages, salaries, and social security contributions.

Capital expenditure increased further

The only way to achieve long-term, sustainable value added is to provide leading technology and services. For this reason, the company invests heavily not only in its employees but also in its production facilities and research and development. KRONES increased its investments in property, plant and equipment and intangible assets to €110.9 million in the reporting period (previous year: €106.0 million). These expenditures went toward, among other things, the expansion of the international LCS Centres, the new construction of KRONES' own production facilities for EvoGuard valves in Nittenau, new production machinery, and the expansion of our logistics and IT infrastructure.

KRONES did not receive any government funding, subsidies, tax relief, or other grants for its capital expenditures. KRONES will continue to invest in the future to the extent necessary to maintain our leadership of the market for the long term.

KRONES Group capital expenditure for PP&E and intangible assets (€ million)

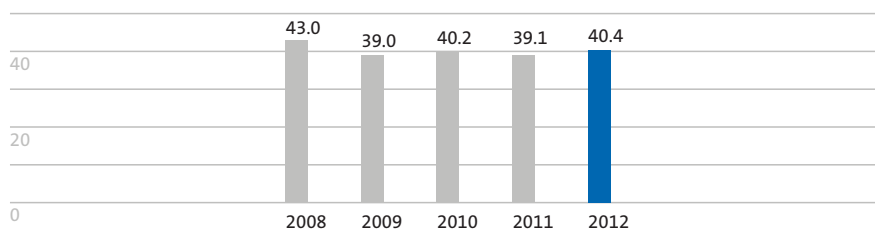


In 2012, KRONES further increased capital spending and nearly matched its record from 2008.

Healthy balance sheet and financial structure

The company needs to have a strong financial footing to maintain its high rate of investment and the firm confidence of its business partners for the long term. With cash and cash equivalents of €132.9 million (previous year: €125.5 million) and an equity ratio of 40.4% at the end of 2012, KRONES has plenty of leeway with which to implement its long-term capital spending strategy and further consolidate its leadership on the market – and to remain largely independent of lenders.

KRONES Group equity ratio %



The equity ratio rose to 40.4% on higher profits in the reporting period.

Peter Gattermeyer, Department Manager, Process Engineering

Customers are now frequently requesting energy-efficient machines and lines for their breweries. Apart from payroll, energy and media are the biggest cost factors for production in a brewery, which is why many breweries have a strong interest in optimisation. Systematic collection of consumption data in the brewery gives us a basis on which to build a customised energy management system.

When we receive an order for consultation on energy and media efficiency, we first take an inventory of the existing equipment and consumption data. With this information, we develop strategies that show which improvements can help the customer conserve energy and water. Of course, payback periods on new investments or upgrades play an important role. Customers are willing to accept investments that take up to five years to pay for themselves since beer brewing equipment is often in operation for 20 years or more.

Perspectives on the urgency of energy and media efficiency vary widely from one world region to the next depending on the local cost of energy and raw materials. But one thing is clear across the board: energy and water consumption in the brewing process are gaining priority. Some breweries are still operating with evaporation rates as high as 8 percent or more in the wort boiling process while KRONES has been offering 4 percent evaporation rates with its Steinecker systems for a long time now. In addition, the new EquiTherm energy recovery system circulates excess heat energy from the wort boiling process back into the system where it is used to heat the mash, thus reducing energy consumption in the brewing process from 6.2 kWh to 4 kWh per hectolitre of wort.

The rising awareness of energy conservation is reflected in our quotation system. Before, most customers requested only technological and performance guarantees. Now, our quotations also include information on the equipment's forecast consumption data.



Outstanding achievements

KRONES' Rosenheim factory received one of the Rosenheim Business Awards this year. »Local entrepreneurs offering modern and forward-looking jobs are the basis of our city's wealth and quality of life. Rosenheim is presenting the Rosenheim Business Awards this year for the fifth time to honour the entrepreneurial achievements and innovations of select companies that have earned such distinction in the Rosenheim business community and for Rosenheim as a business location«, said Rosenheim Mayor Gabriele Bauer in praise of the recipients. A total of 14 companies were nominated for the three awards this year and KRONES AG was one of the winners.

KRONES AG's Steinecker plant in Freising won the 2012 Bavarian Energy Award. Bavaria's State Minister for Business, Infrastructure, Transportation, and Technology, Martin Zeil, handed KRONES the top award for our energy-efficient brewing system EquiTherm on 18 October 2012. Zeil lauded the Steinecker achievement saying, »The system achieves the scientifically and technologically feasible while keeping energy usage rational by consistently combining the most efficient energy transformations. Such outstanding developments are driving the shift towards innovative energy use«. This was actually the second time KRONES received this honour.



We produce machines and lines for the premium segment. And with the exception of our subsidiary KOSME (< 4% of consolidated sales), which produces in Italy and Austria, we make them primarily in Germany. All manufacturing steps for our core modules are carried out in one of our German plants, in Neutraubling, Nittenau, Rosenheim, Flensburg, or Freising.

KRONES is committed to Germany as the production site for our core modules and, with an excellent record for on-time deliveries, has established a reputation as a dependable partner.

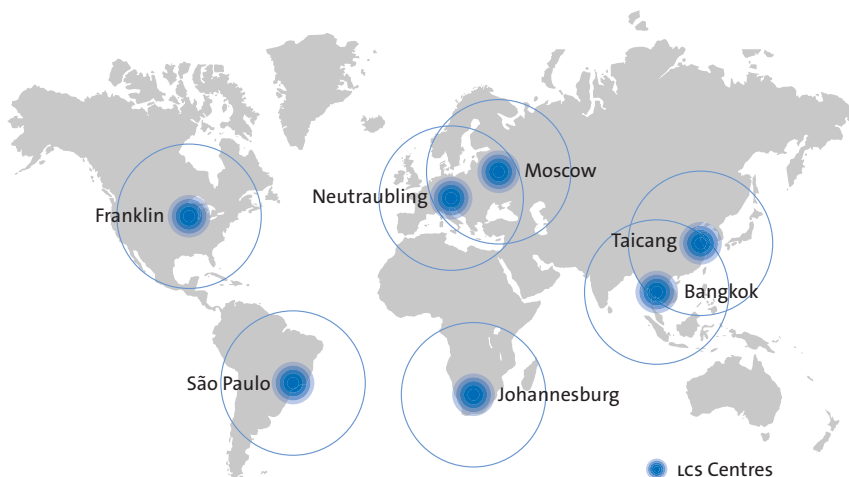
Getting close to customers – a model for success

Apart from our tried-and-true production matrix in Germany, KRONES is also further expanding its international value-creation network by way of its Lifecycle Service Centres and global service network. Our aim is to provide our customers with even better service, even faster. KRONES' LCS team of more than 2,000 highly qualified people worldwide is putting our broad range of services into action to satisfy our customers' needs.

The increased internationalisation of our services business is of enormous importance for the LCS division. A typical KRONES customer is a global company and invests primarily in the world's growth markets. Whether in China, Africa, India, or South America – being close to our customers has always been a key factor in KRONES' success. For this reason, our decentralised strategy includes a major expansion of our local expertise and even more hiring of local service employees.

Another part of our decentralised strategy is to produce more and more of our spare parts and change parts in our LCS Centres and to offer them directly to customers from the LCS Centres and representative offices. This eliminates long lead times. It also allows us to clarify questions with customers directly, without the detour or delay of going through our head offices, and permits us to respond to customer wishes quickly and tailor proposals to their individual needs. That strengthens the relationship and lays the foundation for future, sustainable service revenue.

When contracting installation services abroad, we ensure that the foreign subcontractors meet KRONES' strict environmental and social standards (see the discussion of our Supplier's Code on page 20). Our quality assurance department has around 15 people at work worldwide, monitoring the installation of our lines on site.

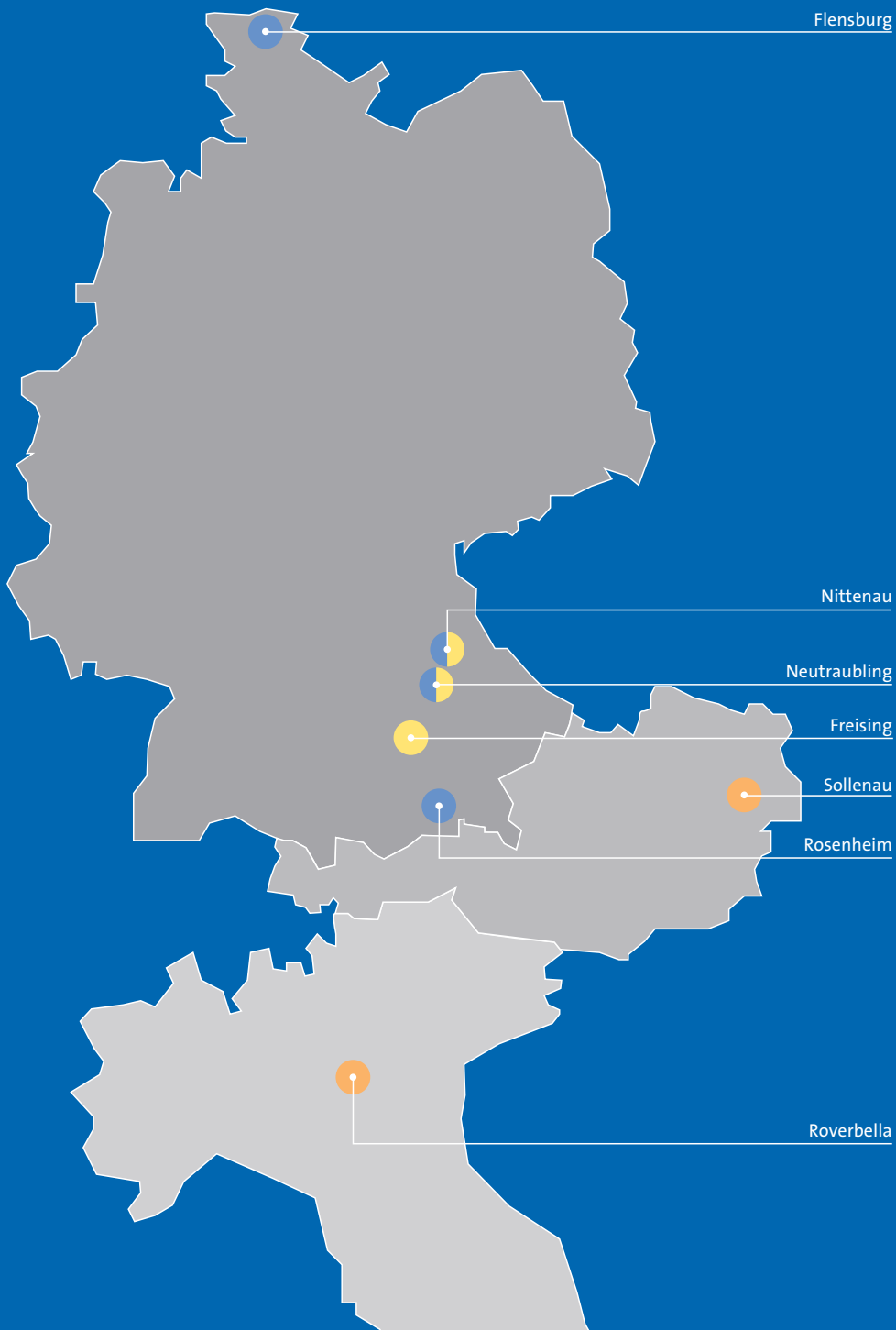


From our LCS Centres, KRONES provides its customers with fast, competent service worldwide. Being close to customers has always been a key factor in the company's success.

KRONES makes use of the advantages that Germany offers as a business location, producing the lion's share of its machines and lines in Germany. Our subsidiary KOSME produces in Austria and Italy.

- 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)

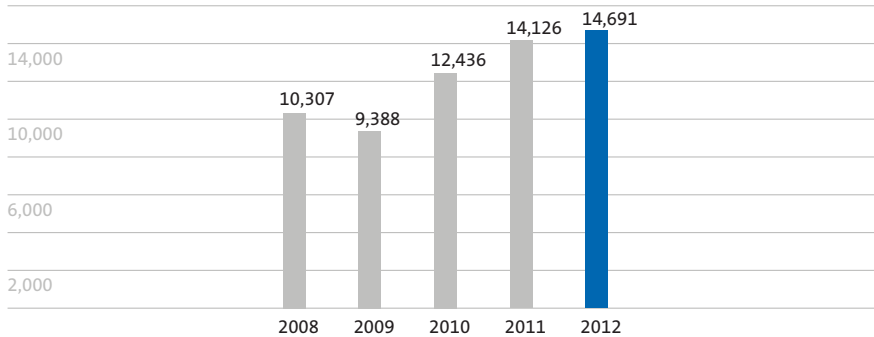
KRONES Group production sites for new machinery



Customers are using the KRONES Academy

The KRONES Academy, with its broad range of practical training courses, has been very well received among customers. More than 50 qualified trainers instruct operating personnel on the fundamentals of our machines and lines, conduct special courses for individual tasks, and train management personnel. All of our course offerings are aimed at ensuring that our customers have a perfect understanding and mastery of their KRONES machines and lines so that they can operate them safely and efficiently. In 2012, a total of 14,691 people (previous year: 14,126) attended KRONES Academy events. The courses were held at our headquarters in Neutraubling and at our international training centres, which are located within KRONES' Service Centres.

KRONES Academy training course participants



The number of customers participating in KRONES Academy courses rose considerably again in 2012.

KRONES Expert Dialogue event a success

Some 40 employees from 30 different customer companies attended our second KRONES Expert Dialogue event in Neutraubling in September 2012, which was hosted by LCS and KRONES Academy. Participants discussed current trends and challenges in the industry from a practical perspective. For example, brewery experts reported on how they are using new IT systems to address the growing challenges of energy management and on how they are using meticulous analyses of energy and media flows to tap potential savings. During a tour of the plant, KRONES showed specific examples that demonstrated the results achievable with Total Productive Management (TPM). The KRONES Expert Dialogue event is an excellent platform for fostering dialogue and strengthening customer loyalty.

Investments in logistics

KRONES is investing heavily in logistics in order to ensure optimum availability of parts for our customers. These investments are being made in our LCS Centres worldwide and at our corporate headquarters in Neutraubling. In some regions, we are already able to fill as many as 8 out of 10 customer orders from our LCS Centres' decentralised warehouses. To raise this figure even further, KRONES is investing in intelligent systems that determine which spare parts are frequently needed.

KRONES uses local suppliers. That benefits companies in the region and the shorter transport distances make for lower CO₂ emissions.

As a company that operates on the just-in-time principle, KRONES sometimes has to give priority to speedy delivery to the production and delivery chain over environmentally optimised transport. Nevertheless, KRONES strives to further optimise the efficiency of transport and logistics. We achieve this in part by increasing our own vertical depth of production, thereby eliminating many supply transports, and in part by using suppliers that are close to our production sites.

Risk management system is being implemented and continuously improved

Our Value strategy assigns considerable importance to improving and refining our risk management system. That is because KRONES is exposed to a variety of risks that are linked with doing business globally. We continuously monitor all significant business processes to identify risks early and limit them.

An internal control system with which we record, analyse, and assess all relevant financial and operating risks (from liquidity risks to personnel risks) is an integral part of KRONES' risk management system. We monitor all material risks and any countermeasures already taken in a detailed, ongoing process that entails planning, information, and control. We are continually expanding and improving our risk management system on the basis of practical experience. The system consists of the following modules: risk analysis, risk monitoring, and risk planning and control.

Continuous monitoring of our business activities and a standardised risk management process are a part of our corporate governance practices. Regular queries check the effects of climate change on our business activities.

At present, KRONES does not foresee any physical, regulatory, market, cost, or legal risks worldwide that could arise from climate change. Therefore, the company is not currently discussing actions relating to such risks. Details on risk management and the risk categories can be found in the risk report in our 2012 Annual Report.

Opportunities for KRONES are arising from climate change thanks to the enviro programme, which has been available since 2008 and includes a systematic approach to designing resource-saving products (pages 50 to 59).

Quality assurance now internationally certified

As the market leader for beverage and packaging technology, we deliver products and services of the highest quality. The concept of quality encompasses more than the hard, technical facts. It also stands for our responsibility to protect the environment and to comply with standards for labour, occupational safety and health.

By obtaining certification of our integrated management system (IMS) for all of our sites in Germany, KRONES has also strengthened its role as a leader in this area for the past several years. The existing quality management systems were expanded into an integrated management system (IMS) for quality (DIN EN ISO 9001), environmental protection (DIN EN ISO 14001), occupational safety (BS OHSAS 18001), and information technology service management (ISO 20000) and certified by TÜV SÜD. In May 2012, our new energy management system received DIN ISO 50001 certification through TÜV SÜD, thus becoming another part of the IMS.

With the certification of the quality, environmental protection, and occupational safety management system of the Lifecycle Service (LCS) Centre in Brazil by TÜV SÜD in December 2012, KRONES expanded its IMS to an international site for the first time. More KRONES LCS sites abroad will follow. The company aims to have the Chinese LCS Centre in Taicang certified by the end of 2013 and the LCS Centre in Franklin, USA, the following year.

At the end of 2012, KRONES successfully completed a SMETA (Sedex Members Ethical Trade Audit) certification at the request of a large customer. The results of the ethical trade audit at all of our German sites show: Our employees and temporary workers are very satisfied with the company, appreciate the employee benefits (e.g. sabbatical, company health insurance fund, and counselling), and are therefore highly motivated and loyal to KRONES.



TÜV SÜD issued the IMS certificate for KRONES do Brasil Ltda. in both German and English.

Pictured here (from left to right):

Christian Striegl, Director of the TÜV SÜD Munich office, Christoph Klenk and Werner Frischholz, Members of the Executive Board of KRONES AG, Wolfgang Hock, CFO of TÜV SÜD, Jens Hoyer, Managing Director of KRONES do Brasil Ltda., Albert Bauer, KRONES AG's IMS Officer

*Marco Dirmeier, Team Manager, Mechanics, Technical, Installation,
Quality Department*

I have been the team manager for quality inspectors for mechanics, technical, and installation in the Quality Department since the team's inception in mid-2012. About 80% of my job is on site. Our purchasing department gives us a list of local suppliers in markets where we would like to buy in goods or services and we audit those suppliers for system and product feasibility on location.

We base our decisions on expert spec checks after making sure that the suppliers' production and labour conditions meet our standards. *What technical facilities are available? How diligent is the supplier in terms of work safety?* These are just a few examples of our audit fact checks. Before we approve a supplier, the company first has to submit an illustrated report or we will conduct a production-relevant inspection on site and/or an approval check before delivery to the construction site.

Much of the documentation we demand from our suppliers meets KRONES' German standard criteria. All documentation at least meets local statutory standards.

We generally conduct unannounced inspections to obtain accurate information on staff and work conditions at the suppliers' factories. At suppliers' production locations and construction sites we check against name lists that include both names and dates of birth. That gives us a check system for preventing child labour and excessive overtime while improving the quality of cooperation with these suppliers. It also allows us to draw on personnel familiar with KRONES' work ethics in subsequent contracts. We continuously monitor numerous occupational safety requirements at construction sites to ensure that we also meet our customers' strict standards.

Of course, I have found conditions on my inspections that did not meet our Global Compact standards. In such cases we do not even consider collaboration. There are plenty of companies abroad that meet our requirements and can be our suppliers.



Human rights

Mutual respect

Respecting human rights is the basis for all our relations to employees, suppliers, customers, business partners, and the global community and an indispensable condition for successful coexistence. To clearly communicate this to the world, we joined the UN Global Compact in 2012. As such, we also endorse the International Labour Organisation's three-part statement of principles on multi-national companies and social policy.

With KRONES' Code of Conduct and Supplier Code we have established uniform and globally binding standards for our company's business ethics and integrity. We communicate the requirements of these guidelines and their implementation in daily business practice in regular management briefings. Our leadership's obligation to inform their teams includes the broad dissemination of these rules and regulations for respectful coexistence throughout our company. Integrating these tasks into our Compliance working group within the CSR teams means that human rights issues are addressed both directly in the CSR Committee and indirectly through Executive Board involvement in the committee.

That means our supply chain addresses all issues concerning fair and humane conditions in the production of parts we buy from suppliers. Regular audits of production conditions at our suppliers are thus an integral part of our quality assurance duties. We have expanded these duties in recent years and will continue to vigilantly pursue these tasks. In late 2012, KRONES Brazil became the first KRONES production location abroad to receive the globally recognized IMS certification for quality as well as environmental and workplace safety. Our goal is to gradually get other production locations abroad certified. We plan to have our LCS Centre in Taicang, China, certified in 2013.

We always strive to observe laws and regulations in all countries in which we do business, whether through local subsidiaries or customer orders. That also means that our people comply with Global Compact rules on-site at projects abroad. As our business internationalises, our medium-term goal is to increase our awareness of all human rights issues within our supply chain.

High standards for suppliers

KRONES' suppliers and their reliability for on-time delivery are critical to our own efforts to keep up an excellent delivery record. The long-standing, fair relationships we maintain with our business partners help ensure this dependability. Our understanding is that »major investment agreements« are long-term contractual agreements with partner businesses for parts manufacture on location abroad. Because we complete our orders on a project basis, we currently have no major investment agreements to report here. KRONES' manufacturing sites outside Germany are subject to the KRONES Code of Conduct and are therefore 100% subject to human rights clauses.

We purchase raw materials, products, and services from partners in some 60 countries. We expect these partners to operate in accordance with our company's ethical values (see the discussion of our Suppliers' Code on page 20). The requirements specified in our Supplier's Code are a contractual stipulation in 100% of all orders placed with our suppliers and service providers. Local installation services are generally contracted in coordination with the respective local KRONES office. In 2012, installation services with a total contract value of €26 million were purchased in coordination with the local KRONES office or by our central purchasing department on behalf of the local KRONES office. System/initial audits were conducted on 25 service providers in 2012. The Supplier's Code and respect for human rights and labour standards are part of the audit. All providers passed the audit.

Non-discrimination is the foundation of our international activities

The principle of non-discrimination is binding for all of KRONES AG's activities. Employees may report cases of discrimination to the Works Council, the social counselor, or the human resources department. We received no reports of discrimination in 2012. The same rules and procedures also apply to our foreign offices and subsidiaries. However, since we have only begun to integrate anti-discrimination processes and procedures into our group reporting, we are not yet able to collect concrete data. Any serious cases of discrimination at our locations abroad would have been communicated through the subsidiary monitoring process. We have not heard of any discrimination cases abroad, including violation of native population rights involving KRONES.

All procedure instructions and training measures for security personnel also cover constitutional and human rights issues. Security personnel has to provide documentary evidence issued by a local chamber of industry and commerce that the respective person has been informed on and is familiar with the requisite statutory regulations. Each direct or indirect (contracted) KRONES security employee therefore has to undergo such training. In sum for all KRONES AG facilities, these are currently eight direct KRONES employees and some seventy persons working for contracted security services. Most of our factory security personnel has substantially more in-depth knowledge of the subject and in some cases even professional qualifications.

KRONES is committed to being a one-stop provider of efficient, state-of-the-art production systems and services. It is this commitment that drives us to continually expand our range of products and improve our established machines and systems. KRONES' R&D team consists of more than 1,800 highly qualified employees working on new and evolving development projects and optimising existing products in order to further increase the benefit to our customers and create »added value«.

Number of patents up sharply

The inventiveness of KRONES' people and our targeted innovation processes, such as the »Invention Brainpool« and special innovation workshops, bore fruit once again in 2012. The number of patents and utility models held by KRONES grew a solid 25% over the previous year, to more than 2,750. We are especially pleased that the number of registered patents and patent applications increased in all of the company's core technology areas.

Dependable individual machines are the bedrock of our success

In the past, filling and packaging lines consisted of individual stand-alone machines connected by conveyors. These lines have now evolved into complete systems comprising process engineering, filling and packaging, and material flow technology, all of which are networked by way of intelligent information technology. KRONES has mastered all of the technologies required to plan, build, and operate state-of-the-art production lines. Our comprehensive systems expertise gives us a major competitive advantage. But reliable, innovative individual machines are still the bedrock of KRONES' success as the market leader and leader in innovation. They are the very foundation on which we build our customers' efficient production systems.

That is why our R&D activities begin with the individual machines. A major aim of our innovation work is to deliver machines that require minimal maintenance, are easy to operate, and provide maximum uptime. The individual machines must also be easily combined into integrated units, to keep the complexity of the production lines as low as possible and increase line efficiency.

One example of such a unit is the ErgoBloc L, a bloc solution for the wet end of the line that can fill up to 81,000 containers per hour. KRONES has integrated our Contiform 3 small cavity technology – stretch blow-moulding for small containers – with a Contiroll labelling system that includes a Multireel magazine for automatic splicing and fillers from the new Modulfill series into a single, harmonious concept. Prior to bringing them together, we optimised each of the individual machines for use in a bloc with targeted innovations and then linked them together with intelligent control systems. These sophisticated measures have made the ErgoBloc L far more cost-effective than previous line concepts. Total operating costs are as much as 10% lower than those of conventional filling lines. The bloc also has a 25% smaller footprint. Our customers have already chosen this state-of-the-art filling system for more than 40 projects.

Selected innovations from 2012

LavaClassic

Customers have high expectations of state-of-the-art bottle washers. The technology has to be rugged and it has to achieve optimum cleaning results, even under difficult conditions. With the LavaClassic, KRONES has added a low-cost option to its range of bottle washers. The machine's modular design offers versatility at an affordable price. Despite the low price, there is no compromising on quality. In developing the LavaClassic, KRONES drew heavily on experience from our field-proven Lavatec series and incorporated many of its functions. The LavaClassic uses dependable technology and is easy to access, maintain, and operate. In sum, it ensures maximum uptime and the utmost in production security.



State-of-the-art bottle washers are energy efficient. KRONES' LavaClassic offers quality at an affordable price.

CombiCube F

In 2012, KRONES added another brewery process area to the modular CombiCube compact brewhouse concept – the CombiCube F for the filter cellar. The system's filtration throughput ranges from 25 to 108 hectolitres per hour, and is therefore dimensioned to optimally match the capacity of the CombiCube B brewhouse. With the CombiCube F, craft breweries with an annual production output of up to 250,000 hectolitres are now able to benefit – on a more compact scale – from KRONES' field-proven technology in yet another section of their production operations. The filter is tailored to the needs of small and mid-sized breweries and is divided up into five individual modules that can be combined at will to suit a brewery's particular needs.



The modular CombiCube F is a filter cellar solution that is perfectly tailored to the needs of craft breweries.

Contiform 3 series

Just one year after the successful market launch of KRONES' latest generation stretch blow-moulder, Contiform 3, we have nearly completed the product portfolio. In addition to the machine types for standard applications, KRONES is now offering the first versions for producing hot fill bottles (heat set), sterilising preforms (Contipure), and producing up to 81,000 containers per hour (Small Cavity).

Small Cavity (SC): The high-speed stretch blow-moulder for containers up to 0.75 litres is equipped with a newly developed mould carrier that requires no lubrication. This innovation yields a 70% reduction in the time needed for manual lubrication compared with the predecessor model – and that means more machine uptime. With this machine, KRONES has not only set yet another world record in terms of stretch blow-moulder output but also offers the lowest operating costs.



The Contiform (SC) can produce up to 81,000 containers per hour with a volume of up to 0.75 litres.

Heatset: In addition to all of the innovations contained in the Contiform 3, the new version for producing containers for hot filling (heat set) also includes integrated tempering units. That saves space and increases the stability of the production process. The machine is also equipped with a lubricant-free mould carrier. A new configuration of the pressure pads yields improved bottle quality. The Contiform 3 Heatset is the first heat set machine on the market to use an electromagnetically controlled stretch system. This opens up new possibilities for increasing both quality and speed. The new machine solution, which covers the entire performance range from 18,000 to 58,500 containers per hour, has been available since early 2013.

Contipure: KRONES further evolved the Contipure preform sterilisation module, which was already available for the Contiform 2 generation, and has already delivered the first Contiform 3 machines with Contipure. We integrated the process unit for hydrogen peroxide treatment into the module and further improved the hygienic design. Contiform 3 with Contipure is a very economical solution for filling products with high acid content such as iced teas and fruit juices.

New generation bottle inspectors

KRONES' latest generation of empty and full bottle inspectors is based on a modular concept. The linear machines are inexpensive and deliver optimum product security for bottlers who are concerned about quality. The market launch of the Linatronic EBI (empty bottle inspector) for empty bottles made of PET and glass was very successful. Precise inspection results keep the number of errors to a minimum. This machine features significantly reduced energy consumption and maintenance requirements. The Linatronic EBI is also setting new standards in terms of functionality and ergonomics. Its modular design gives our customers optimum flexibility since any new functions needed can simply be added to the base machine.



The Contiform heat set is specifically designed for producing hot-fillable containers.



Contipure is top technology for preform sterilisation.



KRONES' Linatronic EBI inspects empty bottles made of glass and PET plastic for damage and contamination.

Isabella Wentsch, Lifecycle Service LCS

Our Lifecycle Service department services KRONES machines at the customer location over their entire lifecycle. Energy saving and efficiency have become a hot topic. We use metering systems to measure the machinery's media usage and then analyse the data to determine ways of improving the current status. One way we do that is by upgrading with technological innovations that make the machines our customers have been running for years more energy efficient.

Many of our customers have long been paying attention to their machinery's energy use since it is increasingly becoming a cost factor. Our customers prefer upgrades that amortise within 1 to 3 years. Businesses have to be fairly green at heart to warm up to upgrades with longer payback periods.

Small and medium sized enterprises prefer business investments that extend the service life of their machinery and make it more energy efficient. In high-performance applications, customers tend to go for replacement investments if the existing machine is already in the last third of its lifecycle.

When investing in new machines, customers are aware of and consider energy consumption in their purchase decisions. But energy is still cheap in some countries, even within Europe. In these countries, bottlers have little interest in upgrades for better energy efficiency and media usage. These upgrades are in far higher demand in countries where energy prices are a significant cost factor.



Continuous improvement process over the entire machine lifecycle

KRONES machines are custom made. Although we offer model series, we typically customise the first machines of a given series on location at the customer's plant. The adjustments may be to adapt the machines to country-specific regulations and circumstances or they may result from optimisation ideas from our product developers.

Such optimisations may improve ergonomics, ease of use, operating noise levels, and other operating issues.

Innovations like the Multireel C label magazine or the handling parts cart for filler change parts are but a few examples of ways we are improving the ergonomics of our machines in the interest of our customers' employees work safety and health. KRONES offers a total of 124 products for upgrading even veteran machinery to a high ergonomic standard. Each and every KRONES product group offers such upgrade solutions that are often already standard features of our new models. Many of these solutions involve innovative components that are backwards compatible and may be installed in machines that have already been in operation for many years.

All of our design and production activities are based on Directive 2006/42/EG of the European Parliament and of the Council, known in short as the Machinery Directive. With a specified risk assessment and a new definition and expansion of the existing hazard analysis, the new Machinery Directive strongly emphasises machine safety and the safety of operating and servicing personnel.

All KRONES machines are subject to these standards and directives not only within the European Union but also, increasingly, in installations outside Europe. We may only affix the CE label to machines that have passed the test for Machinery Directive conformity both in construction and production.

An efficient customer information system that delivers details on each order from a customer perspective is an important aspect of our product development. From 2013 forward, our sales organisation will have a new customer relationship management system company-wide providing standardised data on all KRONES customers. The system includes tools for determining customer satisfaction ratings.

In checking how our products and services affect the health and safety of operating personnel and consumers we follow our internal protocols on product origination for all of our products (100%). We examine where and how we may improve the product concept at various lifecycle stages.

LCS offers solutions that improve the safety of customer employees even for »veteran machines«.

Ergonomics and customer health always remain a high priority for us over the entire lifecycle of our machines.

A list of all available product upgrades for the individual machines is at <http://www.krones.com/en/product-upgrades.php>.

Lifecycle stages	yes	no
Product concept development	x	
R&D	x	
Certification	x	
Manufacture and production	x	
Marketing and sales promotion	x	
Storage and delivery		x
Use and service	x	
Disposal, reuse, or recycling	x	

Our contracts with customers contain a clause stipulating the safety of our products and our compliance with statutory regulations in the respective markets abroad. As such, there can be no incidents in which our products and services may threaten the health or safety of users when used properly. New technologies drive and facilitate innovation. That is why our research and development focuses on new technologies which we can incorporate in our development projects.

In the area of new materials, we find nanotechnology particularly intriguing. This technology allows the creation of new material properties that may bring about great progress in engineering, cleaning and disinfection, and food packaging. For this reason, there are many grants for research projects in nanotechnology. However, nanotechnology is a double-edged sword and we need to approach it with due caution. Although KRONES' research team has looked into the potential of nanotechnology, we are not currently using this technology in any of our development projects. In many cases science has yet to prove the environmental and health safety of this technology on a long-term horizon. Until then, KRONES will keep a close watch on the potential of nanotechnology. Since KRONES does not yet make any of its own components using nanotechnology, we do not have to prepare any risk analyses, statements, or employee seminars on the subject.

Our research and development team tracks new technologies and their application potential for KRONES engineering.

Axel Wehrstein, Vice President General Sales Management

Satisfied customers are vital to profitable business. We have to invest in our customer relations and operate in a way that ensures our customers' long-term satisfaction. Customer relationship management (CRM) is important at every interface with our customers: in sales, service, corporate communication, and research and development. CRM is part of our corporate strategy and clear commitment to customer orientation.

Our objective is to build a group-wide information network that provides an overview of all globally relevant customer data. We want to optimally support the collaboration between our internal and external sales forces in every phase of the sales process. This includes providing our customers quickly and expertly with the best possible solution in both new and after-sales business.

The new KRONES CRM system is already replacing our previous spot solutions and helping us in our move towards internationalisation. The system also allows us to better develop our market position.

The CRM tool was completely programmed and adapted to all KRONES requirements in 2012. We will start employee training in the application this year before the system goes live. We will train internal and external sales forces for each region at the same time to ensure that activities interface properly from the start. Some 1,000 sales employees will be using the new CRM tool by the end of 2013.

In its future iterations, the CRM system will become a uniform platform for service, tech support, and complaint management.



Reducing our products' resource consumption

In addition to our product innovations, KRONES is also pursuing numerous approaches to lowering resource consumption in many individual projects. For our customers, resources also include the raw materials needed for beverage production. Our innovative FlexiFruit system enables customers to reduce the amount of valuable fruit content that goes to waste. FlexiFruit can save as much as 2.25 g of raw material per bottle, which in conventional filling systems would remain in the system as residue and only be removed during cleaning procedures. The FlexiFruit system consists of a FlexiFruit filler, a pre-dosing starwheel for the fruit-chunk mixture, the main filling carousel for the juice without the fruit chunks, and a capper. The bloc arrangement is designed to handle 25,000 300-millilitre bottles or, later, 18,000 one-litre bottles per hour. The system can handle fruit chunks measuring as large as ten millimetres in each dimension.

Case in point:

A whole new drink experience and marketing concept: In the summer of 2011, Coca-Cola Bottling Egypt (CCBE) became the world's first beverage producer to premiere a fruit juice containing whole fruit chunks in PET bottles, which is produced using KRONES process technology and bottled in a twin-flow hot-fill process using KRONES FlexiFruit filling technology. Without any preservatives, of course. It was a new process, provided entirely from a single source, and put into operation in Egypt in record time.

Lifecycle Service – Looking at products across their entire useful lives

Whereas the EU's Machinery Directive governs the machinery design process and ensures compliance through documentation, machines in many industrial sectors are often not tracked further along their lifecycle. At KRONES, caring for machines and customers over the long term is a high priority. All services and products offered after the commissioning of our machines and lines are part of Lifecycle Service (LCS). In this way, we have quick access to authentic information on the functioning and daily operation of our equipment. A comprehensive package of LCS measures helps to ensure that our products deliver the longest possible useful lives. These measures include replacement programmes for components in our lines that have reached their maximum number of operating hours. LCS Retrofitting makes it possible to bring plants up to the current state of the art – even if they have already been in operation for many years. LCS Retrofitting offers handling parts and conversion kits that enable beverage producers to handle product range changes on their existing

machinery. Upgrades are another important part of LCS Retrofitting. These include measures and components that bring older machines up to the current state of the art. In all, 243 upgrades are available. They are divided into different categories by purpose and make possible targeted machine adaptations to match a customer's specifications. A single upgrade can often yield multiple benefits for daily operations.

Case in point:

An example of the efficacy of LCS upgrades is the reduction of fresh water consumption on a bottle washer.

The upgrade project includes replacing the surge unit in the fresh water section with the latest generation twin-pipe surge unit in the cold water section and, if applicable, replacing the jetting unit for spraying the inside of the bottles with fresh water. This small intervention reduces the bottle washer's water consumption by about 30%. The considerable savings in fresh water and waste water costs quickly pay for the cost of the upgrade.

Line sustainability analysis

In addition to the programme for replacing components and individual assemblies, the LCS team also provides complete plant analyses. Data is collected both automatically and manually during production to determine running times and downtimes on the lead machine and weak points in the line. Recommendations for a continuous improvement process make it possible to significantly improve steady-state availability and average utilisation. For the line operator, this means lower production costs and a longer operating life of the line, which also contributes to a sustainable production process.

Andreas Hierl, Safety Engineering, Research and Development

Noise emissions are my speciality. For new machine designs, I create a forecast of the machine's noise emissions based on the basic design information. I can often provide a number of suggestions for reducing the machine's noise level at this stage. For example, using electric motors instead of pneumatic drives makes a machine run more quietly. If it is not possible to use different or modified technologies for certain machine functions, we look to secondary measures such as protective housings to achieve improvements. When the design is finished, we do a noise calculation based on EU standards and directives. The EU Machinery Directive, which requires that machine emissions be minimised throughout Europe, serves as the basis for the calculation. Customers outside Europe also expect us to deliver machinery that is in compliance with the European directives.

It is becoming increasingly difficult to make machines run even more quietly. That is because the lightweight construction that is common today contributes to the vibration (and therefore noise) of the machines and components. The requirements for hygienic machine design also present big challenges for noise reduction. The open design, with no covered edges or corners, makes it more difficult to reduce noise emissions. In addition, floor space at the customer's plant is often very limited. When machines are operating at high speed, the noise emissions of the individual machines definitely add up! By improving the regulation behaviour of the machines and peripheral equipment, we have been able to offset these factors and effectively reduce noise emissions.

The machines' and lines' noise values are printed in the operating manual. On request, we can generate a noise forecast for a customer's entire plant. We also consult customers with respect to production hall acoustics.

Noise reduction efforts are very cost-intensive. Noise abatement measures can already make up as much as 10% of the total cost of a machine.



Energy cost savings from retrofitting a Stromboli internal boiler with a vapour condenser

42.5%

Compressed air consumption when Ecoslider rejection system is used

0

Water savings when vacuum pump is used in the filler*

13,680 m³/year

*Production of 40,000 0.5-litre bottles/hour, 6,000 operating hours/year

KRONES machine types that
have been assessed under
enviro

30

enviro certified Contiform
stretch blow moulders sold

181

Share of hot-fill systems sold
with energy recovery system

50%

Our programme for sustainable machines and lines

KRONES is the only company in the filling and packaging industry to offer its own universal standard for designing sustainable production machinery: enviro. This standard for energy and media efficiency stands on the three pillars environment, economy, and ergonomics, and offers customers a resource-efficient, cost-effective machinery programme.



The criteria for energy efficiency include:

- Electrical power
- Compressed air
- Heating and cooling



The criteria for media efficiency include:

- Gasses
- Water



The criteria for eco-friendliness include:

- Composition of all materials used (raw materials and supplies)
- Consumption of the media used in various defined operational states
- Emissions (e.g. noise and effluents)

There are two major aspects to enviro that must be examined separately. The one aspect of enviro is that it is a management programme, certified by TÜV SÜD in 2009.

In 2012, the programme was recertified, confirming that we are in fact complying with the enviro management programme. Of course, we are also further evolving and updating the programme. The management system stipulates that the best available state of technology is to be used in the continuous improvement process and the enviro programme criteria must be adapted to the current situation.

The other aspect of enviro is product certification. That is, we evaluate our machinery portfolio with respect to established criteria. We look at the entire beverage production and filling process and analyse the machines' consumption data. We use this information in the machine development process and work out solutions for minimising the lines' energy and media consumption in operation. The consumption data are measured in a standardised procedure that has been certified by TÜV SÜD and documented in the enviro passport. This consumption forecast enables end users to achieve resource-efficient production.

In addition to energy and media consumption data, we also document other environmental criteria such as proof of low-noise operation or operation without lubricants containing mutagenic substances. A final measurement-based acceptance test is carried out on the machine to confirm the data before the enviro label is applied. With this, KRONES is setting the trend as no similar documentation method is standardised in the industry.

Dr. Sven Fischer, Vice President Aseptic and Process Engineering

With enviro, we have created a standard for the energy and media efficiency of machines and lines. This standard is taken into account in all of our product development activities. Of course, we always have to ask how much potential each machine has. But there are many ways to approach the task of reducing energy and media consumption.

First, we can improve the existing technology to use less energy while still providing the same performance. For example, by using energy-efficient drive technology. That is the traditional approach. It can cut energy consumption by 10% to 20%.

A second approach is to eliminate certain process steps entirely by synchronising machines into a bloc configuration. The potential for savings here is greater. A good example of this is the ErgoBloc, which combines stretch blow-moulding, labelling, and filling with no need for conveyors or buffers in between.

A third possibility with significant savings potential is to look at options that allow energy-intensive process steps to be eliminated, for instance, by choosing labels and secondary packaging that do not require the use of a steam shrink tunnel. Here are two excellent examples: First, the Stretch-matic applies labels that don't need to be shrink-fitted to the container. And second, the Evolite pack strapping machine does without shrink film entirely and therefore eliminates the need for the second shrink tunnel as well.

All in all, we are trying to cut energy consumption by 30% and water consumption by 50% based on the data from 2010.



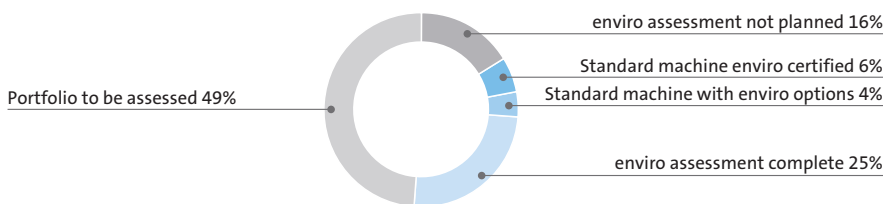
Pushing ahead with enviro machine evaluations

In all, we have evaluated 30 machine types under enviro. At least one product from our stretch blow-moulding, filling, labelling, and other portfolios is enviro certified. We plan to have evaluated the entire machine portfolio by 2015. There are three possible outcomes for KRONES as a result of an enviro evaluation: The first is that the enviro assessment results in certification of the machine in its standard design. The second possibility is that the machine can be brought up to enviro standards by adding options such as insulation. The third possible outcome is that the machine is not enviro-compatible and must be removed from the product portfolio.

When selecting their machines, our customers must have the option of having done the best they can with respect to energy and media consumption and eco-friendliness. At the same time, we also feel an obligation to ensure cost-effectiveness and to help safeguard our customers' long-term success – which sometimes requires a more tailored approach in this respect.

Our machinery programme still holds considerable potential for further energy and media savings.

Progress of the enviro assessments (revenue-weighted), as of 31 December 2012



Our target for the year 2013 is to evaluate 17 more machine types in accordance with enviro criteria.

Machines that are assessed under enviro but do not meet enviro criteria are subject to further development to bring them up to this level.

enviro machines use significantly less energy and media than their counterparts.

This clear advantage with respect to energy and media efficiency is the focus of our marketing of the enviro machine programme. Competition is generally very tight when it comes to landing new orders, which makes it difficult to ideally position enviro machines against our competitors' machines. This is due in part to the fact that they use components that are highly energy efficient but come at a higher initial price for KRONES and, therefore, the customer than standard products used in standard machines.

That means we are taking our enviro machines to market at a higher price than our competitors are bidding their machines. In the interest of maintaining long-term business relationships with our customers and, ultimately, in the interest of securing our company's future, we cannot take our enviro machines to market in a uniform manner across all markets. Another point to consider is the cost of resources,

which varies worldwide. For instance, a machine's energy-efficiency may not be critical to one company's operating costs. By contrast, another company in another country might attach great importance to energy efficiency but not so much to water consumption.

Case in point:

The enviro-certified ErgoBloc L has become well established in the bottling industry thanks to its economic and technological benefits. To enable plastic bottle converters to enjoy the same advantages of this state-of-the-art technology, KRONES has slimmed down the ErgoBloc, eliminating the filler, to create the Contiform Bloc BL.

This yields benefits like significant space savings and the elimination of energy-intensive air conveyors for converters with pre-labelling operations. But that is not all. Bottlers can also use the Contiform Bloc BL, without a filler, if they want to produce their own PET containers with pre-labelling in an existing bottling plant.

The Korean PET bottle producer Soo Seok was the first converter to put this solution into operation in 2011.



Saving resources is already an important topic to many of our customers because they also want to highlight sustainable production in their own marketing. However, cost considerations often take priority when it comes to making the investment decision. When two competing machines have a similar initial cost, the machine with lower operating costs will often be chosen because energy and media make up the largest share of operating costs. The decision becomes more difficult when the initial investment is higher and a total cost of ownership (TCO) calculation comes into play as the basis for decision-making. For most of our customers in the filling and packaging industry, operating cost savings have to pay for the higher initial outlay within three years. For long-term capital expenditures in brewing technology, customers are willing to accept a pay-back period of up to five years. Only a select few customers have thus far been willing to pay more simply for the good of the environment.

The switch to different types of packaging presents another hurdle. Although eliminating the shrink tunnel pays for itself very quickly – as was the case with the new LitePac packaging option, which goes without shrink film entirely – and brings with it absolute energy savings, it also requires some rethinking on the marketing end.

Take a look at the EvoLite system in operation at Gruppo Bracca Italy, http://www.youtube.com/watch?v=E5HGsjF5uIA&feature=player_detailpage

Development projects within the enviro programme

Numerous development projects have been launched in all product divisions in order to bring our entire machinery portfolio up to the enviro standard with respect to energy and resource efficiency. After analysing the machines to determine which components and assemblies are relevant to the machines' consumption data, the project teams examine alternative materials and innovative assemblies that promise significant potential for savings.

Contiform stretch blow moulder

Both the Contiform s/H and the new Contiform 3 series have an enviro passport. This division continually tests the respective current technology for further possibilities for optimisation. One approach here is the development of alternative heating technologies such as using microwave technology to preheat the preforms (FlexWave), which one of our customers is currently using as an alternative to infrared technology. Because this technology is still too expensive for mass production, we are currently collaborating with the customer on the pilot project and continually optimising it.

Compressed air consumption offers considerable potential. Tasked with reducing the energy consumed to produce compressed air, we worked closely with a compressor manufacturer to establish intelligent communication between our compressed air system in the Contiform and the compressor. This project is still ongoing.

Another project aimed at reducing compressed air consumption involves changing from pneumatic stretching technology to electromagnetic stretching. Combined with the Air Wizard compressed air recycling system, this change resulted in a 30% reduction in compressed air use. This technology is now standard in the Contiform 3 series.

Saving water with a vacuum pump

A classic example of resource-saving production is the use of a water-saving vacuum pump in the filling system. A filling system with an output of 40,000 0.5-litre bottles per hour, operating 6,000 hours per year, uses a vacuum pump with an electrical power load of 18.5 kW and current water consumption of up to 2.4 m³ per hour. Using a vacuum pump with an integrated plate heat exchanger system for the seal water circuit can yield water savings of 13,680 m³ per year under these conditions. At the same time, energy consumption for cooling the vacuum pump increases by 10,500 kWh per year.



The numerous measures taken to optimise the Contiform 3 series are tapping enormous potential for this machine's energy and media efficiency.

This highlights an important fact: Any savings achieved must be viewed from many angles since reducing consumption of one resource may very well entail increased consumption of another. That means that resource and energy efficiency solutions must be determined on an individual basis in accordance with the user's situation. Retrofitting the respective components can pay for itself within around two years, depending on the customer's specific energy and water costs.

A look at the acceptance of these filler components among customers shows that around 30% of users elect this option when investing in a new filler.

Improving details in labelling and inspection technology

New pre-shrinking for the Sleeveomatic M: The Sleeveomatic labeller applies a sleeve made of plastic film over the entire body of the bottle, which may or may not be subsequently shrink-fitted depending on the application. Previously, the machines required a power supply of 15.25kW – regardless of whether one or two sleeve labelling stations were needed. By using smaller air heaters that can be better regulated, we are able to reduce the necessary power supply to 4 kW for a single sleeve applicator and 8kW for two sleeve applicators. At an average operating time of 3,500 hours per year, that makes for potential energy savings of as much as 18,000 kWh depending on the machine size.

The new, fully electric »Ecoslider« rejection unit was developed as an option to replace the »Softslide« pneumatic rejection unit for our Checkmat inspection units. With »Ecoslider«, there is no need for a compressed air supply since even the cap blower is electric. That completely eliminates the compressed air consumption of 90 Nm³ per hour, at an operating time of 6,000 hours per year. This option appeals in particular to customers for whom noise emissions, ease of maintenance, and compressed air consumption are important factors. In new lines, these rejection units are installed as standard equipment instead of the previous pneumatic rejection units.

Insulation important for bottle washers and pasteurisers

Bottle washers and pasteurisers are our big consumers. Bottle washing and pasteurisation both require large amounts of heat. For this reason, our experts in these two product divisions are devoting particular attention to increasing the machines' thermal efficiency. The current focus is on testing and quantifying additional insulation measures with which to prevent excessive heat transfer from the machines to the surrounding environment and consequent thermal inefficiency. The main task here is to achieve an effective level of insulation to match the machine surface temperature profiles laid out in the enviro framework – over the entire surface of the machine housing as well as the surfaces between the individual treatment zones, totalling up to 200 m² – at a reasonable cost.



Better air heaters can yield energy savings in sleeve labelling.



Optimised insulation of the pasteuriser can further reduce heat loss.

Energy efficiency in beverage production

In process engineering, testing and certification of individual brewing technology systems provide good starting points for improving the efficiency of these very energy-intensive processes. Because energy consumption is high in brewing operations, customers have a strong interest in considerably reducing consumption data. With the Stromboli wort boiling system and ShakesBeer mashing kettle, both enviro products, KRONES offers two enviro systems that have been well received on the market.

In an effort to achieve further improvements here, our Steinecker plant offers energy consulting for breweries, identifying customers' energy-saving potential. Model calculations are used to assess options for reducing energy consumption and reviewed against the investment required for the energy-saving systems.

Sometimes, these consultations result in a recommendation to retrofit a Stromboli wort boiling system.



The Stromboli wort boiling system makes it possible to bring total evaporation in the wort boiling process down to a low level and thus achieve a high level of energy efficiency in the brewing process.

Case in point:

Retrofitting a Stromboli internal boiler with a vapour condenser and lautered wort heater reduces total evaporation in the wort boiling process from 6% to 3.8%. The cost of the retrofit is offset by energy cost savings of 42.5%. That means the investment would pay for itself in just over two years – an excellent bottom line that can serve as an example for numerous optimisation measures for the wort boiling process.



Systems expertise often provides a helpful frame of reference when looking at individual machines. For example, in our process technology portfolio for hot-filling soft drinks, we were able to add a heat recovery system as a tool for saving energy in hot-filling processes. Since 2012, we have been successfully offering an »energy recovery tunnel cooler« for the heat treatment of non-carbonated fruit juices and soft drinks with high-temperature discharge. In this process, water that is used to cool the hot-filled beverages in the LinaCool cooling tunnel is reused to pre-warm the juice in the upstream flash pasteurisation unit. This option allows for energy savings in the plate heat exchanger of up to 70% and heat recovery of around 40% in the flash pasteurisation unit compared with a standard VarioFlash H. More than 50% of the hot filling systems sold in 2012 were equipped with heat recovery from the cooling tunnel.



enviro is a team effort

KRONES' enviro point persons are responsible for all enviro topics within their product divisions, which they work on in ongoing collaborative meetings aimed at designing resource-saving machines.

One of their tasks is to monitor the enviro assessments for their respective product division's machinery portfolio. In addition, they monitor the progress of machine assessments in general and the current state of the art so that they can continually update the specifications and criteria for enviro machines.

The enviro point persons also serve as initiators and sources of inspiration for undertaking new enviro assessments and supporting enviro-relevant projects in innovation roundtables. With respect to customers, they compile all of the information that is needed on our enviro projects to create cost/benefit analyses and effectively present the added value of enviro machines for our customers.

*Standing (from left to right):
Dr. Sven Fischer, Martin Kloska,
Astrid Kadlubski, Michael Siegmund,
Albert Link, Christian Gebauer,
Gottfried Gunser, Dr. Markus Zölfl,
sitting (from left to right): Michael
Rothe, Hans-Dieter Holzleitner,
Stefan Rossmann, Daniela Haupt,
Martina Birk, Stefan Hauke.*

Environmental

Electricity consumption
reduced further*

-7.7%

*per €1 million in sales revenue

CO₂ emissions reduced
significantly

-10.6%

Electricity from renewable
sources

33.7%

Water consumption down sharply from previous year

−8.5%

Motor pool reduced

−270

Airport trips reorganised

−4,677

Steady focus on environment and resource use

KRONES strives to use resources conservatively and sustainably in all its activities. In the interest of steadily reducing energy consumption and emissions, we launched an energy management system at all of our German sites in 2012, which was also certified in 2012. The data set that the system provides will enable KRONES to localise the main sources of increased energy consumption and develop an action plan. This will also make it possible to bring CO₂ emissions to a low level for the long-term. KRONES is on the right track, having already significantly reduced CO₂ emissions in 2012.

To achieve low energy consumption in the medium term, we are establishing clear requirements for consumption data for updates to our buildings and investments in new and replacement machinery. With respect to heating, KRONES consistently considers environmental criteria and gives priority to renewables wherever economically possible.

With our environmental figures, regular dialogue with local stakeholders, certification organisations, and regulatory authorities, and close collaboration with our suppliers, we are providing a broad foundation for our efforts to conserve resources. Our employees' environmental awareness is another key factor, which is why we address environmental topics in regular communications. Our people are always contributing to helping make our production more environmentally friendly or resource-friendly with the ideas they post to our Brainpool, where they also make suggestions for making workflows more ergonomic. KRONES rewards the best suggestions and also offers big incentives for employees to contribute their suggestions for improvements based on their experiences in day-to-day operations.

As part of our effort to expand our environmental management, we started the process of obtaining IMS certification for the first KRONES office abroad in 2012. This certification, which came with an IMS certificate, also covers the topic of environmental protection (DIN EN ISO 14001). By introducing a quality, environmental protection, and occupational safety management system at the Lifecycle Service (LCS) Centre in Brazil, we are systematically continuing the certified management systems that were launched and implemented in 2009 – not only for our German sites but now also for the first of our international sites.

Our environmental performance indicators for 2012 show very clearly that the individual figures will not simply continually improve on their own. Total energy consumption increased less sharply than sales revenue (energy consumption: +2.1%, KRONES AG sales revenue: +7.4%). Although total waste generated was up slightly, our water consumption was down 8.5% for the year as a whole in 2012.

KRONES has been participating in the Carbon Disclosure Project (CDP) since 2007. The CDP uses standardised reporting guidelines to collect data on climate and resource protection. The system is used worldwide and makes risks and opportunities transparent for investors while supporting companies' efforts to further develop their own sustainable practices by providing benchmarks for companies and industries.

Energy consumption was up only slightly despite the sharp increase in sales revenue.

Energy consumption reduced further

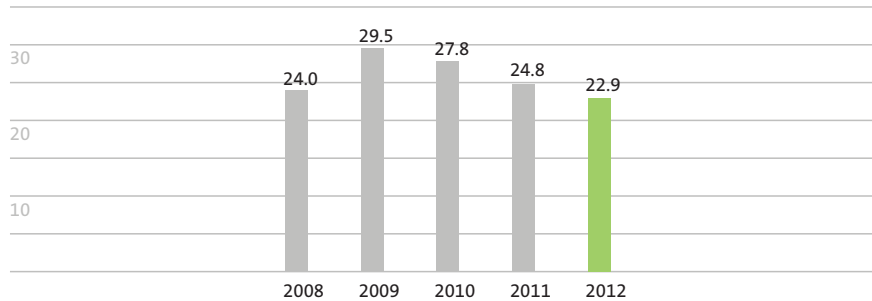
We are making good progress with respect to energy consumption at all five of our sites in Germany. Total energy consumption for our production operations and for our buildings and systems was up 2.1% to 115,453 MWh. That means energy consumption in relation to sales was down, to 43.3 MWh per €1 million in sales revenue as compared with the previous year figure of 45.6 MWh per €1 million in sales revenue.

This figure includes all buildings owned by the company. Leased buildings are only partially included since some are leased at a flat rate that includes electricity, heating, and water and these buildings are generally shared with other users. We have not included consumption data for our vehicle fleet (fuel) or data for energy consumed at installation sites.

In an effort to reduce greenhouse gas emissions, we launched and certified an energy management system in accordance with ISO 50001 in 2012. Our primary focus here is on reducing base load demand.

Consumption of electrical power improved to 60,961 MWh (previous year: 61,486 MWh). That comes to just 22.9 MWh per €1 million in sales revenue (2011: 24.8). The improvement is due to actions such as the optimisation of production hall lighting and operation of vacuum systems on an as-needed basis. Renewables accounted for 33.7% of the electrical power used at KRONES AG in 2012.

Energy used, electricity (MWh per €1 million in KRONES AG revenue)

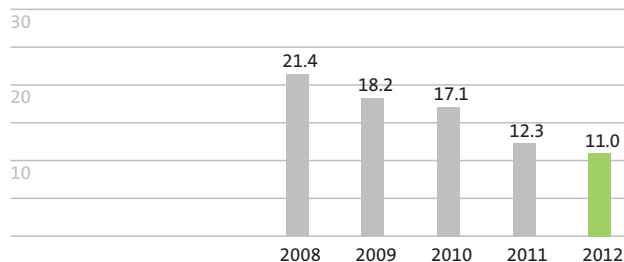


Electric power consumption per €1 million in revenue has been trending steadily downward for the past four years.

For 2013, the departments expect to see further indications of potential for improvement since it is now possible, for the first time, to analyse the measuring points at our Neutraubling site-wide and across the years. This energy monitoring system will be completed at our other German sites in 2013. The resulting precise consumption information will enable us to continually reduce our base load demand. An example of this is commissioning planning in our plastics technology division, where we were able to reduce the peak load by 5% in 2012 compared to 2011 by coordinating the test runs for finished stretch blow-moulders prior to delivery.

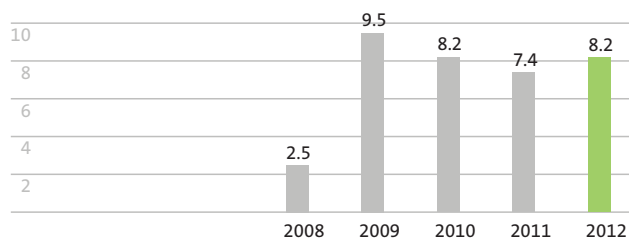
We were also able to further reduce natural gas consumption to 11.0 MWh per €1 million in revenue. Given our existing building infrastructure, we could not reduce consumption from all energy sources. Our use of district heating rose to 8.2 MWh per €1 million in revenue. Our Freising (Steinecker) and Flensburg plants derive none of their energy from heating oil or natural gas. The district heating system for the Rosenheim plant is 100% CO₂-neutral, with zero primary energy. In the Neutraubling plant, 1/3 of the district heating used is derived from biogas. And in Nittenau, the district heating is 100% biogas.

Energy used, natural gas (MWh per €1 million in KRONES AG revenue)



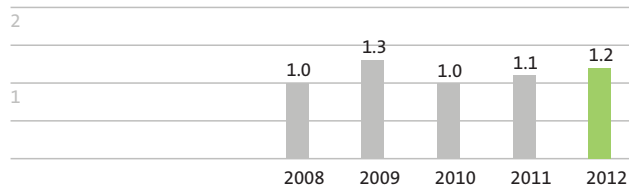
Natural gas consumption per €1 million in revenue also declined, continuing a downward trend. The decrease in natural gas consumption resulted in part from our decision to switch our Rosenheim plant over to district heating.

District heating used (MWh per €1 million in KRONES AG revenue)



Use of district heating increased in the year under review due to the switch from natural gas to district heating. Consumption per €1 million in revenue came to 8.2 MWh.

Energy used, heating oil (MWh per €1 million in KRONES AG revenue)



Heating oil now accounts for only a very small portion of the group's total energy consumption. It increased slightly in the reporting period, to 1.2 MWh per €1 million in revenue.

Dr. Helmut Schwarz, Senior Vice President Rosenheim plant

The Rosenheim plant is connected to the district heating network of the municipal utilities in Rosenheim and therefore requires no primary energy for heating or hot water supply. Only the paint shop still needs to be connected to the district heating network. This work will be completed in 2013. By integrating our waste management into the waste management system of Rosenheim's municipal utilities, we have created a closed loop for our energy supply. All recoverable materials go towards reuse or recycling. Any non-recoverable waste is used as fuel for the district heating plant.

We are also making good progress towards achieving energy-efficient production with respect to electrical power. With an analytical project named »targeted control of energy use«, we were able to take a detailed inventory of the main consumers in the Rosenheim plant in 2012. We identified potential for improvement in the washing bay in the paint shop, where we can significantly reduce electricity consumption by investing in new equipment in 2013. We can use the results of this study directly in additional measures to improve energy efficiency, for instance by changing machine operating status during breaks or overnight. We have already made upgrades to our lighting systems that have lowered energy consumption. All in all, this reduces peak loads and conserves electricity.

Our new construction project, where we have taken comprehensive measures to minimise electricity consumption, will start giving us new insights on improving electricity consumption starting in June 2013. By comparing this state-of-the-art technology with our existing technologies in other buildings, we hope to gain valuable information about which measures offer the biggest benefits in terms of resource efficiency.

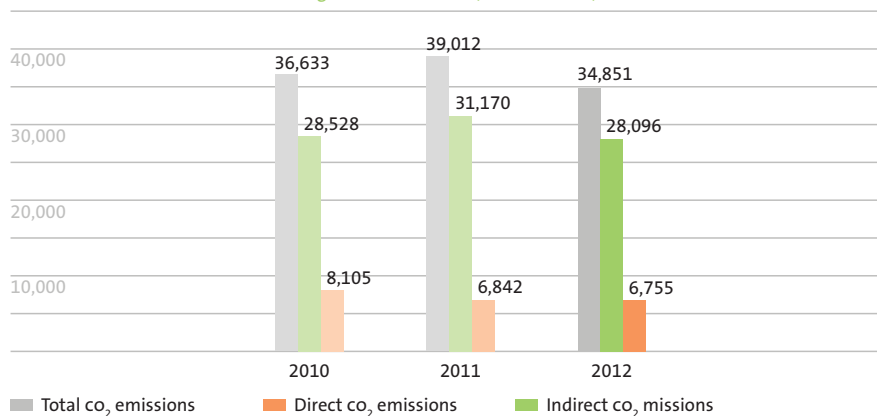


CO₂ emissions reduced significantly

By increasing our use of district heating, we are reducing the CO₂ emissions from our operations. We have managed to reduce our CO₂ emissions dramatically by optimising heating at our individual sites and sourcing 33.7% of our electrical power from renewables. The district heating that supplies our Rosenheim plant is 100% CO₂ neutral, thus cutting CO₂ emissions by 700 metric tonnes. In all, our total CO₂ emissions came to 34,836 metric tonnes, 10.6% less than the previous year's 39,012 metric tonnes.

Our greenhouse gas emissions result primarily from energy consumption at our five plants (electricity, natural gas, district heating, heating oil) in the form of CO₂. Our direct greenhouse gas emissions (those reported in previous years) totalled 34,851 metric tonnes. Indirect emissions under the Bavarian Environment Agency's method for calculating emissions includes emissions from upstream suppliers and totalled 1,373 metric tonnes for natural gas and heating oil. No data is available from suppliers for the other energy sources (electricity, district heating).

Direct and indirect emissions according to GRI calculation (metric tonnes), KRONES AG

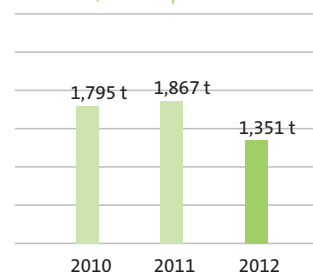


Within the GRI Guidelines, direct emissions are defined as emissions from sources owned or controlled by the reporting organisation. For KRONES AG, these emissions total 6,755 metric tonnes. Indirect emissions arise from purchased electricity and district heating. These emissions totalled 28,096 metric tonnes in 2012.

We use approximately 416 kg of substances known to have an effect on climate as foaming agents (54 kg of R227ea and 362 kg of R365). We do not use other greenhouse gasses (methane CH₄, nitrous oxide N₂O, perfluorocarbons PFC, or sulphur hexafluoride SF₆). We are currently conducting trials of possible substitutes for the foaming agents noted above.

We had no emissions of ozone-depleting substances. Emissions of NO_x and SO_x are not measured continually. Two of our facilities are subject to a requirement that these emissions be measured every three years under the German Emission Control Act [Bundesimmissionsschutzgesetz]. These measurements were due for the pickling plant in 2012. The emissions came to 0.345 metric tonnes of NO_x and 0.054 metric

Other relevant greenhouse gas emissions, in CO₂ equivalents



Volatile organic compounds (vocs) are generated primarily in the paint shops, although voc emissions at each of the individual shops come to <5 metric tonnes per year, which is not reportable under the German Emission Control Act.

tonnes of HF. The most recent mandatory measurements showed the following emission loads for the Neutraubling facility: < 0.088 metric tonnes HCl, < 0.109 metric tonnes dust, and 0.000116 metric tonnes Ni particulate.

CO₂ emissions from work-related travel

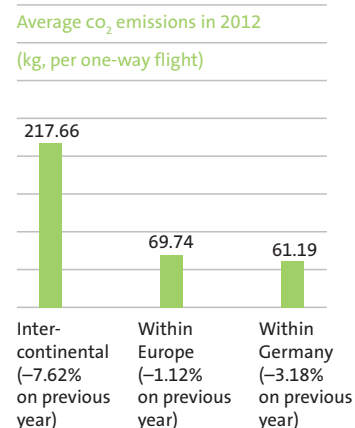
KRONES AG's international activities entail a considerable amount of employee travel. In 2012, employees logged a total of 76,524,854 flight miles, which is 5.99% more than in the previous year. The increase is closely tied to the increase in sales revenue (+7.4%).

Destination	Miles flown		Change (%)	CO ₂ emissions (t)		Change (%)
	2012	2011		2012	2011	
Intercontinental	66,160,274	61,457,389	+7.65	14,826	13,771	+7.66
Europe	9,472,860	9,776,479	-3.11	2,200	2,276	-3.35
Within Germany	891,720	967,067	-7.79	242	271	-10.7
Total	76,524,854	72,200,935	+5.99	17,268	16,318	+5.8

It is worth noting that the absolute number of miles flown within Europe and Germany was down from the previous year. This is roughly in line with our business trend, which is heavily focused outside the European continent. The company travel policy developed in 2012 contains comprehensive guidelines for reviewing whether travel is necessary and whether travel can be avoided, for instance by using alternative means of communication or by delegating tasks to local representatives abroad. The policy also encourages the use of sustainable modes of transportation.

CO₂ emissions from work-related travel by passenger car totalled 4,573 metric tonnes in 2012. As part of our effort to reduce our environmental impact – and costs – by reducing the number of trips taken by car and by shrinking our vehicle fleet, we have shifted all airport transfers to the Airportliner, a shuttle that departs Regensburg and has a stop at our Neutraubling plant – as of the start of August 2012. As a result, 4,677 trips to the airport were taken in a more eco-friendly manner. Assuming average CO₂ emissions of 130 g CO₂ per kilometre driven, this would translate to an estimated reduction in CO₂ emissions of 76 metric tonnes for the airport transfers over the previous year – excluding the proportionate shares of CO₂ emissions per traveller in the Airportliner, which must also be taken into account. This measure also enabled us to reduce our vehicle fleet by around 270 vehicles.

Our goal for 2013 is to reorganise travel within Germany. We will integrate the German rail network into the mobility concept for KRONES AG employees. By using the network of intercity trains and car rental at the destination, we aim to make our employees' business travel within Germany economical and eco-friendly. The concept has already been developed and will be integrated into the travel planning tools by our travel management department.



Environmentally-friendly freight transport

KRONES delivers its machines to locations worldwide. The freight is forwarded by sea, by air, or by road.

Outgoing freight (truckloads)	2012	2011	Change %
Sea	6,849	5,487	+24.8
Air	1,612	1,972	-18.2
Road	458	532	-13.9
Total	8,919	7,991	+11.6

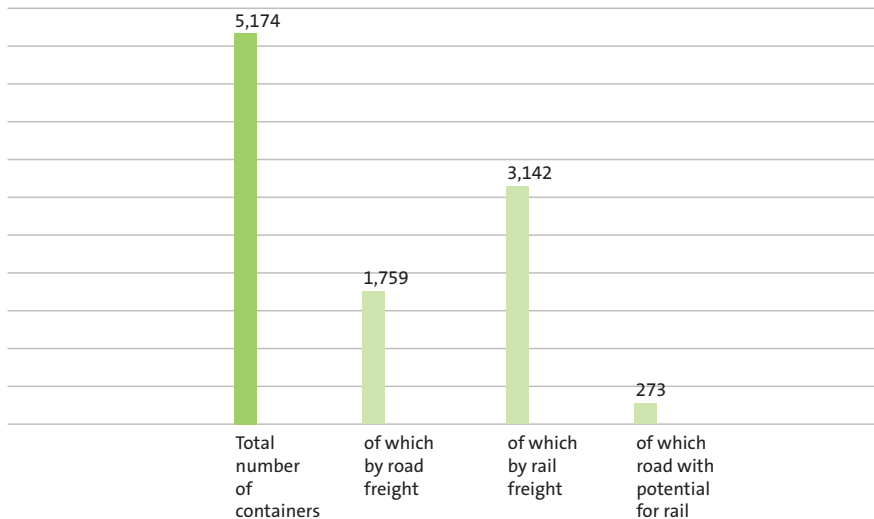
A look at the total freight figure and the shares forwarded by the various modes of transport shows that we were able to keep air and road freight stable and handle the increased deliveries largely by sea freight.

Getting shipments to the seaports

A total of 5,174 containers were transported from our Neutraubling site to the shipping ports on the North Sea. Of these, 60% went by environmentally friendly rail freight. These heavy cargo transports to North Sea ports (Hamburg) generated around 520 metric tonnes in CO₂ emissions.

Due to the size of some machines and lines or the cargo destination, 1,759 loads were transported by truck. Contractual provisions with the freight haulers prevent us from analysing the CO₂ emissions of these trips since the carrier handles the routing.

Containers shipped by KRONES AG in 2012



Water consumption down sharply from previous year

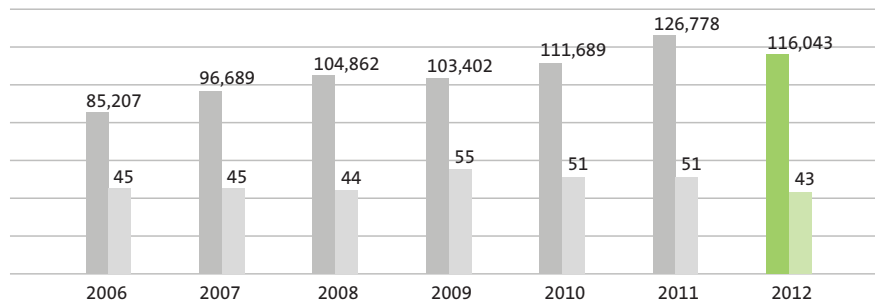
The total volume of water drawn from the municipal water supply came to 116,043 m³. With that, we were able to improve on the previous year’s high water consumption by 8.5%. That means we reduced consumption to 43 m³ per €1 million in revenue. This achievement is due in part to the introduction of additional closed-loop systems, particularly for leakage testing, and the switch to waterless processes. We employ water-saving solutions wherever possible, with closed-loop systems in our electroplating shop and pickling plant, function tests in our filling and process technology divisions, and cleaning applications.

The water is drawn from the respective municipal water supply. In addition, KRONES also draws groundwater to use for cooling the buildings at its Neutraubling site. In 2012, KRONES withdrew 1,804,281 m³ of groundwater. This volume is fed back into the groundwater supply.

The discharged volume largely equals the volume withdrawn, less any losses due to diversion, disposal, or evaporation. Depending on the source, waste water is treated in internal physical/chemical processes or in neutralisation systems before being channelled into the main sewer system. Some of the waste water generated must be treated and is discharged to treatment facilities or disposed of as special or hazardous waste. We are also reporting other waste water, for instance from our office buildings, which is discharged into the main sewer system without further treatment. The volume of treated waste water totalled 4,835 m³ in 2012. KRONES does not discharge any waste water or run-off directly into any bodies of water.

Regular checks in accordance with the German Self-Monitoring Ordinance [Eigenüberwachungsverordnung] and external checks with respect to the quality of the water discharged by KRONES have not resulted in any objections. Because the concentrations measured were often below the measurement range, the following annual totals and loads are to be understood as maximum values that fall well below the limits prescribed by law.

Water consumption (m³ and m³ per €1m in revenue) KRONES AG



In 2012, water consumption decreased to 116,043 m³, which roughly corresponds to the annual consumption of around 2,800 people in Germany.

Christine Raab, Vice President Forwarding and Travel Management

The figures for employee travel make it very obvious that KRONES is an export-oriented company. They also show a shift in our customer markets. Last year, we had a large number of projects in Asia, Africa, and South America – which, of course, means quite a bit of travel. As part of our internationalisation efforts, we have launched a number of measures to prevent travel volume and the associated CO₂ emissions from rising. When shipping our machines and lines, we give highest priority to sending our containers to the international seaports by rail.

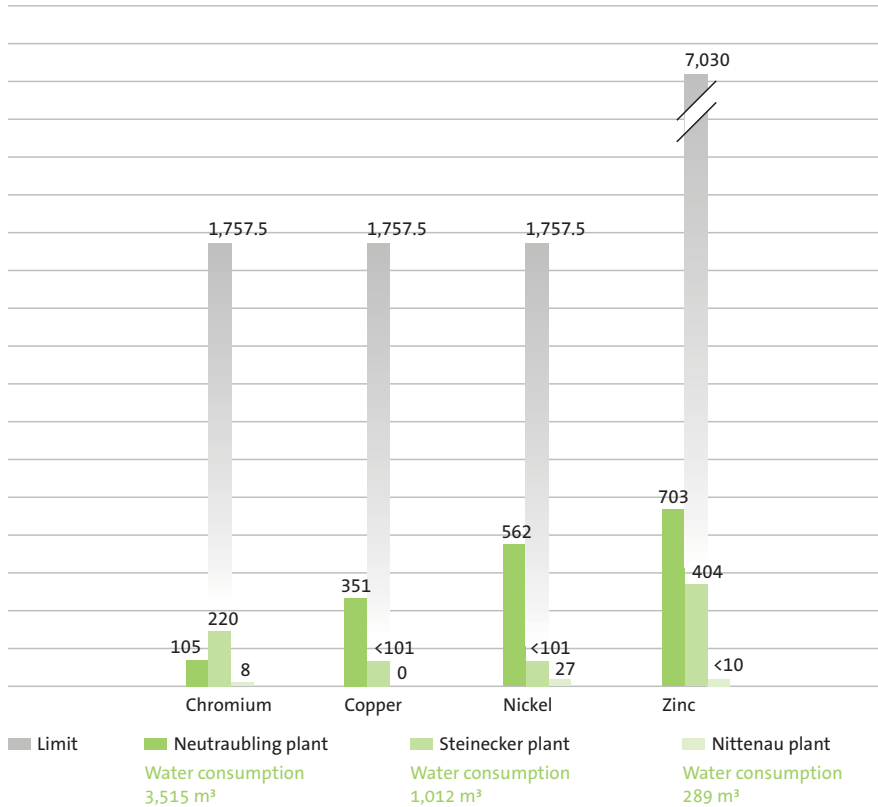
We are currently adopting a new mobility concept that integrates rail travel for KRONES employees within Germany. This will completely change how we plan travel in Germany and will require some adjustment on the part of our employees. We are sure that this concept will yield an effective, environmentally friendly strategy for business travel within Germany. Another advantage of the concept is that rail travel will be easier on our employees than driving.



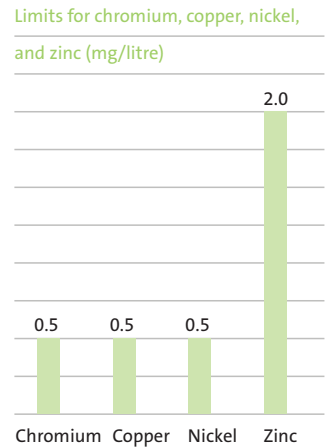
Of course, light liquid separators are used in the various systems prior to discharge of the treated waste water into the public sewer system. KRONES engages qualified specialists to dispose of boring and filing emulsions and cooling lubricants. The total volume disposed of was 1,055,5 m³.

Information on significant spills is collected with the annual environmental reports for each of our plants. In 2012, no significant spills were reported.

Contaminant loads in waste water from installations subject to licensing (grams per year) KRONES AG, 2012



In the Neutraubling and Steinecker plants, the effluents originate from the chemical surface treatment plant, in the Nittenau plant they originate from the plasma cutting machine and the electro-polishing plant.



Materials for high-quality machines and lines

Machines for food and beverage production must meet a number of specifications, including compatibility with high temperatures, cleaning solutions, moisture, and different product characteristics. And this can only be achieved using high-quality materials. For our purposes, the most important materials and part materials from non-renewable sources are:

Stainless steel	approx. 12,000 metric tonnes
Plastics	approx. 500 metric tonnes
Aluminium	approx. 800 metric tonnes
Copper	approx. 1,000 metric tonnes

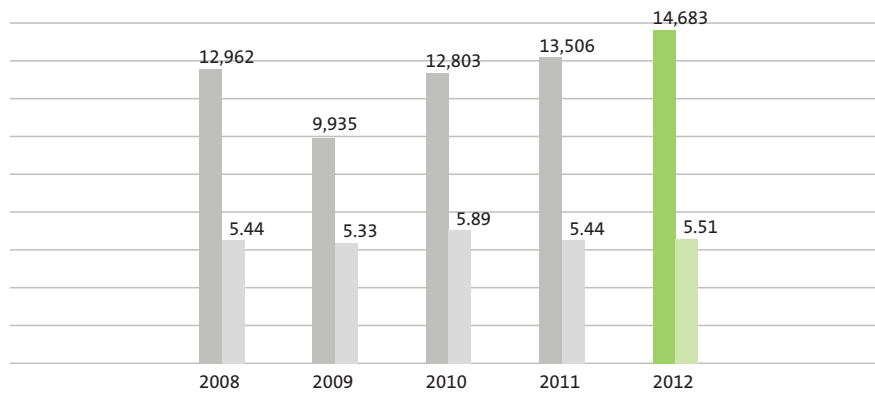
For each of these materials, KRONES requests a certificate of origin for each delivery. In addition, KRONES AG's quality assurance department checks the following points and enters the corresponding data in the company's software when it conducts quality audits:

- Certifications
- Environmental management system
- Familiarity with KRONES AG Supplier's Code
- Occupational safety management

Since KRONES AG's materials specifications allow for a certain percentage of recycled content, it is not possible to determine the exact share of recycled material that makes up the materials purchased. Suppliers must not indicate precisely what portion of a shipment is in fact recycled content. All (100%) of the scrap material generated is fed into the recycling stream as secondary material.

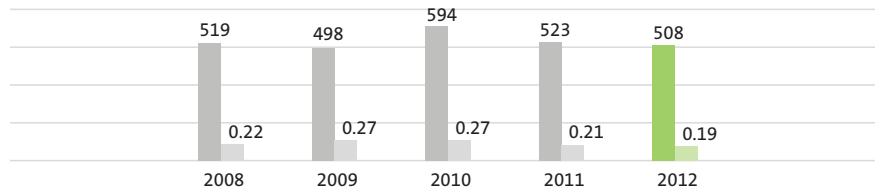
Our total waste of 14,683 metric tonnes continues the trend from previous reporting periods. That means total waste generated was up over the previous year by 1,177 metric tonnes. In relation to revenue, our total waste came to 5.51 metric tonnes per €1 million in sales, which is more or less at the previous-year level. While we were able to steadily continue the downward trend in non-recoverable waste from 523 metric tonnes in 2011 to 508 metric tonnes in 2012, we are also looking into further potential for reducing recoverable waste, which amounted to 14,175 metric tonnes. The slight increase in waste generated can be attributed to bigger-than-usual warehouse-clearing projects in 2012.

Total waste generated (metric tonnes and metric tonnes per €1 million in KRONES AG revenue)



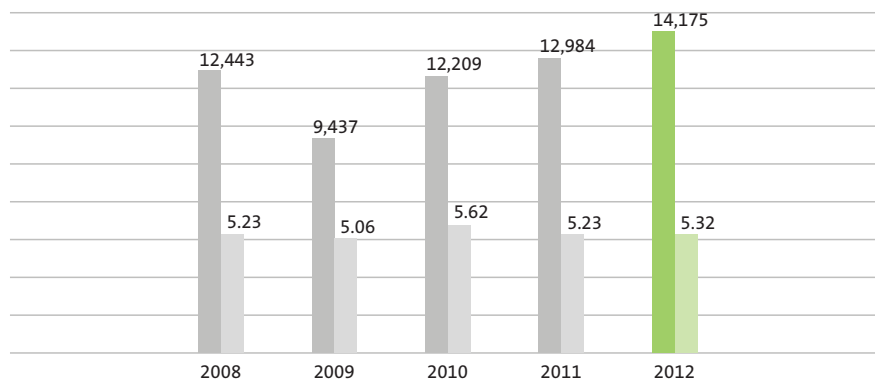
Total waste generated in 2012 was up slightly from the previous year because of warehouse-clearing activities.

Non-recoverable waste (metric tonnes and metric tonnes per €1 million in KRONES AG revenue)



In 2012, only 508 metric tonnes of waste could not be recycled, just under 3.5% percent of the total volume of waste.

Recyclable waste (metric tonnes and metric tonnes per €1 million in KRONES AG revenue)



Disposal methods include composting, reuse, recycling, incineration, landfill, and interim storage at waste disposal facilities.

This report also includes for the first time the amount of hazardous waste generated. In 2012, our plants generated 1,106 metric tonnes of recoverable hazardous waste and 306 metric tonnes of non-recoverable hazardous waste. The total weight of hazardous waste transported by licensed haulers within the meaning of Germany's Closed Cycle Waste Management Act (Kreislaufwirtschaftsgesetz) came to 1,412 metric tonnes. KRONES did not import, export, or treat any hazardous waste.

Because all of our production sites are located within the industrial zones defined by the local communities, none of our production sites are in or adjacent to any protected areas. As a result, our operations have no impact on biodiversity or endangered species.

In 2012, no administrative or judicial sanctions were levied against KRONES for failure to comply with environmental laws and regulations.

Bertram Pretzl, Safety Engineer, Safety and Security Management

As part of our environmental management efforts, we will continually increase the frequency with which we monitor and manage issues relating to sustainability, such as assessing consumption data. That will enable us to make up-to-date comparisons of current and target status so that we can proactively intervene in processes as needed to improve our environmental performance over the course of the year. In future, we will also be using the SAP waste module for this purpose. The module makes it possible to create reliable monthly analyses and reports on waste generation and flows and to assess environmental performance with respect to waste.

To manage CO₂ emissions, we are working to establish close, building-specific monitoring of energy consumption. We have made significant progress here by introducing the energy management system and installing measuring points company-wide. We will continually work to identify potential for improvement in our buildings and production in order to further reduce our CO₂ emissions.

In the area of occupational safety, we have set a long-term goal of halving the number of reportable work-related accidents per 1,000 employees on the basis of our 2010 figure by 2020. (This figure is already far below our industry's average.) To this end, we are making extensive changes within our occupational safety management system. By reorganising the tools for hazard assessment, we will be able to involve employees more deeply in all assessments. That will change our safety culture and safety awareness for the long term. In addition, we will analyse accidents in greater detail in order to avoid similar accidents, not only at the site involved but across the KRONES Group. Our employees have a crucial role to play in all of these changes as we tap their enormous wealth of experience and implement solutions developed by the employees themselves.

As we push ahead with internationalising the company, these efforts will not be limited to our German production sites. We have already kicked off the expansion of our certified management systems to include LCS Centres with production facilities. There, too, we will in future be ensuring structured processes and continuous improvement in the areas of quality, environmental protection, and occupational safety.



Labour practices and decent work

KRONES Group employees

11,987

Average employee turnover rate

1.9%

Continuing education measures

18,200

321 employees on parental
leave, of which men

66.4%

Women in the workforce

13%

International employees
in the KRONES Group

2,887

Successful together

Strategic human resources planning and employee development are fundamental building blocks of KRONES' forward-thinking approach to doing business. Our Value strategy programme includes the sustainable development of our human resources policy.

As KRONES becomes steadily more international, it is important that we establish group structures that represent and support our company's international activities. Our employees need to be able to organise their international workflows efficiently. Organisational changes are needed to achieve consistent accountability worldwide for defined processes and products.

As the markets become increasingly volatile and changes in our customers' product cycles demand faster response, we also need to open up more leeway within our human resources management. We must have a broad range of measures available to continually keep KRONES' development on track with market conditions.

Products with a high standard of quality will continue to enjoy a strong reputation among food and beverage producers worldwide. For this reason, we will continue our policy of maintaining and developing a high level of knowledge and performance among our employees.

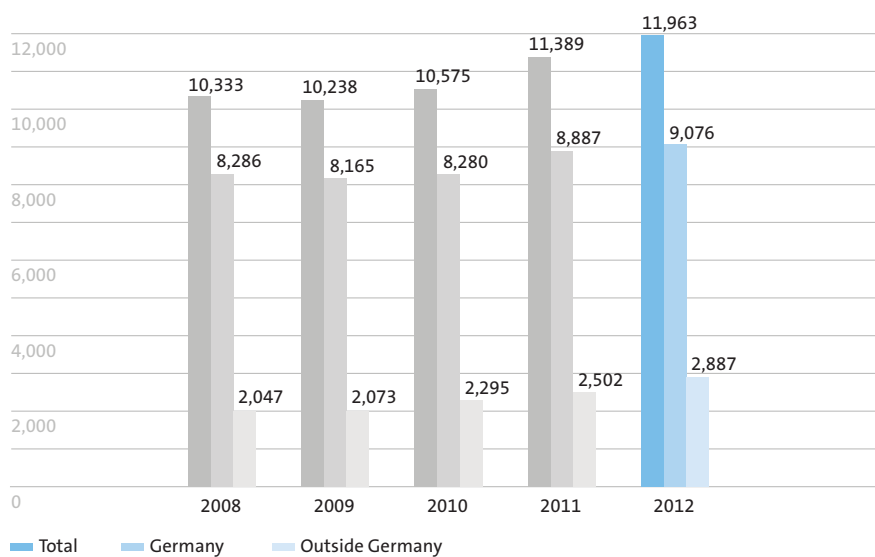
Demographic change, changing life cycles, and promoting women are integral parts of our human resources strategy. We offer a comprehensive range of employee benefits to support the individual life planning and health of each member of our workforce.

Strengthening our international workforce

KRONES hired 574 new employees in 2012. As a result, KRONES' team worldwide grew to 11,963-strong, the biggest it has ever been (previous year: 11,389). As KRONES AG's business becomes increasingly international, we need to add people with experience on the international markets in some areas of the company. For instance, more people in our service organisation, to build up local expertise in our ten LCS Centres worldwide and thus help expand our local capabilities in the regions.

Our workforce is becoming increasingly international. Within the KRONES Group, 24.1% of the workforce are non-German citizens (22.0% in 2011). The fact that the share of non-German citizens within KRONES AG's workforce is only 3.3% is due in part to the fact that many employees with international backgrounds have attained German citizenship. As a result, they do not show up in our HR records as employees of other nationalities. They nevertheless expand the company's international horizons with their heritage and their knowledge of the local markets.

Employees by region



Our workforce grew in Germany and abroad. The total number of employees within the group reached a record high of 11,963 (previous year: 11,389).

KRONES employs 9,076 people at its German sites, including the subsidiaries in Germany that are listed in the Annual Report. For all other presentations relating to human resources policy in this report, we have used the number of employees at KRONES AG only, which is 8,826.

KRONES AG workforce

	2012
Executive Board members	5
Employees	7,197
Temporary workers pursuant to the German Labour Leasing Act (Arbeitnehmerüberlassungsgesetz)	1,109
Apprentices	515

Temporary workers make up 12.5% of our workforce, ensuring that we have the flexibility to cope with the markets' increasing volatility – a factor that is gaining importance. This structure gives us access to professional skilled labour while maintaining important leeway to respond to global market downturns.

Of course, we take our responsibility towards these employees seriously. In the interest of business prudence and of securing the company's jobs for the long term, we nevertheless have to make use of all of the options available with respect to flexible employment. KRONES takes into account all interests in objective dialogue with employee representatives and seeks to achieve the broadest possible consensus. The issues at hand are always part of our regular consultations with employee representatives.

The company's management is organised in four levels: In all, 722 people or 8.18% of the workforce are tasked with ensuring the development and implementation of the company's operational and strategic goals.

KRONES AG management structure

	2012
Total workforce (all employees and supervised workers)	8,826
of which members of the Executive Board	5
of which senior managers (Senior Vice President)	24
of which mid-level managers (Vice President)	248
of which department managers	248
of which team managers	365

Employment types at KRONES AG

	2012
Total workforce (all employees and supervised workers)	8,826
of which sales	577
of which technical	1,847
of which production	3,548
of which administrative	2,854

Birgit Castro, temporary worker in production

My work as a certified industrial mechanic with a temporary employment contract at KRONES is to overhaul lift cylinders for filling machines in-house. I developed and designed this position in collaboration with the master craftsman and the team. I am fully responsible for all of my workflows and receive backup from KRONES employees when things get really busy. In my team, no difference is made between KRONES employees and temporary workers. I get full recognition.

I like working in this area and hope to be hired permanently by KRONES. Of course, I have already applied for a permanent position at KRONES but they aren't hiring much in production. Planning security for daily life is important for everyone, myself included. Vacation planning is an issue. My employment agency will only authorise vacation time off that I have already earned up to that point. So, for child-care during school holidays, I have to make sure I have accumulated enough over-time hours. That's not because of KRONES' policy. It's just the way temporary work is organised.

All in all, I have a great job here, with great co-workers, and I'd love to have a permanent contract or even a limited-term employment contract with prospects for something more long-term.



Josef Weitzer, Deputy Chairman of the Central Works Council

KRONES' Works Council is the point of contact for all employees. It is important to us that our temporary employees feel good and are integrated into all processes. We know that KRONES has to maintain some leeway to respond to changes in the orders situation. During peak times, we manage this by employing temporary workers.

On the other hand, we understand our temporary employees' wish to be able to plan ahead and have a sense of security with respect to their employment. We have to weigh these two opposing interests carefully to ensure the future of the company as a whole and the jobs attached to it and find the best solution for everyone involved. The Works Council team will work closely with human resources to develop suitable concepts for solution-finding. It won't be easy and it will take a good bit of flexibility on both sides.

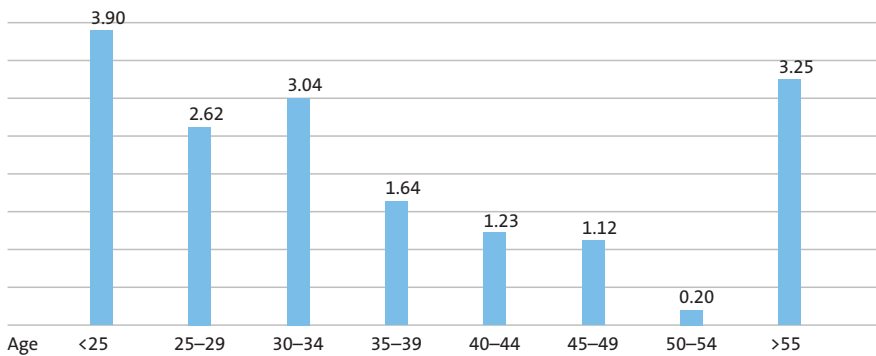


Employee turnover low

The rate of employee turnover, including all reasons for employees leaving the company such as retirement, employees quitting or being laid off or fired, limited-term contracts coming to an end, and death, is 1.9% at KRONES, far below the industry average. The share of employees leaving the company by their own choice was 1.1%. Thus, we can assume that the structures and conditions within the company foster a high level of employee satisfaction and loyalty to the company.

According to a survey by the German Engineering Federation (VDMA), employee turnover in the German machinery sector is 6.5%.

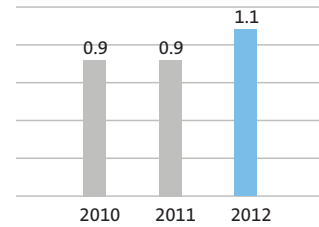
KRONES AG employee turnover in 2012 (% based on the average number of employees)



Average employee turnover rate: 1.9%

Employee turnover at KRONES AG

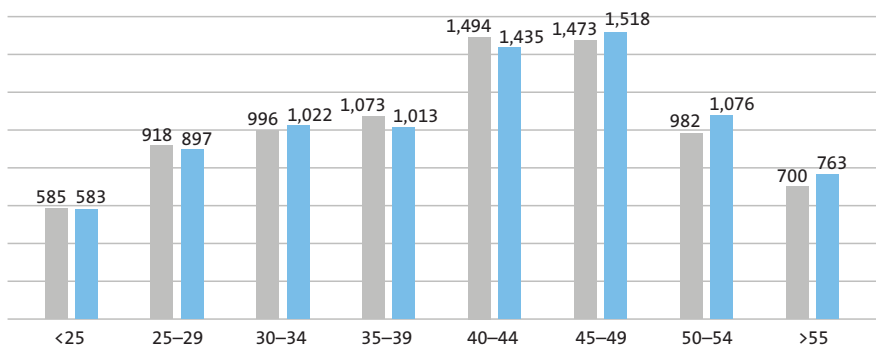
(%, based on the number of employees who quit)



Diversity and equal opportunity are key to our success

Diversity does it. A heterogeneous workforce in respect to age, qualifications, and gender at all levels of the company is crucial to the company's success. Mixed teams at all levels of the company make for intensive dialogue and an efficient work atmosphere. We fill every position with the person most qualified for the job – regardless of gender, origin, or age. Anything else – including giving preference to someone solely on the basis of minority status – would go against Germany's General Act on Equal Treatment (Gleichbehandlungsgesetz) and be grounds for employees or other applicants to file a justified claim against us.

Age structure at KRONES AG



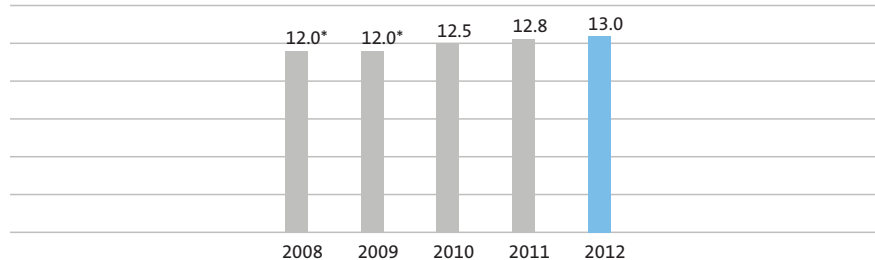
Average age in 2012 40.8 years (excluding apprentices)

Legend: 2011 (grey), 2012 (blue)

A healthy distribution of the workforce across all age groups makes possible a fruitful exchange among young and experienced employees. The difference between the 35–39 and 40–44 age groups reflects the fact that less hiring was done during years of weak economic growth such as 1999 and 2003. In order to enable older employees nearing the end of their careers to enter retirement early, we signed a company agreement on partial retirement in collaboration with the Works Council. The agreement makes it possible for employees over age 57 to prepare for retirement through active and passive phases of partial retirement. Since we do not want to lose the valuable expertise of our employees in the 60+ age group entirely and immediately, the company agreement limits the use of partial retirement to 4% of the total workforce. In 2012, we were able to grant partial retirement to all interested employees.

The share of women in the workforce is a frequent topic of discussion. Since the machinery sector has traditionally been a male-dominated sector, significantly growing the share of female employees in all areas of the company has been a very slow process. Ongoing information campaigns in conjunction with our recruitment of apprentices, initiatives on the part of the German business community to inform young women about technical careers, and a steadily rising number of women graduating from technical courses of study serve as the framework for recruiting more female employees. In 2012, women made up 13% of our workforce. With respect to vocational training, our intensive communications work is already paying off. The share of young women among our apprentices is up to 20.4% across all vocational training fields. In the previous year, only 17.8% of apprentices were women. Women make up 5.8% of management positions, up from 4.7% in 2011. Although we do not yet have a woman on the Executive Board, a woman has been elected to our Supervisory Board for the first time. Petra Schadeberg-Hermann brings with her the broad professional background needed for the monitoring and advising the Executive Board on an ongoing basis.

Women at KRONES AG (%)*



*Prior year figures have been adjusted because trainees are no longer included in the calculation.

The share of women in our workforce increased slightly in 2012. At 13% it is quite high for the machinery sector.

Mariola Endres, Assembly Support, Field and Lifecycle Services

I have been working in Germany for six years and completed an education in industrial engineering alongside my employment here. I was born in Poland but also have a German passport because my family has Silesian roots. Before coming to Germany, I studied psychology in the USA and worked in three different countries.

My work at KRONES supports the company's efforts to become more international and to further grow its decentralised strategy. As a member of the Field and Lifecycle Services division, I am managing the introduction of a centralised control centre that will enable us to plan service technician deployments worldwide in a single, standardised tool. I travel to the various KRONES offices around the world, where I offer training in the system and advise colleagues on site on all aspects of assembly deployment planning. That facilitates good cooperation worldwide.

Although KRONES is at home in Bavaria and has the feel of a family-run company, it is also very flexible in every aspect. The company places a lot of value on intercultural understanding, which will serve us well on our road to becoming more international. All KRONES employees are very open and inclusive of co-workers of other nationalities.



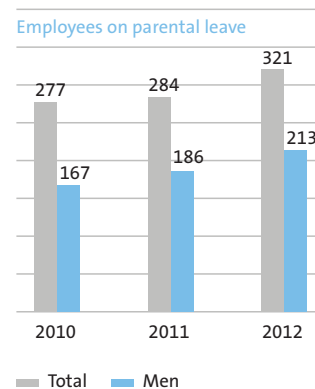
The compensation paid to male and female employees alike is based on a job-related pay scale. For employees covered by collective agreements, our pay ratio comes to 1:0.97. For management employees, it is 1:0.92. Compared with the average ratios in the German machinery sector, this is a very good figure that reflects the equal treatment of women and men. Since men and women receive the same pay for the same work, the difference shown in the ratios can be attributed to reasons such as differences in age, seniority, or career paths (e.g. parental leave taken by female employees).

Reconciling work and family

Each employee's life circumstances are very individual and can change over time. With flexible working hours, we make it possible for our employees to structure their working hours to best match their family and personal needs. Company agreements establishing flextime accounts make it possible for employees to accumulate a surplus or deficit of up to 300 hours. Another option is for employees to convert their overtime into paid time off based on long-term flextime accounts.

The legally mandated granting of parental leave is, of course, firmly established within our human resources policy. We are pleased to state that more and more fathers are making use of this option. Over the course of the year, 321 employees took parental leave and 66.4% of those were fathers.

A comparative figure from a collection of data from Gesamtmetall, the Metalworkers' Employers' Association, shows a pay ratio of 1:0.78 between men and women for the industry as a whole (based on gross monthly pay).



Dr. Andreas Sonnauer, Research and Development

I have been with KRONES in research and development since 2010 and am now taking parental leave for the second time. For my current parental leave, I am splitting the time: I took one month off completely when my daughter was about six months old. I will take the second month this summer, half time (50%). This solution was relatively unusual since it was really only possible to take two full months of parental leave in the past. I will spend two weeks at home full time and then work the other two weeks full time.

The year 2013 is a big trade fair year and there are a few hot topics we are preparing in advance of the fair. I have to weigh how my project will carry on and how it will fit with my being at home. I spoke with my managers and my team about the possibility of parental leave early on and since KRONES is a very socially conscious company, agreeing a suitable plan was never a problem. To ensure that everything keeps moving forward at work, teammates will take over some parts of my work and serve as the point of contact for people inside and outside the company.

Parental leave is a wonderful, valuable time that I definitely wouldn't want to miss out on. It has allowed me to be more involved in raising my children and experience more of their development.



The majority of our employees (95.7%) work under a full-time employment contract. Part-time employees make up 4.3% of our workforce, of whom 72 are men. The low percentage of part-time employees is surely linked to the high percentage of men in our workforce. In Europe, men are often the main wage earner in a family and therefore usually pursue full-time employment. Changing this ratio will require a consciousness shift in the working population rather than a change in human resources policy. The majority of employees in our group companies outside Germany are recruited locally and their work time structures are subject to local standards.

KRONES AG employees who are posted abroad receive comprehensive support from our international human resources management as they prepare for their stay abroad and when they return. KRONES assumes the expenses associated with preparing for the new country, for employees and their families, and also helps enrol the family's children in suitable schools in-country. Upon the family's return to Germany, the children can further develop the knowledge and experience gained abroad by attending the international school in Regensburg, which KRONES supports.

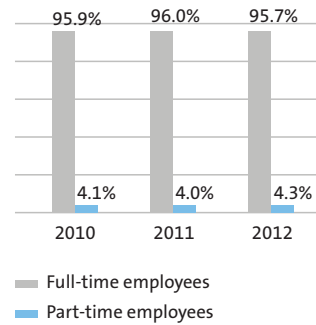
Fairness at work

Together, we are strong. KRONES fosters a fair and trusting partnership with all employees. This fundamental principle of cooperation is part of our mission statement and one of the principles of the UN Global Compact, which we signed in 2012. The Global Compact defines the freedom of assembly as a basic right. Freedom of assembly is an important factor of cooperation at all of our locations. In Germany, this basic right and its practical application for employees and young workers (youth and apprentice representative council) are guaranteed under the Works Council Constitution Act (Betriebsverfassungsgesetz). In other countries where KRONES is represented by offices that are legally independent of the parent company, the respective local laws apply. The managing directors of the subsidiaries adhere to KRONES AG values and policy. That means, KRONES AG's mission statement is a binding guideline for all of our subsidiaries. And that ensures a reliable scope for action for all employees of KRONES AG and the KRONES Group.

The General Meeting of the Works Councils was an opportunity for the 81 members of the Works Councils of all five of our German plants to gather and share information about all topics important to the company and its employees in 2012. Many years ago, KRONES AG signed a recognition agreement with the metalworkers' union IG Metall which provides security for jobs at our German sites. KRONES AG has accepted the result of collective bargaining negotiations between the employers' association and IG Metall. These agreements apply to 75.1% of employees, who are paid in accordance with the recognition agreement. The remaining 24.9% of employees are exempt from collective agreements. To ensure fair treatment of employees with

Full-time and part-time employment

at KRONES AG



The values and the mission statement of KRONES AG are binding for all of the company's locations in and outside Germany. Fair working conditions are an important part of this.

temporary employment contracts, KRONES AG has agreed to use only temporary work agencies that are members of one of Germany’s associations of temporary employment agencies (BZA e.V. or IGZ e.V.) and therefore subject to and adhere to the collective agreements for temporary workers signed by these associations and the individual trade unions affiliated with the Confederation of German Trade Unions (DGB).

The provisions of the German Codetermination Act (Mitbestimmungsgesetz) ensure that KRONES AG employees are represented equally to the company’s shareholders in the company’s supervisory and monitoring body. Elected employee representatives are informed early on of strategic matters that have an impact on KRONES AG’s workforce structure. They are also included in the decision-making process for major changes to the company’s employment policy at a very early point as required under the Works Council Constitution Act. For example, the establishment of EVOGUARD GMBH as an independent company for our valve technology was agreed with employee representatives by way of a company agreement that stipulates the conditions for employees moving from KRONES AG to EVOGUARD GmbH and safeguards their employee rights and benefits.



Werner Schrödl, Chairman of the Central Works Council, informed attendees at the General Meeting of the Works Councils on all activities aimed at incorporating employee interests into all of the company’s plans, including activities to steadily make KRONES more international.

Benefits help employees

Decent working conditions are a given for our employees. We offer all full-time and part-time employees at all of our plants the same range of additional employee benefits.

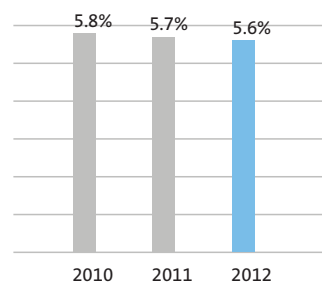
Some of the additional benefits offered by KRONES AG

Travel health insurance	Night shift bonus
Company party	Sabbatical
Company sports club	Counselling
Childcare during school holidays	Assistance fund
Birth and wedding assistance (fellowship fund)	Grants to support employee-initiated continuing education
Group personal accident insurance	Anniversary bonus
KRONES childcare centre	50 th birthday bonus
KROKI Neutraubling e. V.	

We also ensure individual support services for our employees with disabilities.

The central representative body for employees with disabilities and the elected representatives for each of our German sites work to ensure that the needs of disabled employees receive due consideration. In 2012, employees with disability or equal status made up 5.6% of KRONES’ workforce. The disabled employees’ representatives meet twice a year to share ideas and interests. Meetings of disabled and equal status employees are held once a year at the individual sites to discuss in detail topics of current interest for this employee group.

Disabled employees at KRONES AG

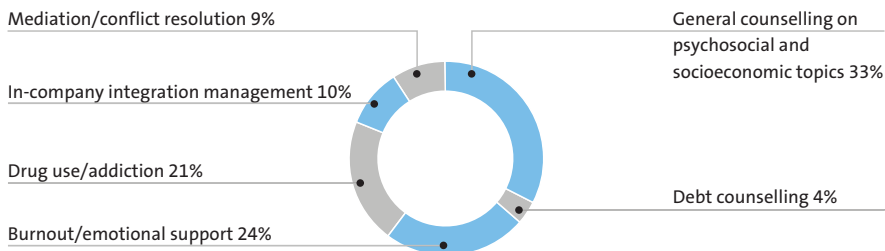




Hearing-impaired meeting – KRONES in sign. This is a very special gathering. Once a year, KRONES' nine hearing-impaired employees (who work at our Neutraubling and Freising plants) come together for a day to share their ideas and experiences on the daily challenges they face at work.

KRONES is a responsible partner for all employee groups even when their lives hit difficult phases. Our company's social counselling service is available, for example, when the illness of an employee or family member results in seemingly insurmountable difficulties. Most employees find that the support of our counselling service makes it easier to overcome life's crises. Frank, confidential discussions with a counsellor can yield solutions for handling crises, family problems, addiction, or conflicts at work.

Main counselling topics in 2012, KRONES AG



Programmes for reducing stress (supported by the company health insurance fund BKK) and information days for apprentices on the topic of drug addiction (a programme conducted in collaboration with DrugStop Drogenhilfe Regensburg e. V.) are just two examples of the preventive measures offered by the counselling service to keep employees healthy and help them through life's difficult patches. Our counsellor devotes particular attention to the topic of burnout and stress among management-level employees, which can result from many sources, including the rising flood of information. The issue of being available at all times by mobile phone and email is something KRONES will have to deal with in the future.

Our counselling service has made great strides with our in-company integration management, offering suitable jobs and workstations to all employees who are unable to perform their original jobs for health reasons. Our counsellor now would merely like to speed up the processes of gradually bringing employees with long-time illness back to work.

Bullying at work is a topic that comes up repeatedly. To tackle this issue, we are working with human resources, company management, the Works Council, and our counsellor to develop a system for addressing allegations of bullying and suitably verifying their validity. We have an obligation to protect our employees and only take action on allegations that are substantive and to clarify allegations that may be unjustified. Confidential talks with Works Council members trained on the topic of bullying help those involved to clear up situations. In order to safeguard this confidentiality and not to jeopardise the constructive handling of bullying, this information is not made public.

Health counselling is critical

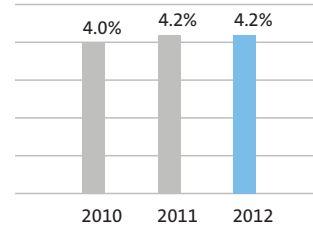
Illness-related absences often place the burden of extra work on colleagues and result in an imbalance in the division of responsibilities in individual areas. For this reason, it is in every employee's interest to take up the offer by management and HR to discuss the causes of absences. It is the only way we can ensure that our workstations are healthy and ergonomic and promote the good health of our employees.

Alongside these talks, we also organise health fairs across our plants each year, each one on a different topic. For 2013, we are planning a preventive back care training clinic across all of our German sites. The aim is to get employees moving out of the static postures that are so common in many offices and to provide employees with professional instruction on back care. The Works Council submits topic proposals for occupational health management, thus ensuring that our health promotion activities are truly relevant to our employees.

The Hermann-Kronsecker-Unterstützungskasse assistance fund provided €179,270 in additional support to help employees with special situations such as the birth of a child or the purchase of eyeglasses or other medical aids or appliances in 2012. The additional health-related benefits for employees are closely tied to the benefits provided by the company health insurance fund, BKK KRONES. Cooperation between BKK KRONES and the Regensburger Ärztenetz medical network ensures that KRONES patients receive competent care on all health matters and a rapid start to any necessary therapies.

For the fifth year, KRONES participated in the annual »Bike to Work« event from 1 June through 31 August 2012. The campaign is very popular among employees and the number of participants grows more each year. In all, over 400 employees took part in this year's event. Even two colleagues from KRONES' site in Denmark pedalled in.

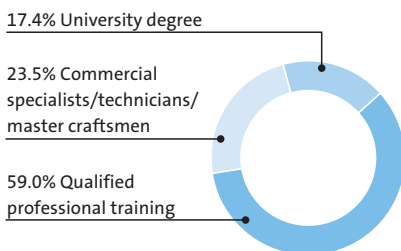
Absenteeism at KRONES AG



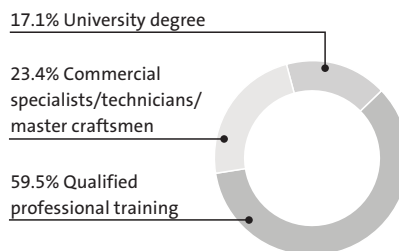
Qualifications bring our people forward

Maintaining the continually high quality of our products and services depends first and foremost on highly qualified people. Our philosophy is to have a highly skilled workforce wherever needed in all of our plants and offices.

Employee qualifications in Germany



2012

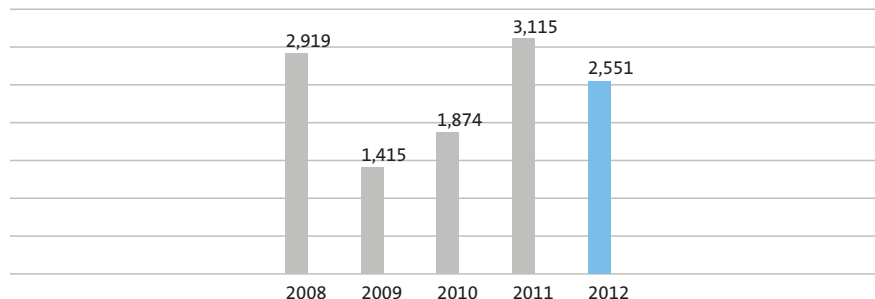


2011

We offer a wide range of training and continuing education options to promote the purposeful development of our employees' skills and expertise. Courses include specialised and interdisciplinary continuing education measures as well as intercultural training opportunities. In 2013, we are setting up an Across Borders programme for the first time, which will enable exchange among colleagues in and outside Germany.

In 2012, 18,200 continuing education measures for employees were carried out, with a budget of €2.5 million, compared to 19,700 measures in the previous year. The reason for the very high figure from 2011 was that we had some catching up to do following the weaker financial years 2009 and 2010. Much of this backlog was taken care of in 2011.

Spending on external continuing education and training at KRONES AG (€ thousand)



5,820 employees participated in continuing education measures in 2012 – that translates to around 80% of KRONES AG's workforce.

In all, 5,820 employees – around 80% of KRONES AG's workforce excluding apprentices – participated in continuing education seminars in 2012. The range of courses offered by KRONES AG covers more than 450 topics in various specialist fields. Since some of the continuing education measures that are conducted during work times include modules that do not extend over an entire work day and are therefore not booked separately in our time tracking software, we cannot report on the number of hours of continuing education by employee category.

Individual development planning is indispensable for positioning each of our employees. As part of our competence management programme, some 60% of all employees received career development reviews based on their current job profile and an assessment by both the employee and his or her manager. For our production staff involved in group work, 270 participants were involved in group development reviews. For 2012, we had set a target of 4,400 development reviews within KRONES AG. We did even better, conducting 4,500 reviews.

Continuing education is not limited to courses with a direct work relevance. Many employees wish to expand their horizons with personal professional development that extends beyond their work needs. KRONES supports employee's interest in life-long learning and offers a range of programmes within various company agreements including educational leave with company-funded financial assistance, time off for the duration of a qualification measure, and sabbatical. In all activities on all aspects of qualification and continuing education measures, we involve the elected employee representatives in the process to ensure broad consensus.

Christian Amann, Department Manager After Sales Service, Plastics Technology

I conduct career development reviews with each of my 36 employees once a year. First, I have the employee assess his or her own competence. The employee's supervisor also prepares an assessment. If there is a difference between these two perspectives and if the employee is not at the necessary level for a specific skill, we arrange for remedial training. For example, English courses or specific technical training.

In an extensive information-gathering and preparation phase, we were given a comprehensive skills list from which we could then select the criteria important for our people. We also have access to training materials and a guideline for conducting the reviews.

For me, these reviews are an excellent opportunity to talk with my employees. I conduct around 90% of them by phone. The amount of time we take for these talks is completely up to us, so we can speak at ease without time pressure. At first, employees tended to take a cautious approach to the career development reviews but now they really seem to appreciate them. In 70% of all cases, the supervisor's and employee's assessments are a perfect match. In 30% of the cases, employees rate themselves too harshly. In these cases, the career development review is an opportunity for us to make a clear contribution to strengthening those employees' self-confidence.



Thomas Ederer, Service Technician Labelling Technology

New installations, repairs, commissioning labellers – those are the jobs I do as a service technician at work around the world. We receive regular training about what's new on the individual machine models. I also had the opportunity recently to participate in a seminar on the service code. In the two-day workshop, we took a targeted look at how we can make communications with our customers work for everyone.

When we make repairs, we want to achieve the best possible outcome for the user because we know that our product works well. Our number one goal is to get the customer's machine back up and running at its top performance level as fast as possible.

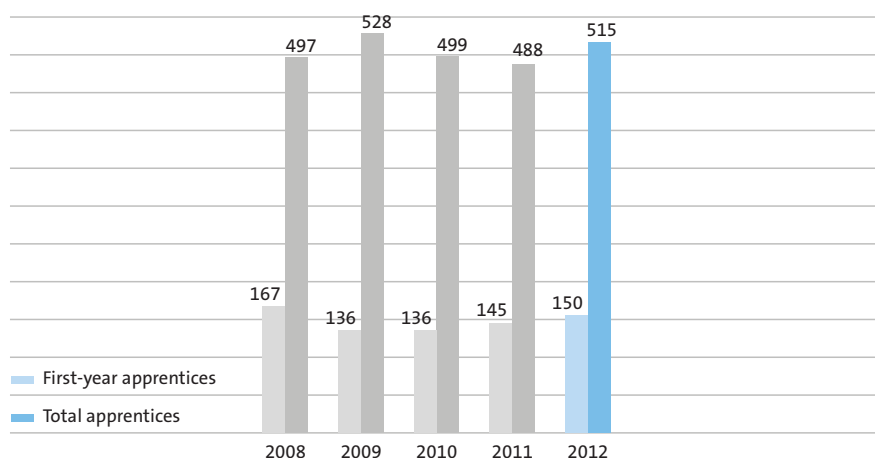
We're also happy to give customers advice on what measures are most important for keeping their machines running their best. We don't want to just sell a product, we want to deliver optimum performance. It's a good feeling when I see a customer again later on and he confirms that my recommendations were correct.



Many training options ensure highly skilled young talent

Training young people has been a vital element of KRONES' evolution since the company's founding. We fully acknowledge our obligation towards society, to best prepare future generations for their careers. Long-term, sustainable training work is also an investment in KRONES' own future. It's the only way we can ensure a future supply of skilled employees in all areas of the company. In order to meet young people's varying interests and entry qualifications, we offer seven different training programmes that culminate in a Bachelor's degree, eight industrial/technical apprenticeship programmes and four commercial apprenticeship programmes.

Apprentices at KRONES AG (total and first-year)



Highly qualified young people are valuable to KRONES. In 2012, we employed 515 young people in our apprenticeship programmes.

In 2012, we employed 515 young people in our vocational training (apprenticeship) programmes. Of these, 368 were in industrial/technical fields and 69 in commercial programmes. We have 78 in our Bachelor degree programmes. In addition, we are offering vocational retraining to six young people. Another seven young people are finishing their vocational training at KRONES following the bankruptcy of their previous employer in nearby Regenstauf.

Apprentice entry qualifications are often a topic of discussion. In principle, vocational training at KRONES is available for all school leavers. We select our apprentices in a multi-stage process that includes a selection test and an interview. The personal interview is very important at KRONES. We also include young people finishing middle school in the selection process as relevant.

Apprentices and trainees starting in 2012, after secondary school

Level of school completed	Number	Percent of total
Completed middle school	14	9%
Industrial apprentices	11	
Commercial apprentices	3	
Completed mid-level secondary school or equivalent	106	65%
Industrial apprentices	70	
Commercial apprentices	12	
Technical apprentices	6	
Dual vocational training/university study	1	
Profil 21	17	
University entrance qualification or entrance qualification for studying at a university of applied sciences (Abitur/Fachabitur)	43	26%
Industrial apprentices	6	
Commercial apprentices	8	
Dual vocational training/university study	20	
Profil 21	5	
Trainees	4	
Total	163	100%

Excluding MAINTEC, including the apprentices taken over from G+R Technology Group, Regenstauf (7 apprentices)

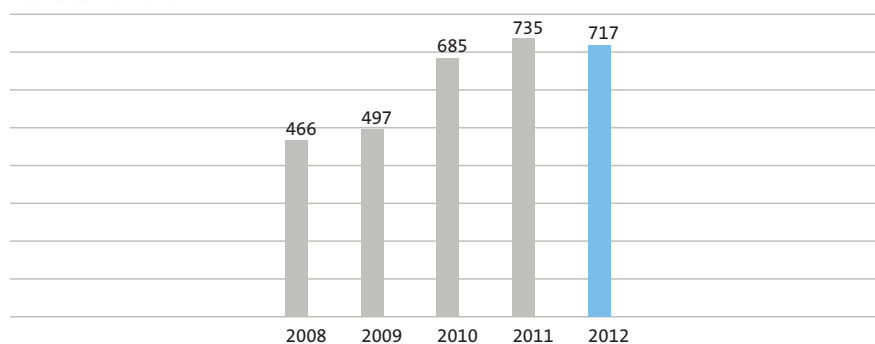
KRONES once again hired on all apprentices completing their programmes in 2012. However, in some areas we could only provide limited-term contracts due to the current uncertainties on the world's markets.

An important focus of our vocational training strategy is to prepare our apprentices and trainees for the demands of the international market. We offer our young people additional opportunities to gather experience from the outside world and deepen their knowledge of the English language through exchange programmes as part of the EU's »Leonardo da Vinci« programme and through stays abroad working for our subsidiaries.

The dual vocational training/university study programme, which KRONES developed in collaboration with several universities, has been very popular for years now. At the start of the 2012 training year, we once again took on 20 young people for this programme. In 4.5 years, graduates will have earned both a completed vocational training certificate and a Bachelor's degree from the respective university. This double-track education brings advantages for graduates and the company alike. The practical training imparts a sound base of knowledge about individual fields of work and responsibility while the university education imparts theoretical knowledge for understanding the bigger picture. We also offer internships and thesis-writing opportunities at KRONES to support university students during their studies.

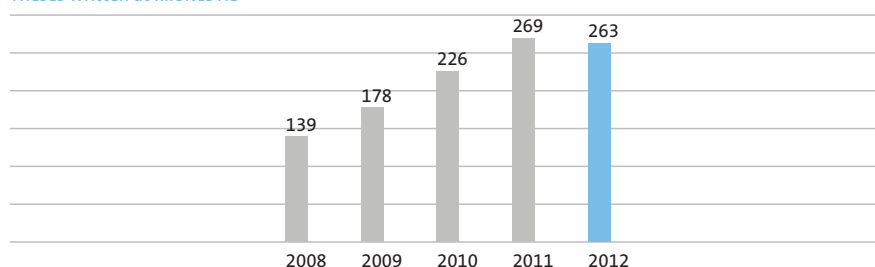
20 young people are currently pursuing a dual course of vocational training and university study. In 4.5 years, graduates will have earned both a completed vocational training certificate and a Bachelor's degree from the respective university.

Interns at KRONES AG



Internships and thesis writing are excellent opportunities for young people to gather their first career experience at KRONES.

Theses written at KRONES AG



KRONES launched a new trainee programme in February 2012 to grow our team of sales engineers for our highly specialised machines. The programme enables young professionals to grow into the demanding job of a sales project manager.

During the 15-month programme, trainees spend time in each of the departments that they will work with later. These include controlling, the individual product divisions, after-sales service, and assembly. Stays abroad and external training opportunities round out the programme. From the first day onwards, each trainee has a KRONES project manager as his or her personal advisor. These advisors are in turn supported by additional advisors within the individual departments.

With our new training centre, which was constructed in nine months' time, we have more than doubled the amount of space available for training and education to around 4,000 square metres. The new training centre houses areas for mechatronics and electrical engineering, several seminar rooms, and separate spaces for the »Profil 21« and »dual vocational training/university study« programmes. The adjacent building houses additional teaching classrooms as well as the technical drawing, SPS, pneumatic, and measuring and control technology training areas. The new construction has nearly quadrupled the number of classrooms. The KRONES Group invested almost four million euros in the new training centre.



The new training centre offers optimal conditions for vocational training. KRONES invested approximately €4 million to improve the learning environment for our young talent.

Outside Germany, KRONES supports the Brewing University in Wuhan, China. There, a three-year degree programme was developed to ensure a supply of highly skilled workers in Asia. The first part of the programme follows the Chinese curriculum. The remainder of the programme imparts KRONES specific content. Completing the programme gives graduates a degree in mechatronics with which they can then work as KRONES service technicians. The first cohort of graduates will be ready to apply for work at KRONES in June 2013.

Fei Qian, Director of Training and Qualification, China, and the two lecturers from the brewing academy in Wuhan, Zefeng Lao and Zhang An-Quan, spent four weeks visiting our plants in Neutraubling and Nittenau in the summer of 2012 in order to familiarise themselves with the process of testing students for formal qualification under the German system. Lao teaches in the fields of electronics and automation. An-Quan serves as department head for electronics and teaches applied mechanics. Both instructors have been sharing their knowledge with students in Wuhan since the KRONES programme's inception. When we asked the two lecturers what they will take home from their visit to Germany, An-Quan responded: »I would especially like to take along the approach to teaching problem-solving. I was surprised to see apprentices immediately putting their newly learned skills into practice.«



Training young people is a social responsibility

KRONES is active in many forums for recruiting young talent. KRONES regularly holds a »Training Day« and participates in »Girl's Day«, two events aimed at informing school-aged boys and girls about various careers. We are especially proud of the success of our Girl's Day activities, which have helped us recruit more female applicants and thus apprentices for technical careers. In the fall of 2012, we welcomed 20 girls among our new apprentices in technical fields.

Of course, we are also active at the university level and at numerous fairs, where we inform budding engineers and scientists about the career opportunities at KRONES.

High level of occupational health and safety

Occupational health and safety and rigorous accident prevention have been meeting a high standard at KRONES for many years. All of our German sites are certified according to OHSAS 18001. In addition, our LCS Centre in Brazil was certified in November 2012. We also plan to obtain certification of the other LCS Centres with production operations.

In Germany, the number of formal occupational health and safety committees and their composition are prescribed by law. Members of these committees are the plant manager or division manager, the safety expert, the company physician, and the works council. Depending on the topics on the agenda, the safety officers might also be included so that they can contribute their personal experience with respect to designing a safe workplace. With this concept, 100% of the total workforce are represented in the formal occupational health and safety committees. Meetings of the four occupational health and safety committees prescribed by law for each KRONES AG plant were held in 2012.

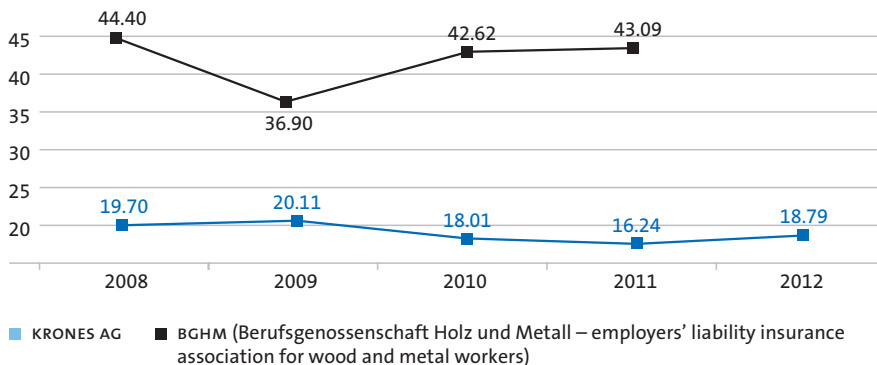
All topics relevant to occupational health and safety are addressed in decentralised occupational health and safety committees for the company's assembly, production, after-sales service/on-site assembly, construction, and engineering/technology units.

Safety officers provide a service to their co-workers. They identify health and safety hazards and help management, occupational health and safety experts, and the in-house medical service to prevent accidents and work-related illness. There are currently 123 safety officers at KRONES' plants in Germany – in both the industrial and commercial areas of the company. Safety officers perform this job in addition to their regular work. The central company safety and health department describes these employees' work as an »honorary office«. It is in part thanks to them that the number of accidents in our company has remained low over the past several years.



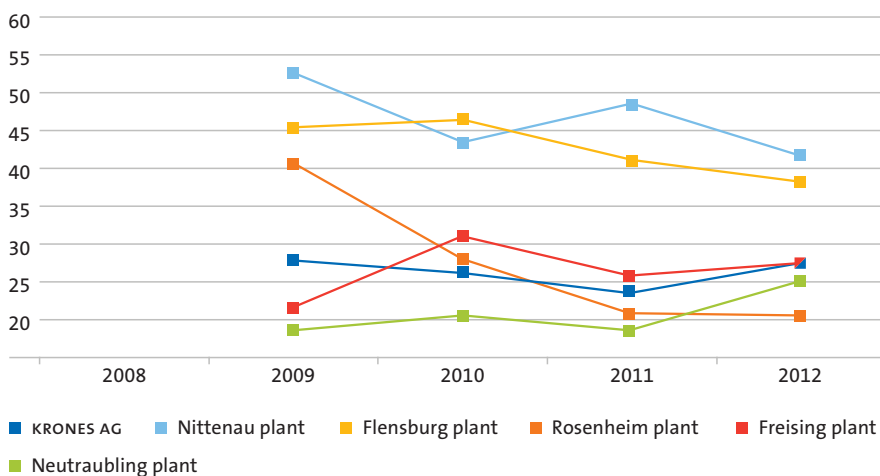
These extensive measures to coordinate occupational health and safety have kept the number of work-related accidents low. Nevertheless, we have seen an increase in the accident rate, particularly at our Neutraubling site.

Reportable work-related accidents per 1,000 employees (>3 days lost time) at KRONES AG



The number of work-related accidents per 1,000 employees at KRONES is far below the industry average. In 2012, this figure was 18.79.

Reportable work-related accidents per 1,000 employees (1 or more days lost time) at KRONES AG



This data was collected in accordance with the requirements under OHSAS 18001.

In 2012, a special focus of our efforts to ensure safety and health at work was on optimising workstations with raised platforms and machine commissioning work. Our accident analysis for our Neutraubling site shows that, despite the higher accident rate, the number of days of lost time decreased slightly from 3,476 days in 2011 to 3,439 days in 2012. This can be seen as an indicator that the resulting injuries are less severe. By adding personnel to our central safety management department in 2011 and 2012, we were able to work intensively on the issue of travel safety for the year under review.

The framework for organising occupational health and safety is prescribed by law in Germany. As a result, no formal agreements with trade unions are needed. The following are some of the German laws and regulations in which these legal requirements are defined:

- Safety and Health at Work Act (Arbeitsschutzgesetz)
- Safety at Work Act (Arbeitssicherheitsgesetz)
- Workplace Regulations (Arbeitsstättenverordnung)
- Technical rules for workplaces (Technische Regeln für Arbeitsstätten)
- Employers' liability insurance association rules and regulations
- Industrial Safety Regulation (Betriebssicherheitsverordnung)

The Works Council Constitution Act (Betriebsverfassungsgesetz) prescribes that the elected Works Council has a right, guaranteed by law, to be involved in matters of occupational health and safety. The Works Council has established the committee on »occupational safety, health protection, workplace design, environmental protection at work« pursuant to Section 28 of the Works Council Constitution Act, which deals with topics such as safety gear, protective eyewear, workplace conditions, and more.

Occupational safety is not limited to employees at KRONES AG plants. Close safety management by KRONES AG is also crucial to the safety and health of our assembly and service employees at work on location worldwide. With precisely defined emergency management processes, the right measures can be taken quickly when unexpected events occur.

It all began with the revolution in Tunisia. Protests followed in Egypt, Algeria, Morocco, Jordan, and many other countries. In the middle of the »Arab Spring« last year, some of our service technicians were in the Middle East. »We flew 17 German colleagues out of Egypt on a single weekend«, recalls Regina Chaibi, Senior Area Service Manager, who organised the evacuation together with a co-worker. The local service technicians were able to stay home with their families. KRONES also maintains close contact with technicians at work on construction sites. Technicians who are en route to the customer plant must report back to the office on a regular basis – even on weekends since in Muslim countries Friday is the day of rest and Saturday and Sunday are regular working days. »This is a must since many of the countries in our region are on the highest safety alert. We don't differentiate between German and Arab employees«, stresses Regina Chaibi.



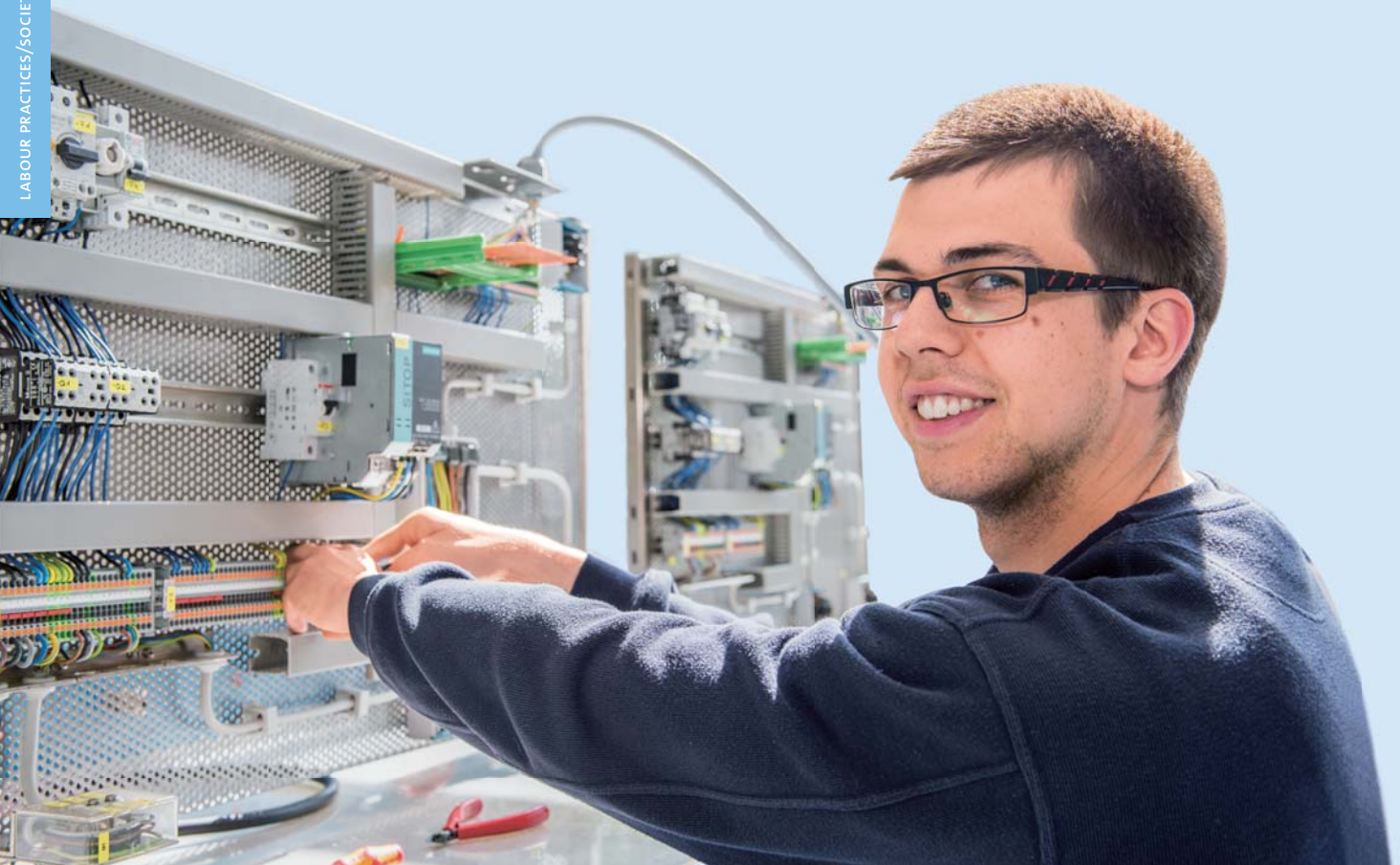
Michael Adlhoch, Profil 21 trainee, 2nd year

Professional training under the Profil 21 programme starts with a basic education in electronics for industrial engineering. In the second year, a mechatronics technician track is added so that I can later work on construction sites abroad. At the end of 4 ½ years, I'll be a certified technician.

This is the right programme for me since I did not want to study at university after finishing school. I loved languages in school and always wanted to get to know other cultures. This career path gives me a chance to gather experience abroad and learn a technical profession. After the intermediate examinations, we'll be trained on a specific machine model and then, gradually, be put to work on site at customer plants. At first, I'll shadow an experienced service technician.

It's exciting to move from theoretical school education into a practical work environment and be confronted with specific technical issues.

The technician education is distance learning, with extensive preparation and studying at home and only a few blocks of direct instruction. Of course it's challenging because you are working alongside your studies. But it's also preparing me well for a pretty exciting career.



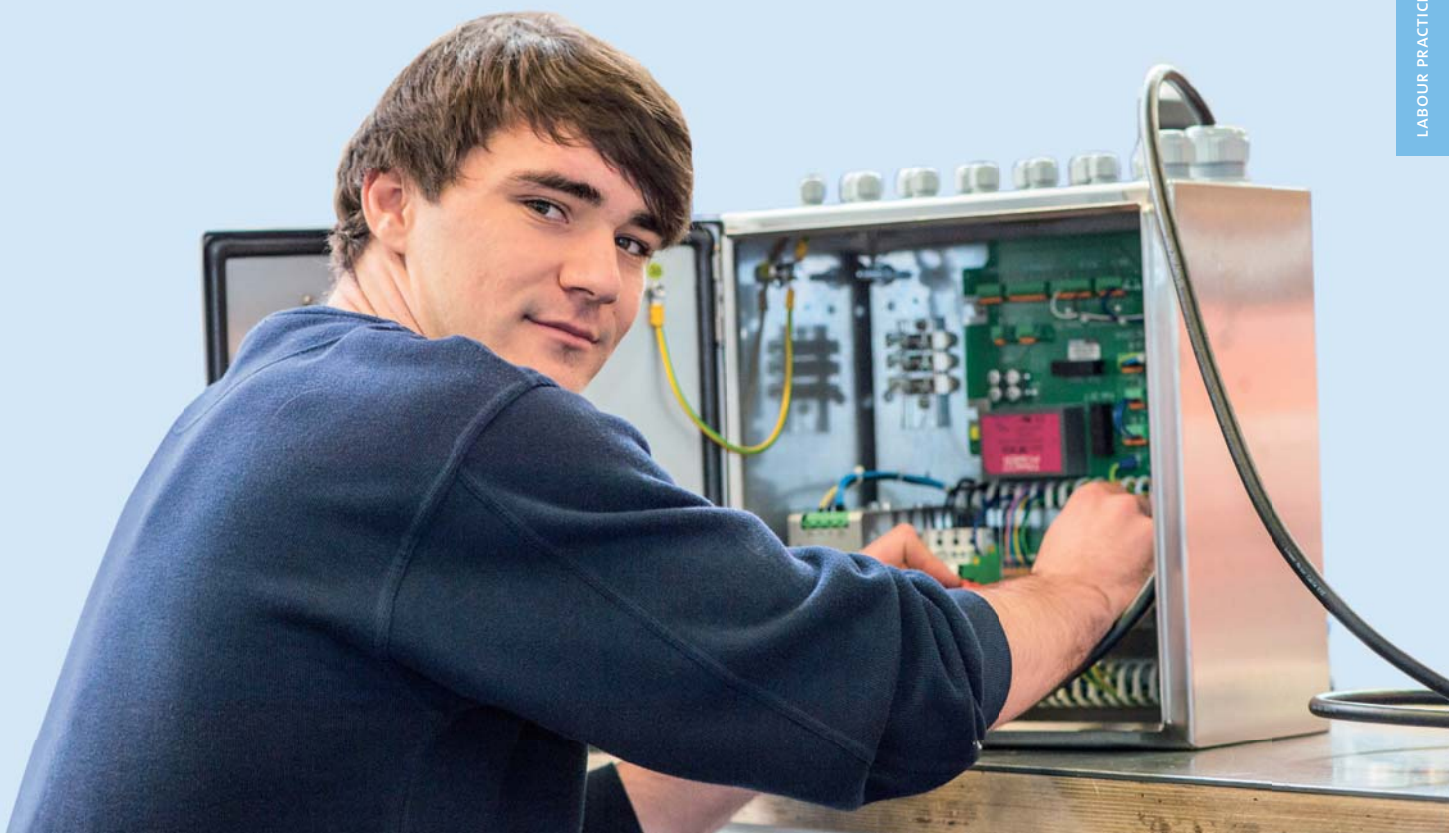
Stefan Schnaus, mechatronics apprentice, 3rd year:

Training at KRONES is giving me everything I will need for my future career in mechatronics. At the start of my apprenticeship, I received basic electrical technician training, then basic metalworking training. We had special courses in which we learned production skills like milling and turning. Then we received training in pneumatics and all of the courses relevant to electronics engineering, such as VDE standards, motors, and control technology. After four weeks of preparation, we took our intermediate examinations, which tested our theoretical and practical knowledge.

Then we started our training in the departments.

So far, I have been in inspector construction, in blowing module production in the plastics technology division, and in the pipe machining centre, where I was able to hone my welding skills. We spend four to six weeks in each department.

Right now, I am in electrical components assembly. Here, we're working on subsequent deliveries and upgrades for customers. The electrical components are manufactured on an order-by-order basis, not really mass produced. At first, my co-workers in the departments explained all of the jobs to me. But after a week I was already doing simple jobs on my own. The jobs will get more and more challenging, until I'm handling big, complex jobs myself.



Open dialogue with all stakeholders

Public policy	Customers	Scientists and academics
The general public	KRONES	NGOs
Suppliers	Employees	Cultural institutions

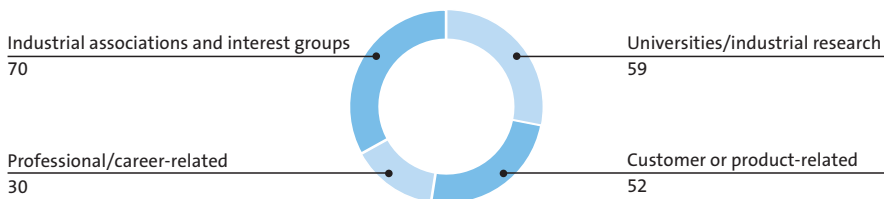
In direct contact with our various stakeholder groups, KRONES analyses the opportunities and risks associated with the different areas of CSR.

When assessing its business activities, KRONES looks not only at the internal effects of actions taken but also at their place within the bigger social framework. In this way, we incorporate contact and dialogue with our stakeholders into our business activities.

Apart from employees, customers, suppliers, and shareholders, the stakeholder groups with which we maintain regular dialogue include representatives of the local community and government and elected public officials. We are also actively involved in a number of trade and other associations through which our business activities are quite visible publicly. Our close ties to various universities ensures exchange with the academic and scientific communities, making information from our industrial practice available to the institutions of higher learning and allowing us to incorporate the latest research findings into our own research and development.

Selection of stakeholder groups is based on the extent to which they are affected by or affect sustainability-related topics. Representatives of our shareholders and employees are regularly included by way of CSR Committee meetings. The committee also includes representatives from the public policy and academic communities, ensuring extensive exchange on topics of corporate governance and CSR topics.

Memberships in associations in 2012, by focus



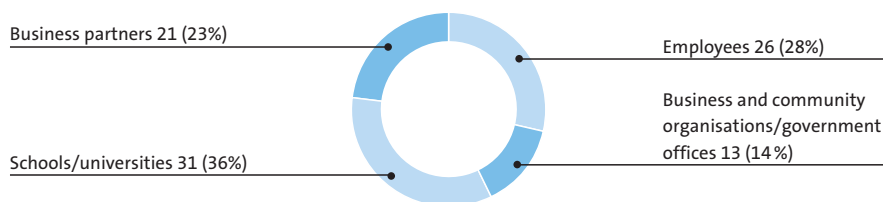
Apart from engaging with stakeholders, we also feel it is important that we – as part of a greater community at each of our sites – look closely at all of the impacts of KRONES’ activities. This also means participating in civic life in the communities by supporting cultural, educational, and social projects.

Regarding assistance projects, we are examining the possibilities of using equipment and solutions developed using our own technologies to make a difference in the world’s developing areas or poor regions. We are also looking at ways in which we can take this idea a step further and develop a Corporate Volunteering programme.

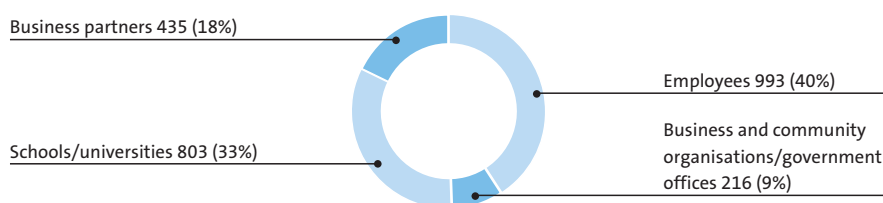
KRONES up close

As a major local employer and thus a key factor for income security for many families in the Neutraubling area and as an important part of the regional economy, KRONES feels an obligation to offer a look inside our production operations. Regular group tours give employees and their family members as well as interested members of the community an opportunity to see for themselves what the manufacturing processes for beverage machinery look like. A total of 2,447 individuals, in 91 groups, toured our production facilities in 2012. The exchange that occurs during such tours raises understanding of the various issues at play in beverage production and processing and what they mean for machine engineering. We organise regular open days at our other German sites in order to provide employees and others a look into our production processes.

Visitor groups in 2012 – Number of groups by category (% of total)



Visitor groups in 2012 – Number of individuals by category (% of total)



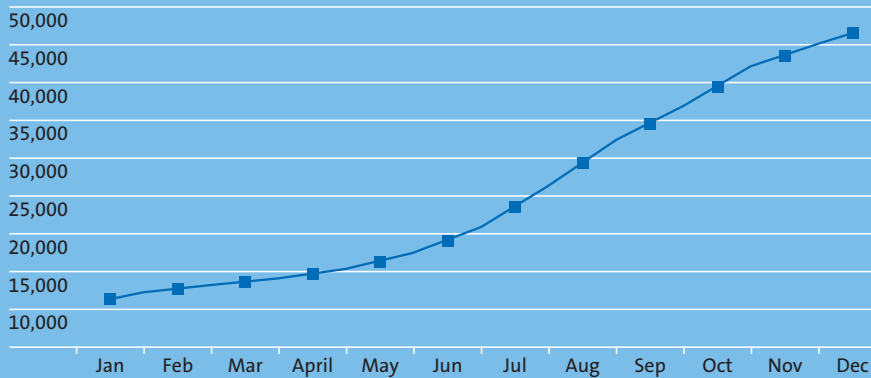
Employees and their families are kept abreast of what's happening at KRONES through the employee magazine »Inside KRONES«, which is available in a print edition for reading at home and in electronic form. Four issues were published in 2012. The magazine, which is presented in an easy-to-navigate newspaper layout, contains a wealth of information on all aspects of KRONES, including updates from the Executive Board and management about company development, news about our latest products, profiles of our customers, and discussions of topics from the Works Council as well as tips for staying healthy and safe at work.

Eva-Maria Karl, Social Media Consultant

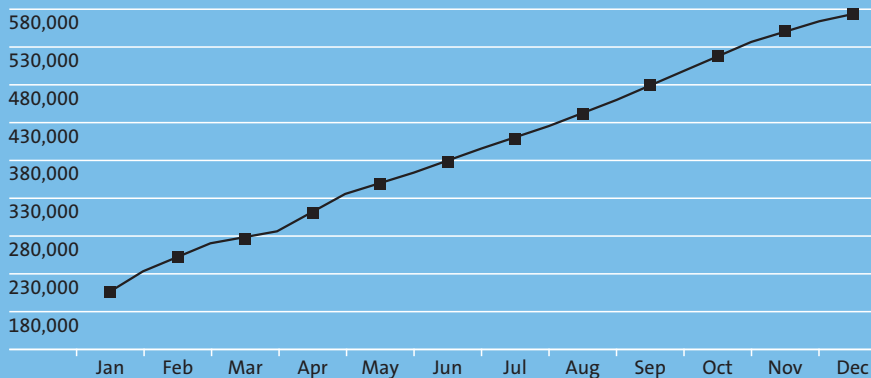
Corporate social media is moving away from the sender-receiver model of traditional marketing communication. That's why social media is often referred to as »multiple voice communication«. Essentially, target groups have become and are becoming conversation partners. This change is a process that has to happen in stages. KRONES has a central social media department and a select few communications experts who write KRONES' official posts. KRONES AG started to set up the framework for using social media in 2010. We didn't open the channels until after the release of our »11 tips for social media«. Those original channels – KRONES' Facebook page, the company's Twitter account, and our Youtube channel – have evolved into lively communications platforms. Newer KRONES pages in media such as Instagram, Pinterest, Xing, and LinkedIn are also an important part of KRONES AG's social media mix. In recent years, KRONES AG's social media team has also been using brand ambassadors and established a trainee blog.



KRONES AG's Facebook fans 2012



KRONES AG's cumulative Youtube video views 2012



We also publish the KRONES Newsletter for subscription. This communication media is used on an as-relevant basis as a means to provide fast, timely information about new trends and technologies or upcoming events.

The KRONES Newsletter has 20,115 subscribers who regularly garner information about the latest news on technology, Lifecycle Service, KRONES Academy, trade fairs, and CSR.

Online, KRONES has been using a variety of social media channels for information and communication purposes since 2010.

KRONES published films on Youtube that present reports, customer statements, features, and technical solutions and give little close-ups on a variety of topics relating to beverage production and filling. In addition, KRONES publishes four issues of its KRONES Magazine each year, with reports on projects, customer features, and technical innovations as well as copious information about events and trade fairs.



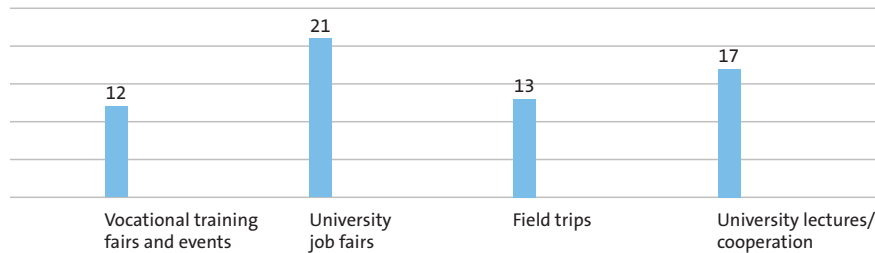
Recruiting

Name recognition is often the key to recruiting. For this reason, we regularly attend numerous fairs and events in order to introduce school leavers and students to the opportunities and possibilities in the food and beverage packaging machinery sector and our company in particular.

Young school leavers and students have consistently shown a strong interest in recruitment events.

In 2012, we raised interest in our company among attendees at 63 events.

KRONES AG participation in recruitment events in 2012



Ongoing dialogue with investors and analysts

It goes without saying that we are in direct contact with shareholders and their representatives. All relevant information is published in accordance with the provisions of the laws applicable to stock corporations and with stock exchange rules. Our finance department maintains a consistent profile through communications with numerous analysts in conference calls and at investor conferences and road shows. All information is made available in the Investor Relations section of the KRONES website in a timely manner. This includes our stock charts and other key performance indicators.

Apart from the traditional financial market topics, communication regarding sustainable business practices is becoming increasingly important. Questions relating to our sustainability strategy and responsible stewardship of resources are often raised during talks with analysts. That is why KRONES began publishing a sustainability report back in 2006, containing all information on our responsible and sustainable business practices. In 2008, KRONES began to gradually align its sustainability reporting with the GRI reporting standards. This report is our first Sustainability Report in strict accordance with the GRI Guidelines. This Sustainability Report will be evaluated by external rating agencies. As the sustainability of business activities moves further into the spotlight, these ratings will serve as a basis for many investment decisions. Through our regular communication with analysts and investors at various events, we were able to establish extensive communication and exchange on the topic of sustainable governance in 2012.

Community involvement

KRONES works closely with the local communities at each of its sites to minimise the impact of our production operations on nearby residents. For instance, we are in regular communication with the City of Neutraubling and the local Volunteer Fire Department to ensure that we are well prepared for any incidents that occur on our property. With a newly installed printer for immediately transmitting the incident location, the positioning plan is available in the City of Neutraubling's fire brigade control centre before the squad rolls out to the scene.

Representatives of our production sites come together with community government representatives on a regular basis to consult on how to best ensure that KRONES' business activities are in harmony with the community's needs. These meetings give us the information we need to reduce the impact of our operations.

The talks are especially important for directing traffic between different parts of our plant in Neutraubling, some of which moves along public streets, and for planning truck routes for transporting our machines for delivery. By assigning waiting areas in a targeted manner, we were able to significantly reduce the amount of space occupied on public streets by trucks waiting to pick up loads.

Proper processes

The establishment of an internal review process in 2012 created an organisational framework for conducting a risk analysis on all of our business units. Representatives of this organisational unit will use the newly developed review handbook to assess whether conditions enable our employees to act dependably and properly as laid out in our global Code of Conduct. In a review plan that was coordinated with our most senior financial management, we will carry out both process reviews and standard reviews of certain business areas. The reviews will cover all of our sites worldwide.

A survey conducted by Union Invest in 2011 showed that 59% of German institutional investors give the topic of sustainability high importance in their investment decisions.



Visiting KRONES: Herbert Mirbeth, District Administrator of Regensburg, (2nd from right), Josef Neiderhell, District Administrator of Rosenheim (middle), and Neutraubling Mayor Heinz Kiechle (2nd from left). Volker Kronseder (right) and Dr. Helmut Schwarz (left) explained the extensive changes to our site.

We are also developing a new organisational concept for sensitising employees to anti-corruption topics. In regular management meetings, members of senior management were informed about the rules for proper business transactions on all national markets. The KRONES Code of Conduct is also available for all employees and suppliers online (Internet and Intranet). The Code of Conduct stipulates that »KRONES employees are strictly prohibited from giving anything of value to public officials or business partners in connection with business activity« (Code of Conduct, page 20). No incidents of corruption are known to have occurred in 2012. Likewise, no legal actions were initiated for anti-competitive behaviour, anti-trust, or monopoly practices.

For all questions relating to customs and export procedures, newsletters are available in the company's Intranet in which all of the latest laws and rule changes are published.

Authorised Economic Operator – KRONES in compliance with Community Customs Code

Increasing globalisation and the resulting security aspects have prompted the World Customs Organisation (WCO) to establish a global framework for effective risk management in customs administration. The European Union has implemented this framework in European law by amending the Community Customs Code. A key element of this security initiative is the creation of »Authorised Economic Operator« (AEO) status.

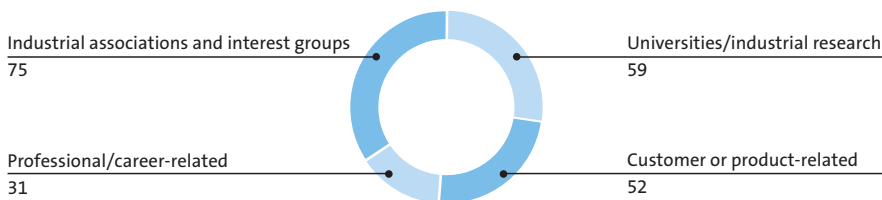
The aim is to identify potential risks within a supply chain in order to achieve more efficient monitoring of the international flow of goods, secure the supply chain, and facilitate the lawful trade of goods.

A company with AEO status is considered to be particularly reliable and trustworthy. AEO status confers benefits such as certain customs simplifications or facilitations throughout the Community Customs Code jurisdiction. It also serves as an international quality mark.

KRONES had to take extensive measures in order to meet the standards and obtain AEO status. Various KRONES departments worked together to develop a relevant sustainability concept. Beatrix Mörschburger led the project. In addition, the Customs and Foreign Trade department was expanded under the leadership of Jennifer Krippner. One of the responsibilities of this department is to ensure compliance with customs regulations. After a successful audit demonstrated the compliance of our customs and security and safety processes, KRONES AG was issued an AEO certificate by the Main Customs Office of Regensburg in August 2012.

KRONES has adopted a policy to govern all aspects of charitable and sponsorship activities that serves as a decision-making basis for financial contributions to external organisations (NGOs). The policy places the focus of KRONES AG's involvement in the form of donations, grants, and sponsorships on eligible organisations in the areas of education, science and research, and cultural and social programmes. No donations are made to political parties or organisations. KRONES made available €537,000 for 2012.

Beneficiaries in 2012, by focus



We are especially proud of the projects our subsidiaries and plants have launched in an effort to provide meaningful, traceable support on social issues in their communities.

KRONES do Brasil has been supporting the high-school education of young people since 2011. The programme at Colégio Paulistano Jardim Europa in São Paulo was set up for a three-year period and makes it possible for 20 students from less advantaged families to complete high school.

Company parties offer a fun opportunity to help. The first KRONES company party for 2012 was held at KOSME in Roverbella, as a summer party dedicated to a good cause: Attendees donated five euros each, for a grand total of €1,000 which was donated to the municipality of Moglia in the province of Mantova to support the rebuilding of elementary and middle schools that had been damaged by an earthquake in May.

Our Rosenheim plant's football team played a very special fundraising match against a team of mayors from the county of Rosenheim. KRONES' team won 6:1 and a generous cheque was handed over to the charitable organisation »Rosenheimer Aktion für das Leben« to assist families in need. Donations from plant management, the Works Council, and employees plus ticket sales for the game amounted to €1,000.

Classical concerts held in a KRONES assembly hall are always a cultural highlight. More than 1,000 concertgoers heard a performance of Ludwig van Beethoven's 9th symphony and »Choral Fantasy« op. 80 on the first weekend of Advent 2012 under the direction of Heribert Ackermann in the KRONES Logistics Centre. In addition to outstanding soloists, various local groups showcased their musical talent, including the chorale and concert band Chor- und Musikkreis Neutraubling, the Belcanto/MFC Neutraubling vocal ensemble, the »Sangesfreude« men's choir of Wenzenbach, Wörthissimo, and Vocalis, in collaboration with the Regensburg Chamber Orchestra, the brass group Ostbayerische Bläsersolisten, and with Lukas Klotz on piano. This is the fourth time KRONES has transformed its factory site – otherwise dedicated to technology and machinery building – into a classical concert venue.



Company – Goals and actions

Goals	Actions	Target date	Status
Sensitise and motivate our employees with respect to sustainability and responsible action	■ Regular articles on CSR in the employee magazine »Inside KRONES«	Ongoing	Topics integrated into editorial calendar
	■ Annual sustainability report	Ongoing, yearly	Sustainability Report 2012, in accordance with GRI Guidelines, Version 3.1, for the first time
	■ Create and regularly update a »sustainability« section of our intranet	Ongoing	The new intranet »KRONES inside« launched; action was implemented successfully
	■ Develop a universal CSR campaign for internal use	2013	Requesting concept proposal and consulting on concept
Include KRONES' European sales organisations in our sustainability reporting	■ Information on requirements under GRI Guidelines	End of 2013	Requesting concept proposal and consulting on concept
	■ Define first indicators		
Develop CSR Strategy 2015	■ Develop sustainability topics relevant to the company and prepare action plan	June 2013	In progress
Improve sustainability rating	■ Communicate with analysts and investors on sustainable investment	Ongoing	Participating in informational events on a regular basis

Goals	Actions	Target date	Status
Evolve enviro	<ul style="list-style-type: none"> Transfer aspects of enviro onto lcs services 	Ongoing	Retrofitting packages with high energy and media efficiency are available, categorised by purpose; retrofit services are being expanded continuously
enviro assessment of all machine types by 2015	<ul style="list-style-type: none"> Expand machine programme to include 30 upgrades 	2010–2012	Assessment of 30 machines complete
	<ul style="list-style-type: none"> enviro assessment of 2 Contiform 3 series (H and sc) 	December 2013	In progress
	<ul style="list-style-type: none"> enviro assessment of 4 products in process technology for breweries 		
	<ul style="list-style-type: none"> enviro assessment of 4 products in labelling technology 		
	<ul style="list-style-type: none"> enviro assessment of 4 monitoring/inspection systems in inspection technology 		
	<ul style="list-style-type: none"> enviro assessment of 3 products in process technology for non-alcoholic beverages 		
	<ul style="list-style-type: none"> Develop filling technology with lower compressed air consumption 	End of 2013	In progress
	<ul style="list-style-type: none"> Reduce amount of media used in filling technology 	End of 2013	In progress
	<ul style="list-style-type: none"> Examine sustainability strategies of third-party machinery suppliers and their documentation 	End of 2013	In progress
Increase order quality	<ul style="list-style-type: none"> Make quotation system faster and more transparent 	End of 2013	Introducing Quality Gates
	<ul style="list-style-type: none"> Perform detailed risk analysis in advance 		
Optimise working capital	<ul style="list-style-type: none"> Improve receivables management 	Ongoing	KRONES was able to reduce working capital in 2012 compared with the previous year; a reduction in receivables contributed to the improvement
	<ul style="list-style-type: none"> Reduce inventories 	Ongoing	Inventories rose far less steeply than sales in 2012
Increase profitability, bring pre-tax return on sales up to approx. 7 percent	<ul style="list-style-type: none"> Implement »Value« strategy programme 	2015	KRONES improved pre-tax return on sales (EBT margin), excluding Le-Nature's, from 4.5% to 5.1% in 2012; target for 2013: >5.5%
Introduce a CRM system across our entire sales organisation	<ul style="list-style-type: none"> Train sales workforce in-house and at international sales offices 	2013	Training for 1,000 sales employees scheduled to begin in the 1 st half of 2013
Roll out an integrated management system (IMS) and certify lcs Centres worldwide	<ul style="list-style-type: none"> Certification of lcs Centre in Taicang (China) 	2013	Preliminary audit March 2013
	<ul style="list-style-type: none"> Certification of lcs Centre in Franklin (USA) 	2014	Developing a schedule with milestones

Goals	Actions	Target date	Status
Establish an energy management system	■ Measure energy data	2012	Measuring points installed site-wide in Neutraubling, electricity and heat can now be measured in the production areas; completed
		2013	Defining and installing measuring points in the Nittenau, Rosenheim, Freising, and Flensburg plants
	■ Establish performance indicators	2012	Constant internal monthly performance indicators for energy and electrical power consumption for Neutraubling site now available and verified
		2013	Developing forecast data for all sites
		2013	Developing constant monthly indicators for energy consumption for the Nittenau, Rosenheim, Freising, and Flensburg sites
		2013	Reviewing energy consumption; ongoing monitoring of energy consumption using a forecast based on performance indicators
Conserve energy	■ Determine energy consumption per m ³ of compressed air generated in production	2012	Large losses of compressed air detected in network (Neutraubling plant)
		2013	Increased leak detection in existing infrastructure
	■ Use heat recovery systems at compressors; use recovered heat in heating systems	2012	Heat energy savings of 3% in Nittenau plant (natural gas and district heating)
	■ Turn off production hall lighting when sufficient daylighting available in test areas	2012	Production hall lighting cannot be turned off across the board, depends heavily on local conditions (shadows cast by machines, windows, etc.)
	■ Training centre construction project: Use LED lighting with brightness adjustment	2012	LED lighting installed in training centre
	■ Nittenau construction project: Prepare brightness adjustment for lighting	2013	Performing cost-benefit analysis based on bids received
	■ Examine paint shops to determine lowest possible drying temperatures	2012	Tested drying temperature adjustments; temperatures depend on information provided by paint manufacturer
	■ Coordinate commissioning activities to optimise peak loads	2012	Software-supported commissioning planning in plastics technology using commissioning portal
Environmentally responsible behaviour among employees	■ Train and inform employees, giving concrete guidelines for environmentally responsible behaviour	Ongoing	Topic of energy integrated into regular employee training and guidance Incorporating ideas from »Brainpool« employee innovation portal
	■ Conserve resources	Ongoing	Reusing bubble wrap pouches from deliveries received to ship our own products

Goals	Actions	Target date	Status
Procure resource-friendly materials	■ Develop a concept for giving higher priority to resource consumption in procurement	2013	Including resource efficiency in parts specifications when soliciting bids for machines of a specific size or greater
	■ Optimise energy supply concepts	2015–2017	Procuring electric motors with improved efficiency classification in accordance with EU regulation 640/2009, IE2/IE3 – efficiency classes
Conserve resources	■ Reduce water consumption	2014	Reduced consumption significantly in 2012 Identifying and verifying points with high water consumption and developing a concept for reducing consumption
	■ Recycling – further analyse possibilities for recycling	In progress	Preventing raw materials consumption Verifying improved material efficiency
	■ Reduce the amount of waste generated	In progress	Increased sorting and separation of materials at on-site collection station Intensified sorting and separation of waste materials
Reduce emissions	■ Reduce coolant emissions	2009–2012	Continuous monitoring of coolant emissions launched
Reduce emissions due to work-related travel	■ Develop a new mobility concept for business travel within Germany	2013	Concept development and internal consultation Roll-out among service technicians
Systematically collect and calculate environmental performance indicators in a database module	■ Introduce a database module	2010–2012	Project was checked and postponed again in 2012 SAP waste management module in introductory phase

Labour practices – Goals and actions

Goals	Actions	Target date	Status
Increase employee qualifications	■ Introduce KRONES competence management company-wide	2012	Employee reviews conducted across the board, 4,500 individual career development reviews and 270 employees included in group development reviews
		2013	Planning and conducting approx. 4,700 career development reviews; inclusion of approx. 450 employees in group development reviews
	■ Expand training and continuing education offerings	Complete	Courses are available on around 450 topics Re-arrangement and user-friendly design of SAP training portal completed
	■ International workforce structures	Ongoing	760 managers have attended the management training seminar to date Management training seminar in planning for 80 employees in 2013
Secure access to the next generation of specialists	■ Accept apprentices in a variety of fields	Ongoing	140 new apprentices were accepted for 2013
	■ Increase service focus with Profil 21 professional training option	Launched	Integrating Profil 21 employees in the service departments
Promote and recruit specialists and skilled workers	■ Collaborate with colleges and universities	Ongoing	Budget available for informational events at colleges and universities as in 2012
	■ Trainee programme	In progress	Acceptance of 5 more trainees planned
	■ Promote intercultural understanding among our skilled workers	In progress	Across Borders programme offered for the first time in 2013
Occupational health management	■ Coordinate all actions (in-house medical service, company health insurance fund, counselling service, and human resources)	Ongoing	Prioritisation of areas to be completed by July 2013
	■ Speed reintegration of employees who have been on long-term sick leave	2013–2014	Analysing causes; identifying possibilities for significantly reducing reintegration times
Work-life balance	■ Pilot project – Develop a lean office concept	2013–2014	Workshops started for 5 pilot groups
	■ Support employees and their families on assignments abroad	Ongoing	Employee support programme available through HR
	■ Support management employees' use of sabbatical	2012	In all, 227 employees have taken sabbatical up to and including 2012; in 2012, 76 employees made use of this option
Reduce accident rates (per 1,000 employees)	■ Systematic accident analysis	2013	Derive remedial actions from incidents
	■ Step up hazard assessment		Involve employees Ensure compliance with existing rules
	■ Optimise workplaces with raised platforms	2012	Optimisation measures carried out
		2012	Preparation of a company agreement on preventive occupational health screenings for operators and for working at height
Reduce lost working days in general	■ Train managers and supervisors in how to deal with illness-related absences	Ongoing	400 managers trained in 2012

Goals	Actions	Target date	Status
Intensify stakeholder dialogue	■ Conduct surveys	Ongoing	In progress
	■ Establish and continue social media activities	2012	Social media concept implemented and updated continually
Provide information for employees' family members	■ Regular tours of the production facilities	Ongoing 2013	Tour concept and volume defined in 2012 Reorganising division-specific tours
Support schools and universities at the regional level	■ RIS Regensburg International School	2013	In progress
Conduct university marketing at the national level	■ Participate in university job fairs, field trips, and lectures	Ongoing	Examining project-related initiatives
Develop a sponsorship concept	■ Design guidelines for sponsorships	2012	Development and internal coordination of sponsorship guideline completed
	■ Make sponsorship guidelines available online	2013	In progress
Develop an assistance project using our own components and products	■ Review calculations and feasibility	2013	Design and production are reviewing feasibility Corporate Volunteering programme in development

The Global Reporting Initiative (GRI) develops and disseminates guidelines for reporting on the economic, environmental, and societal dimensions of organisations' activities, products, and services. The GRI works closely with businesses, non-governmental organisations, government institutions, and other groups. The current GRI guidelines («G3») were published in October 2006. Use of the guidelines is voluntary. The GRI guidelines have become established as the standard for sustainability reporting worldwide.

Section, GRI guidelines	Reporting element	Page	Reporting level
1. Strategy and analysis	1.1 Statement from the most senior decision-maker	4–5	●
	1.2 Key impacts, risks, and opportunities	4–7, 9–10, 35, 110–113	●
2. Organisational profile	2.1 Name of the organisation	C6 – back	●
	2.2 Primary brands, products, and services	12–14, AR 16–17, 157	●
	2.3 Operational structure	14, AR 14–15, 27, 157	●
	2.4 Location of headquarters	14	●
	2.5 Number of countries	14–15, 33	●
	2.6 Nature of ownership and legal form	16	●
	2.7 Markets served (by region, customer type)	15	●
	2.8 Scale of the organisation	14–16, www/Products	●
	2.9 Changes regarding ownership	16	●
	2.10 Awards received	31	●
3. Report parameters	3.1 Reporting period	3 – above table of contents	●
	3.2 Date of most recent previous report	3 – above table of contents	●
	3.3 Reporting cycle	3 – above table of contents	●
	3.4 Contact point for questions	C6 – back	●
	3.5 Process for defining report content/materiality	17–18	●
	3.6 Report boundaries	17–18	●
	3.7 Specific limitations on report's scope	17–18	●
	3.8 Comparability	17–18	●
	3.9 Data measurement techniques	17–18	●
	3.10 Reasons for re-statements of information	17–18	●
	3.11 Significant changes	17–18	●
	3.12 GRI content index	116–118	●
	3.13 Assurance	C5	●
4. Governance	4.1 Governance structure	16, 21, AR 118–119	●
	4.2 Independence of Supervisory Board Chair	16, AR 117, 158	●
	4.3 Independent members of highest governance body	16, AR 117, 158	○
	4.4 Mechanisms for shareholders/employees to make recommendations to Executive Board/Supervisory Board	16, AR 108	●
	4.5 Linkage between Executive Board compensation and company's performance	16	●
	4.6 Mechanisms to avoid conflicts of interest	20, AR 117 point b)	●
	4.7 Expertise of members of the highest governance bodies with respect to sustainability	AR 117–118	●
	4.8 Mission statement, values, codes of conduct	19–22	●
	4.9 Procedures of the highest governance bodies for overseeing sustainability-related risks and opportunities	21, 35, AR 119	●
	4.10 Processes for evaluating management's own performance	AR 110–111	●
	4.11 Precautionary approach	21, 35, AR 94	●
	4.12 Support of external initiatives	23	●
	4.13 Memberships in associations and advocacy groups	9, 16, 102	●
	4.14 Stakeholder groups engaged	8–10, 102–103	●
	4.15 Basis for identification of stakeholders	8, 102, 103	●
	4.16 Stakeholder dialogue	8, 11, 18, 102, 103	●
	4.17 Response to key concerns raised by stakeholders	9–10, 106	●

Economic

Economic performance	Management approach	4–7, 27, AR 18–21	
	EC1 Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations	28	●
	EC2 Financial implications and other risks for the organisation's activities due to climate change	35	●

Section, GRI guidelines	Reporting element	Page	Reporting level	
Market presence	EC3	Coverage of defined benefit plan obligations	28, AR 145–147	○
	EC4	Significant financial assistance received from the government	29	●
	EC5	Range of ratios of standard entry level wages compared to local minimum wage at significant locations of operation		□
	EC6	Business policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation		□
	EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation		□
Indirect economic impacts	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit		□
	EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts		□

Environmental

Materials		Management approach	62–66	
	EN1	Materials used by weight or volume	72	○
Energy	EN2	Volume of materials used that are recycled input materials	72	○
	EN3	Direct energy consumption by primary energy source	63–65	●
	EN4	Indirect energy consumption by primary energy source	63–65	●
	EN5	Energy saved due to conservation and efficiency improvements	63–66	○
	EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and resulting reductions in energy requirements	47–59	●
Water	EN7	Initiatives to reduce indirect energy consumption and reductions achieved		□
	EN8	Total water withdrawal by source	69	●
	EN9	Water sources significantly affected by withdrawal of water	69	●
Biodiversity	EN10	Percentage and total volume of water recycled and reused		□
	EN11	Land in or adjacent to protected areas		☒
	EN12	Impacts of activities, products, and services on biodiversity in protected areas		☒
	EN13	Habitats protected or restored		☒
	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity		☒
Emissions, effluents, and waste	EN15	Red List species affected by operations		☒
	EN16	Total direct and indirect greenhouse gas emissions by weight	66	●
	EN17	Other relevant greenhouse gas emissions by weight	66–68	●
	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	66–68	○
	EN19	Emissions of ozone-depleting substances by weight	66	●
	EN20	NO, SO, and other significant air emissions by type and weight	66	●
	EN21	Total water discharge by quality and destination	69, 71	●
	EN22	Total weight of waste by type and disposal method	73–74	●
	EN23	Total number and volume of significant spills	71	●
	EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII and percentage of transported waste shipped internationally	74	●
Products and services	EN25	Identity, size, protected status, and biodiversity of water bodies and related habitats significantly affected by discharges of waste water and run-off	69	●
	EN26	Initiatives to mitigate environmental impacts of products and services and extent of impact mitigation	47–59	●
	EN27	Percentage of products sold and their packaging materials that are reclaimed by category		□
Compliance	EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	74	●
Transport	EN29	Significant environmental impacts of transporting products and other goods and materials used for operations and transporting employees	67–68	○
Overall	EN30	Total environmental protection expenditures and investments by type		□

Section, GRI guidelines	Reporting element	Page	Reporting level
Labour practices and decent work			
	Management approach	78	
Employment	LA1 Total workforce by employment type, employment contract, and region	79, 86–87	●
	LA2 Total employee turnover in percent by age group, gender, and region	82	●
	LA3 Benefits provided to full-time employees only, by significant locations of operation	85, 87	●
Labour/ management relations	LA4 Percentage of employees covered by collective bargaining agreements	86	●
	LA5 Minimum notice periods for operational changes, including whether it is specified in collective agreements	87	●
Occupational health and safety	LA6 Percentage of total workforce represented in occupational health and safety committees	97–99	●
	LA7 Rates of injury, occupational diseases, lost days, and work-related fatalities by region	98	●
	LA8 Education, training, counselling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members regarding serious illness	88–90	◐
	LA9 Health and safety topics covered in formal agreements with trade unions	97	●
Training and education	LA10 Average hours of training or education per employee by employee category	90–91, 93–95	◐
	LA11 Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	91	●
	LA12 Percentage of employees receiving regular performance and career development reviews	91	●
Diversity and equal opportunity	LA13 Composition of governing bodies and breakdown of employees by category according to gender, age group, minority group membership, and other indicators of diversity	80, 82–85	●
	LA14 Ratio of base salary and remuneration of women to men by employee category	85	●

Human rights

	Management approach	38	
Investment and procurement practices	HR1 Percentage and total number of significant investment agreements that include human rights clauses or have undergone human rights screening	38	◐
	HR2 Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken	38–39	◐
	HR3 Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	38	◐
Non-discrimination, freedom of association/ collective bargaining	HR4 Total number of incidents of discrimination and corrective actions taken	39	◐
	HR5 Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights		□
Child labour	HR6 Operations and significant suppliers with risk of child labour, and measures taken to contribute to the abolition of child labour		□
Forced and compulsory labour	HR7 Operations and significant suppliers with significant risk of forced or compulsory labour and measures to contribute to its abolition		□
Security practices	HR8 Percentage of security personnel trained in policies or procedures concerning aspects of human rights that are relevant to operations	39	●
Indigenous rights	HR9 Incidents of violations involving rights of indigenous people and actions taken	39	☑

Section, GRI guidelines	Reporting element	Page	Reporting level
Society			
	Management approach	102	
Local communities	S01 Programmes and procedures for assessing and regulating impacts of operations on local communities	102–106, 108–109	●
Corruption	S02 Percentage and total number of business units analysed for risks related to corruption	106	●
	S03 Percentage of employees trained in anti-corruption policies and procedures	106–107	●
	S04 Actions taken in response to incidents of corruption		□
Public policy	S05 Public policy positions and participation in public policy development and lobbying	102, 108	●
	S06 Contributions to political parties, politicians, and related institutions, by country	108	●
Anti-competitive behaviour	S07 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	104	●
Compliance	S08 Monetary value of fines and total number of non-monetary sanctions for non-compliance with laws and regulations		□
Product responsibility			
	Management approach	40	
Customer health and safety	PR1 Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	40, 44–45	●
	PR2 Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services, by type of outcomes		□
Product and service labelling	PR3 Type of product and service information required by law and percentage of significant products and services subject to such information requirements	44	●
	PR4 Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes		□
	PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	45	●
Marketing communications	PR6 Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship		□
	PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, by type of outcomes		□
Customer privacy	PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data		☑
Compliance	PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services		□

Compliance	Totality of measures to ensure that companies and their employees adhere to laws and regulations and to social and ethical standards and values.
Corporate governance	Responsible corporate management and supervision that is oriented toward long-term value creation.
Corporate social responsibility	Voluntary corporate initiative to take responsibility for the company's effects on social welfare and to integrate environmental aspects above and beyond legal requirements.
German Corporate Governance Code	The German Corporate Governance Code presents statutory regulations for the management and supervision (governance) of German listed companies and contains internationally and nationally recognised standards for responsible governance. The Code aims to make the German corporate governance system transparent and understandable.
German Emissions Control Act	Short form for the German Act for the Protection against Harmful Environmental Effects Caused by Air Pollution, Noise, Vibration, and Similar Factors.
GRI	Global Reporting Initiative – an international network that supports companies in their efforts to measure, understand, and report on their performance with respect to sustainability. GRI has established and continually evolves a reporting framework that serves as a guideline for companies. GRI reporting relies on transparency and aims to provide standardised, comparable information.
SMETA (Sedex Members Ethical Trade Audit)	Audit procedure containing a compilation of good practices for conducting ethical trade audits and reducing duplication of effort in auditing. The documents help auditors conduct standardised audits that will be accepted by multiple retailers and brands.
Stakeholders	All the interested groupings involved in an entrepreneurial process or affected by an entrepreneurial action.
Sustainability	Fundamental concept for shaping economic, political, and social developments so as to meet the needs of the present-day generation while keeping ecological, social, and economic structures intact for future generations.
UN Global Compact	The United Nations Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment, and anti-corruption.
Value chain	The value of a product or service consists not only of the product or service itself. In some cases, it may consist of many various components that are produced along the stages of value creation. Several stages of value creation constitute a value chain.
Value creation calculation	The value created is determined by subtracting from the company's performance (sales revenues and other income) the advance payments necessary for bought-in goods and materials, depreciation and amortisation, and other expenditures. The origination of the value creation is set against its use.

KRONES at a glance

KRONES offers machinery and complete systems for filling and packaging and for beverage production. KRONES' customers include breweries, beverage producers, and companies from the food, chemical, pharmaceutical, and cosmetic industries. KRONES offers all of the products and services they need from a single source – from constructing new beverage plants to getting the finished product out the door. The company is organised in three segments:

Product filling and decoration

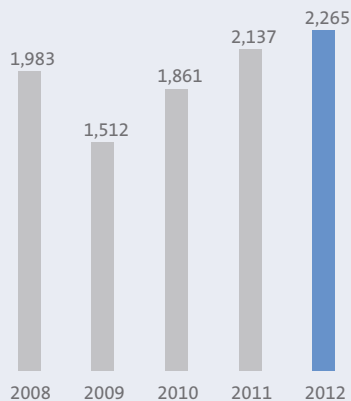


KRONES' core business area – by far the company's largest and most profitable segment – offers machines and complete lines for filling, packaging, labelling, and conveying products. Machines for producing PET containers and converting used plastic bottles into food grade recycled material (PET recycling systems) are also part of this segment.

	2012	2011
EBT (€ million)	119.2	108.9
EBT margin (%)	5.3	5.1
Employees*	10,513	10,045

*Consolidated group

Revenue (€ million)



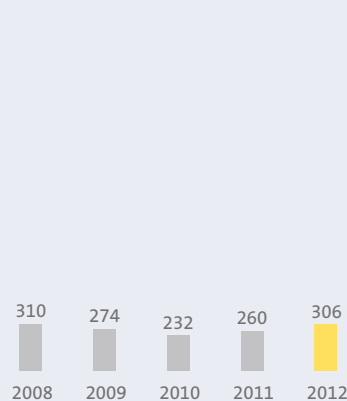
Beverage production/process technology



This segment includes brewhouse and cellar systems (i.e. products for breweries). Equipment used for treating sensitive beverages such as milk and for producing dairy drinks and fruit juices is also part of this KRONES segment. Material flow technology/intralogistics is also part of the »beverage production/process technology« segment.

	2012	2011
EBT (€ million)	-13.6	-19.3
EBT margin (%)	-4.5	-7.4
Employees*	671	664

Revenue (€ million)



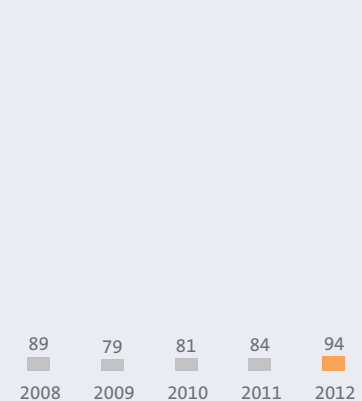
Low output range (KOSME)



Our subsidiary KOSME offers a product range similar to that of our »machines and lines for product filling and decoration« segment, but for the lower output range. With KOSME, we are able to serve smaller and mid-sized companies that do not need high-speed machines but nevertheless are committed to quality. Thus, KOSME perfectly complements KRONES' core business.

	2012	2011
EBT (€ million)	-7.6	-15.0
EBT margin (%)	-8.1	-17.9
Employees*	495	477

Revenue (€ million)



Publication credits

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This English language report is a translation of the original German KRONES AG Nachhaltigkeitsbericht 2012.

In case of discrepancies the German text shall prevail.

This Sustainability Report 2012 is also available in German. We would be happy to mail you a copy on request. You can also find it in the Company/Sustainability section at krones.com.



The production of and the paper used for the KRONES Group's 2012 CSR Report have been certified in accordance with the criteria of the Forest Stewardship Council (FSC). The FSC prescribes strict standards for forest management, thus helping to prevent uncontrolled deforestation, human rights violations, and environmental damage. Because products bearing the FSC label are handled by various enterprises along the trading and processing chain, the companies that process the paper, such as printers, are also certified under FSC rules.

In addition, the CO₂ emissions resulting from the production of this report – including both the production of the paper and ink and the printing process itself – were measured and then offset through the purchase and retirement of high quality emission certificates.

External assurance of the sustainability report

Scope and standards:

TÜV sÜD Management Service GmbH has been engaged to provide external assurance on this Sustainability Report and the GRI Content Index. The assurance process was conducted in accordance with the following guidelines and standards:

- The Global Reporting Initiative's (GRI) G3 Guidelines for the selection and level of detail of the content and data of the Sustainability Report and the underlying systems
- AA 1000 standards for the general principles and methodology for evaluation and review
- DIN EN ISO 19011 – guidelines for auditing, ISO 14001 – specification for environmental management systems, BS OHSAS 18001 – specification for occupational health and safety management systems

In addition, wherever aspects relating to management systems are involved, the auditing methods used are in accordance with ISO 17021.

Audit process and depth:

For our audit of the report, we reviewed documents and conducted interviews with persons in key positions and at various levels of the company, including management, middle management, employees, and employee representatives.

Our review was conducted on the basis of Global Reporting Initiative Sustainable Reporting Guidelines 2001 (GRI G3.1).

The objective of the audit was to:

- Confirm fulfilment of GRI application level B
- Confirm KRONES AG's self-declaration of application level B+ under GRI G3.1

The following aspects were examined in spot checks:

- Stakeholder process and CSR materiality matrix
- Review of data and records underlying the reporting
- Appropriate and balanced presentation of performance in the selection of performance indicators
- Role of CSR performance indicators with respect to decision-making process

We audited the identification of relevant stakeholder groups, the method used to collect and consolidate data for this report, the existing management systems, and the internal control and monitoring functions. Economic and financial data were not audited. Instead, they were assessed with respect to the information contained in the audited 2012 Annual Report.

The following sites were included in the audit:

- KRONES AG, Böhmerwaldstrasse 5, 93073 Neutraubling, Germany
- KRONES AG, Nittenau plant, Heideweg 34–36, 93149 Nittenau, Germany
- KRONES AG, Steinecker plant, Raiffeisenstrasse 30, 85356 Freising, Germany
- KRONES AG, Rosenheim plant, Äussere Münchener Strasse 104, 83026 Rosenheim, Germany
- KRONES AG, Flensburg plant, Schäferweg 9, 24941 Flensburg, Germany

Validation

Validation of the Sustainability Report:

This report provides a comprehensive, accurate, and proper presentation of performance on the basis of reliable, reasonably documented information and fulfils the requirements under GRI application level B+. Availability of this report to the general public is guaranteed.

tüv sÜD Management Service GmbH
Munich, 24 June 2013



Dipl.-Ing. Wolfgang Brandl
Corporate Social Responsibility Auditor
Environmental Auditor



Dipl.-Ing. Ulrich Wegner
Head of the Certification Body
Environmental Auditor



Management Service

Responsibilities:

KRONES AG is solely responsible for the content of this report and for selection of the topics. TÜV sÜD Management Service GmbH's responsibility was to review the correctness and credibility of the information and to confirm whether the requirements have been met.

KRONES AG

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