Shaping *success*

Annual Report 2013

KRONES

2013 highlights

- Revenue climbed 5.7% to €2,815.7 million.
- KRONES improved earnings performance. Earnings before taxes (EBT) grew from €99.1 million to €169.7 million. At 6.0%, the EBT margin reached the top end of the target corridor.
- Cash and cash equivalents increased by €107.0 million to €239.9 million in 2013.
- KRONES plans to share the proceeds from the sale of treasury shares with shareholders, paying out a total of €2.00 per share for 2013.

		2013	2012	Change
Revenue	€ million	2,815.7	2,664.2	+5.7%
New orders	€ million	2,808.8	2,721.1	+3.2%
Orders on hand at 31 December	€ million	992.4	999.3	−0.7%
EBIT	€ million	172.8	93.5	+84.8%
EBT	€ million	169.7	99.1	+71.2%
Consolidated net income	€ million	119.4	68.3	+74.8%
Earnings per share	€	3.84	2.26	+69.9%
Dividend per share	€	2.00*	0.75	+1.25
Capital expenditure for PP&E and intangible assets	€ million	108.1	110.9	−2.8
Free cash flow	€ million	67.0	30.6	+36.4
Net cash and cash equivalents **	€ million	239.9	132.9	+107.0
ROCE	%	16.7	10.0	–
Employees at 31 December				
Worldwide		12,285	11,963	+322
Germany		9,098	9,076	+22
Outside Germany		3,187	2,887	+300

* As per proposal for the appropriation of retained earnings, including a €1.00 special dividend
** Cash and cash equivalents less debt

The international food and beverage industry operates in growing but intensely competitive markets. The importance of packaging in the fight for consumers is growing. Filling and packaging lines must be powerful, flexible, reliable, and cost-effective. As the market and technology leader, KRONES meets all of these requirements excellently.

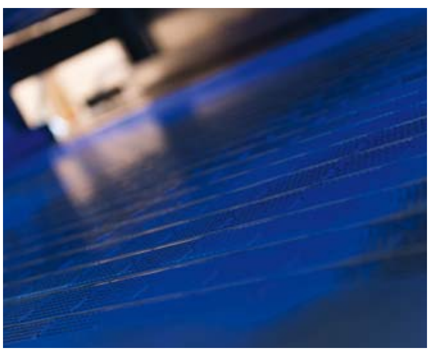
We demonstrated this fact quite impressively in 2013 at the drinktec trade fair. But the competitive environment is challenging overall. That, too, was apparent at drinktec, as it is in day-to-day business. That is why KRONES is untiring in its efforts to become even better in every aspect of our business. We have moulded concrete measures for this purpose into our Value strategy programme, focussing on our customers' needs.

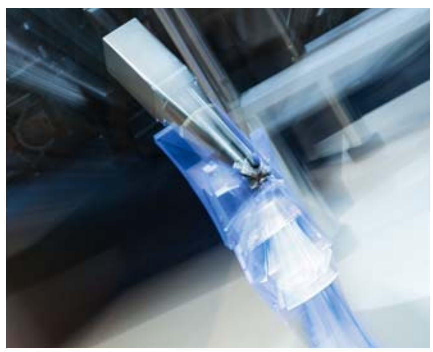
As we strive to succeed in business, we never forget that KRONES has a special responsibility towards its employees, shareholders, and other stakeholders. And so, our business decisions are always informed by sustainable values.

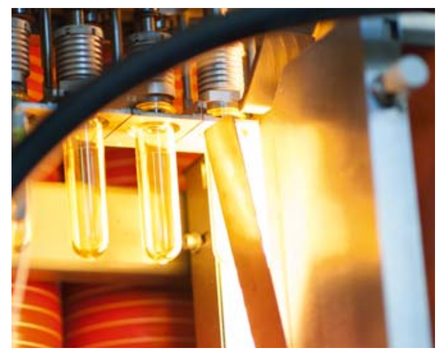
Contents

CONSOLIDATED MANAGEMENT REPORT

CONSOLIDATED MANAGEMENT REPORT







CORPORATE GOVERNANCE

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

OTHER INFORMATION

Dear shareholders and friends of KRONES,

2013 was a successful year for KRONES. But success does not happen on its own. One must take an active hand in shaping it. This year's annual report, entitled "Shaping success", describes the important decisions and actions we took in 2013 to ensure KRONES' future success.

One highlight of this eventful year was, of course, the drinktec trade fair. Customers were impressed with our innovative exhibits at the fair, which takes place only every four years and is the "global economic summit" for the beverage and packaging industry. Some 60,000 visitors came to our booth, including all of the industry's major decision-makers. In short, the 2013 drinktec was a superlative event for KRONES!

"The 2013 drinktec was a superlative event for KRONES."

Volker Kronseder
Chairman of the Executive Board

Innovations meet customers' needs

The Contiform AseptBloc attracted special attention with its energy-saving concept of sterilising preforms for aseptic (germ-free) filling. Our innovations in labelling technology – the DecoType digital direct printing system and the ErgoModul – also drew drinktec visitors. The fact that all of our innovations are subject to KRONES' enviro sustainability programme was and remains an important factor for customers. Machines and lines that bear the enviro label help our customers conserve energy and other resources and are also easier to operate. Many highlights from drinktec are featured in this report.

We made great progress in 2013 in implementing our Value strategy programme, with its four pillars of profitability, growth, innovation, and quality (see page 30). Our accomplishments under the Value programme thus far are also reflected in our key performance indicators for 2013. KRONES' consolidated revenue was up 5.7% over 2012, to €2,815.7million. We generated €169.7 million in earnings before taxes (EBT), for an EBT margin of 6.0%. With that, we came even closer in 2013 to achieving one of our medium-term Value targets, an EBT margin of 7%.

New corporate structure gives us more punch

We want to become even better. And KRONES' new group structure, launched at the start of 2014, will play a vital role here. Our old corporate structure worked very well for us for many years. But our considerable growth has taken it to its limits. In other words, we've simply outgrown it.

For this reason, we have developed a new corporate structure. To fulfil our customers' wishes even faster and even more accurately, we have purposefully reduced the interfaces along our value chain. We have given the new structure a strong regional emphasis to bring us even closer to customers. We firmly believe that the new structure will make KRONES even more agile and effective. Our new colleague on the Executive Board, Markus Tischer, who was appointed to the Executive Board as of 1 January 2014 and is responsible for International Operations and Services, will help make this happen.

Even the best structure is no good if a company's employees do not bring it to life and implement it with determination. I am certain that we can count on each and every one of our 12,285 employees. KRONES' people are highly motivated and superbly qualified.

KRONES remains committed to Germany as a business location

Last year we added 322 new jobs – and almost all of that hiring was done outside Germany. This trend will continue in 2014. Our business demands it. In 2013, KRONES generated around 90% of consolidated revenue in markets outside Germany and only €292 million from domestic customers. The overwhelming majority of our machines and lines operate far from Germany. To provide fast service to KRONES customers around the globe, we need more service people on the ground locally.

However, that does not mean that KRONES is turning its back on Germany. We want to utilise the advantages of our German sites in the future and will continue investing in our home market. In 2013 we expanded our Rosenheim plant and put the first phase of construction of our new logistics and module production hall into operation at the end of July 2013. In Nittenau, we completed construction of our new production facility for EVOGUARD GmbH, which manufactures valves and pumps. With EVOGUARD GmbH, a stand-alone company, we will grow our attractive components business considerably.

KRONES continues to invest heavily in its infrastructure worldwide.

KRONES practices sustainability

Everyone who has known KRONES for some time knows that sustainability has always been a very high priority in our company.

By transferring our shares in the company to the next generation, members of the Kronseder family have taken an important step towards securing the company's sustainability well into the future. The Kronseder family intends to remain a stable majority shareholder of KRONES for the long term and to work hand-in-hand with KRONES' employees to ensure that the company continues to be managed sustainably.

On behalf of the entire Executive Board, I would like to thank our dedicated employees for their great work in 2013. I am certain that together we are "shaping success" for KRONES' future.

Volker Kronseder
Chairman of the Executive Board

The Executive Board

Volker Kronseder
*1953
Member of the Executive Board since 1989. Chairman of the Executive Board since 1996.
Human Resources, Communications and Quality

Christoph Klenk
*1963
Member of the Executive Board since 2003.
Finance, Controlling and Information Management

Rainulf Diepold
*1955
Member of the Executive Board since 1996.
Sales and Marketing

Werner Frischholz
*1951
Member of the Executive Board since 2003.
Plants and Components

Thomas Ricker
*1968
Member of the Executive Board since 2012.
Bottling and Packaging Equipment

Markus Tischer
*1968
Member of the Executive Board since 2014.
International Operations and Services

Ladies and Gentlemen,

Ernst Baumann
Chairman of the Supervisory Board

KRONES entered 2013 with a roster of great tasks. The focal point was the company's presentation at the industry's most important trade fair, drinktec. In addition, further measures were implemented company-wide under the Value strategy programme last year. Together with the Executive Board, the Supervisory Board discussed a new group structure that will enable KRONES to operate even more efficiently.

The accomplishments made in 2013 demonstrate that KRONES is on the right track. The Supervisory Board will continue to do its part to ensure that the company remains consistently on this path.

Advising and oversight

In 2013, the Supervisory Board of KRONES AG continuously oversaw and advised the company's Executive Board as prescribed by the law and the articles of association. Four Supervisory Board meetings were held. The Board regularly obtained information from the Executive Board about the progress of business, the company's financial position, and the company's strategy and risk management in the form of written and oral reports, both in and outside the Supervisory Board meetings.

The Supervisory Board's first meeting of the financial year was convened on 20 March 2013. In this meeting, the board restructured the work of the committees. The existing Supervisory Board Committee was renamed the Audit and Risk Management Committee. The Supervisory Board also created a Standing Committee, which will handle topics such as corporate strategy, human resources strategy, Supervisory Board remuneration, and Executive Board remuneration. The Executive Board then presented the preliminary consolidated financial statements for 2012 to the Supervisory Board and provided explanations for all of the group's key financial performance indicators. In its business report, the Executive Board informed the Supervisory Board about the current business situation and the outlook for the KRONES Group. With respect to Value topics, discussion focused on the new corporate structure. Executive Board Chairman Volker Kronseder explained to the Supervisory Board the reasons for and the goals and benefits of the new structure. The Board unanimously approved the new structure. Moreover, the Supervisory Board resolved that the Executive Board should implement the new corporate structure in collaboration with the Standing Committee. The Boards agreed to propose to the annual shareholders' meeting that a dividend of €0.75 per share be paid out for the financial year 2012.

Representatives from KRONES' auditing firm were present for a portion of the Supervisory Board meeting on 19 April 2013. The auditors explained to the Supervisory Board their audit mandate and the areas on which their review of the 2012 annual financial statements focused and provided a detailed overview of the audit. The Supervisory Board then approved and thus adopted the 2012 annual financial statements and the 2012 consolidated financial statements along with the management report for the financial year 2012. Following the Executive Board's report on the current economic position, the market, and the competition as well as technology and production, the Supervisory Board turned its attention to the new corporate structure and the timetable for its implementation. The Supervisory Board, together with the Executive Board, also discussed the agenda for the annual shareholders' meeting of KRONES AG, which would be held on 19 June 2013.

At the third Supervisory Board meeting, on 25 September 2013, the Supervisory Board dealt with the restructuring of Executive Board remuneration. New regulatory requirements made adjustments necessary. The Supervisory Board approved the changeover to the new remuneration system, to take effect as of the start of 2014. The material changes are that the share of fixed remuneration has been reduced, the duration of the long-term performance incentive component has been shortened from ten years to five years, and a medium-term performance incentive has been introduced to partially replace the short-term component. The drinktec trade fair was the dominant topic at the meeting. The Executive Board informed the Supervisory Board in detail about the positive reception KRONES sensed from customers at the world's premiere trade fair. After that, the Executive Board explained to the Supervisory Board the current development of business and progress made in implementing the new corporate structure.

The fourth Supervisory Board meeting, on 20 November 2013, began with a tour of the Steinecker plant in Freising, Germany. This visit to the production halls gave the Supervisory Board an in-depth look at how brewery and filtering systems are built. The Audit and Risk Management Committee explained how KRONES' risk management works and the focal points of current risk assessments. After the Executive Board presented its annual planning for 2014, the Board resolved to change the dividend policy, raising the range for dividend payments from the previous 20%–25% to 25%–30% of consolidated net income.

The work of the Supervisory Board Committees

The Audit and Risk Management Committee (formerly Supervisory Board Committee) consists of Supervisory Board Chairman Ernst Baumann and Deputy Chairman Werner Schrödl as well as the following members of the Supervisory Board: Norman Kronseder, Graf Philipp von und zu Lerchenfeld, Josef Weitzer, and Johann Robold. Chairman of the committee is Philipp Graf von und zu Lerchenfeld. The Audit and Risk Management Committee oversees the accounting and financial reporting process and the audit of the financial statements and prepares corresponding proposals for resolutions for the Supervisory Board. The Committee also prepares the Supervisory Board's review of the annual financial statements, the management report, and the auditor's report for the separate and consolidated financial statements and makes recommendations. In addition, the Audit and Risk Management Committee monitors the effectiveness of the internal control system, the risk management system, and the compliance system.

Before the Supervisory Board meeting held to ratify the financial statements on 19 April 2013, the Audit and Risk Management Committee prepared the Supervisory Board's review of the annual financial statements, the management report, and the auditor's report on the separate and consolidated financial statements for 2012.

In addition, in a meeting held in November, the Committee in collaboration with the Heads of the Internal Control System, Internal Audit, and Compliance Management prepared the report for the fourth Supervisory Board meeting on the basis of corresponding reports.

The Standing Committee, which the Supervisory Board established by unanimous vote at its 20 March 2013 meeting, consists of Werner Schrödl, Norman Kronseder, Josef Weitzer, and Ernst Baumann. Chairman of the Standing Committee is Ernst Baumann. The Committee deals with all other topics that do not fall within the scope of the Audit and Risk Management Committee.

In four meetings, the Standing Committee prepared the Supervisory Board's resolutions on the new corporate structure, on the associated new Executive Board posts, and on Executive Board remuneration.

The Supervisory Board concurs with the audit result

The annual financial statements of KRONES AG, the consolidated financial statements, the management report for KRONES AG, and the consolidated management report prepared by the Executive Board for the period ended 31 December 2013 were examined by the auditors elected by the annual shareholders' meeting, KPMG Bayerische Treuhandgesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, and each received an unqualified audit report. The audited annual financial statements and consolidated financial statements, the management report for KRONES AG, and the consolidated management report prepared for the period ended 31 December 2013 were submitted to all members of the Supervisory Board in good time for the members' own review. The audited financial statements and management reports were the subject of the Supervisory Board meeting held to ratify the financial statements on 25 April 2014. Representatives of the auditing firm also participated in the meeting and reported to the Supervisory Board on their findings and the areas on which their review focused.

The Supervisory Board noted and approved the audit result. The final results of the examination by the Supervisory Board prompted no objections. The Supervisory Board has approved the annual financial statements for KRONES AG and the consolidated financial statements as well as the Executive Board's proposal for the appropriation of retained earnings. The 2013 annual financial statements for KRONES AG are thereby adopted.

The members of the Supervisory Board would like to thank the Executive Board and all of the company's employees for their excellent work in 2013.

Neutraubling, April 2014

The Supervisory Board

Ernst Baumann
Chairman of the Supervisory Board

Composition of the Supervisory Board

Following fulfilment of the requirements for application of the German Codetermination Act [Mitbestimmungsgesetz] of 1976 in 1987, the Supervisory Board was extended from six to twelve members. Pursuant to § 8 (1) of the articles of association, six members are elected by the shareholders in accordance with the German Stock Corporation Act (§ 96 (1) and § 101). Six members are elected by the employees pursuant to § 1 (1) and § 7 (1) Sentence 1 Number 1 of the Codetermination Act.

Ernst Baumann
Chairman of the Supervisory Board
* ZF FRIEDRICHSHAFEN AG

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

Klaus Gerlach**
Head of Central International Operations and Services

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

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

Norman Kronseder
Farmer and forester
* BAYERISCHE FUTTERSAATBAU GMBH

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

Dr. Alexander Nerz
Attorney

Johann Robold**
Member of the Works Council

Petra Schadeberg-Herrmann
Managing partner at KROMBACHER FINANCE GMBH, SCHAWEI GMBH, DIVERSUM HOLDING GMBH & CO. KG
* since 19 April 2013 COMMERZBANK AG

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

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

* Other Supervisory Board seats held, pursuant to § 125 (1) Sentence 3 of the German Stock Corporation Act
** Elected by the workforce

- Low interest rates drive stock markets to record highs
- KRONES share price gains 32.8% in 2013
- KRONES plans to pay out a total of €2.00 per share

Central banks' loose monetary policy drove a powerful stock market rally in 2013. Both of Germany's major share indexes, the DAX and the MDAX, and the Dow Jones in the US hit new record highs. KRONES' share price advanced 32.8% to €62.43 in 2013.

The stock markets in 2013

Most of the world's stock markets rallied sharply in 2013. Monetary easing on the part of the central banks was a primary force driving share prices upwards. The European Central Bank lowered its key interest rate twice in 2013 and promised to maintain its policy of low interest rates. Economic recovery in the USA and a stabilisation in the euro area also supported the uptrend. Fears of a speedy end to the US Federal Reserve's very loose monetary policy flared at regular intervals but resulted in only temporary setbacks on the stock markets in 2013. And when the Fed announced at the end of 2013 that it would reduce its bond purchases, investors flinched, but only briefly. In the last trading days of 2013, investors were driving share indexes upwards again.

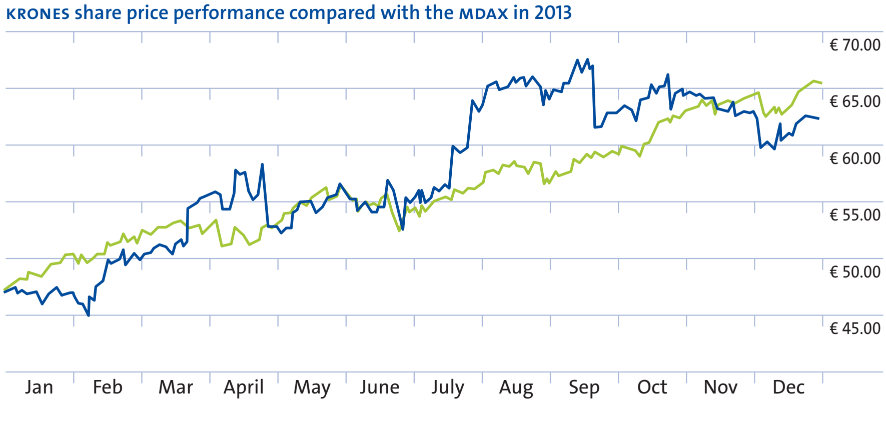
The leading US index, the Dow Jones, rose to a new record high in 2013 and closed the trading year at 16,577 points, up 26.5% from the start of the year. Japan's Nikkei index soared 56.7% in 2013. Germany's blue-chip index, the DAX, gained 25.5% last year to 9,552 points.

"The KRONES share's strong performance and the sale of treasury shares strengthened our position on the MDAX in 2013."

Olaf Scholz
Senior Vice President
of Investor Relations

KRONES share benefits from good business development

KRONES share price performance compared with the MDAX in 2013



KRONES' share took a breather in the final quarter of 2013 but posted nearly the same gains for the year as a whole as the MDAX, the "stock market star" of 2013.

As in the previous year, Germany's MDAX mid-cap index, which includes KRONES, posted stronger gains than the DAX. On 27 December 2013, the MDAX hit a new all-time high of 16,625 points. The mid-cap index closed the year at 16,574 points, only slightly below this record. With that, the MDAX gained 39.1% over the previous year. Driving the strong uptrend were media stocks ProSieben, Kabel Deutschland, and Sky as well as index heavyweight EADS.

KRONES' share price climbed 32.8%. Assuming that the dividends of €0.75 per share were reinvested, the share gained 34.6% in 2013. That means our share outperformed the DAX All-Industrial-Index. Deutsche Börse's industry index, which includes the shares of machinery manufacturers, rose by around one-quarter last year.

KRONES' share outperformed Germany's All-Industrial Index.

In the first weeks of trading in 2013, KRONES' share price dipped slightly from the €47.00 where it had started the year. On 4 February our share hit €45.02, its lowest closing price for 2013. From there, the share turned upward. The rally accelerated in March, driven in part by our preliminary revenue and earnings figures for the 2012 financial year. Our share price trended sideways overall in the second quarter. At the end of April, KRONES sold 1,425,421 treasury shares (4.51% of share capital) to institutional investors at €52.55 per share. The sale of the treasury shares increased KRONES' free float and the share's weighting within the MDAX.

The share price rose dramatically in the period from July to September. Alongside the generally positive mood on the markets, our strong figures for the first half of 2013 contributed to the rally. The KRONES share hit €67.58, its highest closing price for 2013, on 16 September. Profit-taking surrounding the drinktec trade fair prevented the share from maintaining this record high. The share price briefly dipped below the €60 mark in early December. After a year-end rally, the KRONES share closed 2013 at €62.43. Thus, KRONES also generated value for its shareholders with the Value strategy programme in 2013.

Key figures for the KRONES share

At 31 December		2013	2012	2011
Number of shares	million	31.59	31.59	31.59
Free cash flow per share	€	2.12	1.01*	–0.25*
Equity per share	€	30.20	26.50*	26.04*
Earnings per share	€	3.84	2.26*	1.45*
Price/earnings (P/E) ratio) based on closing price for the year	€	16.3	20.8	25.4
Dividend per share	€	2.00**	0.75	0.60
High	€	67.58	47.25	59.06
Low	€	45.02	35.75	33.87
Year's closing price	€	62.43	47.00	36.76

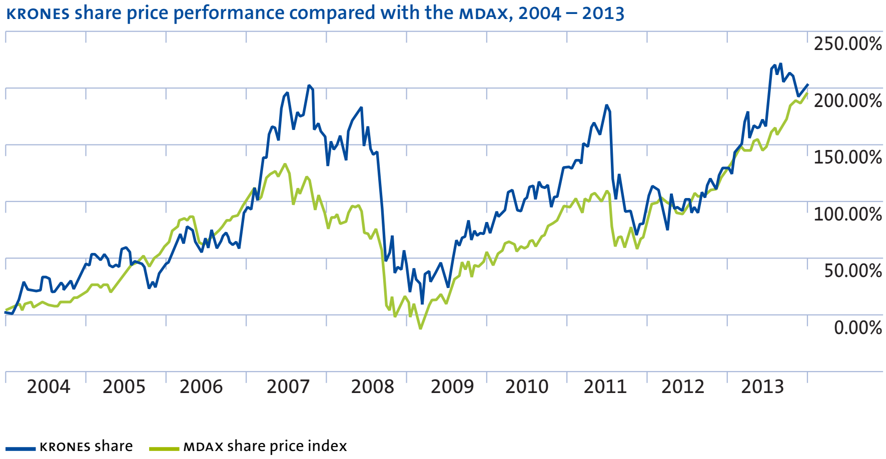
* Based on total number of shares less 1.43 million treasury shares

** As per proposal for the appropriation of retained earnings. including a €1.00 special dividend

The KRONES share is an excellent long-term investment

KRONES' share price has tripled over the past ten years. That means our share has gained exactly as much as the MDAX share price index, that is, the MDAX excluding dividends. The KRONES share's average annual price gain in this period comes to 11.5%. This calculation does not include the dividends that shareholders have received over the last ten years. Assuming that dividends were reinvested in KRONES shares each year, the average annual performance for the last ten years comes to 12.9%.

KRONES share price performance compared with the MDAX, 2004 – 2013



Portrait of the KRONES share

KRONES shares are no par value ordinary bearer shares. Each share carries one vote at the annual shareholders' meeting. The total number of shares is 31,593,072. The stock has been listed and available for trading since 29 October 1984. KRONES celebrates the 30th anniversary of its IPO in 2014. Our share is available for trading on all German stock exchanges. KRONES has been included in the MDAX share index, the German stock exchange's mid-cap index, since its inception.

Key criteria for inclusion in Deutsche Börse AG's indices are free-float market capitalisation as well as volumes traded through the XETRA trading platform and floor trading on the Frankfurt stock exchange. At the end of 2013, KRONES' share had improved its positions in the rankings used for MDAX inclusion to 43rd for market capitalisation (previous year: 46th) and 46th for trading volume (previous year: 51st).

In the financial year 2013, daily trading volume in XETRA trading and on the Frankfurt stock exchange averaged around 48,300 shares in total (previous year: 46,000 shares). Trading volume has dropped in recent years although investor interest has risen. The reason for this change is that investors are increasingly trading on off-exchange platforms known as "dark pools". This phenomenon affects almost all index shares and is not specific to KRONES. Experts say that as much as half of the total trading volume for some shares is already being executed on off-exchange platforms.

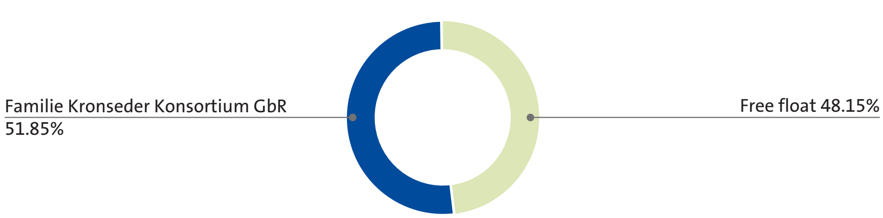
Key data for the KRONES share	
Number of shares	31,593,072
German securities identification number	633500
ISIN	DE 0006335003
Ticker symbol	KRN

Shareholder structure

Volker Kronseder, Chairman of the Executive Board of KRONES AG, and Norman Kronseder, Member of the Supervisory Board, transferred their shares to a foundation and their children in 2013. With that, they have taken proactive steps to continue the company's tradition as a successful family enterprise. The existing pooling agreement, under which the voting rights of all members of the Kronseder family and their enterprises are exercised as a voting trust, remains unaffected by the share transfer. In this way, the Kronseder family has a 51.85% stake and remains a stable majority shareholder of KRONES AG.

KRONES had bought back 1,425,421 of its own shares in 2009, equivalent to 4.51% of the share capital. At the end of April 2013, KRONES sold those treasury shares to institutional investors. The shares now count towards the free float. In all, the free float totals 48.15%.

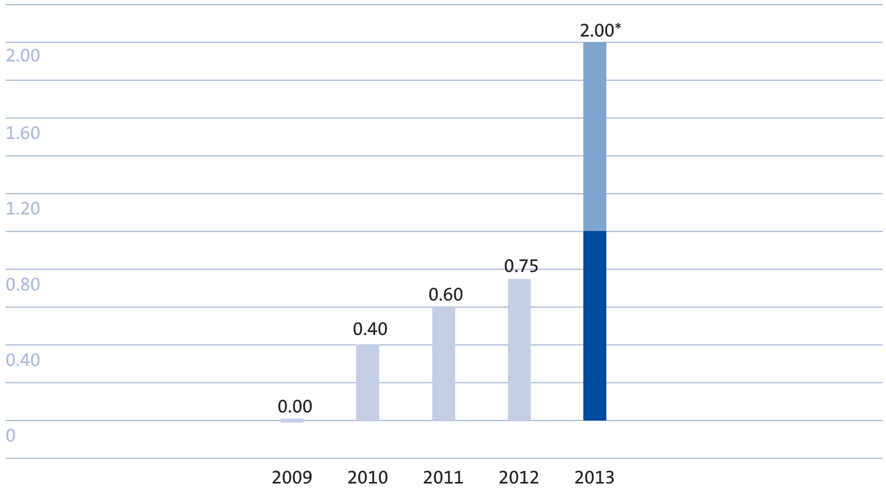
Shareholder structure as of 31 March 2014



KRONES plans to increase dividend from €0.75 to a total of €2.00 per share

In November 2013, KRONES' Executive Board proposed to the Supervisory Board that the company's long-term dividend policy be revised. Instead of the previous 20%–25%, the range for future dividend payments will be 25%–30% of consolidated net income. The Supervisory Board approved this proposal. The new dividend policy will be applied for the first time for the financial year 2013. Given last year's strong earnings performance, the Executive Board and the Supervisory Board will propose to the annual shareholders' meeting on 25 June 2014 that a dividend of €1.00 per share (€0.25 per share more than in the previous year) be paid out for the financial year 2013. In addition, KRONES wants to share the proceeds from the sale of the treasury shares with shareholders by paying out an additional €1.00 per share.

Dividend per share (€)



* As per proposal for the appropriation of retained earnings, including a €1.00 special dividend

KRONES is continually improving investor relations

As of 2013, KRONES uses conference calls and presentations to explain annual and quarterly results promptly and in detail.

As a member of the MDAX share index, KRONES is watched by many international analysts and investors. Investors need meaningful, transparent information about our company for their investment decisions. We are always working to improve our financial communications. In 2013 KRONES began holding a Conference Call after the release of each quarter's results, using a presentation to explain the figures to analysts and investors. These presentations are freely available on our website.

On 19 September 2013, KRONES hosted an analyst meeting at the drinktec trade fair, welcoming some 20 financial market experts. Executive Board members Christoph Klenk (Finance) and Thomas Ricker (Technology) gave the analysts a tour of KRONES' booth and explained the special features of the machines and systems on display. After the tour, the Executive Board members presented market trends and the company's latest innovations to the analysts.

Chief Financial Officer Christoph Klenk and KRONES' Senior Vice President for Investor Relations, Olaf Scholz, went on several road shows once again in 2013 to international financial centres like New York, London, Zurich, Stockholm, and Frankfurt. There, they visited and shared information with local investors and analysts.

2013 annual shareholders' meeting well attended

KRONES held its annual shareholders' meeting in Neutraubling on 19 June 2013. High temperatures were the only cause for perspiration on the part of KRONES' shareholders, Executive Board, and Supervisory Board. The meeting itself was, as always, a very harmonious one. Some 200 shareholders attended. In all, nearly 80% of the company's share capital was represented at the meeting. Thus, shareholder presence was far higher than the average for the annual shareholders meetings of all MDAX companies, which came to around 68% in 2013.

Shareholders approved all of the resolutions proposed for voting by a large majority. For the financial year 2012, KRONES' shareholders received a dividend of €0.75 per share, €0.15 more than for the previous year. The total payout to shareholders for the financial year 2012 was €23.7 million (previous year: €18.1 million).

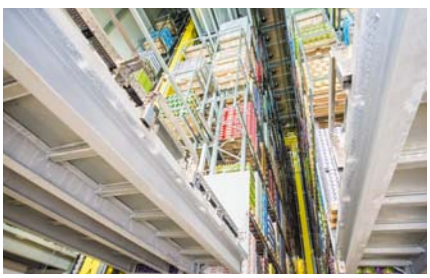
Q1

New orders: €685.2 million

Revenue: €683.4 million

Earnings before taxes: €38.9 million

Share price at 31 March 2013: €55.32



KRONES has posted deep losses in the process technology segment in past years. For this reason, KRONES' Executive Board decided to restructure the segment and discontinue our own material flow technology/intralogistics operations over the course of 2013. With this action, KRONES intends to strengthen the segment's profitability and increase consolidated net income for the long term.

KRONES substantially improved all key performance indicators over the year-earlier period in the first quarter of 2013. Business was particularly good in the Asia-Pacific and Africa/Middle East regions. Overall, revenue was up 5.4% to €683.4 million. New orders rose 3.9% to €685.2 million. Earnings before taxes grew from €32.5 million to €38.9 million.

The mood on the world's stock markets was very upbeat in the first quarter of 2013. Our share price benefited from the positive sentiment. KRONES' share climbed 17.7% from the start of the year to €55.32 at the end of March 2013.

Q2

New orders: €697.6 million

Revenue: €694.1 million

Earnings before taxes: €40.8 million

Share price at 30 June 2013: 54.69 €

In the period from April to June, revenue improved 8.3% year-on-year to €694.1 million. Earnings before taxes rose from €31.5 million to €40.8 million. In light of the good business trend in the first two quarters of 2013, KRONES raised its earnings target for the year as a whole.

In April, the company sold around 1.4 million treasury shares (4.51% of share capital) to institutional investors at €52.55 per share. KRONES had bought back the shares in the first half of 2009, when the price had fallen sharply in the wake of the financial crisis and was, in the Executive Board's view, deeply undervalued. The average consideration paid per share was €25.93. The sale of the shares increased KRONES' free float and its weighting within the MDAX.

The annual shareholders' meeting was held on 19 June in Neutraubling. The Executive Board informed shareholders in detail about the 2012 financial year and the main points of the Value programme. Shareholders received a dividend of €0.75 per share for the 2012 financial year, €0.15 more than in the previous year.

Q3

New orders: €721.0 million

Revenue: €655.4 million

Earnings before taxes: €37.4 million

Share price at 30 September 2013: €62.85

The drinktec trade fair took place from 16 to 20 September in Munich. The world's premier trade fair for the international beverage and packaging industry was a great success for KRONES. Some 60,000 attendees visited KRONES' booth and were very enthusiastic about the many innovations on display there. KRONES signed contracts with a total value in the triple-digit millions of euros at drinktec.

Business remained strong in the third quarter of 2013. New orders exceeded the year-earlier level by 12.7% and revenue was up 7.8%. KRONES' earnings before taxes for the third quarter of 2013 came to €37.4 million. In the year-earlier quarter, earnings before taxes had been €27.0 million adjusted for a one-time expense.

KRONES' share price rose dramatically in the third quarter. At its peak, the share reached an all-time high of €67.58. At the end of September, KRONES' share cost €62.85, having gained one-third in the first nine months of 2013.

Q4

New orders: 705.0 million

Revenue: 782.8 million

Earnings before taxes: €52.6 million

Share price at 30 December 2013: €62.43

On 22 November, Executive Board Chairman Volker Kronseder accepted the German Investor's Award for Responsible Business Practices on behalf of KRONES AG in Frankfurt am Main. DuMont Verlag, one of Germany's largest newspaper publishing companies, and Deutsche Asset & Wealth Management, a leading asset manager, established the award to honour companies for their sustainable practices. The award's presenters emphasised KRONES' highly ethical corporate values and great solicitude for the well-being of its staff.

In November, KRONES sold its 1000th Contiroll Highspeed (HS). The machine can apply wrap-around labels to as many as 81,000 containers per hour. But it's not only fast. It is also extremely versatile. The Contiroll HS makes it possible to handle containers of different sizes on a single production line.

KRONES' share closed the year at €62.43, for a total gain of 32.8% in 2013.

Consolidated management report

Fundamental information about the group

In 2013, the consolidated management report has been prepared in accordance with GAS 20 (German Accounting Standard 20) for the first time.

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. Services make up an important part of KRONES' business model. The company reports on its three segments: "machines and lines for product filling and decoration", "machines and lines for beverage production/process technology", and "machines and lines for the low output range (KOSME)".

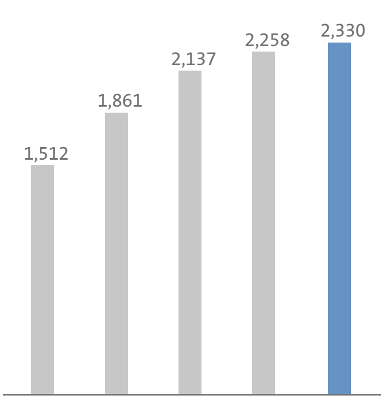
Product filling and decoration

This segment is by far KRONES' largest and most profitable segment. It 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.

	2013	2012
EBT (€ million)	174.5	120.4
EBT margin (%)	7.5	5.3
Employees*	10,841	10,513

*Consolidated group

Revenue (€ million)

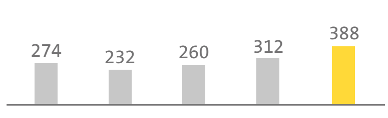


Beverage production/process technology

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. Our components business, that is, EVOGUARD brand valves and pumps, is also part of the "beverage production/process technology" segment.

	2013	2012
EBT (€ million)	–2.5	–13.6
EBT margin (%)	–0.6	–4.4
Employees*	620	671

Revenue (€ million)

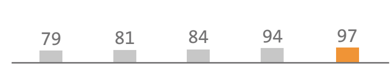


Low output range (KOSME)

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.

	2013	2012
EBT (€ million)	–2.3	–7.6
EBT margin (%)	–2.3	–8.1
Employees*	503	495

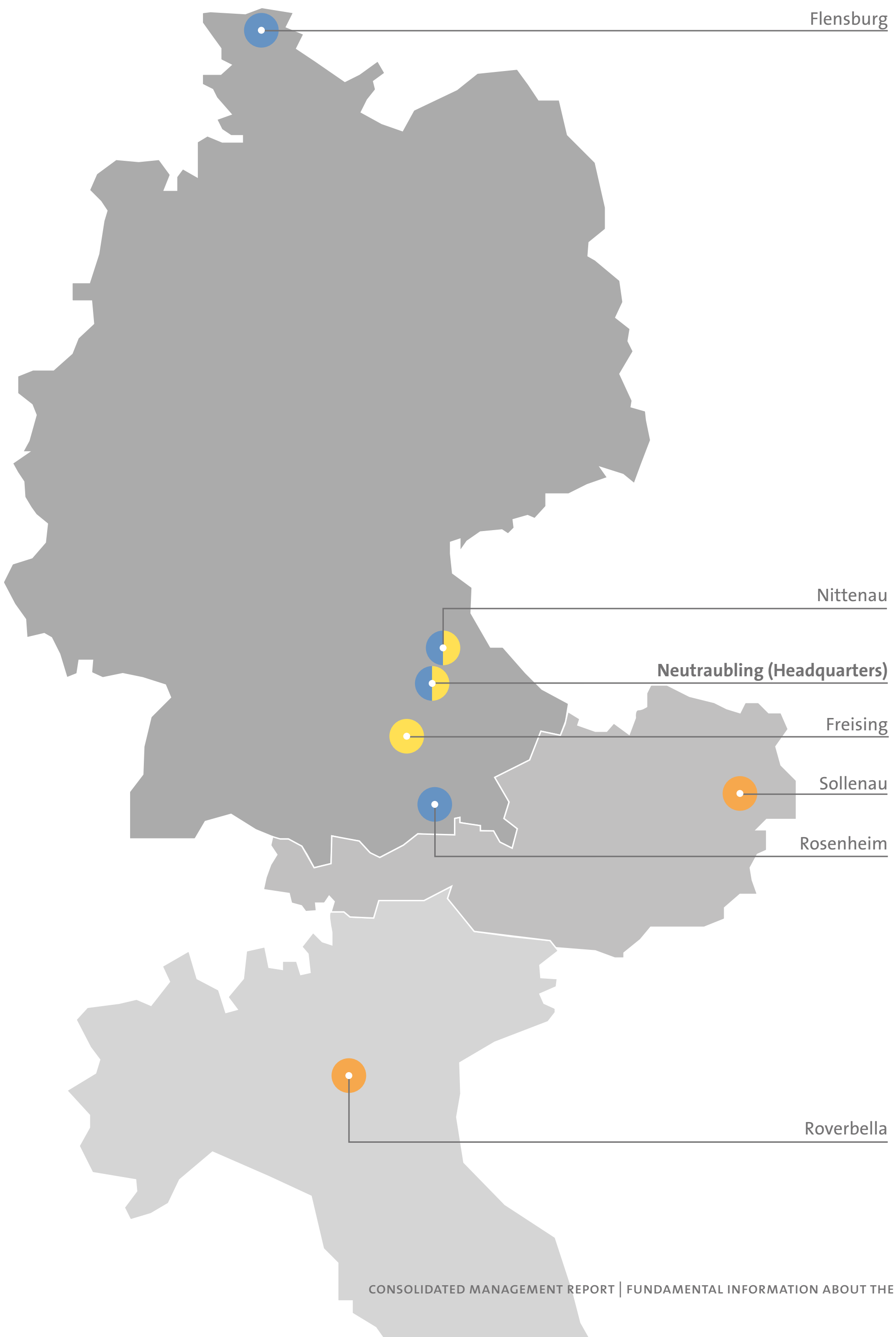
Revenue (€ million)



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



KRONES has whole-plant expertise

A complete KRONES filling line for producing, filling, and packaging beverages is composed of innovative individual machines and systems from the company's different product divisions.

KRONES machines produce finished beverages and produce, fill, label, and pack bottles. Custom IT solutions from KRONES control and document all processes within the production line.

1 Process technology

The **SyPro S** sugar dissolving station and sugar syrup pasteuriser can produce up to 30,000 litres of syrup per hour.

2 Process technology

The **Contiflow** mixer combines this syrup with other ingredients to produce beverages that are then fed into the filler.

3–5 Contiform AseptBloc

The **Contiform AseptBloc** is a compact, user-friendly system that covers bottle production and filling in an integrated concept. It is well suited for dairy drinks, UHT milk, juices, iced tea, other teas, energy drinks, and beverages containing chunks of fruit.

3 Conveyors

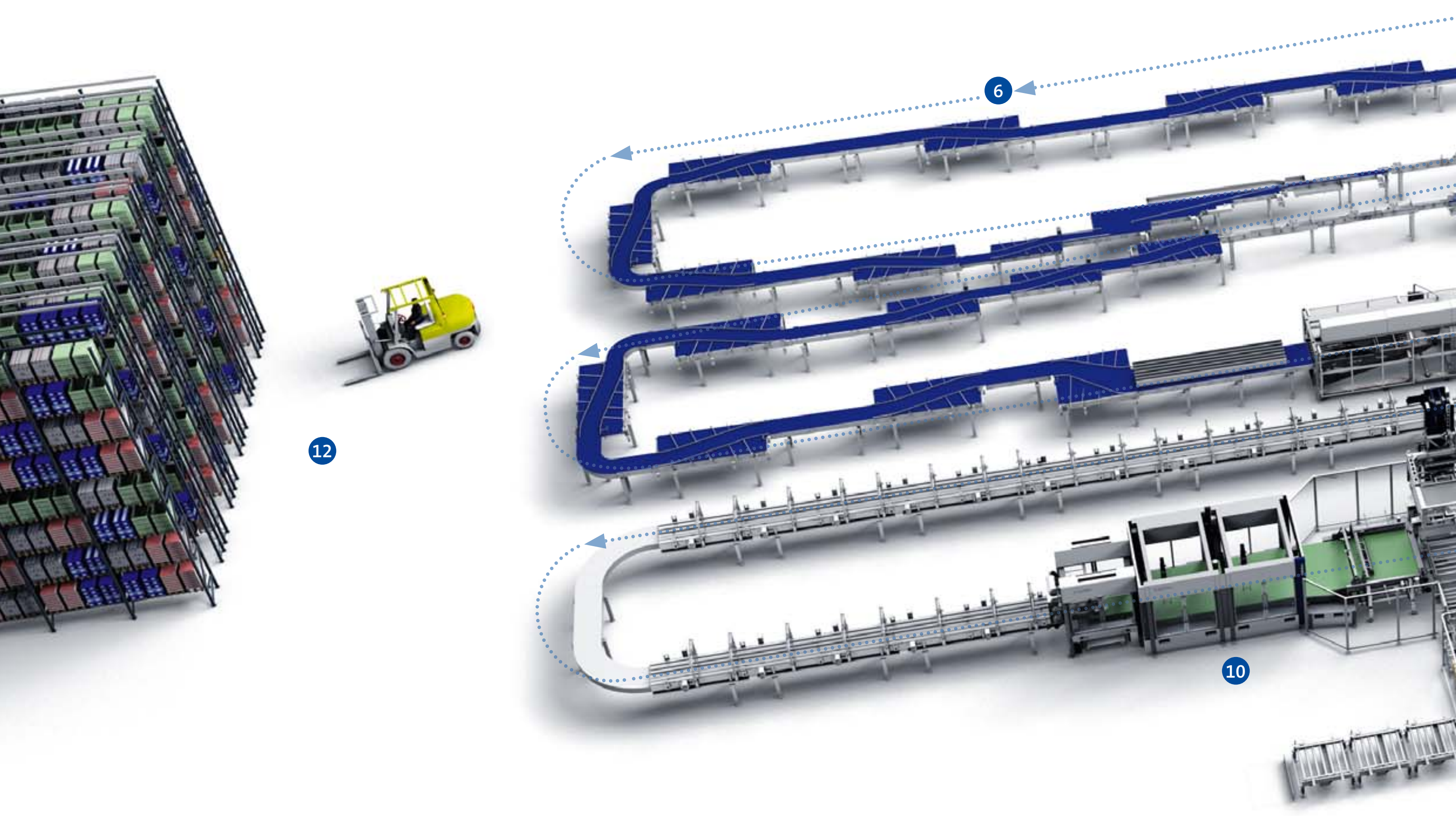
The Contifeed preform feed unit sorts and inspects PET preforms before they are fed into the stretch blow-moulder.

4 Plastics technology

The **PreFlow** preform sterilisation unit uses H_2O_2 to sterilise preforms before they are passed to the next module to be blow-moulded into bottles. The system can produce up to 32,000 1.5-litre bottles per hour.

5 Filling

The **Modulfill** filler is suited for highly sensitive beverages such as juices and can operate continuously for up to 144 hours.



6 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.

7 Labelling

The **Ergomodul** labeller dresses containers in wrap-around labels and checks to ensure that they are perfectly placed.

8 Packing and palletising

The options for packaging are myriad. Therefore, packaging lines need to be highly versatile. The various models of KRONES' **Variopac Pro** fully automated packer cover almost every type of single-use packaging.

9 Packing and palletising

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

10 Packing and palletising

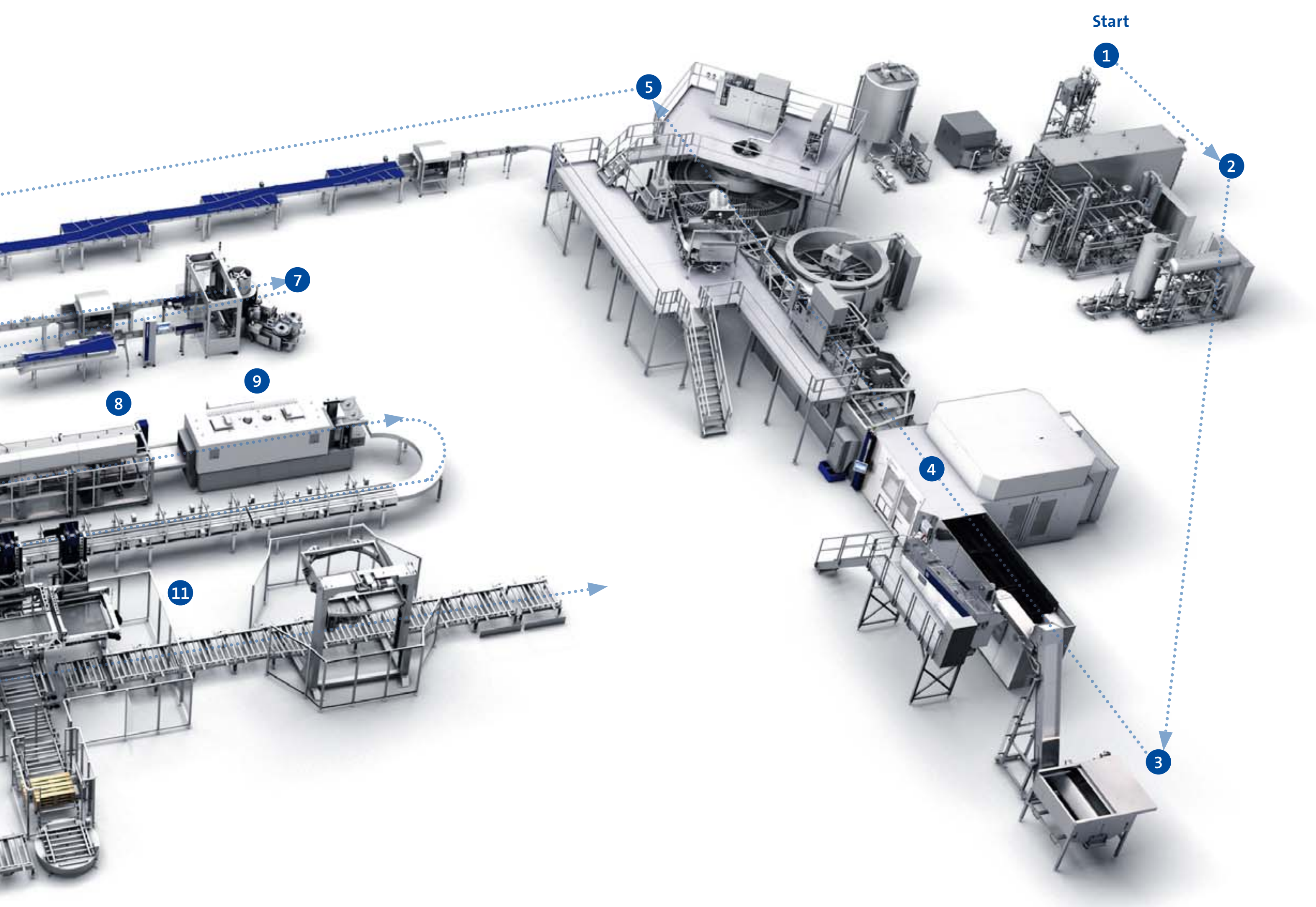
The **Robobox** pack collating system positions and distributes single-use packs quickly and fully automatically, setting the stage for reliable, precise palletising.

11 Packing and palletising

The **Modulpal Pro** palletiser for single-use packs gently loads more than 600 layers onto pallets per hour.

12 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.



Lifecycle Service (LCS)

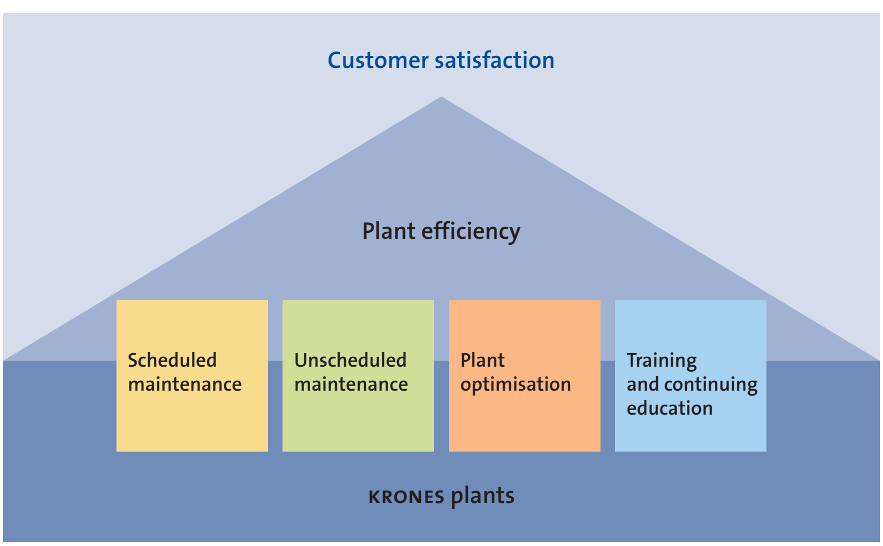
- Plant efficiency is the key factor for investment decisions
- Internationalisation increases proximity to customers
- Data management offers value added for customers

Operators of bottling and packaging plants, breweries, and dairies take a comprehensive look at the total cost of ownership (TCO) when evaluating their capital expenditures. TCO includes the cost of acquiring the plant as well as all costs associated with its operation. Customers are looking for plant and equipment that will operate cost-effectively over its entire useful life. And that means minimised downtimes and sustained high performance. KRONES' Lifecycle Service (LCS) division provides comprehensive products and services and highly qualified technicians to ensure that our customers' lines run reliably and efficiently.

Efficient machines and lines are key to customer satisfaction

Customer satisfaction is a top priority for KRONES. That is why we do our utmost to keep our lines in tip-top shape. The high efficiency of KRONES production lines is based on four key pillars:

- Scheduled maintenance
- Unscheduled maintenance and repairs
- Plant optimisation
- Training and continuing education



For customers to be satisfied, KRONES plants and equipment have to be cost-effective in production. Ensuring that is LCS' primary job.

KRONES has developed suitable LCS solutions for all of these areas, which our service staff around the world implement for our customers.

Scheduled maintenance

Scheduled maintenance work is very important in order to prevent significant loss or damage and to keep performance where it should be. These tasks must be carried out professionally to quickly get the line back up and running at full capacity.

KRONES determines and implements the best maintenance strategies for its customers. We use special software tools that enable our service staff to complete their work faster and thus minimise costs for customers while ensuring high operational reliability. KRONES perfectly coordinates parts delivery and service. The global structure of our LCS business enables us to provide for all maintenance needs quickly and at the highest level of quality worldwide.

Unscheduled maintenance and repairs

KRONES Lifecycle Service has a global structure that enables service technicians to be on site at a customer's plant quickly and provide immediate support

Although scheduled maintenance reduces unscheduled downtimes, it cannot rule them out entirely. When the need for unscheduled maintenance and repairs arises, long and costly downtimes are certainly something customers want to avoid. KRONES Lifecycle Service offers a range of suitable solutions that speed the process of getting the production line up and running again.

For emergencies, KRONES has qualified technicians available for phone support and remote service (that is, fast support via online access to the machine) 24 hours a day, 7 days a week, 365 days a year.

KRONES also ensures the fastest possible spare parts delivery. For this, we use a three-level spare parts concept that includes the customer, our global LCS Centres, and our main plant in Neutraubling. At the first level, we use our innovative SPAC (spare parts availability concept) tools to develop customised spare parts packages that customers keep on site. These packages take into account the risk of part failure as well as technical and logistical aspects. At the end of the selection process, customers keep only the most critical parts on site. This minimises the amount of capital tied up in spare parts.

Our LCS Centres make up the second level. In recent years, we have built up decentralised warehouses to ensure even faster delivery of spare parts to our customers. In some regions, we are already able to serve more than 80% of customers' spare parts needs from our LCS Centre warehouses.

Our group headquarters in Neutraubling make up the third level of our spare parts strategy. With more than 50,000 parts on hand, our main warehouse is able to immediately deliver a large share of the parts needed. Any parts that are not kept on hand are produced quickly and in the highest quality in a separate KRONES production facility in Neutraubling, even overnight or on the weekend if necessary. Our global logistics network fast-tracks delivery of all parts from Neutraubling to our customers worldwide as well as their installation into the machines and lines.

KRONES' service technicians play a crucial role in keeping unscheduled downtimes as short as possible. A growing share of our service people are employed at our LCS Centres and branch offices worldwide to swiftly provide support on site.

Optimisation measures

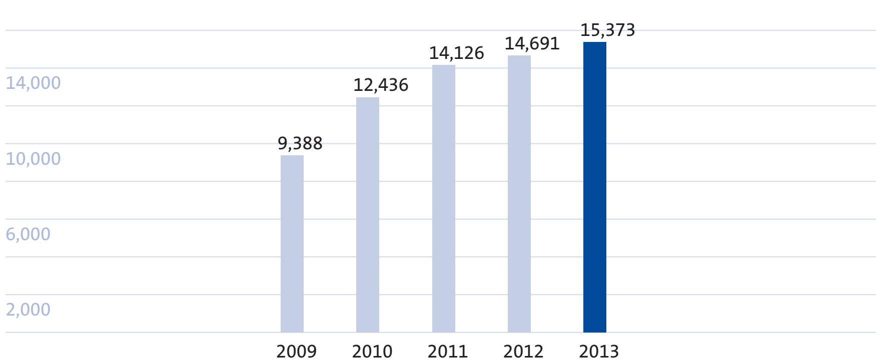
No technology is so good that it can't be improved upon. This principle drives our ongoing product and technology development efforts. At KRONES, technological advances and innovations benefit not only new machinery buyers but also operators of existing machines and lines. Upgrades and retrofits from KRONES Lifecycle Services enable customers to boost their lines' efficiency and overcome challenges such as stricter environmental regulations, new packaging forms, and the need to conserve energy.

Training and continuing education at KRONES Academy

KRONES' LCS concept attaches great importance to training customers on all aspects of KRONES machines and lines. The KRONES Academy plays a key role here. More than 50 expert trainers offer a diverse range of practical training opportunities for machine operators and our customers' own service technicians in Neutraubling as well as at our LCS Centres worldwide. In this way, we enable them to operate KRONES machines and lines as safely and cost effectively as possible. The KRONES Academy sees itself as our customers' partner in ensuring that their lines operate at optimum efficiency. In 2013, a total of 15,373 people made use of the Academy's courses (previous year: 14,691).

KRONES trains our customers' employees so that they can operate the machines and lines safely and cost-effectively.

KRONES Academy participants



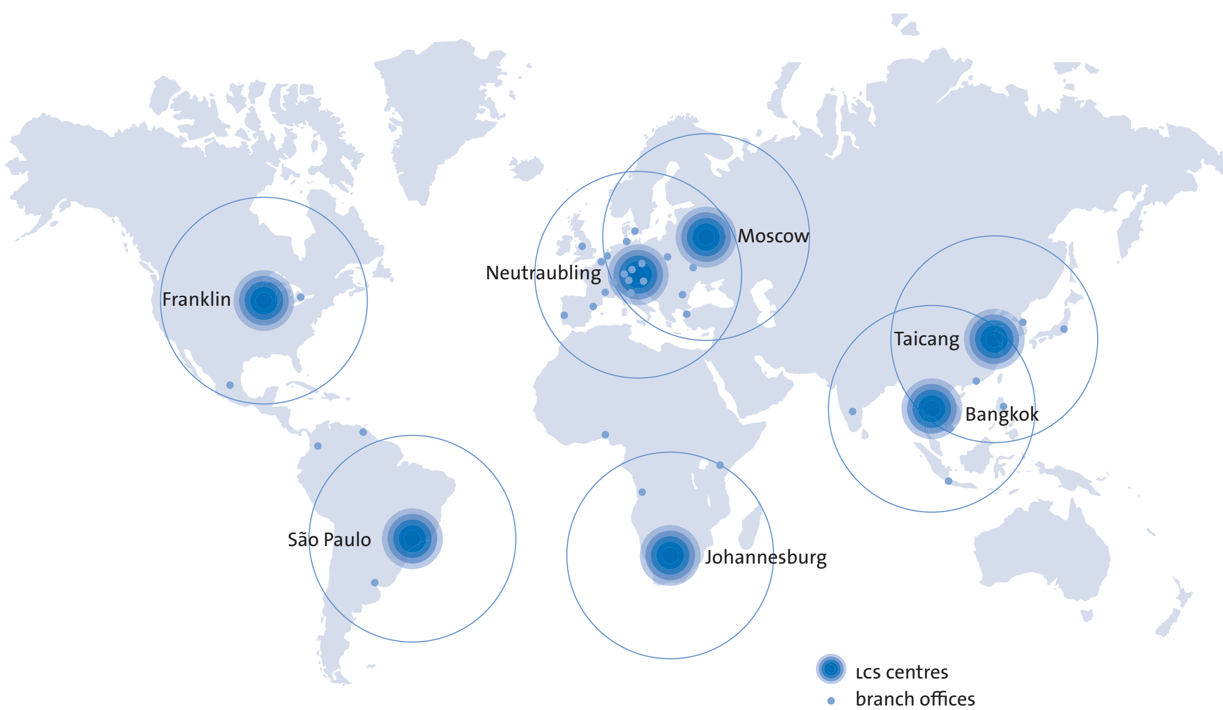
KRONES continues the push to internationalise its service business

Being close to customers is an important factor for success in the services business.

To provide perfect service, you must be close to your customers. Close proximity is important for better understanding a customer's daily needs with respect to operating machines and lines. And rapid response times are essential to the success of any service business. At KRONES, we want LCS to be where our customers are. KRONES' LCS strategy is designed to ensure that our products and services are as close to our customers as possible. Many years ago, we established LCS Centres in strategically important regions. We continue to expand these today.

LCS projects are now being implemented in our LCS Centres and branch offices using local resources. That means parts are delivered from regional warehouses and technicians, trained in Neutraubling, are then available locally for our customers.

KRONES will systematically continue its strategy of internationalising by further building and expanding local resources and expertise.



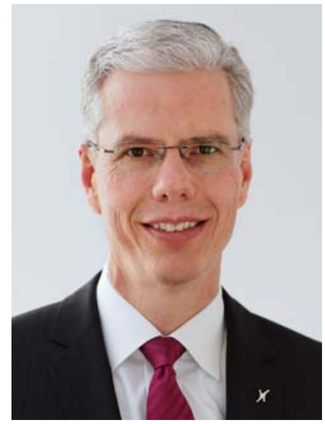
Efficient data management increases customer benefit

KRONES machines already deliver information digitally that helps us develop tomorrow's technologies. Effective data management enables us to collect machines' operating data and translate it into usable information. Our aim is to further increase operational reliability in future generations of our machines. At the same time, we will proactively extract information from the analysed data to make KRONES machines and lines operate even more efficiently. For this, we plan to soon be offering our customers products that offer concrete added value.

New group structure gives Value additional thrust

We began implementing our Value strategy programme in 2011. Our aim is to make KRONES faster and more agile, so that the company can continue to grow profitably long into the future. In our third year of Value, we once again made good progress in all four of the core areas: innovation, quality, profitability, and growth.

But we will not rest there. To launch the next phase in the company's development, we introduced a new organisational structure for the group at the start of 2014. With clear management structures that are based on our key processes, we are giving more weight to the different needs of the three new Business Units: *Bottling and Packaging Equipment, Plants and Components,* and *International Operations and Services*. The new management structure also enables us to address our customers' specific needs even better.



"The new group structure puts KRONES even closer to its customers and is making the company even more efficient and flexible."

Christoph Klenk
Chief Financial Officer

The new corporate structure gives Value an added boost since it makes us even more efficient and flexible and puts us even closer to customers. The new structure makes it possible to maintain clear, consistent accountability throughout the entire order handling process, from preparing the quote to putting the machines and lines into operation. It also speeds decision-making considerably. In this way, the new structure supports the strategies we have defined for the segments on the basis of the management system. Well-qualified local technicians will provide our customers with fast, uncomplicated service. We are making good progress here. KRONES already performs a large share of installation work in the emerging markets with technicians from the respective regions. That is why our workforce outside Germany will continue to grow steadily in the years ahead. In 2013, this force grew by 300 to 3,187 groupwide.

Employees in the emerging markets 2009–2013

Year	South America	Africa	Asia	CIS/Eastern Europe	China	Total
2009	202	180	95	94	174	**745**
2010	384	193	159	92	202	**1,030**
2011	406	225	198	109	258	**1,196**
2012	438	285	293	121	298	**1,435**
2013	484	339	400	132	325	**1,680**

KRONES operates in markets with stable growth

KRONES' sales markets remained stable worldwide in 2013 even as the economic situation fluctuated in individual regions. That shows that KRONES can operate successfully even in a volatile macroeconomic environment. With our products and services, the company benefited from various megatrends. The steady growth of the middle class in the emerging economies and countries with increasing urbanisation will continue to drive strong demand for packaged food and beverages for the long term. As populations move into cities, they adapt to urban lifestyles and consume more and more packaged food and beverages. In addition, the number of different packaging options will continue to grow as food and beverage producers seek to set themselves apart from the competition by offering a wider range of product variations.

Despite the strong market growth, intense competition kept prices under pressure last year. Only by lowering costs were we able to improve profitability in 2013.

Significant progress towards our 7/7/20 target

Our medium-term target of 7/7/20, which stands for

- 5 to 7 percent revenue growth per year on average
- 7 percent EBT margin (pre-tax return on sales)
- 20 percent ROCE (return on capital employed)

is coming within reach thanks to the measures we have taken. In 2013, we increased revenue by 5.7 percent, after 7.4 percent growth in the previous year. That means we are already within our target range of 5 to 7 percent revenue growth on average. We improved our EBT margin from 5.1 percent (adjusted for the one-time expense relating to Le-Nature's) to 6.0 percent. We still have plenty of work to do on this target. We are also making good progress on our ROCE, which came to 16.7 percent. Here, too, we still have more potential to leverage.

To ensure that we continue to grow profitably for the long term, we also improved in the areas of quality and innovation, two more pillars of our Value strategy, in 2013. We defined ten quality gates, quality controls within our production process that must be met in order for the process to run at its best. The quality gates enable us to shorten lead times and further improve the quality of our products.

We also made good progress with the Value pillars quality and innovation in 2013.

In terms of innovation, 2013 was an especially strong year at KRONES due in part to the drinktec trade fair. Many new developments were designed with this milestone event in mind. That is why we are even more pleased about the extremely positive feedback we received on the innovations from fair visitors. It paid off to keep our focus for all products on our customers' needs. Crucial factors, apart from lower total cost of ownership, include low down times, high production security, and quick changeovers. The exhibits on display also meet the high standards of the enviro sustainability programme, which yields documented reductions in resource consumption.

Now we need to translate the success of drinktec into long-term business. We have to quickly turn the prototypes we showed at the fair into final products ready for the market and assert our leadership in innovation. A very good example of this is the ErgoBloc L, one of our showcase exhibits at the 2009 drinktec. The line has since become successfully established on the market and KRONES is still the only vendor supplying a product at its level of technological maturity.

Continued focus on lowering costs

Since we can expect only meagre support from prices, reducing costs remains an important item for improving profitability within Value. In 2013, we made good progress in both of the company's larger segments.

In the core segment, machines and lines for product filling and decoration, we improved efficiency in manufacturing and assembly with various measures, including the continued modularisation of our filling, packing, and palletising product ranges. Buying more locally at our sites worldwide has enabled us to save on the cost of goods purchased. We are also reaping the benefits of our new logistics centre, with which KRONES has been able to increase the availability of spare parts.

Improved project management has helped us reduce costs in our process technology segment. The repositioning of our material flow technology/intralogistics business in early 2013 also helped to improve the segment's earnings significantly and reduce its loss for the year.

To achieve our targets, we must further reduce costs in all three segments.

We successfully expanded our process technology business with innovations, for example, in tank construction. We also made good progress in establishing our components business in 2013. Our very own EVOGUARD series of pumps was unveiled at drinktec to complement our already very successful EVOGUARD valves. In early 2014, KRONES spun off its components business into EVOGUARD GmbH in order to promote sales in industries outside the beverage sector, such as pharmaceuticals and biotech. This independent company has favourable cost structures and great flexibility with which to rapidly advance the promising components business. With our own range of components, we will also be able to take on more smaller, profitable orders and increasingly fill them within favourable local structures.

Acquiring HST Maschinenbau GmbH, a leading producer of homogenisers, expands our process technology offerings. The acquisition will bolster our business with milk and juice producers. The addition supports our aim of expanding process technology in the years ahead.

We further reduced costs in our segment for the low output range (KOSME) in 2013. The impact on earnings was positive. But there is still much to do. We will implement measures that make cost structures significantly more flexible in order to better offset fluctuations in demand. We intend to set KOSME up for success with a lower break-even point and more stable capacity utilisation.

Good cash position gives us flexibility

Value's success depends on the great dedication of our employees.

Although we will be paying a dividend of 25% to 30% of profit in the future instead of 20% to 25% as we had previously, KRONES remains extremely well positioned financially. Our strong net cash position and positive free cash flow enable us to quickly and flexibly seize investment opportunities, whether internally or through acquisitions. In terms of acquisitions, we are interested in companies that are strong in process technology and information technology. We want to add interesting components to our process technology offerings and step up their international marketing through our sales channels. When considering possible acquisitions, KRONES is careful to take only limited risks.

Despite the achievements made thus far, KRONES will continue to implement the Value strategy in 2014 – at a faster pace under the new organisational structure. Those of us on the Executive Board will never lose sight of our 12,300 employees who are making improvements happen every day. Our ability to shape KRONES' success well into the future depends on a motivated, competent team.

Christoph Klenk
Chief Financial Officer

KRONES' management system

KRONES' management primarily uses the following financial performance indicators to steer the group:

- Revenue
- Earnings before taxes (EBT)
- EBT margin (earnings before taxes in relation to sales revenue)
- ROCE (return on capital employed)

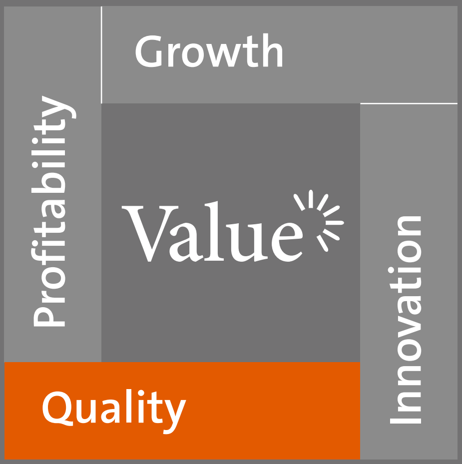
With the Value strategy programme, KRONES intends to further improve the quality of its products and services, increase profitability for the long term, drive growth, and purposefully promote innovation. In all of our activities, our focus is unswervingly on our customers' needs.

2013 was the third year of "Value" at KRONES. We had set ourselves ambitious goals in order to continue forward along the road to Value. Together with our employees, we made great progress. In 2013, KRONES expanded its components business, further augmented local service for customers worldwide, and optimised cost structures throughout the company.

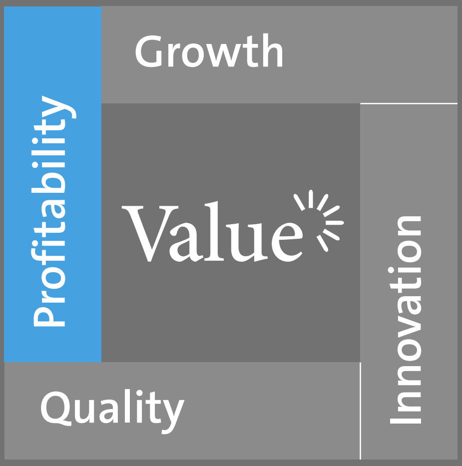
Innovations are a cornerstone of Value. Our presence at drinktec, the premier trade fair for the international beverage and packaging industry, in September 2013 demonstrated that we are on the right track in this respect. KRONES presented visitors to our booth with a broad range of innovative machines and lines. You can read about these in more detail in this Annual Report. Overall, 2013 was a successful year for Value. Every one of KRONES' employees will work hard to continue to "create value together" in 2014.


Growth
Profitability
Value
Innovation
Quality

KRONES wants satisfied customers. That is why we only deliver products and services of the highest quality. At competitive prices. The challenge is to also operate profitably. We can only do that if we can maintain our level of quality for the long term at lower costs. As part of the Value strategy programme, we are optimising key processes along our entire value chain. The aim of these efforts is to put our customers' machines and lines into operation faster.


Growth
Profitability
Value
Innovation
Quality

Every company has to invest in research and development, IT projects, production systems, and its workforce in order to remain successful over the long term. For this, a company needs capital. KRONES has traditionally relied on its own funding capacity and retains around 70% to 75% of profit in order to remain largely independent of banks. To ensure that this continues to be the case, we must operate profitably and generate a proper return on capital employed. Our shareholders also want a good return on their investment in KRONES and expect to receive their share of the company's profits in the form of attractive dividends.

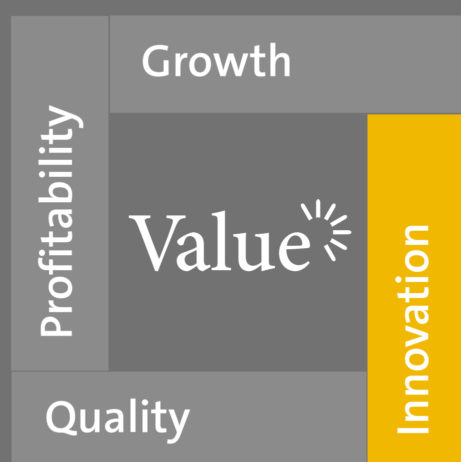

Growth
Profitability
Value
Innovation
Quality

KRONES wants to remain the world's market leader and participate in the growing market. Profitable growth contributes to long-term gains in KRONES' share price and, thus, enterprise value. By further expanding our business, we are also securing and creating highly skilled jobs. The continuous expansion of our service business in the regions is an important pillar of growth at KRONES.


Growth
Profitability
Value
Innovation
Quality

To grow profitably, a company must offer its customers innovative products and services. KRONES' customers need dependable machines and lines with little downtime that deliver cost-effective, reliable production. The total cost of ownership (TCO) – the sum of acquisition cost and operating costs – must be as low as possible.

All new and continuing developments are informed by KRONES' enviro sustainability programme. enviro stands for cost-effective, high-performance machines and lines that are proven to conserve resources.


Growth
Profitability
Value
Innovation
Quality

Shaping *success*

Germ-free from start to finish. With the Contiform AseptBloc, which was unveiled at drinktec, KRONES is setting completely new standards for aseptic (germ-free) beverage filling into PET containers. Preforms (that is, the PET blanks) are sterilised before they are blow-moulded into bottles. Since the preforms have a far smaller surface area than finished bottles, that saves time, energy, and sterilising media.

The germ-free PET preforms are then passed into a hermetically sealed sterile unit for further processing and leave the unit as aseptically blow-moulded, filled and capped bottles. The Contiform AseptBloc fills highly microbiologically sensitive beverages such as juices, iced tea, energy drinks, and dairy drinks.

Shaping *success*

Viscofill is perfect for filling thick and/or sticky foods. Products like jams and jellies, sauces and dressings, dairy products, and pet food are packaged in a precise, gentle, and hygienic process. The dosing principle used in the Viscofill series is specifically suited for filling highly viscous products and products containing large chunks or high particle concentrations. The Viscofill series is divided into three types, each featuring different valve technologies to cover a wide range of food products and meet diverse customer needs. Viscofill machines can handle cans as well as containers made of glass or plastic. That gives customers the utmost flexibility for filling highly viscous products cleanly and precisely.


Viscofill
KRONES
KRONES
KRONES

Shaping *success*

The demands placed on labelling technology are constantly rising. The Ergomodul is a completely new series of machinery that meets customers' needs. In the future, all labelling machines – with the exception of the Sleevematic – will come from a single modular system. One base machine, which will be available in several sizes, will be combined with labelling modules that can be either permanently installed or added by way of a docking system. That makes the machine extremely versatile. This new development also incorporates improved quality, ergonomics, safety, and environmental friendliness. Overall, the customer's total cost of ownership is lower since the system consumes less energy and materials, allows for shorter changeover times, and requires less maintenance.


KRONES Ergomodul
KRONES Ergomatic

Shaping *success*

Direct printing of containers and thus completely dispensing with labels – for this forward-looking technology, KRONES has developed the DecoType system in collaboration with a printing machine manufacturer. Images and type are applied directly to round or oval containers by means of a digital printing process. Since the changeover to different images or designs is done via software for each individual container, it is possible to produce even small batches cost effectively. Digital printing is especially well suited for marketing campaigns and product launches with short lead times. Besides offering maximum flexibility, DecoType also delivers cost advantages for customers. It does not require labels or adhesives.


DecoType

Research and development (R&D)

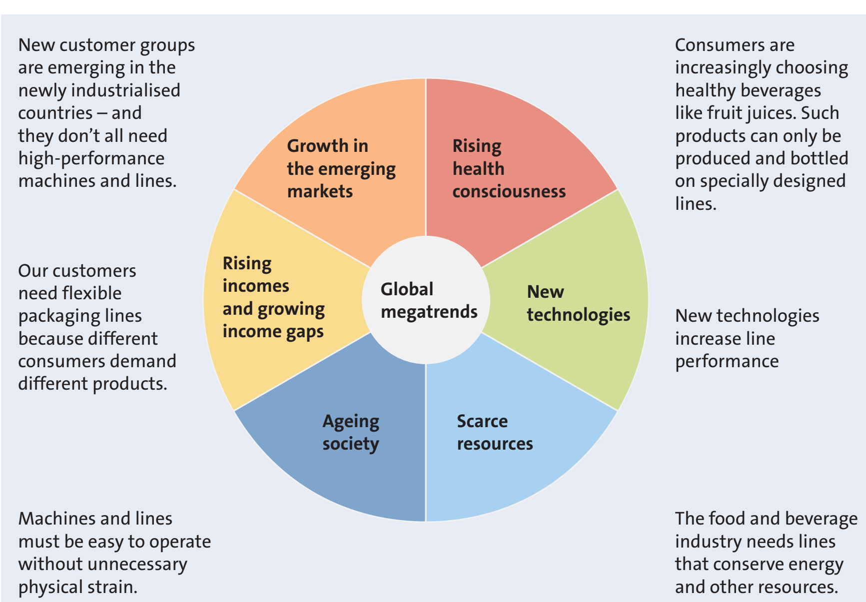
- KRONES cements technological leadership at drinktec
- All innovations generate added value for customers
- Number of patents and utility models up sharply

Drinktec is to KRONES' R&D team what the Olympic Games are to athletes. The fair also takes place every four years. And we can confirm that the hard work we put into preparing for it paid off. With the innovations presented at drinktec, KRONES soundly defended its position as the technology leader.

New, successful products are the result of hard work. KRONES has a team of around 1,900 highly qualified people worldwide keeping the pipeline filled with excellent new and evolving machines, lines, systems, and services. The creativity and inventiveness of our team is evident in the fact that the number of patents and utility models held by KRONES grew by 15 percent year-on-year to 3,150. Including capitalised development expenditure, KRONES spent a total of €132 million on research and development in 2013 (previous year: €121 million). That corresponds to 4.7 percent of revenue.

We develop what our customers want

Innovation is one of the four pillars of our Value programme. To grow profitably, a company must bring innovative products and services to the market. One question guides all of our new developments: How can we increase the benefit to producers? To answer this question, we listen closely to our customers in an intensive dialogue. The drinktec trade fair was the ideal platform for such exchange. Views on future developments in the industry were a major topic of conversation there. But our outreach to customers is not limited to trade fairs. We are in dialogue on a daily basis. That gives us a good sense of how overarching megatrends are influencing our customers' strategies and needs.



Global megatrends shape the expectations of our products and services.

Regardless of megatrends and market developments, innovations are always driven by the demand for:

- Cost-effective machines and lines with low total cost of ownership
- High availability and fast changeover and start-up times
- Ease of operation
- The utmost in production reliability

enviro – a lasting success story

Machines and lines from KRONES that carry the enviro label enable customers to significantly reduce their resource consumption.

Visitors at drinktec at showed a keen interest in our enviro sustainability programme. More and more, our customers are focusing on resource consumption in their production processes, for both financial and environmental reasons. Back in 2009, when we obtained certification of our enviro management system, we were the first in our industry to establish a standard for objectively assessing the energy and media efficiency and environmental compatibility of machines and systems.

All KRONES innovations aim to reduce energy and media consumption on existing and new equipment in breweries and beverage bottling operations. The innovations we exhibited at drinktec feature significant reductions in consumption. We intend to have assessed and optimised our entire machinery portfolio under enviro criteria by 2015.

Selected innovations and drinktec highlights

On the following pages, we present machines and lines that exemplify our efforts to meet all of the customer needs listed above and will contribute to KRONES' profitable growth.

Contiform AseptBloc

With the Contiform AseptBloc, which was unveiled at drinktec, KRONES is setting new standards for aseptic (germ-free) beverage filling. The big advantage of this system over its predecessor models is that it sterilises the preforms (that is, the PET blanks) before they are blow-moulded into bottles. Since the preforms have a far smaller surface area than finished bottles, sterilising the preforms saves time, energy, and sterilising media. Another benefit: The Contiform AseptBloc can also handle extremely lightweight PET containers since, unlike bottles, preforms are not prone to shrinkage during the sterilisation process.

The sterile preforms are passed into a hermetically sealed sterile unit in which they are blow-moulded, filled, and capped in a seamless aseptic process chain. The Contiform AseptBloc fills sensitive beverages such as juices, iced tea, energy drinks, and dairy drinks in an environment that ensures maximum microbiological safety. Our combined expertise in aseptic technology and stretch-blow moulding has yielded a unique integrated concept.

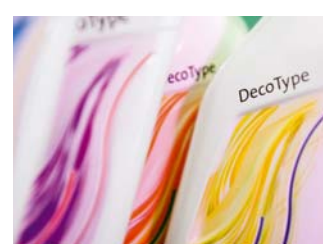
PreBeam

The PreBeam module is an ideal complement to KRONES' new generation of aseptic technology and the first of its kind worldwide. In this innovation, KRONES combines the general advantages of preform sterilisation provided by the Contiform AseptBloc with our proprietary electron beam (e-beam) technology, which we developed specifically for this purpose. PreBeam sterilises preforms using accelerated electrons – and no chemicals. PreBeam destroys even the toughest, most chemically resistant germs in an energy-saving process that leaves absolutely no chemical residue. The technology will be put into serial production following successful practical testing.

Ergomodul/Ergomatic

The new Ergo series is a completely modular concept for labelling technology. The base machine can be combined with different labelling stations which can be either permanently installed or interchangeable by way of docking systems. That ensures the highest possible level of flexibility. The new development also incorporates significant improvements to cost points, quality, ergonomics, safety, and environmental friendliness. The total cost of ownership is lower since the system uses less energy and consumables, allows for shorter changeover times, and requires less maintenance. We are gradually expanding the range of available sizes in order to establish a complete series.

DecoType



The DecoType digital direct printing system makes possible individual, attractive design of round and oval-shaped plastic containers. For our customers, that means maximum flexibility and the shortest possible launch lead times for new products. Digital printing is especially well suited for marketing campaigns and product launches with short lead times. DecoType can print uneven product surfaces that existing labelling technology cannot accommodate. Moreover, the highly versatile decoration technology uses no adhesives and requires no label storage. We are adding more performance classes to the DecoType series to cover the entire market.

Sypro S

Demand for beverages containing sugar is growing worldwide. At drinktec 2013, KRONES presented a revamped design of a sugar dissolving and pasteurisation system. The entire sugar preparation unit from KRONES is modular in construction. It can be individually expanded and adjusted to suit different input materials. The compact design reduces the time needed for commissioning. In addition, Sypro S uses a heat recovery system to reduce energy consumption. The innovative inlet nozzle ensures fast, complete dissolution of granulated sugar without the need for an additional pump or agitator in the tank. That shortens dissolving times and reduces energy consumption. With the Sypro S sugar-dissolving unit, KRONES is now able to deliver the entire syrup room from a single source.

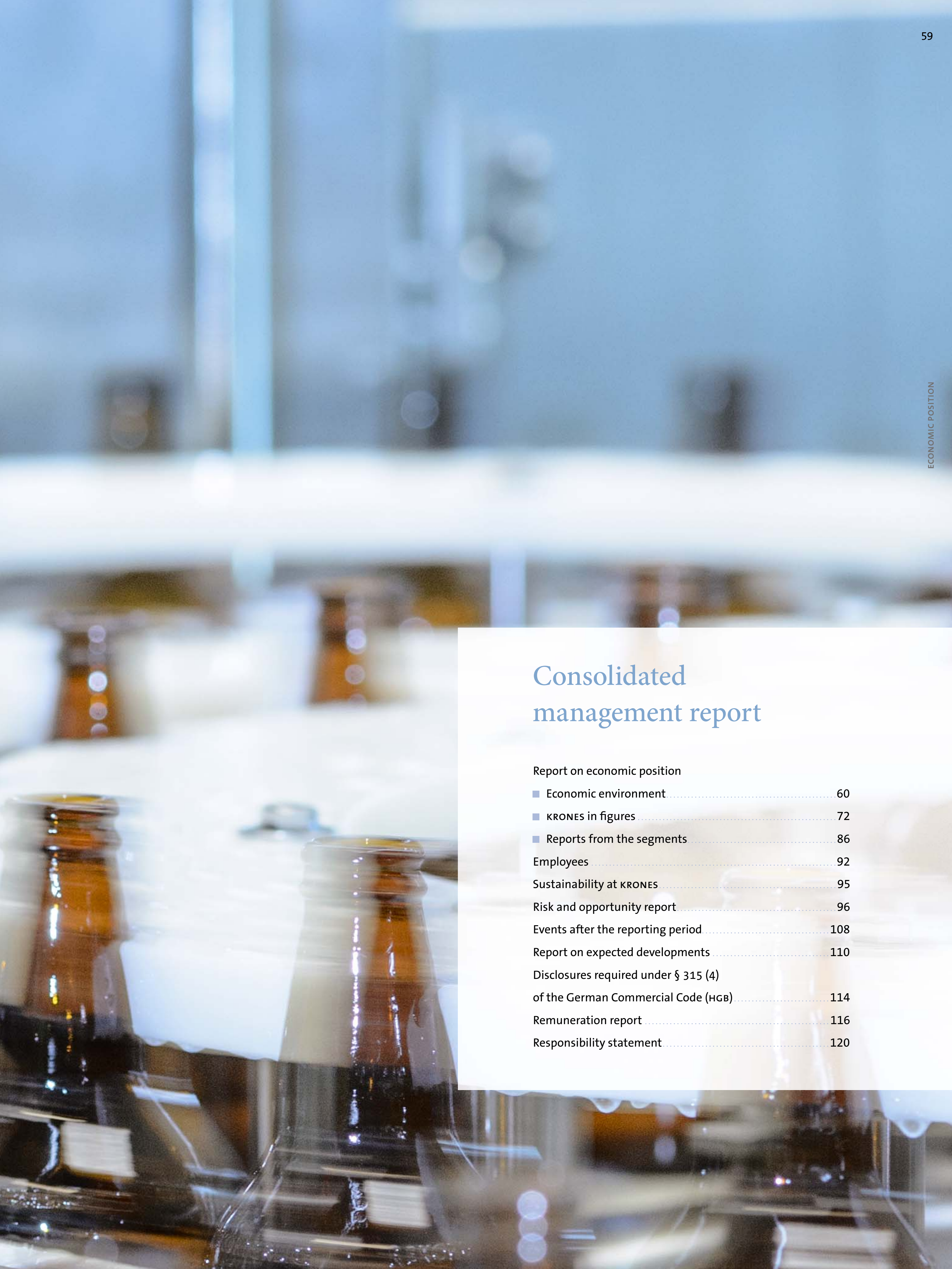
Viscofill

The Viscofill series fills food products in a precise, gentle, and hygienic process (see photo right).

KRONES developed the Viscofill series to handle products like jams and jellies, sauces and dressings, dairy products, and pet food in a precise, gentle, and hygienic process. The dosing principle is a classic piston-type rotary filler that is particularly suited for filling highly viscous products and products containing large chunks or high particle concentrations. The following criteria were vital in KRONES' development of the Viscofill series: greater hygiene, improved product quality, and more efficient processes. Pneumatically controlled valves and fully automatic cleaning processes meet these criteria. The Viscofill series is divided into three types, each featuring different valve technologies to cover a wide range of food products and meet diverse customer needs. As is customary for KRONES filling technology, Viscofill machines can handle cans as well as containers made of glass or plastic.

BEVkeg

BEVkeg is an integrated system for single-use kegs made of PET that demonstrates KRONES' courage to keep it simple. The crux is that the containers require no compressed gas for tapping and, because they are single use, also eliminate hygiene issues at "the bar". The system is the result of collaboration between KRONES and the tapping systems specialists at Micro Matic. BEVkeg ensures high beverage quality from container production all the way to the beer glass. It protects beverages from temperature fluctuations and CO_2 loss. So, guests always get a cool, fresh, perfectly tapped beer. BEVkeg is initially being offered to breweries but further development is underway to make it available to other sectors.



Consolidated management report

Economic environment

- World economy grows 3.0% in 2013
- Emerging economies weaker
- Rising demand for food and packaging machinery

Growth loses momentum

The global economy grew only 3.0% in 2013, after 3.6% growth had been forecast at the start of the year.

The International Monetary Fund (IMF) had to lower its growth forecast for 2013 for the global economy four times last year. Momentum in the emerging and developing economies slackened, leaving global growth slower than expected. The budget battle in the USA and recession in the euro area presented additional burdens to the global economy. In all, the world economy did not grow 3.6% in 2013 as forecast at the start of the year but only 3.0% (previous year: 3.1%).

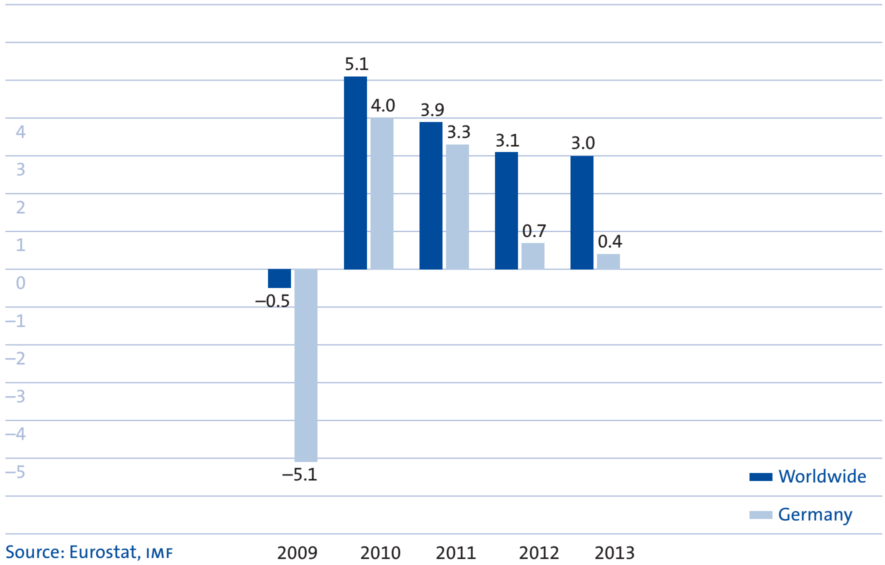
The newly industrialised countries suffered as a result of the weak economy in Europe – an important export market – and low domestic demand in 2013. In China, the economy was also hampered by problems in the banking sector. China's gross domestic product (GDP) rose 7.7% in 2013, the same as in the previous year. In all, economic growth in the emerging and developing countries last year came to 4.7% (previous year: 4.9%).

At 1.3%, growth in the industrialised countries was far slower than in the emerging markets in 2013. The world's biggest economy, the USA, grew its GDP by 1.9% 2013. The Japanese economy expanded 1.7%. The euro area remained in recession in 2013. GDP for the common currency area contracted by 0.4%.

Consumers rescue German economy

Germany's economy grew only slightly in 2013. GDP improved 0.4% year-on-year according to preliminary figures from Germany's Federal Statistical Office. The economy had grown 0.7% in 2012. But at least Germany was able to escape Europe's recession. Private consumption was an important factor here, having gained 0.9% in 2013 on the back of a strong labour market. Government consumption was also up last year. Capital expenditure was down, reflecting many companies' continued scepticism about future economic developments.

Change in gross domestic product



Source: Eurostat, IMF

2013 a disappointing year for the German machinery sector

The new orders trend in Germany's machinery sector was not good, particularly in the first half of 2013. Domestic orders and crucial export business were both down. That prompted the German Engineering Federation (VDMA) to lower its output forecast for the year 2013 as a whole in July, from +2% to –1% as compared with 2012.

The food and packaging machinery subsector developed better than the machinery industry as a whole in 2013.

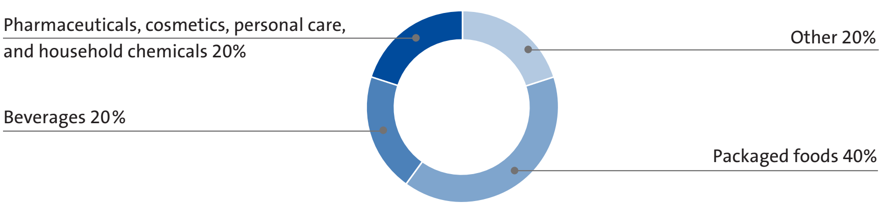
There were significant differences in output among the different VDMA subsectors. The food and packaging machinery subsector developed better than the industry as a whole. The VDMA had projected output growth of 4% for the subsector for 2013.

Megatrends benefit packaging machinery market

According to the German Engineering Federation (VDMA), the packaging machinery market worldwide amounted to €28.7 billion in 2012 and likely grew further in 2013. Measured in terms of packaged products, the food industry is the largest single market for packaging machinery, with a share of 40%. The beverage industry accounts for around 20% of total packaging machinery sales. KRONES generated around 92% of consolidated revenue with the beverage industry in 2013.

Megatrends are driving demand for packaging machinery. The market is growing by 5% to 7% annually on a long-term basis.

The global market for packaging machinery by application



Source: VDMA, estimate for 2012

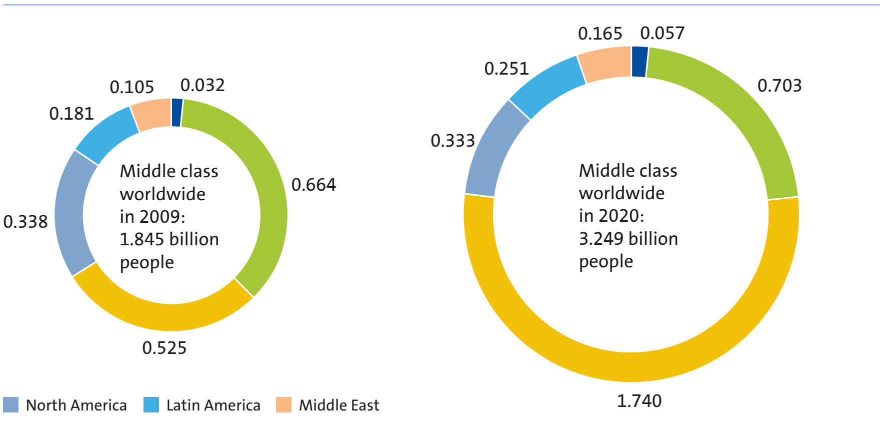
Long-term trends drive growth

KRONES operates in an attractive market with stable long-term growth. We expect demand for packaging machinery to grow by 5% to 7% per year on a long-term basis. This growth will be driven by megatrends.

The world's population will steadily increase in the coming years and decades. All those people will need to eat and drink. In addition, standards of living and consumption will rise more quickly than average in the fast-growing emerging markets and developing countries. Forecasts by the United Nations predict that the middle-class population in the Asia-Pacific region alone will have grown by around 1.2 billion between 2009 and 2020. Worldwide, the middle class is expected to grow by 1.4 billion people in the same period. As these people's incomes rise, so too will their consumption.

Many people in newly industrialised countries will climb the income ladder into the middle class in the years ahead. As their incomes rise, so will their consumption.

The middle class is growing

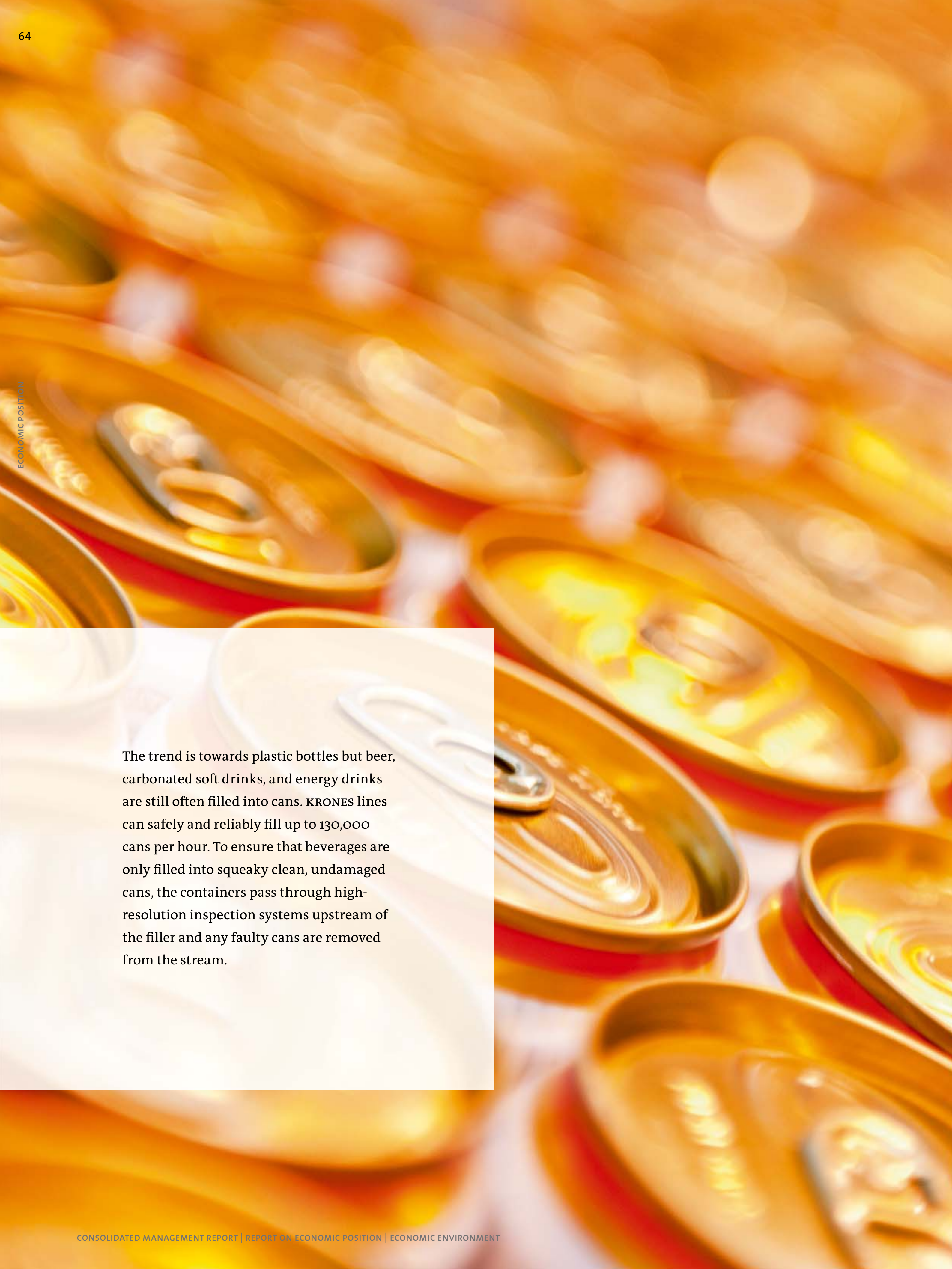


Figures are in billions of people

*The term "middle class" includes people who earn or spend between 10 and 100 dollars per day (based on purchasing power from 2005)

Source: Brookings Institution 2012

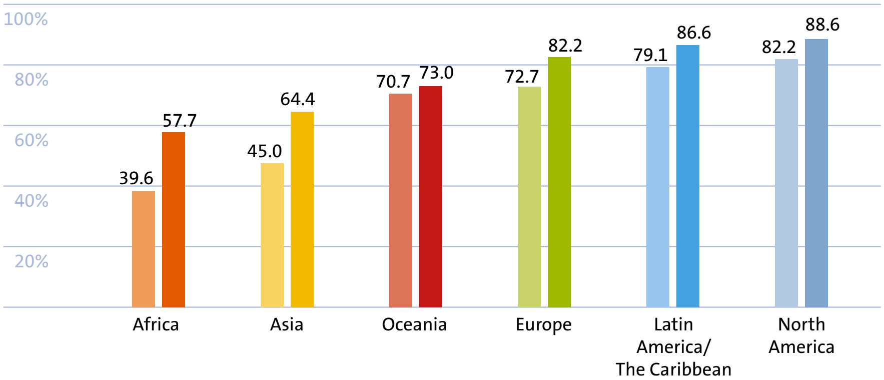
Plastic is the leader among packaging materials. The KRONES DecoType, unveiled at the drinktec trade fair, will soon be printing labels directly onto bottles and other containers made of plastic. This process will dispense with pre-printed labels entirely. And that opens up previously unimaginable possibilities for our customers. In principle, the digital direct printing system could apply a different design to every single container without a single handling part or label changeover. That makes DecoType absolutely unbeatable from an economic perspective.



The trend is towards plastic bottles but beer, carbonated soft drinks, and energy drinks are still often filled into cans. KRONES lines can safely and reliably fill up to 130,000 cans per hour. To ensure that beverages are only filled into squeaky clean, undamaged cans, the containers pass through high-resolution inspection systems upstream of the filler and any faulty cans are removed from the stream.

Increasing urbanisation – the migration of people from the countryside to cities – will also stimulate demand for packaged food and beverages. That is because people who live in cities generally consume more packaged products than those who live in rural areas. While many people already live in cities in Europe and in North and Latin America, urbanisation is advancing rapidly in Africa and Asia. More and more people there are moving to the cities and adopting urban lifestyles and consumer behaviour.

Urban population 2011 and 2050 (% of total)



Source: The United Nations

Europe and Asia are the biggest markets for packaging machinery

Since the megatrends apply primarily to the emerging markets, these markets' share of global demand for packaging machinery is likely to continue to grow.

The global market for packaging machinery in 2012 – by region

Source: VDMA estimate, October 2013

ECONOMIC POSITION

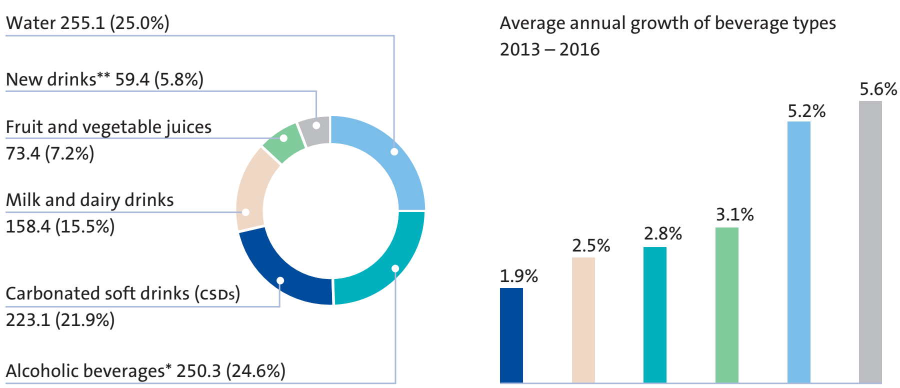
Good environment for makers of beverage filling lines

Boom or bust, thirst doesn't follow economic cycles. Global demand for packaged beverages has been growing steadily for years, regardless of macroeconomic cycles. The increasing variety of packaging options is another factor driving growth on the beverage filling and packaging machinery market.

According to preliminary data compiled by the market research institute Euromonitor, global consumption of packaged beverages rose by around 3.2% year-on-year in 2013 to almost 1,020 billion litres. Euromonitor estimates that packaged beverage consumption worldwide will grow by an average of 3.4% annually, to around 1,126 billion litres in 2016.

Consumption of new drinks – energy and sports drinks and ready-to-drink tea and coffee – will grow the most through 2016.

Global consumption of packaged beverages in 2013 (billion litres)



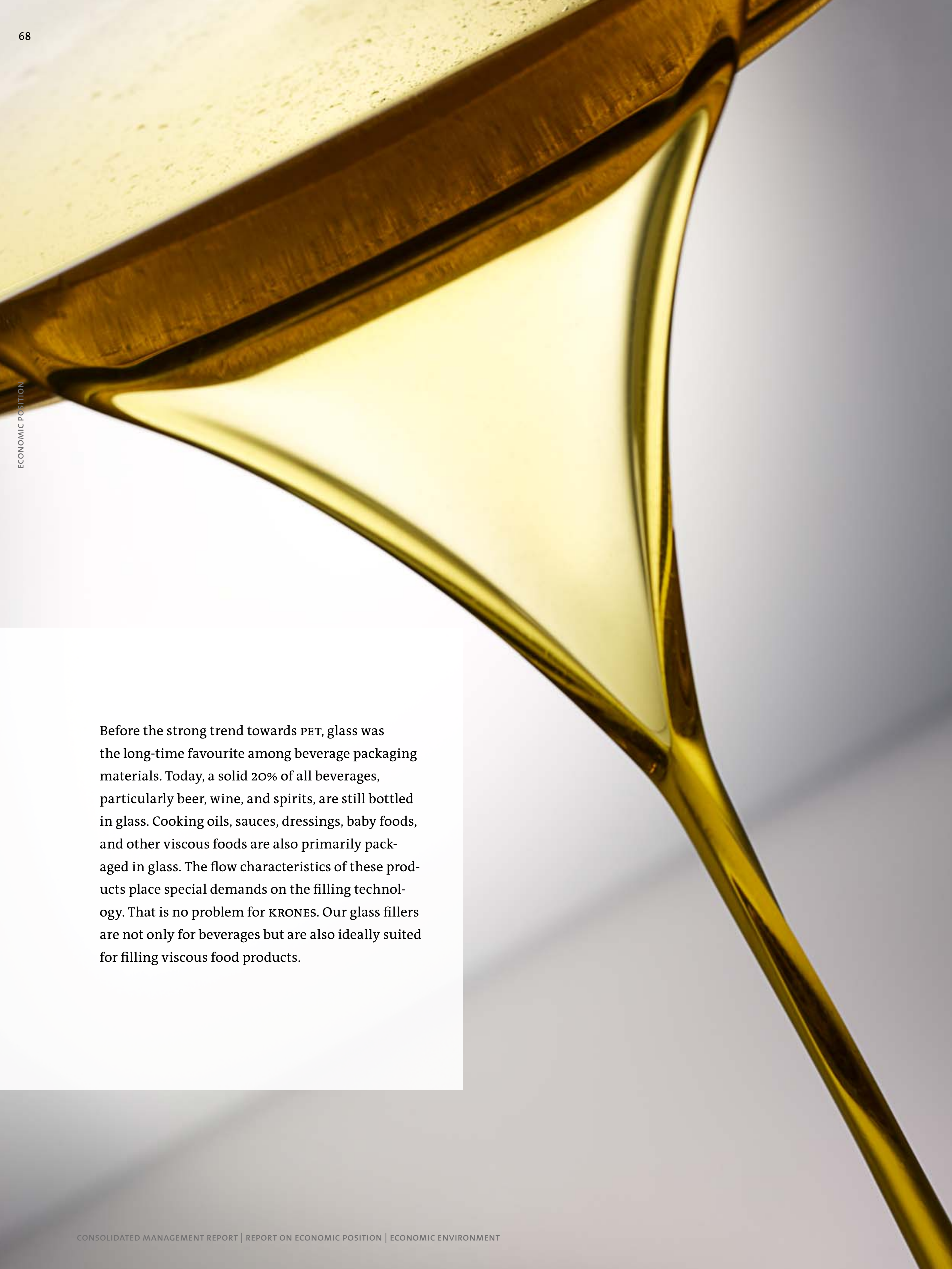
2013: 1,019.7 billion litres Sources: Euromonitor, own estimates

* Beer, wine, spirits ** Energy drinks, sports drinks, tea and coffee

Consumption of packaged water is growing faster than the packaged beverage market as a whole. Rising demand for clean, packaged water in the emerging markets and expanding health consciousness in industrialised countries are driving the increase in water consumption. At 255.1 billion litres, water accounted for one-quarter of total volume of packaged beverages in 2013. Global consumption of bottled water is expected to rise by 5.2% each year on average through 2016.

Demand for alcoholic beverages is expected to grow more slowly than the beverage market as a whole. This beverage type includes wine and spirits but beer accounts for the largest share (around 80%). While the beer market is booming in China, demand in North America and Europe is nearly saturated. In 2013, global consumption of packaged alcoholic beverages came to 250.3 billion litres (share of total beverage market: 24.6%). Euromonitor expects the average annual growth rate for alcoholic beverage consumption to be 2.8% through 2016.

Demand for bottled water is increasing rapidly. The popular thirst-quencher is primarily packaged in bottles made of PET (polyethylene terephthalate). Nearly three-quarters of the water packaged worldwide is sold in PET bottles. KRONES is very well positioned on this market. Our machines and lines are capable of producing, filling, labelling, and packing plastic bottles and recycling used bottles into food-grade material. We also develop ultra-lightweight PET bottles that offer an even more attractive price point.



Before the strong trend towards PET, glass was the long-time favourite among beverage packaging materials. Today, a solid 20% of all beverages, particularly beer, wine, and spirits, are still bottled in glass. Cooking oils, sauces, dressings, baby foods, and other viscous foods are also primarily packaged in glass. The flow characteristics of these products place special demands on the filling technology. That is no problem for KRONES. Our glass fillers are not only for beverages but are also ideally suited for filling viscous food products.

Carbonated soft drinks, such as colas and sodas, make up the third-largest market segment. Last year, the world's population consumed 223.1 billion litres of such beverages, which represents a 21.9% share of the overall market. Because calorie-conscious consumers are increasingly shying away from beverages containing sugar, soft drinks are steadily losing market share to water. Therefore, consumption of these beverages is expected to increase by only 1.9% on average per year through 2016.

The share of total consumption accounted for by milk and dairy drinks decreased slightly, to 15.5% in 2013. While demand for plain milk is likely to grow only slightly in the future, Euromonitor expects fruit-flavoured dairy drinks to grow by more than 6% each year. In all, market researchers are anticipating average annual growth of 2.5% for milk and dairy drinks through 2016.

Fruit and vegetable juices (2013: 7.2% share) and "new drinks" (2013: 5.8% share) make up only a small portion of the global beverage market. "New drinks" include ready-to-drink tea and coffee as well as energy and sports drinks. In Asia, demand for ready-to-drink packaged tea is growing rapidly. For this reason, consumption of new drinks is expected to increase by 5.6% on average per year through 2016. This trend will further close the gap between new drinks and fruit and vegetable juices in the future. Euromonitor expects consumption of packaged fruit and vegetable juices to grow by only 3.1% on average through 2016.

Beverage markets booming in emerging economies

A growing middle class in the newly industrialised and developing countries is fuelling demand for packaged beverages in these regions. The beverage markets here are growing far more rapidly than in North America and Western and Central Europe. Regional shares of global consumption will continue to shift towards China and the Asia-Pacific and Africa/Middle East regions. KRONES is well positioned in all of these regions.

Packaged beverages Share of global consumption	2013 Billion litres	2013 %	2016 Billion litres	2016 %	Annual average growth % 2013 – 2016
North America/Central America	189.2	18.6	191.9	17.0	0.5
China	162.4	15.9	195.6	17.4	6.4
Asia/Pacific	160.2	15.7	189.0	16.8	5.7
South America	159.5	15.6	178.4	15.8	3.8
Western Europe	138.4	13.6	142.1	12.6	0.9
Russia/CIS/Eastern Europe	85.1	8.3	91.0	8.1	2.3
Africa/Middle East	71.3	7.0	84.3	7.5	5.7
Central Europe	53.6	5.3	53.6	4.8	0.0
Worldwide	**1,019.7**	**100.0**	**1,125.9**	**100.0**	**3.4**

Sources: Euromonitor, own estimates

Demand for packaged beverages is rising the most sharply in China. The Asia-Pacific and Africa/Middle East regions are also among the booming markets.

Trend towards beverage packaging made of PET continues

Some 85% of the total volume of beverages packaged worldwide in 2013 went into packages made of either PET (polyethylene terephthalate), glass, metal cans, or cartons.

PET is the leading packaging material by far. Preliminary data from Euromonitor show that PET containers were used for 41.1% of packaged beverages worldwide in 2013. The trend towards PET is likely to continue in the years ahead. Euromonitor is expecting annual growth on the order of 4.0% on average for PET through 2016. Growth expectations for cartons, cans, and glass bottles, are, in part, far lower.

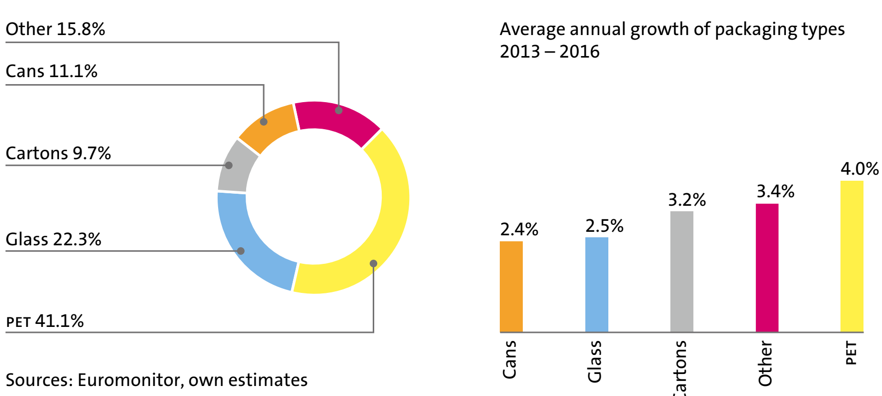
For glass, which currently accounts for 22.3% of the global packaged beverage volume and was the second-most popular packaging material in 2013, Euromonitor is predicting average annual growth of 2.5%.

The volume of beverages flowing into metal cans is expected to increase by 2.4% on average each year through 2016. The can's share of the overall beverage packaging market will shrink from 11.1% last year to 10.8%.

A total of 9.7% of the world's packaged beverages flowed into cartons in 2013. With growth rates averaging 3.2% per year, carton packaging is likely to increase at almost the same pace as the overall market in the period to 2016.

Beverage packaging made from PET will continue to grow its market share considerably through 2016.

Global beverage market by packaging material in 2013 (Based on beverage volume)



Sources: Euromonitor, own estimates

From the bottle to the glass – when done properly, the process of pouring beer can be a delight to the beer-lover's eye. But the sound of bottles and glasses clinking to a toast is also a treat for the ears. It's no wonder, then, that nearly two-thirds of all of the packaged beer sold worldwide comes in glass bottles. And that share will continue to grow slightly in the years ahead. Just under a quarter of the global volume of beer is filled into cans and about four percent into PET bottles. Cartons are not used for packaging beer at all.

- KRONES increases revenue 5.7% to €2,815.7 million.
- Earnings performance improves as planned.
- Shareholders to receive a dividend of €2.00 per share for 2013 (previous year: €0.75).

KRONES met or exceeded all predictions for the group's key financial performance indicators in 2013.

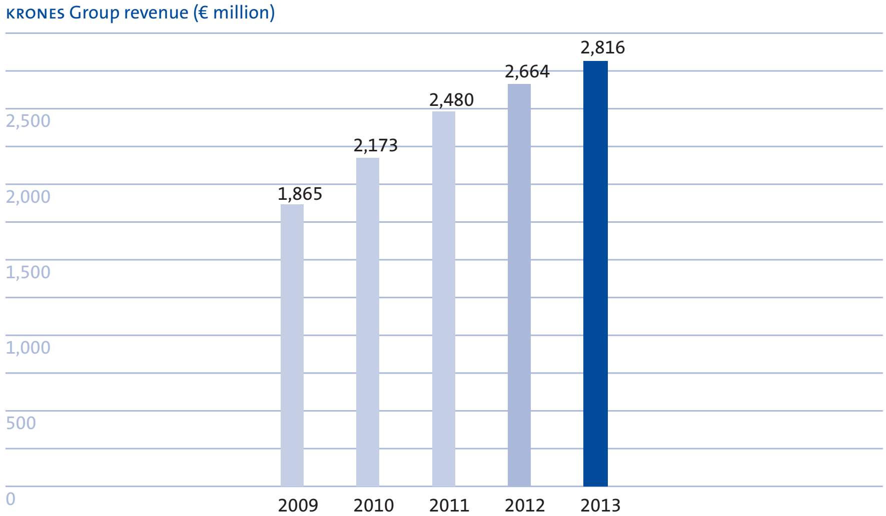
	Forecast for 2013	Actual value 2013
Revenue growth	+4%	+5.7%
EBT margin	5.8 – 6.0%	6.0%
ROCE (liabilities side)	15.0%	16.7%

KRONES achieves solid revenue growth in 2013

KRONES continued to grow in 2013. Revenue rose 5.7% year-on-year, from €2,664.2 million to €2,815.7 million. That exceeded the company's growth target of +4%. Contrary to our expectation, revenue in the fourth quarter of 2013 was up slightly over the year-earlier period instead of down.

KRONES benefited from its strong market position, broad range of products and services, and an economic environment that was satisfactory overall in the reporting period. The company's strong competitive position in the emerging markets had an especially positive impact. KRONES' services business made an important contribution to growth in 2013. We are progressively expanding our services business, particularly in the emerging markets, in order to offer our customers even better service even faster.

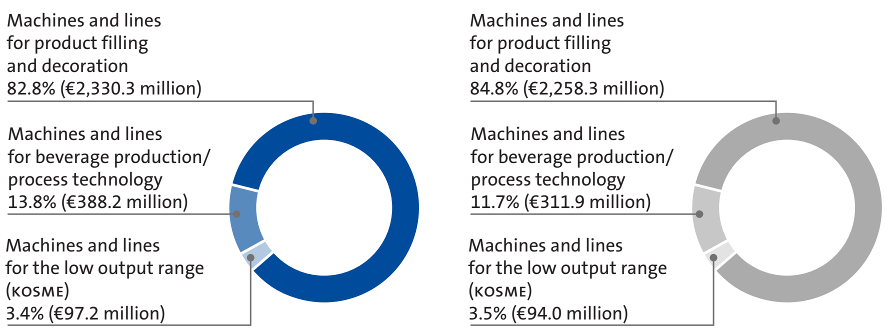
KRONES Group revenue (€ million)



KRONES posted somewhat stronger growth than expected in 2013.

Revenue by segment

KRONES Group revenue by segment



Revenue in 2013: €2,815.7 million

Revenue in 2012: €2,664.2 million

Our core segment contributed 82.8% of consolidated revenue in the reporting period.

Revenue in our core segment, "machines and lines for product filling and decoration", rose 3.2% year-on-year to €2,330.3 million in 2013 (previous year: €2,258.3 million). With that, the segment's share of consolidated revenue was 82.8% (previous year: 84.8%).

KRONES generated €388.2 million in revenue with "machines and lines for beverage production/process technology" in the reporting period, 24.5% more than in 2012 (€311.9 million). The segment's share of consolidated revenue increased to 13.8% (previous year: 11.7%).

Revenue in the "machines and lines for the low output range (KOSME)" segment improved 3.4% from €94.0 million in the previous year to €97.2 million. KRONES' smallest segment contributed 3.4% of consolidated revenue (previous year: 3.5%).

Further information can be found in the section "Reports from the segments", which begins on page 86, and under "Segment reporting" in the notes to the consolidated financial statements on page 138.

Revenue by region

KRONES' business in Germany increased substantially in 2013. Many breweries and, in particular, beverage companies aiming to update their operations chose our products and services. Revenue in our home market was up 30.5% to €292.4 million. With that, KRONES generated 10.4% of consolidated revenue in Germany in the reporting period (previous year: 8.4%).

KRONES generated 58.2% of consolidated revenue in the emerging markets in the reporting period.

The company's revenue in Europe (excluding Germany) rose 7.9% to €734.1 million in 2013 despite the difficult macroeconomic situation in Europe. Revenue in Western Europe, KRONES' biggest market, was up far more (+28.2%) than the Europe sales region overall. At –5.1% and –5.3%, respectively, business was down a bit in the smaller markets of Central Europe (Austria, Switzerland, and the Netherlands) and Russia/CIS. In Eastern Europe, revenue was 32.7% lower year-on-year in 2013 as the region was affected by the fallout of the financial crisis. Overall, the Europe (excluding Germany) sales region accounted for 26.1% of consolidated revenue in 2013 (previous year: 25.5%).

KRONES Group revenue by region

Share of consolidated revenue	31 Dec 2013		31 Dec 2012		Change
	€ million	%	€ million	%	%
Germany	292.4	10.4	224.1	8.4	+30.5
Central Europe (excluding Germany)	90.6	3.2	95.5	3.6	–5.1
Western Europe	459.3	16.4	358.2	13.5	+28.2
Eastern Europe	74.3	2.6	110.4	4.1	–32.7
Russia. Central Asia (CIS)	109.9	3.9	116.0	4.3	–5.3
Middle East/Africa	454.1	16.1	383.0	14.4	+18.6
Asia-Pacific	378.6	13.4	340.3	12.8	+11.3
China	246.8	8.8	359.8	13.5	–31.4
North and Central America	331.1	11.8	327.7	12.3	+1.0
South America/Mexico	378.6	13.4	349.2	13.1	+8.4
Total	**2,815.7**		**2,664.2**		**+5.7**

KRONES grew further in the Middle East/Africa sales region last year. Beverage companies there made capital investments in response to steadily rising demand for packaged beverages. At €454.1 million, revenue in this region was up 18.6% year-on-year in 2013. In China, an extraordinary amount had been invested in beverage plants in recent years. Such spending decreased as expected in 2013. KRONES' revenue in the region was down 31.4% to €246.8 million. Business was better in the rest of the Asia-Pacific region, where revenue rose 11.3% to €378.6 million.

The company was able to expand its business in the Americas in the reporting period. Thanks to a strong fourth quarter, revenue in our South America/Mexico sales region was up 8.4% year-on-year to €378.6 million. Business in North and Central America picked up after a weak first half. Revenue in this region improved 1.0% to €331.1 million in the year 2013 as a whole.

Overall, the share of revenue KRONES generated in the emerging markets came to 58.2% in the reporting period (previous year: 62.2%).

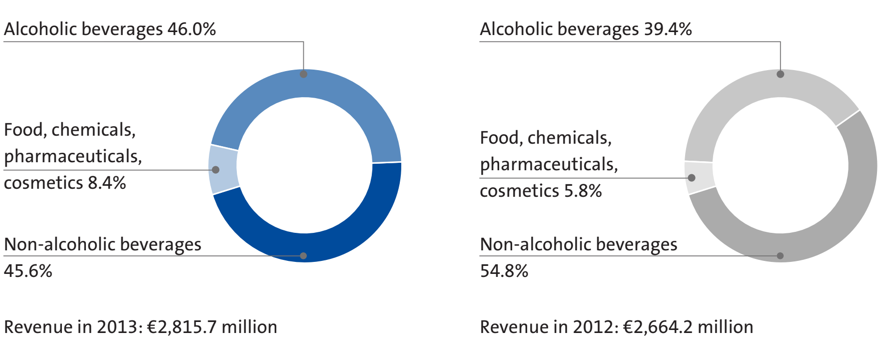
Revenue by industry

The revenue KRONES generated with producers of alcoholic beverages in 2013 was up 23.5% year-on-year to €1,295.0 million. This increase reflects the strong demand from breweries for process technology products as well as filling and packaging technology in the reporting period. The share of consolidated revenue the company generated through sales to producers of alcoholic beverages rose to 46.0% (previous year: 39.4%).

KRONES generated €1,284.4 million in revenue with companies that produce and process non-alcoholic beverages such as water, soft drinks, and juices in the reporting period. That represents a 12.1% decline in revenue generated with this customer group over 2012. The share of consolidated revenue decreased to 45.6% (previous year: 54.8%).

KRONES increased its revenue from business with customers in the "non-beverage" sectors (dairy, food, chemicals, pharmaceuticals, cosmetics) by 53.2% year-on-year to €236.3 million in 2013. One reason for the high rate of growth is that our subsidiary KOSME strengthened its focus on customers in these sectors in 2013. The non-beverage sectors increased their share of consolidated revenue to 8.4% in the reporting period (previous year: 5.8%).

KRONES Group revenue by industry



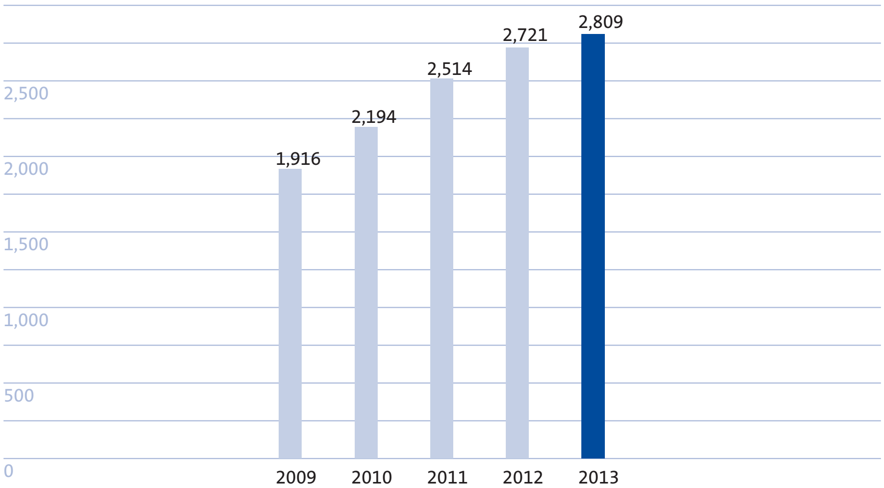
Orders up year-on-year

Demand for KRONES products and services remained high in 2013

In all, capital spending among our customers was at a good level in 2013. International food and beverage companies expanded their capacities last year, particularly in the emerging markets. This trend is reflected in KRONES' new orders situation. The contract value of new orders was up 3.2% from €2,721.1 million in the previous year to €2,808.8 million.

Demand last year was strong for both individual machines and complete filling and packaging lines from KRONES. Process technology orders were up more sharply than overall orders. At the regional level, we generated the highest percentage increase in new orders in the Middle East/Africa and Asia-Pacific regions in 2013.

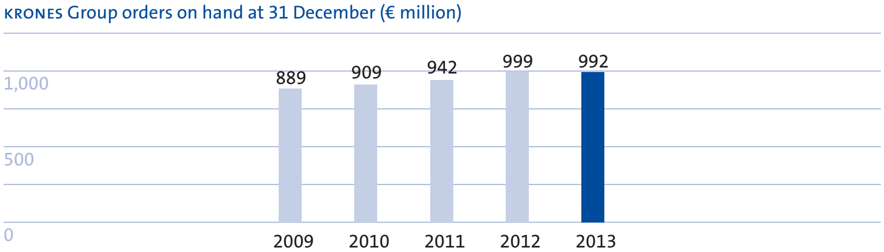
KRONES Group new orders (€ million)



KRONES has an orders backlog of nearly €1 billion

At the end of 2013, KRONES had an orders backlog of €992.4 million on the books (previous year: €999.3 million). The large orders cushion provides a solid basis for balancing our capacity utilisation in the months ahead and for achieving the company's growth target for 2014.

KRONES Group orders on hand at 31 December (€ million)



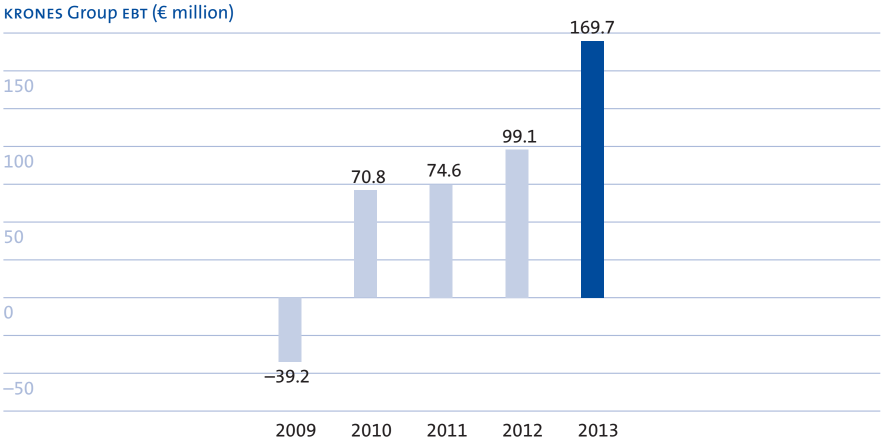
ECONOMIC POSITION

KRONES increases profitability

KRONES improved earnings in 2013 as planned despite continued price pressures. Besides the higher revenue, measures taken under our Value strategy programme to optimise cost structures company-wide had a positive effect on earnings. Earnings before taxes (EBT) rose from €99.1 million in the previous year to €169.7 million in 2013. It should be noted that the year-earlier figure was affected by a one-time expense of €37.8 million (Le-Nature's settlement).

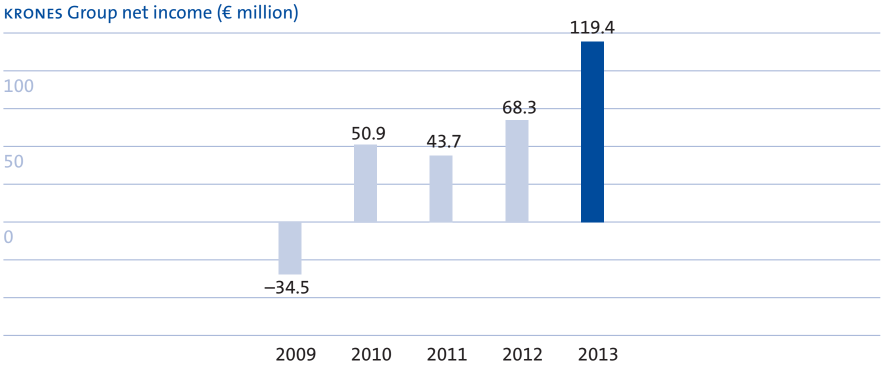
Even taking into account the one-time expense in the previous year, earnings before taxes were still up considerably in 2013.

KRONES Group EBT (€ million)



KRONES generated an EBT margin (the ratio of EBT to revenue) of 6.0% in 2013. That brings us even closer to our medium-term margin target of 7.0%. In the previous year, the EBT margin was 5.1% adjusted for the one-time expense relating to Le-Nature's. The fact that the company reached the upper end of its EBT margin forecast of 5.8% to 6.0% can be attributed primarily to the very strong fourth quarter of 2013. KRONES had raised its EBT margin forecast for the year from 5.5% to between 5.8% and 6.0% after the second quarter of the reporting period.

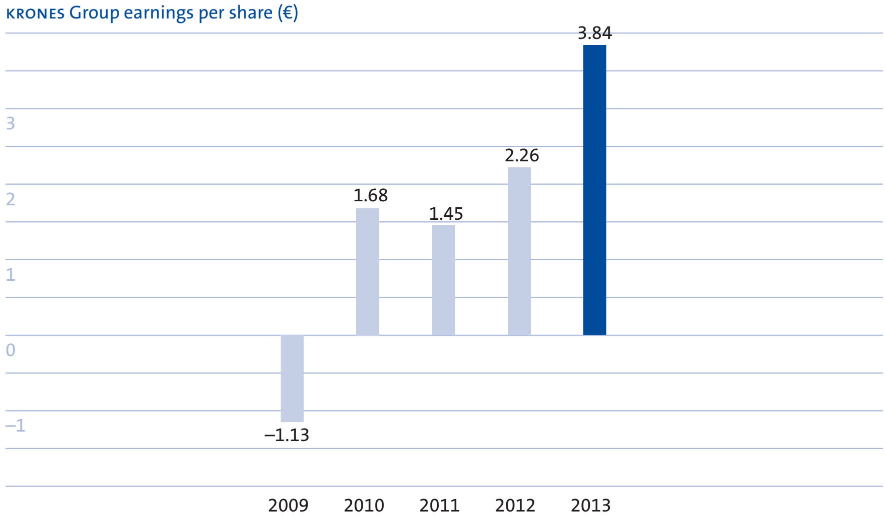
KRONES Group net income (€ million)



The company's tax rate decreased in 2013 from 31.2% in the previous year to 29.6%. KRONES' net income improved from €68.3 million in the previous year to €119.4 million in the reporting period. Taking into account the effect of the sale of the approximately 1.43 million treasury shares in April 2013, earnings per share for 2013 come to €3.84 (previous year: €2.26).

Earnings per share improved from €2.26 in the previous year to €3.84 in 2013.

KRONES Group earnings per share (€)



The Executive Board and the Supervisory Board will propose to the annual shareholders' meeting that a dividend totalling €2.00 per share be paid for the successful financial year 2013 (previous year: €0.75 per share). The considerably higher dividend reflects the improved earnings as well as the company's new dividend policy to pay out 25% to 30% of consolidated profit to shareholders instead of the previous 20% to 25%. In addition, KRONES wants to share the proceeds from the sale of the treasury shares with shareholders by paying out an additional €1.00 per share. If the annual shareholder's meeting approves the proposal from the Executive Board and the Supervisory Board, the total dividend payout will come to €63.2 million (previous year: €23.7 million).

KRONES Group earnings structure

KRONES further grew its business volume year-on-year in 2013. Revenue rose 5.7% year-on-year, from €2,664.2 million in the previous year to €2,815.7 million in 2013. Total operating performance also increased 5.7% to €2,797.1 million. As planned, KRONES was able to improve its profitability since many important expense items grew less than revenue and total operating performance.

Goods and services purchased increased less sharply than total operating performance in 2013. At €1,377.8 million, KRONES spent 4.0% more for goods and services purchased in the reporting period than in 2012. Therefore, the ratio of expenses for goods and services purchased to total operating performance declined year-on-year from 50.1% to 49.3% in 2013. This decrease reflects the accomplishments made under our Value programme. We were able to reduce procurement costs because, under Value, we are increasingly using identical parts and assemblies in our machines.

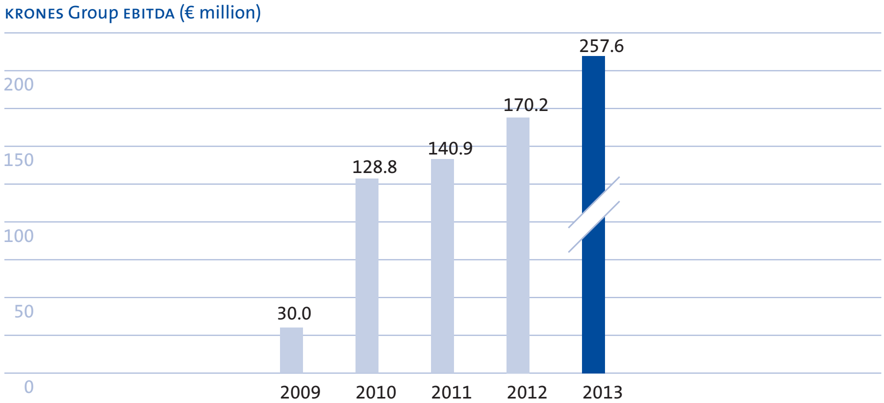
€ million	2013	2012	Change
Sales revenue	2,815.7	2,664.2	+5.7%
Changes in inventories of finished goods and work in progress	–18.6	–16.9	+10.1%
Total operating performance	2,797.1	2,647.3	+5.7%
Goods and services purchased	–1,377.8	–1,325.3	+4.0%
Personnel expenses	–810.7	–776.1	+4.5%
Other operating income (expenses) and own work capitalised	–351.1	–375.6	–6.5%
EBITDA	257.6	170.2	+51.4%
Depreciation and amortisation on non-current assets	–84.8	–76.7	+10.6%
EBIT	172.8	93.5	+84.8%
Financial income/expense	–3.1	5.6	–
EBT	169.7	99.1	+71.2%
Income tax	–50.2	–30.8	+63.0%
Consolidated net income	119.4	68.3	+74.8%

Personnel expenses also grew less than our business volume in the reporting period, rising 4.5% on the previous year to €810.7 million. The ratio of personnel expenses to total operating performance declined from 29.3% in the previous year to 29.0%. We were able to improve on the good year-earlier figure by balancing our capacity utilisation and making our production processes even more cost effective.

Both goods and services purchased and personnel expenses rose less than total operating performance.

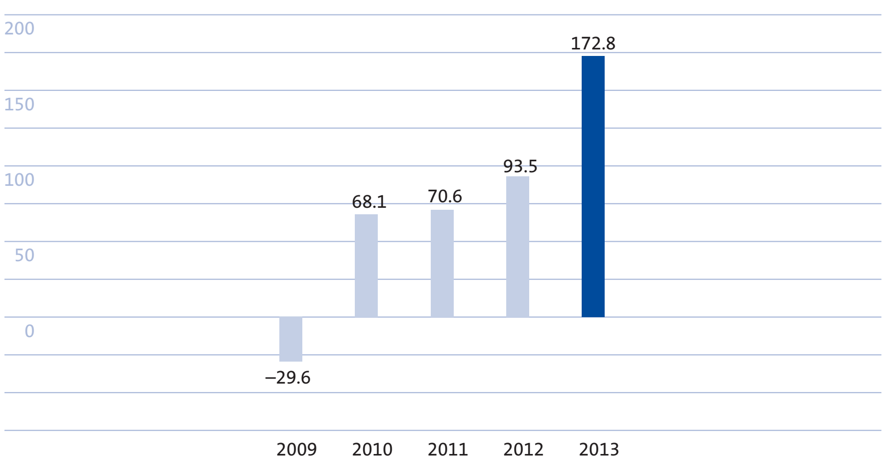
Depreciation and amortisation of non-current assets increased from €76.7 million in the previous year to €84.8 million in 2013. The increase reflects the higher capital expenditure in recent years. The ratio of depreciation and amortisation on non-current assets to revenue rose only slightly to 3.0% (previous year: 2.9%).

KRONES Group EBITDA (€ million)



The net of other operating income and expenses and own work capitalised improved from –€375.6 million in the previous year to –€351.1 million in 2013. While other operating income was down, the absence of the one-time expense relating to Le-Nature's within other operating expenses had a positive effect. In all, the Le-Nature's expense had had a €37.8 million negative effect on earnings in the previous year.

KRONES Group EBIT (€ million)



Earnings before interest and taxes (EBIT) rose from €93.5 million in the previous year to €172.8 million in 2013. Our financial result worsened from financial income of €5.6 million to a financial expense of €3.1 million in 2013. Besides lower interest income (€0.2 million, previous year: €3.5 million), our financial result was also impacted by the result for investments whose shares are accounted for using the equity method of accounting. After deducting the financial expense, earnings before taxes (EBT) amounted to €169.7 million (previous year: €99.1 million). The resulting EBT margin (ratio of EBT to revenue) was 6.0%. In the previous year, the EBT margin adjusted for the one-time Le-Nature's expense was 5.1%.

KRONES' net income for 2013 was €119.4 million (previous year: €68.3 million). The company benefited from a lower tax rate of 29.6% (previous year: 31.2%).

Consolidated cash flow

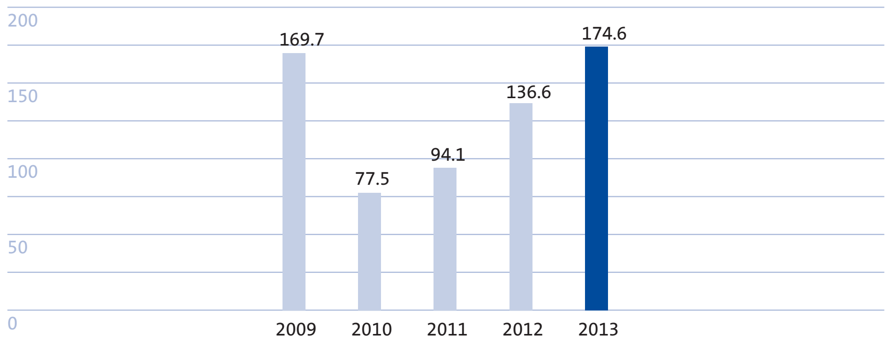
€ million	2013	2012
Earnings before taxes	**169.7**	**99.1**
Other non-cash expenses and income	+126.4	+25.7
Changes in working capital	–85.4	+42.4
Other (primarily income taxes)	–36.1	–30.6
Cash flow from operating activities	**174.6**	**136.6**
Capital expenditure for intangible assets and property, plant and equipment	–108.1	–110.9
Other	+0.5	+4.9
Free cash flow	**+67.0**	**+30.6**
Cash flow from financing activities	+50.0	–20.0
Change in cash and cash equivalents arising from exchange rates	–10.0	–3.2
Net change in cash and cash equivalents	**+107.0**	**+7.4**
Cash and cash equivalents at the end of the period	**239.9**	**132.9**

For more information, please refer to the complete statement of cash flows on page 136.

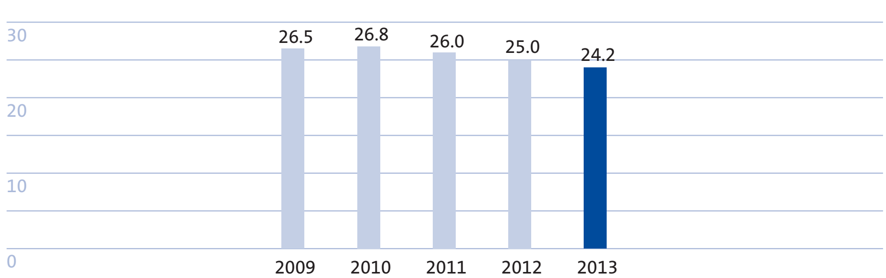
KRONES increased cash flow from operating activities from €136.6 million the previous year to €174.6 million in 2013. Much-improved earnings before taxes and higher non-cash expenses, which essentially consist of higher provisions and depreciation and amortisation, had a positive effect on this figure. Because receivables increased and advances received and trade payables decreased last year, the company built up working capital in 2013. That reduced cash flow from operating activities by a total of €85.4 million. The ratio of average working capital for the past four quarters to sales revenue was down from 25.0% in the previous year to 24.2%. With that, we almost achieved our target of 24% for this performance ratio.

KRONES generated free cash flow of €67.0 million in 2013.

KRONES Group cash flow from operating activities (€ million)

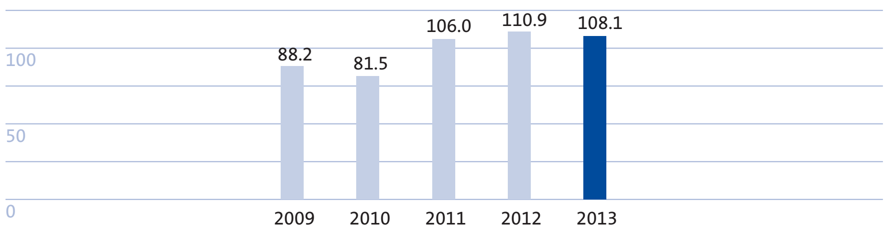


KRONES Group working capital to sales (%) (average over 4 quarters)



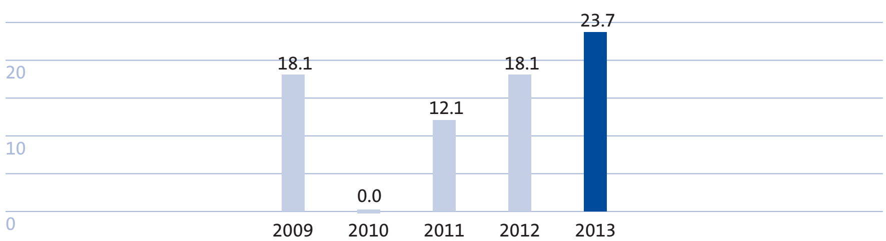
ECONOMIC POSITION

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



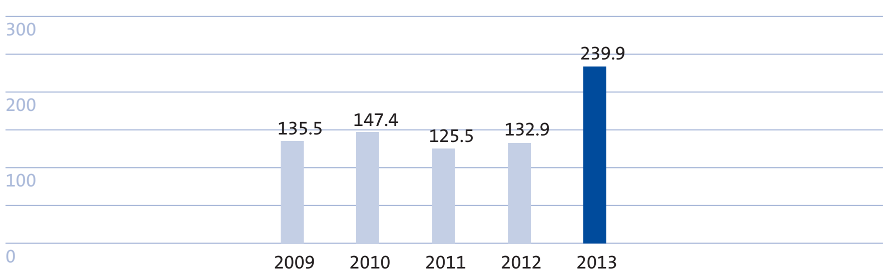
The company invested €108.1 million in property, plant and equipment and intangible assets last year (previous year: €110.9 million). While capital expenditure for intangible assets increased by €4.0 million compared with the previous year, KRONES spent €6.8 million less on property, plant and equipment in the reporting period than in 2012. In 2013, KRONES invested heavily in the new logistics centre and production facilities for EVOGUARD. Free cash flow (a measure of financial performance that represents the net cash that the company was able to generate from operating activities) improved by €36.4 million, from €30.6 million in the previous year to €67.0 million in 2013. Our target had been to achieve a level of free cash flow in 2013 comparable to the previous year.

KRONES Group dividend payout (€ million)



Cash flow from financing activities was clearly affected by the sale of treasury shares in the reporting period. The transaction brought KRONES proceeds of €73.7 million. The company distributed €23.7 million in dividends to its shareholders in 2013 (previous year: €18.1 million). In the end, cash flow from financing activities came to +€50.0 million (previous year: –€20.0 million). Changes arising from exchange rates reduced cash and cash equivalents by €10.0 million in 2013 due to developments in the exchange rates of local currencies. All told, KRONES' cash and cash equivalents increased by €107.0 million to €239.9 million in the reporting period.

KRONES Group cash and cash equivalents at 31 December (€ million)



€ million at 31 December	2013	2012	2011
Non-current assets	642	625	603
of which fixed assets	605	587	555
Current assets	1,596	1,445	1,443
of which cash and equivalents	240	133	125
Equity	954	798	763
Total debt	1,284	1,272	1,283
Non-current liabilities	213	193	162
Current liabilities	1,071	1,079	1,121
Total	**2,238**	**2,070**	**2,046**

For more information, please refer to the complete statement of financial position on pages 134 and 135.

At 31 December 2013, KRONES' total assets were up 8.1% from the previous year to €2,238.1 million. The higher asset total primarily reflects the larger business volume and the sale of treasury shares.

The carrying amount of non-current assets increased 2.7% from €625.1 million in the previous year to €641.8 million in 2013. Within this figure, fixed assets were up 3.2% to €605.1 million (previous year: €586.5 million). Property, plant and equipment account for the largest part of fixed assets and came to €475.1 million at 31 December 2013, which is up 2.2% year-on-year. KRONES' intangible assets grew by €9.1 million, from €119.1 million in the previous year to €128.2 million in 2013. These assets consist primarily of development costs that must be capitalised.

The company's current assets amounted to €1,596.3 million at the end of 2013, up 10.5% over the year-earlier figure of €1,444.5 million. The main reason for the increase is that cash and cash equivalents grew €107.0 million year-on-year to €239.9 million in 2013. The sale of treasury shares brought KRONES proceeds of around €74 million.

Despite the higher total operating performance, inventories decreased slightly year-on-year from €648.4 million to €641.0 million in 2013. At the same time, trade receivables increased by €51.0 million to €610.9 million.

On the liabilities side, KRONES' non-current liabilities, which consist largely of provisions for pensions and other personnel provisions, rose to €213.2 million in 2013 (31 December 2012: €192.7 million). KRONES had no non-current bank debt at the end of 2013.

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

Current liabilities decreased in the reporting period from €1,078.4 million in 2012 to €1,070.7 million. This was due to lower trade payables and advances received. KRONES had no current bank debt at the end of 2013. Thus, KRONES' net cash and cash equivalents (cash and cash equivalents less bank debt) amounted to €239.9 million at the end of the 2013 reporting period (previous year: €132.9 million). Within the group, there were unused lines of credit amounting to approximately €240 million.

In April 2013, the company sold around 1.4 million treasury shares (4.51% of share capital) to institutional investors at €52.55 per share. KRONES had bought back the shares in the first half of 2009, when the price had fallen sharply in the wake of the financial crisis and was, in the Executive Board's view, deeply undervalued. The average consideration paid per share was €25.93. The sale of the shares increased KRONES' free float and the company's weighting within the MDAX.

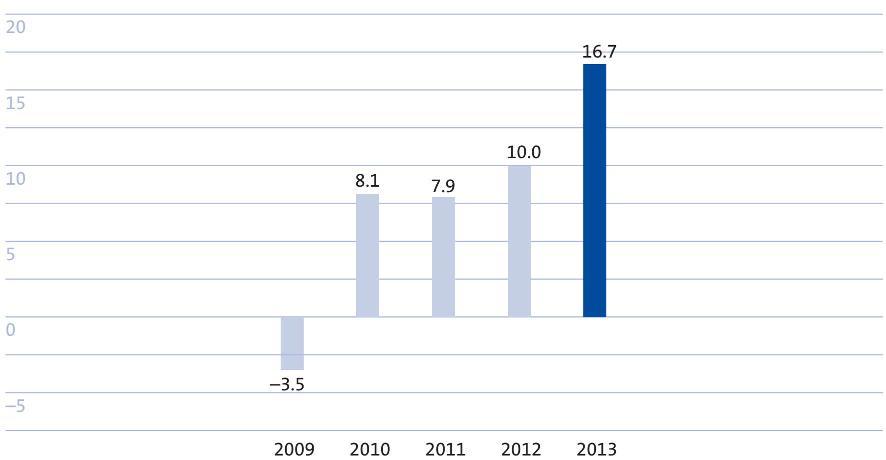
The positive net income figure of €119.4 million for 2013 and the proceeds from the sale of treasury stock brought the company's equity up considerably year-on-year from €798.5 million in the previous year to €954.2 million in 2013. At 42.6%, the equity ratio at the end of 2013 was well above the year-earlier figure of 38.6%. Thus, KRONES still has an extremely robust financial and capital structure overall.

ROCE up to 16.7%

KRONES increased its return on capital employed (ROCE), that is the ratio of EBIT to average net tied-up capital, to 16.7% in 2013 (previous year: 10.0%, adjusted for Le-Nature's: 13.7%). With that, we exceeded our ROCE target of 15.0% for 2013. The considerable improvement in EBIT was primarily responsible for the increase in ROCE.

KRONES improved ROCE to 16.7% in 2013, exceeding the forecast 15.0%.

KRONES Group ROCE (%)



Report from the segments

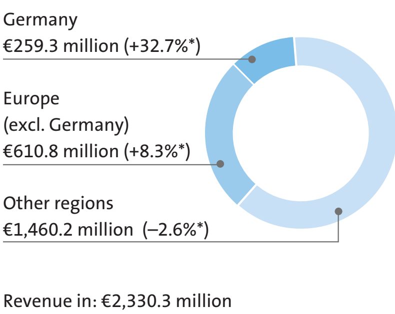
Product filling and decoration

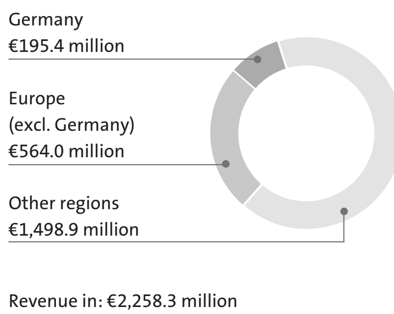
Segment revenue

KRONES aimed to achieve slight growth in its core segment, "machines and lines for product filling and decoration", in 2013. And we did. Revenue rose 3.2% from €2,258.3 million in the previous year to €2,330.3 million. The highest percentage increase in revenue for the segment was in Germany last year. Because the core segment grew less than the company as a whole, its share of consolidated revenue decreased to 82.8% in 2013 (previous year: 84.8%).

KRONES' core segment grew slightly in 2013 and improved earnings considerably.

Revenue – product filling and decoration



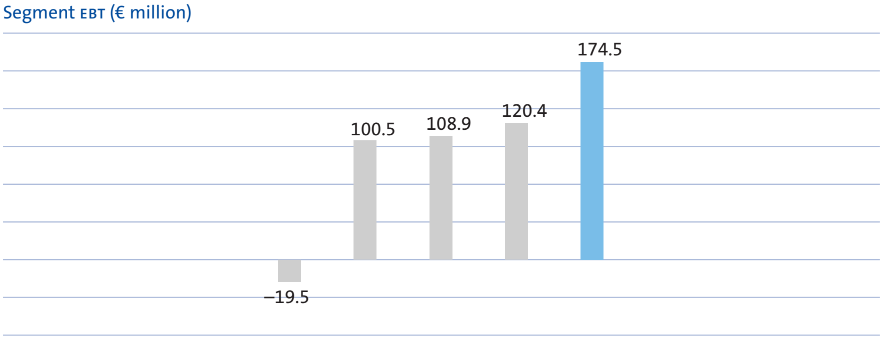


* Percentage change on previous year

Segment earnings

Earnings before taxes (EBT) in the "machines and lines for product filling and decoration" segment improved from €120.4 million in the previous year to €174.5 million in 2013. It should be noted that 2012 earnings were affected by a one-time expense of €37.8 million (for the settlement of the legal disputes in the USA). But the segment's operating earnings were also up in 2013. The accomplishments made under the Value programme were key to this improvement. The EBT margin, the ratio of segment earnings before taxes to segment revenue, came to 7.5% in the reporting period. In 2012, the EBT margin adjusted for the one-time expense was 7.0%.

Segment EBT (€ million)

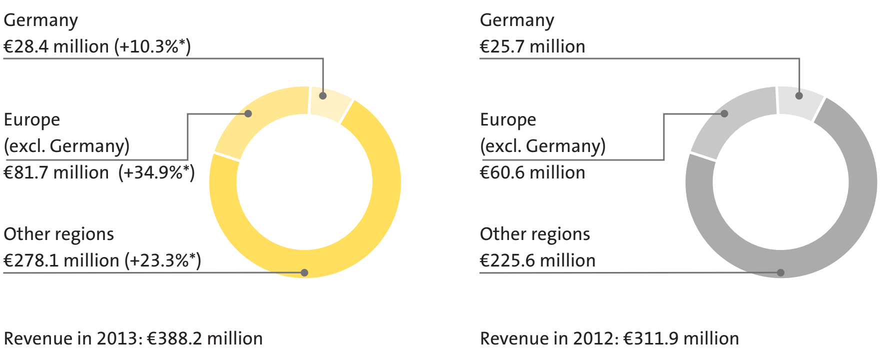


Segment revenue

Process technology revenue was up more sharply than overall revenue. The segment missed its earnings target due to a one-off expense.

Revenue in the "machines and lines for beverage production/process technology" segment rose 24.5% from €311.9 million in the previous year to €388.2 million in 2013. Several large projects that KRONES completed for international breweries in emerging markets in 2013 contributed significantly to the high rate of growth. Revenue relating to process technology products for producing and treating non-alcoholic beverages also increased. KRONES is strategically expanding in this area. The entire segment's contribution to consolidated revenue grew from 11.7% in the previous year to 13.8% in 2013.

Revenue – beverage production/process technology

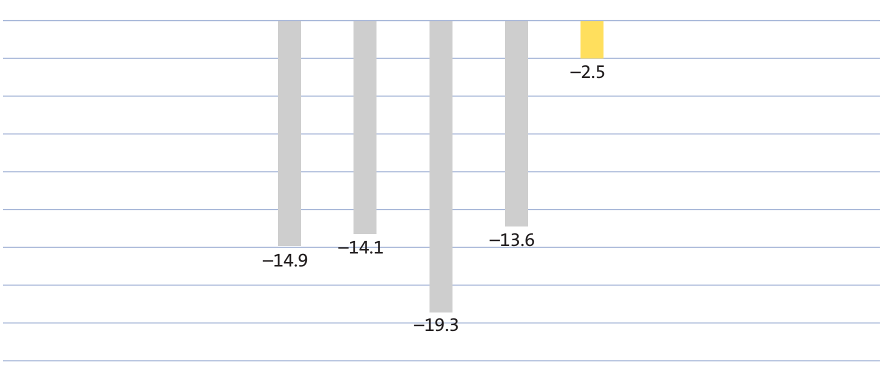


* Percentage change on previous year

Segment earnings

KRONES improved earnings before taxes in the "machines and lines for beverage production/process technology" segment from –€13.6 million in the previous year to –€2.5 million in 2013. With that, the company missed its target of breaking even in the process technology segment. The reason for the shortfall was a write-down of around €5 million on the carrying amount of our equity investment in KLUG GmbH, which we had to take due to KLUG's economic position. The segment's EBT margin was –0.6% in 2013 (previous year: –4.4%).

Segment EBT (€ million)



ECONOMIC POSITION

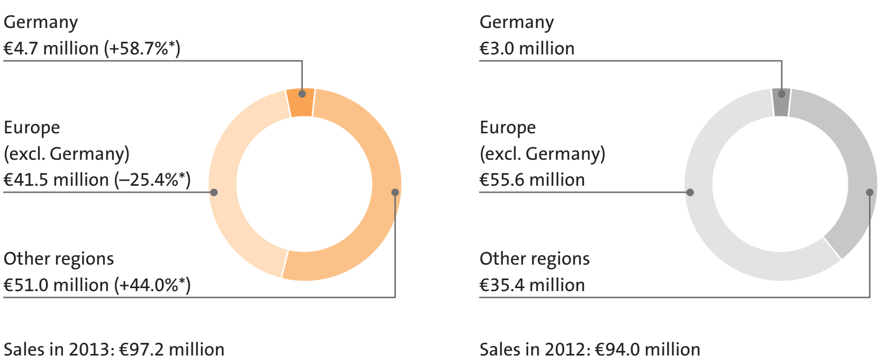

EVOGUARD

Segment revenue

After developing well in the first three quarters of 2013, revenue in KRONES' smallest segment, "machines and lines for the low output range (KOSME)", fell short of expectations in the period from October to December. In all, revenue increased 3.4% year-on-year from €94.0 million to €97.2 million. Whereas revenue declined in Europe, revenue outside Europe rose. KOSME contributed 3.4% to consolidated revenue in the reporting period (previous year: 3.5%).

KOSME made further progress in 2013 but was hampered by low capacity utilisation overall.

Revenue – KOSME

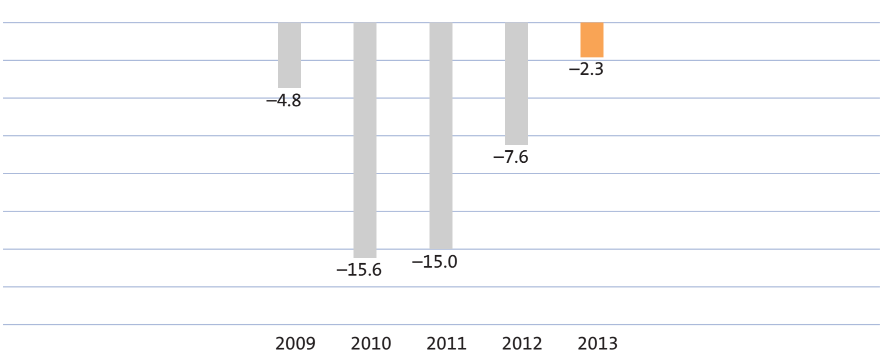


* Percentage change on previous year

Segment earnings

Earnings before taxes in the "machines and lines for the low output range (KOSME)" segment improved from –€7.6 million in the previous year to –€2.3 million in 2013. KRONES optimised cost and sales structures at KOSME. However, because of the weak fourth quarter and insufficient capacity utilisation overall in 2013, these measures were not enough for the segment to break even as planned.

Segment EBT (€ million)



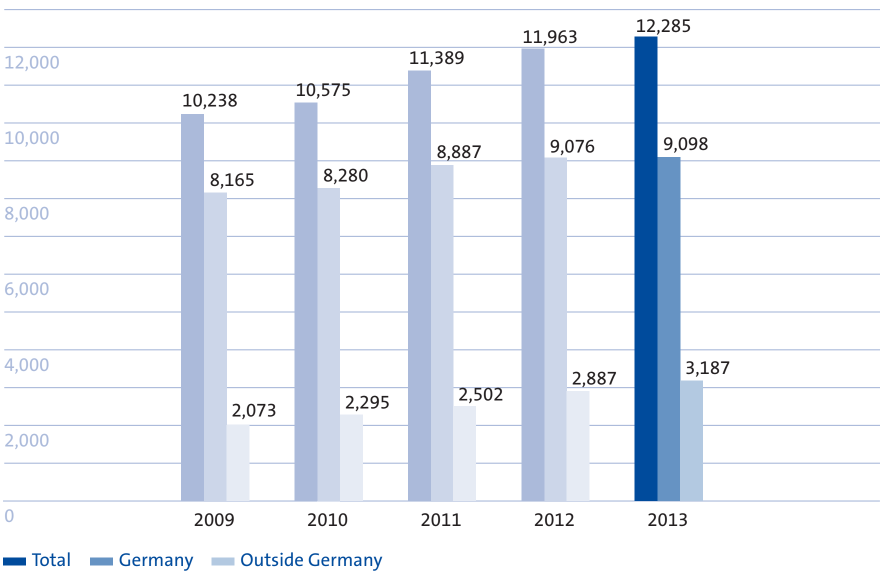
KRONES continues to grow its workforce worldwide

Being close to customers is a strategic success factor. That is why KRONES is growing its international workforce considerably.

Our people are the very foundation on which the four pillars of our Value strategy programme stand. They are the key to our ability to achieve our goals in the areas of quality, innovation, profitability, and growth. That is why KRONES' human resources policy is focused on continually increasing both the quality and the number of our employees.

At the end of 2013, the company employed 12,285 people, up from 11,963 in the previous year. That is the biggest our team has ever been. Since more than 85% of our machines and lines are sold to customers outside Germany and KRONES is working to strengthen our local after-sales service for customers, growing our international workforce is a strategic goal. That is why we did most of our new hiring outside Germany last year, bringing the share of employees outside Germany up from 24.1% to 25.9% at the end of the reporting period. But we also grew our team in Germany from 9,076 to 9,098 people.

Employees by region

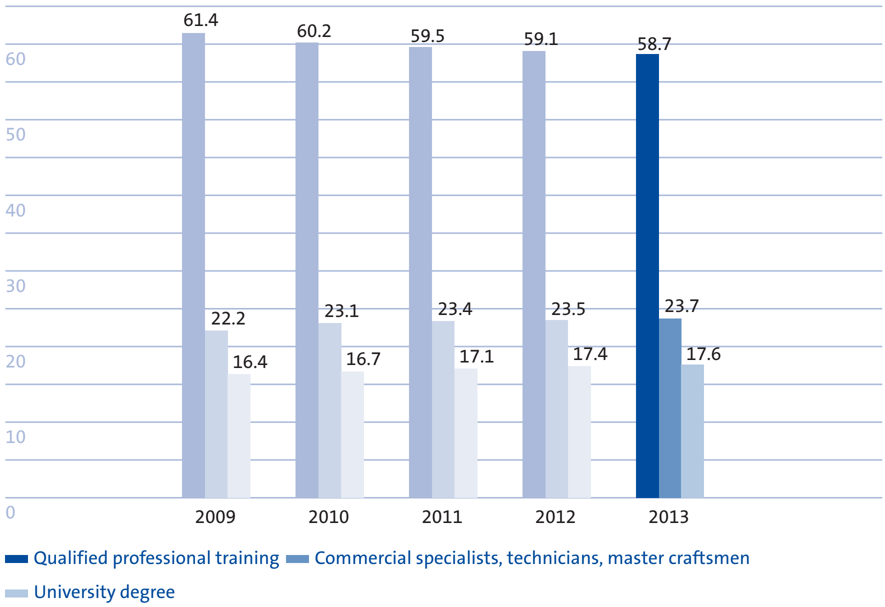


Our employees' level of qualification is high and rising. KRONES invests in good recruits. Almost all of our employees in Germany possess recognised professional or vocational qualifications. Nearly one-quarter of our workforce are commercial specialists, technicians, or master craftsmen. University graduates make up 17.6% of our workforce, after 17.4% in the previous year.

KRONES offers a strong in-house training programme to draw qualified young recruits. The company provides appealing options for motivated young people who begin their careers with KRONES through vocational training, internships, or graduate theses.

The share of employees with a university degree at our German sites is growing steadily.

Employee qualifications (% of workforce)



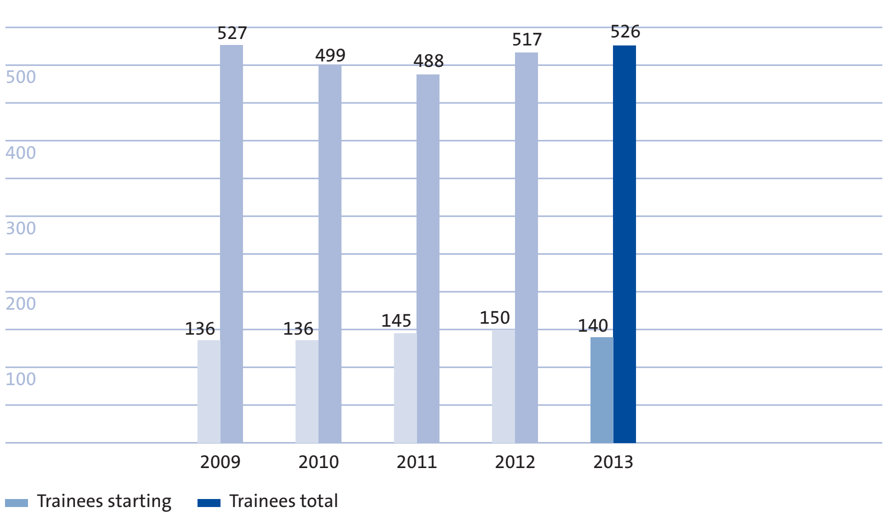
KRONES trains its own young talent

As populations in the developed industrialised countries continue to age, ensuring a steady supply of young, skilled recruits is one of the most important tasks of human resources policy. For this, KRONES relies on its strong in-house training programme. The company offers motivated young people the opportunity to begin their careers with KRONES through vocational training, internships, or graduate thesis work.

KRONES provides attractive, challenging training to a large number of young people in more than 20 different fields and Bachelor studies programmes every year. We invest around €70,000 in each of our young trainees. In the fall of 2013, 140 young people began training with KRONES. In all, KRONES was training 526 young people in Germany at the end of 2013. Of these, 80 were completing a dual course of vocational training and university study.

KRONES invests in growing its own talent with attractive training options.

Total number of trainees and trainees starting at KRONES AG

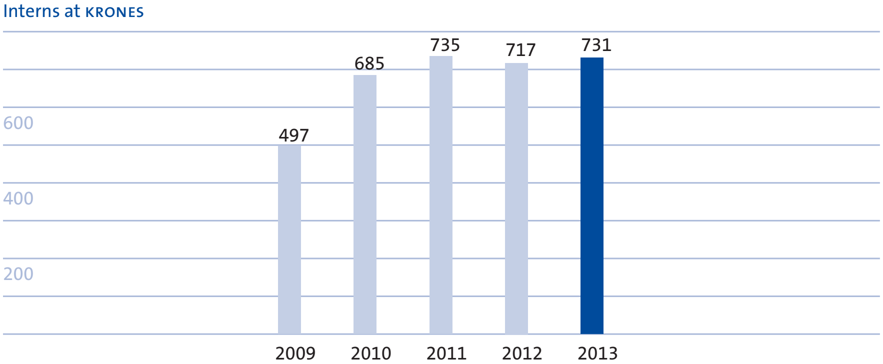


For years, KRONES has been working closely with universities to ensure early contact with university graduates. The company organises a range of events at which members of KRONES' human resources department inform prospective young recruits about the careers and opportunities KRONES offers.

Front-runner in recruiting

The "Best Recruiters" study examines the quality of recruiting management among Germany's 500 biggest employers on the basis of various criteria and tests. KRONES took an outstanding 2nd place in the overall rankings for 2012/13. In the machinery and equipment manufacturing sector, KRONES took the top spot. This shows that applicants have an extremely positive view of KRONES as an employer. Strong employer branding is an enormously important factor in the "war for talents". Whereas companies used to be the ones selecting which best-qualified applicants they wanted to hire, the best-qualified applicants are now the ones selecting which companies *they* want to work for.

Interns at KRONES



Many applicants have an extremely positive view of KRONES as an employer. That strengthens our employer branding.

Doing business sustainably is essential to KRONES if we want to be able to offer our machines, lines, and services successfully for the long term. The fundamental principles that guide our employees in thinking and acting sustainably are firmly anchored in our rules of conduct, our codes, and our mission statement.

Each of KRONES' departments and divisions is working on numerous topics that make up the company's sustainability policy. The Value strategy programme serves as the basis for positioning sustainability concepts of profitability, growth, quality, and innovation within our company. We are developing concrete goals and actions to fulfil our responsibility as a company with respect to all stakeholder groups in all of these areas.

enviro – a big hit at drinktec

KRONES is setting an industry-wide standard with the enviro sustainability programme.

Evolving our machines and lines with respect to resource consumption is a crucial part of our sustainability efforts. Our enviro sustainability programme sets an industry-wide standard for machines that are energy and media efficient and eco-friendly. We plan to have assessed KRONES' entire machinery range under enviro criteria by 2015.

Dialogue with all of our stakeholders (customers, suppliers, shareholders, employees, policymakers, trade associations, academia, and others) is important to KRONES. It is crucial to our ability to accurately assess opportunities and risks and remain successful on the market for the long term. KRONES received a number of awards in 2013, further proof that we are on the right track with our commitment to sustainability.

KRONES honoured for responsible business practices

In November, KRONES received the German Investor's Award for Responsible Business Practices. This honour is conferred on companies that demonstrate responsibility with respect to the environment, employees, society, and other stakeholder groups. The prize is awarded by DuMont, one of Germany's largest newspaper publishing companies, and Deutsche Asset & Wealth Management (DeAWM), a leading asset management firm. The award's founders view companies from the perspective of critical investors and journalists and seek to encourage them to firmly establish responsible business practices in their core business.

KRONES improved its rating with oekom Research, one of the world's leading sustainability rating agencies, to C+ Prime in the reporting period, demonstrating a higher-than-average commitment to sustainability in our industry.

More information on the topic of sustainability is in our Sustainability Report, which is available online at www.krones.com.

Risk and opportunity report

- Risks are identified on an ongoing basis
- Efficient control and management tools limit risks

KRONES' risk management system

KRONES takes a proactive approach to managing risks. We use an internal system to continuously monitor and control all significant business processes.

KRONES is exposed to a variety of risks that are inextricably linked with doing business globally. We continuously monitor all significant business processes to identify risks early and to actively manage and limit them. Within our corporate strategy, we also identify, analyse, and unlock opportunities. However, unlike risks, business opportunities are not documented within our risk management system.

In essence, risks are defined as possible negative deviations from our earnings forecast for the 2014 financial year. Opportunities are possible positive deviations from our earnings forecast for the 2014 financial year. Because they share the same sales and procurement markets, the same risks and opportunities also apply to all three of the KRONES Group's operating segments.

KRONES' risk management system consists of an internal control system with which we record, analyse, and assess all relevant risks. We monitor all material risks and any countermeasures already taken in a detailed, ongoing process that entails planning, information, and control.

We assess risks on the basis of the likelihood of an event and its potential financial impact. Earnings before interest and taxes (EBIT) serve as the measure for such potential financial impact. Starting with gross risk, we determine the net risk, which takes into account mitigating actions that have been taken.

KRONES divides the likelihood of an event and financial impacts into three categories: low, medium, and high. The categories are defined as follows:

Likelihood of an event		Potential financial impact (€ million)*	
low	0% to 20%	low	1.0 to 10.0
medium	21% to 49%	medium	10.1 to 50.0
high	50% to 100%	high	> 50.0

* based on EBIT

Multi-stage risk management system

We are continually 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.

Risk analysis

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

To manage risks that arise from changes in the market and competitive situation, we create detailed market and competition analyses for all segments and business areas on a regular basis.

In addition, we conduct a comprehensive risk inventory once each year for KRONES AG and all significant group companies. The results of the risk inventory and mitigating actions are used in our annual planning. The basic principles and process are documented in our risk policy. The risk management system serves not only the purpose mandated by law, of detecting early those risks that could jeopardize the company's survival, but also covers all risks that can have a significant negative impact on earnings.

Risk monitoring

We use a variety of interlinked controlling processes to monitor risks within the KRONES Group. Regular comprehensive reports from the individual business units keep the Executive Board and other decision-makers apprised of all possible risks and deviations from company planning and of the status of mitigating actions in a timely manner. For projects with a high contract value, potential risks are examined and evaluated in regular meetings. Employees who identify risks pass their information on promptly through the company's internal reporting system.

Risk planning and control

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

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

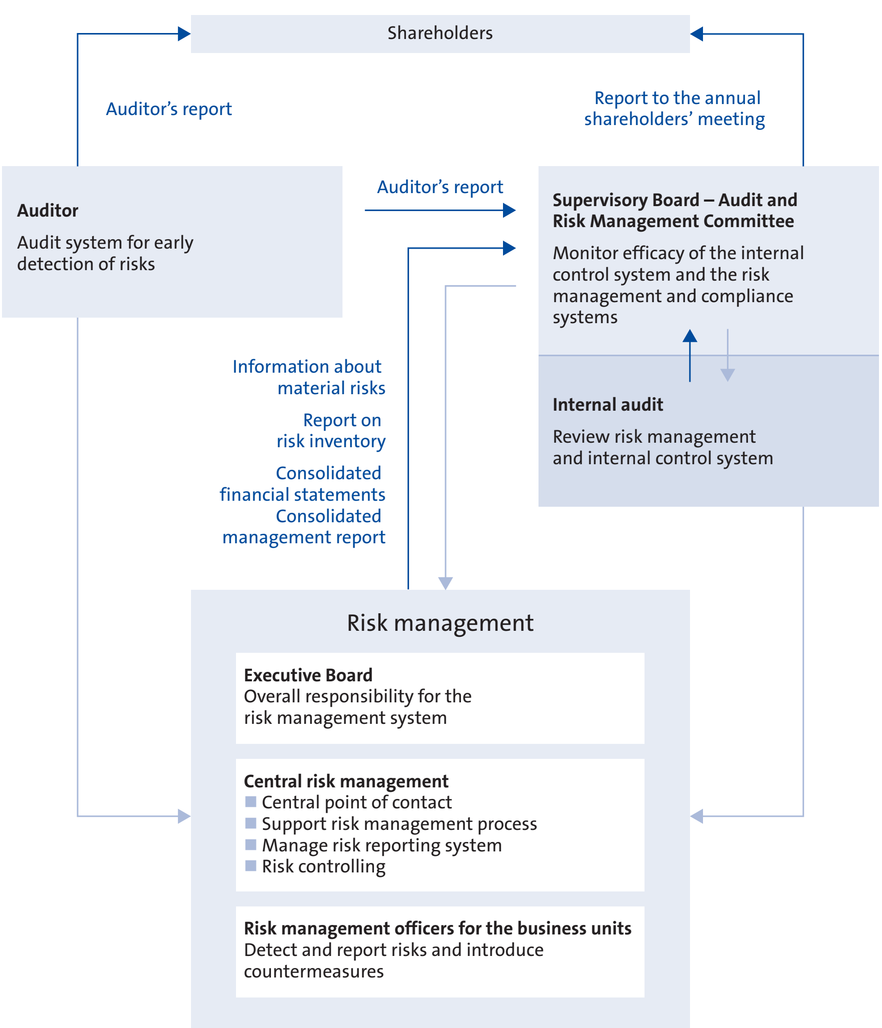
Risk management organisation

At KRONES, risk management is part of Controlling. The risk management system is reviewed by our Internal Audit.

In our Controlling department, all relevant information comes together to be processed and converted into a management tool for the Executive Board. In addition, the various segments and business units also have risk management officers who are responsible for risk management. This includes identifying and reporting risks as well as introducing and implementing measures to actively control risks.

KRONES' risk management system is continually monitored and reviewed. Competences and areas of responsibility are clearly assigned.

Risk management organisation at KRONES



Key features of the internal control system and the risk management system as relates to accounting and financial reporting

KRONES has an internal control and risk management system for accounting and financial reporting processes to ensure that all business transactions are always correctly recorded, processed, accounted for, and recognised in the financial statements. KRONES' internal control and risk management system comprises all principles, methods, and measures to ensure that the company's accounting and financial reporting are effective, efficient, and proper and in compliance with all relevant regulations and standards.

The key features of KRONES' internal control and risk management system relating to (group) accounting and financial reporting can be described as follows:

The internal control and risk management system ensures that all business transactions are correctly recorded, processed, accounted for, and recognised in the financial reporting.

The KRONES Group has a clear management and corporate structure. Key duties that reach across various units are centrally managed.

- The duties of the units that are materially involved in accounting and financial reporting processes are explicitly segregated and responsibilities are clearly assigned.
- Regular reviews and audits are conducted within the various units, primarily by Controlling.
- Standard software is used for accounting and financial reporting as far as possible.
- Special security precautions protect the software and IT systems used for accounting and financial reporting against unauthorised access.
- Sufficient binding policies (e.g. for payments and travel expenses) are in place and updated on an ongoing basis.
- All of the departments involved in the accounting and financial reporting process have suitably qualified staff.
- Regular spot checks are used to continuously verify the completeness and accuracy of our accounting data.
- The software used in accounting performs programmed plausibility checks.
- We use dual verification for all accounting-related processes.

Overview and description of material risks

Risk categories	Likelihood of event	Financial impact
General business environment and industry-specific risks		
General economic risks	low	low
Industry-specific risks	low	medium
Financial risks		
Default risks	low	medium
Liquidity risk	low	low
Interest rate risk	high	low
Currency risk	low	low
Operational risks		
Price risk	medium	medium
Procurement risks	low	low
Cost risk	medium	medium
Personnel risk	low	low
Legal risks	medium	medium
Environmental and safety risks	low	low
IT risks	low	low

KRONES divides the likelihood and financial impacts of material risks into three categories: low, medium, and high.

General business environment and industry-specific risks

General economic risks

As a provider of products and services for the food and beverage industries, KRONES is less dependent on economic cycles than other machinery manufacturers. However, the company cannot escape the influence of the general economic situation entirely. If global economic growth were to be considerably weaker than expected, it would have a negative impact on KRONES' revenue and earnings. A crisis in the emerging markets that is not merely temporary could make our customers there less inclined to invest in capital goods. A renewed escalation of the financial crisis could likewise have a negative impact on investment in machines and lines from KRONES because financing options would worsen in general. The company's broad international base puts KRONES in a position to at least attenuate any declines in business in individual regions.

Impact of general economic risks: We rate both the likelihood of an event and the financial impact as low.

Industry-specific risks

KRONES is exposed to industry-specific risks primarily through the development of the global packaging market and the actions of its competitors. The competitive environment could intensify if KRONES' competitors resort to price dumping in an effort to win orders and thus more fully utilise their production capacities. We are addressing the risk of loss of market share by further expanding our technology leadership. Moreover, KRONES' strong focus on service sets the company apart from the competition.

Impact of industry-specific risks: We rate the likelihood of an event as low and the financial impact as medium.

Financial risks

The financial risks to which KRONES is exposed are default risks, liquidity risks, interest rate risks, and currency risks. Our description below of these risks and suitable actions is in keeping with the disclosure requirements under IFRS 7 on the reporting of risks relating to financial instruments. Because of regional and customer-related diversification, there is no material concentration of risk.

1. Default risk

Default risk is the maximum risk potential arising from each individual position at the reporting date. Any existing hedges are not taken into account.

1.1 Trade receivables

Credit risk is the threat of economic loss arising from a customer's failure to fulfil its contractual payment obligations.

KRONES bases its management of credit risks from trade receivables on internal policies. A large portion of trade receivables is secured by various, sometimes country-specific, hedges. The hedges include, for instance, retention of title, guarantees and sureties, and documentary credits. In order to prevent credit risk, we also run external credit checks on customers. In addition, there are processes in place for continually monitoring receivables that may be at risk of default. The very low volume of actual defaults, as measured against the total volume of receivables, attests to the effectiveness of the measures taken.

The theoretical maximum credit risk from trade receivables corresponds to the carrying amount.

€ thousand	Carrying amount	Of which not overdue at the reporting date	Of which overdue by the following number of days at the reporting date			
			up to 90 days	between 90 and 180 days	between 180 and 360 days	more than 360 days
31 Dec 2013						
Trade receivables	623,580	431,518	125,341	29,965	26,106	10,652
31 Dec 2012						
Trade receivables	568,317	391,104	96,277	28,157	22,651	30,128

1.2 Derivative financial instruments

KRONES uses derivative financial instruments on the basis of individual contracts solely for risk management purposes. Not using derivative financial instruments would expose the company to greater financial risks. These instruments essentially cover the risks arising from changes in exchange rates between the euro and the US dollar, the Australian dollar, the Canadian dollar, and the British pound. The material contractual details (amount, term) of the underlying and hedge transactions are largely identical. The risk of default relating to derivative financial instruments is limited to the balance of the positive fair values in the event of a contracting party's default. More on this topic is in the notes to the consolidated financial statements.

1.3 Other financial assets

The maximum credit risk position arising from other financial assets corresponds to the carrying amount of these instruments. KRONES is not exposed to any material default risk arising from its other assets, all of which are current assets.

Impact of default risks: We rate the likelihood of an event as low and the financial impact as medium.

2. Liquidity risk

Liquidity risk is the threat of a company being unable to sufficiently fulfil its financial obligations.

KRONES generates most of its cash and cash equivalents through operating activities. These funds primarily serve to finance working capital and capital expenditures. KRONES manages its liquidity by reserving sufficient cash and cash equivalents and credit lines with banks in addition to the regular inflow of payments from operating activities. The company's liquidity management for operations consists of a cash management system, which is based in part on rolling monthly liquidity planning with a planning horizon of one year. This allows KRONES to be proactive about any possible liquidity bottlenecks. Apart from cash on hand, KRONES' cash and cash equivalents consist primarily of demand deposits. The following overview of maturities shows how the undiscounted cash flows relating to liabilities as of 31 December 2013 influence the company's liquidity situation.

Impact of liquidity risk: We rate both the likelihood of an event and the financial impact as low.

€ thousand	Carrying amount at 31 Dec 2013	Cash flow for 2014		Cash flow for 2015–2018		Cash flow for 2018 or later	
		Interest	Repayment	Interest	Repayment	Interest	Repayment
Derivative financial instruments	437	0	437	0	0	0	0
Liabilities to banks	0	0	0	0	0	0	0
Liabilities from leases	987	13	525	13	462	0	0
Discounted trade bills	11,220	0	9,505	0	1,715	0	0
Other financial liabilities	8,447	0	7,750	139	697	0	0
	21,091	**13**	**18,217**	**152**	**2,874**	**0**	**0**

€ thousand	Carrying amount at 31 Dec 2012	Cash flow for 2013		Cash flow for 2014–2017		Cash flow for 2017 or later	
		Interest	Repayment	Interest	Repayment	Interest	Repayment
Derivative financial instruments	1,244	0	1,089	0	155	0	0
Liabilities to banks	0	0	0	0	0	0	0
Liabilities from leases	1,377	24	588	18	789	0	0
Discounted trade bills	17,056	0	14,879	0	2,177	0	0
Other financial liabilities	11,092	0	10,426	133	666	0	0
	30,769	**24**	**26,982**	**151**	**3,787**	**0**	**0**

3. Interest rate risk

KRONES is exposed to risks arising from possible fluctuations in market interest rates. KRONES had no bank debt at the end of the reporting period 2013.

Impact of interest rate risk: We rate the likelihood of an event as high and the financial impact as low.

4. Currency risk

Because exports to countries outside the European monetary union make up a significant portion of total revenue, we are exposed to currency risks. We use currency hedging tools to counter these risks as far as possible. We are also increasingly making purchasing and sales transactions in euros or the relevant functional currency.

Material items denominated in foreign currencies in accordance with IFRS 7 classes:

€ thousand	Currency USD	Currency CAD	Currency AUD	Currency GBP
Cash and cash equivalents	31	245	0	0
Trade receivables	2,325	1,663	3,836	–109
Other financial receivables	31	1	6	0
Derivatives at positive market values	0	0	0	0
Loans	0	0	0	0
Total assets	**2,387**	**1,909**	**3,842**	**–109**
Liabilities				
Trade payables	–4,113	–199	–77	–13
Due to banks	0	0	0	0
From finance leases	0	0	0	0
Other liabilities	–2,434	–4,020	0	–53,441
Derivatives at negative market values	0	0	0	0
Financial liabilities at amortised cost	0	0	0	0
Total liabilities	**–6,547**	**–4,219**	**–77**	**–53,454**
Balance of assets and liabilities	**–4,160**	**–2,310**	**3,765**	**–53,563**
Items hedged through derivatives	**0**	**0**	**0**	**0**
Net exposure at 31 Dec 2013	**–4,160**	**–2,310**	**3,765**	**–53,563**

A 10% change in the closing rate at the end of the reporting period would have the following effects on income:

€ thousand	Currency USD	Currency CAD	Currency AUD	Currency GBP
(+) Currency translation gains/ (–) losses totalling (€ thousand)	378	210	–342	4,869

Impact of currency risk: We rate both the likelihood of an event and the financial impact as low.

Operational risks

1. Price risk

KRONES operates in a highly competitive market in which some orders are generated by way of prices that do not cover costs. We cannot rule out the possibility that the prices we are able to attain for our products and services will worsen further. Fixed-price contracts with customers also entail price risks as KRONES must bear any additional costs that arise. KRONES has introduced a multi-dimensional order analysis process to minimise this risk. Any inquiry or order that reaches or exceeds a predefined size is assessed on the basis of financial, technical/technological, tax, legal, and regional risks.

Impact of price risk: We rate both the likelihood of an event and the financial impact as medium.

2. Procurement risks

KRONES is exposed to market price risk relating to its procurement of parts and raw materials for operations. Geopolitical and macroeconomic developments are the primary factors influencing raw materials prices. Essentially, the risk is that raw material prices will develop to our disadvantage. The company mitigates this risk through targeted procurement management and long-term supply contracts to reduce material commodity price risks. With respect to suppliers, we also face risks relating to products, deadlines, and quality. A specially designed process for supplier selection, monitoring, and management helps minimise these risks.

Impact of procurement risks: We rate both the likelihood of an event and the financial impact as low.

3. Cost risk

Apart from increasing revenue, our earnings forecast is based on the fact that we expect to reduce costs. As part of the Value strategy programme, we are optimising cost structures along our entire value chain for the long term. Our primary focus is on making our traditional fixed costs as flexible as possible in order to cope with sharp upward and downward changes in the markets. KRONES is exposed to the risk that these cost savings will be less than expected. We are mitigating this risk by continually monitoring the company-wide projects.

Impact of cost risk: We rate both the likelihood of an event and the financial impact as medium.

4. **Personnel risk**

   KRONES is planning to continue to increase its business volume and intends to step up the growth of its services business. For that, we need highly qualified employees. There is a risk that the company will not find enough suitable employees. We aim to ensure early access to qualified employees through ongoing cooperation with colleges and universities. We regularly employ doctoral candidates and interns. We also use professional personnel consultants.

   Impact of personnel risk: We rate both the likelihood of an event and the financial impact as low.

Legal risks

KRONES is exposed to the risks arising from operating activities in connection with possible legal disputes. KRONES addresses legal risks with its rules of conduct, codes, and an internal compliance structure. In addition, the company has taken out insurance policies that are customary for our sector.

Impact of legal risks: We rate both the likelihood of an event and the financial impact as medium.

Environmental and safety risks

As a manufacturing company, KRONES is exposed to risks relating to the environment and safety that could lead to possible harm to persons, goods, or the company's reputation. Any harm caused by technical or human error in production can have a direct impact on our financial position. Such an event and any resulting fines, claims for damages, or damage to our reputation can have an indirect financial impact. KRONES mitigates environmental and safety risks with high technical standards in production, training, rules of conduct, and insurance policies customary in our industry.

Impact of environmental and safety risks: We rate both the likelihood of an event and the financial impact as low.

IT risks

All of KRONES' material business processes are based on functioning IT systems. The risks here are a failure or malfunction of or unauthorised access to critical systems. Such events could result in the loss of important confidential data. KRONES uses internationally recognised IT security measures to protect against these risks. We have redundant (i.e. "high available") IT systems in place for critical business processes.

Impact of IT risks: We rate both the likelihood of an event and the financial impact as low.

Material opportunities

KRONES does not record business opportunities within the risk management system. For this reason, we will not report on likelihood of an event or possible financial impact here. We describe the opportunities in general below.

General economic opportunities

General economic opportunities arise for KRONES as a result of the company's good international positioning. In particular, KRONES has strengthened considerably its market position in the emerging markets in the Asia-Pacific region and in Africa and the Middle East in recent years. We would benefit more than proportionately from accelerated growth in the emerging markets. A swift, strong economic recovery in the euro area could also result in higher earnings than we have forecast.

Industry-specific opportunities

Beverages and food producers are increasingly focused on conserving energy and other resources. This trend could intensify. That would open additional sales opportunities for KRONES due to the company's competitive advantages in this area. With the certified management system enviro, we have established the basis for ensuring that KRONES machines and lines feature especially low energy and media consumption. With that, the company has also developed a competitive advantage.

Opportunities arising from acquisitions

The company's sound financial position and capital structure enables KRONES to seize opportunities for external growth. Within the scope of our strategy program, we are keeping a purposeful eye out for suitable acquisitions. Our earnings planning does not contain any acquisitions. External growth can open op opportunities for KRONES.

Operational opportunities

1. **Selling prices**

   KRONES aims to achieve its target for earnings improvement by way of a better cost base. We do not expect positive momentum here to come from prices. If market prices should develop better than expected, this would yield opportunities for the company.

2. **Procurement prices**

   The company is increasingly buying same parts and complete assemblies from our vendors. In addition, KRONES is increasingly procuring materials locally at the company's locations worldwide. The opportunity exists that we might save more in this way than planned. Additional opportunities arise if commodity prices are generally lower than expected.

3. **Costs**

   The company is optimising its cost structures as part of the Value strategy programme. If individual machines sell better or more quickly than planned opportunities arise for KRONES.

Summary of risks and opportunities

Viewed from today's perspective, KRONES is not exposed to any risks that threaten the company's continued existence. Compared with the previous year, our assessment of the risks and opportunities has not changed materially. The main risks remain in the general business environment and industry-specific risks and financial risks.

Events after the reporting period

KRONES boosts its process technology capabilities

KRONES acquired a 100% stake in the company HST Maschinenbau GmbH. The transaction was closed at the end of March 2014. The company, which is based in the German state of Mecklenburg-West Pomerania, develops and manufactures homogenisers and reciprocating pumps for the food and beverage industry. KRONES intends to use the acquisition to strengthen its position in the non-alcoholic beverages segment of process technology, for the production of juices and dairy, and to expand its global service offerings in this area.

HST Maschinenbau GmbH is a profitable company. With around 25 employees, the company posted revenue of just under €5 million in 2012. The price for the acquisition is in the mid-single-digit millions of euros.

- Good prospects for the world economy
- German machinery sector expects increase in output
- KRONES expects revenue and earnings to grow

Global economic growth to pick up speed in 2014

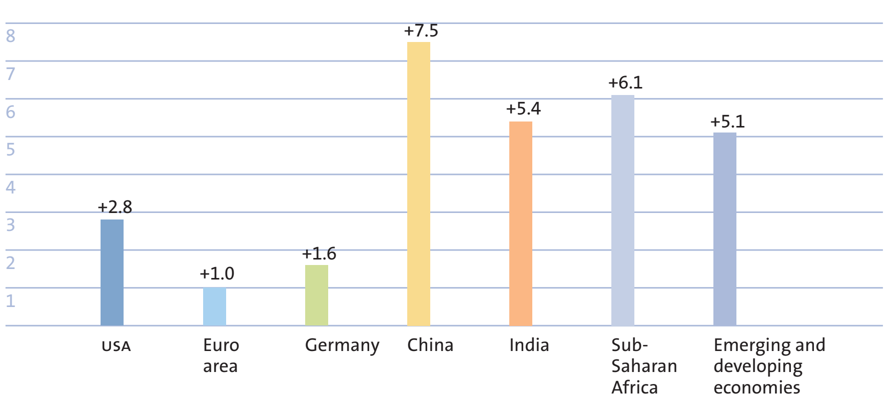
Mature industrialised countries like the USA and Europe will contribute an increasing share of global economic growth in 2014.

Economists with the International Monetary Fund (IMF) are optimistic overall for 2014. They expect the world economy to gain considerable momentum over 2013 and are projecting global economic growth of 3.7% for 2014 (previous year: 3.0%). However, the IMF also warns of threats to the global economy. The economists cite as the biggest risk the possibility that central banks will end their expansive monetary policy prematurely. Such a move would hit the emerging and developing economies especially hard. The IMF figures that rising interest rates in other regions may prompt international investors to increasingly pull their money out of emerging and developing markets. Deflation poses another risk.

According to the IMF, the advanced economies will increasingly drive the world economy in 2014. The IMF expects gross domestic product (GDP) in the USA to gain 2.8% year-on-year. Following a long lean period, the IMF is also saying the euro zone economy could improve considerably and come out of recession. Euro area GDP is projected to grow 1.0% in 2014. The economists are forecasting better-than-average GDP growth of 1.6% for Germany.

After slackening a bit last year, the emerging and developing economies are expected to gain momentum again in 2014. The strongest growth engines within the emerging markets are projected to be China, with GDP expected to grow by +7.5%, India (+5.4%), and sub-Saharan Africa (+6.1%). In all, the IMF is forecasting 5.1% economic growth for the emerging and developing economies for 2014.

GDP growth in 2014 (%, forecast)



Source: IMF

Labour market and inflation rates

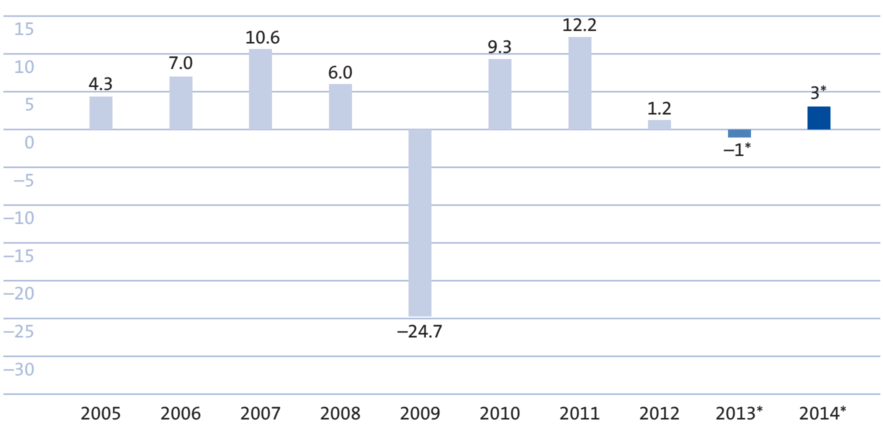
KRONES' business is affected not only by economic growth but also by unemployment rates and inflation in the individual sales regions. Low unemployment drives higher private consumption and thus also demand for packaged beverages and foods. Low inflation supports consumer's purchasing power. We expect unemployment and inflation rates to have no material negative impact on business at KRONES in 2014.

Rising demand for food and packaging machinery

The economic environment for the entire German machinery sector is expected to improve in 2014. The German Engineering Federation (VDMA) is predicting that new orders will increase and output for the year as a whole will rise 3% as compared with 2013.

The food and packaging machinery subsector is likely to develop better than the industry as a whole. These higher-than-average growth rates will be bolstered by the growing volume of packaged beverages. Market researchers with Euromonitor estimate that worldwide consumption of packaged beverages will grow by around 3.4% on average each year through 2016.

Real change in output in the German machinery sector year-on-year (%)



* Forecast

Source: Germany's Federal Statistical Office, VDMA

KRONES targeting profitable growth in 2014

KRONES is cautiously optimistic about the outlook for the global economy in 2014 despite many uncertainties. In the long term, growth in the packaging machinery market will be stronger and more stable than the global economy. The steady growth of the middle class in the emerging economies and increasing urbanisation remain the biggest growth drivers. These trends are resulting in rising demand for industrially packaged food and beverages. Moreover, food and beverage producers increasingly need to use a variety of packaging options in order to stand out from the competition. That, too, drives demand for innovative packaging solutions upward. Thus, the business environment for KRONES remains good overall in 2014.

The markets in which KRONES operates continue to offer good prospects for growth. This is particularly true of regions like Asia, Africa, and the Middle East. China is likely to stabilise in 2014. KRONES intends to use its strong market position in the emerging markets and grow its profitable after-sales business. To do this, KRONES will further expand its workforce in the relevant regions in 2014. We expect business to hold steady in the established markets of North America and Europe in 2014.

If the political situation in Ukraine does not escalate further, we do not expect the crisis in the region to have a significant impact on our business. KRONES generates only a small amount of revenue in Ukraine.

KRONES to improve earnings in all three segments

In order to achieve its Value target of 7/7/20 in the medium term, KRONES will once again focus on growth and profitability in 2014. The new management system that was introduced in 2014 gives Value an added boost since it makes KRONES even more efficient and flexible and puts us even closer to customers.

KRONES will focus on profitable growth in 2014.

In our core segment, machines and lines for product filling and decoration, we intend to further improve cost structures and make them more flexible in 2014. This effort involves increasing our purchasing at the local level and making our assemblies and machines more modular. Expanding our international service structures and LCS Centres is important for profitable growth. From there, we intend to provide our customers with the best services and products fast. KRONES also laid the foundation for future growth with the successful innovations presented at the drinktec trade fair. In 2014, the core segment should post stronger revenue growth than in 2013 and improve profitability slightly.

In our process technology segment, we will further expand our services business to include components and software upgrades and grow our product portfolio this year. KRONES also intends to take on more small, profitable orders and increasingly fill them within favourable local structures. These measures, combined with higher capacity utilisation, should enable the segment to generate positive earnings in 2014. Revenue is likely to be similar to the previous year's high level.

KOSME, our segment for the low output range, is also expected to break even in terms of operating earnings in 2014. To accomplish this, we will introduce measures that make cost structures significantly more flexible in order to better offset fluctuations in demand in this segment. With a lower break-even point and more stable capacity utilisation, KRONES intends to achieve its earnings targets in 2014 on slightly lower revenue.

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

Earnings performance should increase further. KRONES expects the EBT margin (earnings before taxes to sales) to be around 6.2% in 2014. This is still below our medium-term target of 7%. We want to increase our third strategy target, ROCE, to more than 16% this year. Our medium- to long-term target is 20%.

KRONES aims to move even closer to its medium-term margin target in 2014.

	Forecast for 2014	Actual value 2013
Revenue growth	+4%	+5.7%
EBT margin	around 6.2%	6.0%
ROCE	>16%	16.7%

Disclosures required under § 315 (4) of the German Commercial Code (HGB)

Pursuant to §4 (1) of the articles of association, KRONES AG's share capital amounts to €40,000,000.00 and is divided into 31,593,072 ordinary bearer shares.

Under § 20 (1) of the articles of association, each share entitles its holder to one vote in the annual shareholders' meeting. Unless mandatory provisions of the law stipulate otherwise, resolutions of the annual shareholders' meeting are made with a simple majority of the votes cast or, in cases in which the law prescribes a majority of shares in addition to a majority of votes, with a simple majority of the share capital represented in the vote.

Pursuant to § 18 (1) of the articles of association, only those shareholders who register with the company in writing in German or English and provide proof of their shareholding prior to the annual shareholders' meeting are entitled to participate and vote in the annual shareholders' meeting. A special written document confirming the shareholding, issued in German or English by the institution with which the investment account is held, constitutes sufficient proof. This document must refer to the start of the twenty-first day prior to the annual shareholders' meeting.

Pursuant to § 18 (2) of the articles of association, voting rights can be exercised by proxy. Granting, revocation, and evidence of proxy authorisation must be submitted to the company in text form. The notice convening the shareholders' meeting may specify a relaxation of this requirement. § 135 of the German Stock Corporation Act (AktG) remains unaffected.

In the annual shareholders' meeting, the chair of the meeting can set appropriate time limits for shareholders' questions and comments (§ 19 (3) of the articles of association).

The Executive Board of the company is not aware of any other restrictions relating to voting rights or the transfer of shares.

The company is aware of the following direct and indirect shareholdings in the company's capital that exceed 10% of the voting rights:

Name of shareholder	Total share of voting rights	Of which attributable indirect voting rights pursuant to § 22 (2) of the Securities Trading Act
Familie Kronseder Konsortium GbR, Germany	51.85%	51.85%

Partners to this civil law partnership (GbR) are as follows: Beteiligungsgesellschaft Kronseder mbH, Harald Kronseder Holding GmbH, VMAX Familienstiftung, Harald Kronseder, Gunter Kronseder, Nora Kronseder, Leopold Kronseder

Changes to the shareholdings listed above that are not required to be reported to the company may have occurred since the date given above (31 March 2014). Because the company's shares are bearer shares, the company is generally only aware of changes in shareholdings if these changes are subject to reporting requirements.

The appointment and dismissal of Executive Board members is governed by §§ 84 and 85 of the German Stock Corporation Act (AktG). Pursuant to § 6 (1) of the articles of association, the Executive Board consists of at least two members. Pursuant to § 6 (2) of the articles of association, determination of the number of Executive Board members, the appointment of regular and deputy members of the Executive Board, the execution of their employment contracts, and revocation of appointments are the responsibility of the Supervisory Board.

Amendments to the articles of association are subject to the provisions of §§ 179 et seq. of the German Stock Corporation Act. Such amendments are to be resolved by the annual shareholders' meeting (§119 (1) No. 5 and §179 (1) of the German Stock Corporation Act). The Supervisory Board is authorised to make amendments that affect only the wording of the articles of association (§13 of the articles of association).

Pursuant to §4 (4) of the articles of association, the Executive Board may, with the approval of the Supervisory Board, increase the share capital by a total of up to €10 million (authorised capital) through the issuance once or repeatedly of ordinary bearer shares against cash contributions up to and including 15 June 2016.

Shareholders must be granted subscription rights to these shares. The Executive Board may exclude the subscription rights of shareholders for any fractional amounts that may arise.

The annual shareholders' meeting on 16 June 2010 passed a resolution authorising the company to buy treasury shares totalling up to 10% of the current share capital in compliance with statutory regulations and the provisions of the resolution by the annual shareholders' meeting up to and including 15 June 2015.

The annual shareholders' meeting on 16 June 2010 passed a resolution authorising the Executive Board to cancel treasury shares of KRONES AG acquired on the basis of the above authorisation without the cancellation or its execution requiring a further resolution by the annual shareholders' meeting.

KRONES AG has not made any material agreements containing special provisions relating to a change or acquisition of control following a takeover offer.

The company has not made any agreements with members of the Executive Board or company employees relating to compensation in the event of a takeover offer.

Executive Board remuneration

The structure of the remuneration 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.

These recommendations for members of the executive boards of listed stock corporations contain the following remuneration elements:

- Fixed elements
- Variable elements that are payable annually and based on business performance and
- Variable elements that serve as long-term incentives containing risk factors

The criteria for determining the appropriateness of the remuneration include but are not limited to the tasks of the respective member of the Executive Board, his responsibilities, his personal performance and experience, and the economic position, performance, and outlook of the enterprise, taking into account its peer companies.

- For the financial year 2013, the direct fixed remuneration of the five active members of the Executive Board was €2,591 thousand (previous year: €2,593 thousand). This fixed amount is the base pay stipulated in the members' contracts and is paid out in equal monthly amounts as a salary. This remuneration is generally reviewed as part of the negotiations relating to the extension of the members' contracts. In addition, the members of the Executive Board received fringe benefits in the form of non-cash benefits (company car) amounting to €75 thousand (previous year: €74 thousand).

- The variable remuneration is based on the achievement of company performance targets. The reference figures are consolidated net income (the primary point of reference), consolidated revenue, and consolidated new orders. The gradation of the targets is determined by the Supervisory Board each year. The variable remuneration contains risk elements and is thus not guaranteed remuneration. In 2013, the variable remuneration amounted to €1,346 thousand (previous year: €1,605 thousand).

- In keeping with the recommendations of the Corporate Governance Code, the Supervisory Board adopted a long-term "performance incentive plan" containing risk elements at its meeting on 17 March 2005. Under this provision, each member of the Executive Board receives a performance incentive that is paid out after no less than ten years of service as a member of the Executive Board of KRONES AG. Board members serving for less than ten years are not entitled to the performance incentive. In 2013, €651 thousand (previous year: €0 thousand) in such remuneration came due for payment as scheduled following the 10-year waiting period.

- The performance incentive is calculated from the relevant Board member's fixed annual remuneration at the time of appointment to the Executive Board and the development of the enterprise value from the time of entry onto the Board to the time at which payment of the incentive comes due. After this period, the term of the performance incentive is another 10 years. If a member of the Executive Board should leave the company during this period, the remuneration is due on a pro-rated basis.

- EBIT, EBITDA, and consolidated revenue are used as the basis for calculating enterprise value. If the current enterprise value is less than it was at the time the member joined the Executive Board, the respective member is not entitled to the performance incentive.

- Provisions for the performance incentive amounted to €985 thousand at the end of the year (previous year: €1,092 thousand).

- At KRONES AG there are and have been no stock-option plans or comparable securities-oriented long-term incentive components of remuneration for Executive Board members.

- Pension provisions of €5,991 thousand (previous year: €6,568 thousand) were recognised for active members of the Executive Board.

- Disclosure of the total remuneration paid to each board member by name as recommended under Item 4.2.4 of the German Corporate Governance Code and under § 285 (1) No. 9a Sentences 5–9 and § 314 (1) No. 6a Sentences 5–9 of the German Commercial Code (HGB) is not being implemented. It is the belief of KRONES AG that such disclosure would conflict with personal privacy rights.

  Thus, as resolved by the annual shareholders' meeting on 16 June 2010, detailed disclosure of each individual Executive Board member's remuneration will not be made up to and including publication of the annual and consolidated financial statements for the financial year 2014, as provided for under § 286 (5) of the German Commercial Code.

  On the other hand, details relating to the structure of the remuneration are essential for assessing whether the breakdown of remuneration is appropriate and whether it results in an incentive effect for the Executive Board.

- For former members of the Executive Board and their surviving dependents, payments amounting to €797 thousand (previous year: €768 thousand) were made and pension provisions of €416 thousand (previous year: €380 thousand) were recognised.

The remuneration system for the Executive Board has been revised due to regulatory changes and benchmarking. The Supervisory Board approved the new remuneration structure in its meeting on 25 September 2013. The new system will be brought before the annual shareholders' meeting for approval on 25 June 2014.

The main points of the new system are that the fixed remuneration accounts for a smaller share of total remuneration, the duration of the long-term performance incentive component has been shortened from ten years to five years, and a medium-term performance incentive has been introduced to partially replace the short-term performance target.

The Supervisory Board has reviewed and continues to review the appropriateness of the system on a regular basis using external benchmarks and comparisons with senior management and the entire workforce.

The incentive package for the Executive Board will be composed as follows beginning in 2014:

- Short-term incentive (STI, measurement period: 1 year)
  - Awarded annually
  - Target bonus: 3 months' salary per annum (= 100% of STI performance target attained)
  - Reference figures: EBT margin (primary), new orders, consolidated revenue, ROCE
  - Capped at 200% (max. 6 months' salary)
  - No payment if EBT is negative

- Mid-term incentive (MTI, measurement period: 3 years)
  - Awarded annually (on a revolving basis)
  - Target bonus: 3 months' salary per annum (=100% of MTI performance target attained)
  - Reference figures: ROCE (primary), revenue, EBIT, and quality costs
  - Capped at 200% (max. 6 months' salary)
  - No payment if EBT is negative on average

- Long-term incentive (LTI, measurement period: 5 years)
  - Awarded every 5 years (sequentially)
  - Theoretical bonus = 1/5 of fixed remuneration per annum if 100% of performance target is attained; however, payment only after 110% attainment (Development of enterprise value between start and end of measurement period)
  - Reference figures: Increase in enterprise value, based on the average of the following multiples: EBT x9, EBITDA x7, revenue x1 (each based on 5-year average)
  - Capped at 250% of fixed remuneration
  - Payment occurs only if enterprise value has increased by at least 10%

In all, the new remuneration structure breaks down as follows: 59% fixed remuneration (previously: 63%) and 41% variable remuneration (previously: 37%).

In addition, the Supervisory Board can, at its discretion, pay out a special bonus if extraordinary performance warrants it.

In sum, the remuneration system is designed to create an incentive for successful long-term management. The variable remuneration is subject to caps and to a floor below which it will not be paid.

Supervisory Board remuneration

Remuneration of the members of the Supervisory Board is governed by the articles of association and resolved by the annual shareholders' meeting. For the financial year 2013, the articles of association as amended by the annual shareholders' meeting on 19 June 2013 apply.

The Supervisory Board's remuneration consists of two components, an annual fixed remuneration of €20,000 and a variable remuneration. The Chairman of the Supervisory Board receives three times the amount of the fixed remuneration and the Deputy Chairman of the Supervisory Board receives one and one half times the fixed remuneration amount. The variable remuneration is based on consolidated net income per share. Each member of the Supervisory Board receives €2,000 for each €0.30 by which total consolidated net income per share exceeds €1.00. The variable remuneration of each member of the Supervisory Board is limited to a maximum of €14,000 per financial year.

On this basis, the variable remuneration for each member of the Supervisory Board is €14,000 for the financial year 2013.

Members of the Supervisory Board who belong to special committees within the Supervisory Board receive additional remuneration of €7,000 annually as well as a €1,000 flat-rate reimbursement for expenses.

The total remuneration paid to members of the Supervisory Board amounted to €500 thousand (previous year: €428 thousand) including variable portions totalling €168 thousand (previous year: €96 thousand).

Moreover, the members of the Supervisory Board receive a flat €1,000 fee per meeting as reimbursement for their expenses unless they submit proof of having incurred higher expenses.

Members of the Supervisory Board who belonged to the board for only a portion of the financial year receive pro-rated remuneration.

The company has no stock option plans or similar securities-oriented incentive systems. Thus, there are also no stock-option plans or similar long-term incentive components of remuneration for members of the Supervisory Board.

Statement required by § 37y No. 1 of the German Securities Trading Act (WpHG) in conjunction with § 297 (2) Sentence 3 and § 315 (1) Sentence 6 of the German Commercial Code (HGB)

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

Neutraubling, 31 March 2014
KRONES AG
The Executive Board

Volker Kronseder
Chairman of the
Executive Board

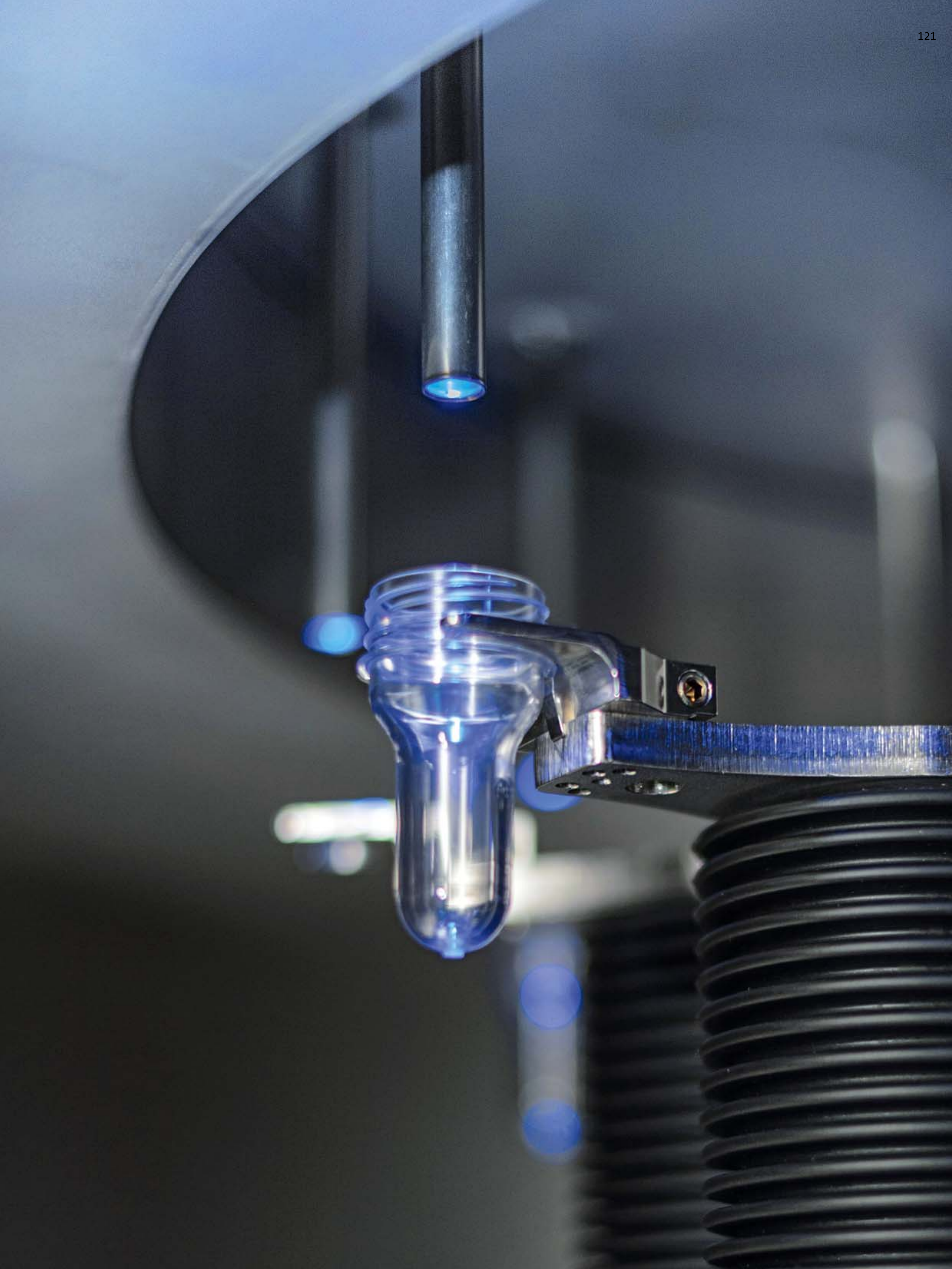
Christoph Klenk

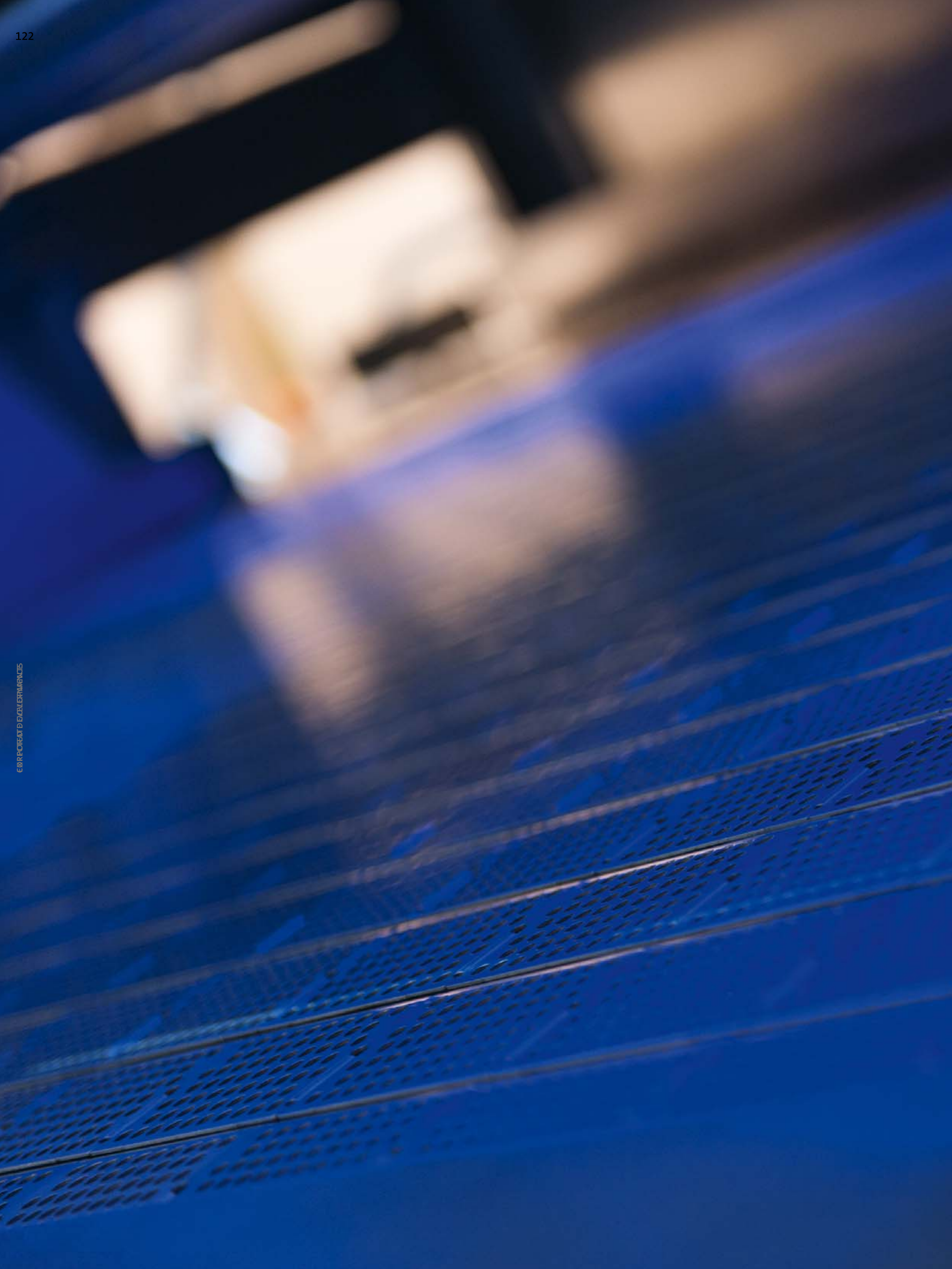
Rainulf Diepold

Werner Frischholz

Thomas Ricker

Markus Tischer





Corporate Governance

Statement on corporate governance

The statement on corporate governance is also available online at www.krones.com.

KRONES recognises its responsibilities

For KRONES, the German Corporate Governance Code is an integral part of governance.

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. The management of KRONES takes the principles and rules of corporate governance into account in all business activities.

Declaration of compliance pursuant to § 161 of the German Stock Corporation Act

"The Executive Board and the Supervisory Board of KRONES AG declare that the recommendations of the 'Government Commission German Corporate Governance Code' established by the German federal government regarding the management and supervision of German listed companies as amended on 13 May 2013 have been and are being complied with in accordance with the German Corporate Governance Code, which is published on the website of KRONES AG, with the following exceptions:

- A deductible is not included in the D&O policy for the Supervisory Board. (Item 3.8 of the Code)

  No specific deductible has been set for this policy because the Supervisory Board always performs its duties properly regardless of the existence of a deductible.

- The Executive Board shall be comprised of several persons and have a Chairman or Spokesman. By-laws shall govern the work of the Executive Board, in particular, the allocation of duties among individual Executive Board members, matters reserved for the Executive Board as a whole, and the required majority for Executive Board resolutions (unanimity or resolution by majority vote). (Item 4.2.1 of the Code)

  The rules of procedure governing the Executive Board are set forth in the articles of association for KRONES AG, which already contain detailed rules for the work of the Executive Board. For this reason, there are no separate written by-laws.

- In keeping with the resolution of the annual shareholders' meeting, total compensation of each member of the Executive Board, subdivided according to fixed and variable components, is not listed individually by each member's name. (Item 4.2.4 of the Code).

  KRONES discloses the structure of Executive Board remuneration. Details relating to fixed and variable, performance-related components of remuneration are essential for assessing the appropriateness of the remuneration structure and whether it results in an incentive effect for the Executive Board.

We believe that disclosing each individual's remuneration would conflict with personal privacy rights. Thus, as resolved by the annual shareholders' meeting on 16 June 2010, detailed disclosure of each individual Executive Board member's remuneration will not be made up to and including publication of the annual and consolidated financial statements for the financial year 2014, as provided for under § 286 (5) of the German Commercial Code.

- The Supervisory Board shall establish its own by-laws. (Item 5.1.3 of the Code)

  The rules of procedure governing the Supervisory Board are set forth in the articles of association for KRONES AG, which already contain detailed rules for the work of the Supervisory Board. For this reason, there are no separate written by-laws.

- There is currently no nominating committee at KRONES AG. (Item 5.3.3 of the Code)

  Committees are primarily useful for larger bodies if they make that body's work more efficient. There are six shareholder representatives on the Supervisory Board of KRONES AG who suggest nominees. Therefore, we do not feel it is necessary to create a separate nominating committee.

- The performance-based remuneration of the members of the Supervisory Board is currently not based on the company's development over multiple years. The remuneration of members of the Supervisory Board is currently not itemised. Other remuneration for services provided individually, in particular advisory or agency services, is not currently reported. (Item 5.4.6 of the Code)

  In accordance with the company's articles of association, the performance-based remuneration of the members of the Supervisory Board is currently based on the company's net income for the most recently ended financial year. Through its actions and decisions, the Supervisory Board plays a key role in the company's long-term success. The company's commercial success and sustainable development are also reflected in the net income for the year. Nevertheless, the Supervisory Board has resolved to follow this recommendation in the future and, together with the Executive Board, will propose an amendment to the articles of association to the annual shareholders' meeting in 2014. The total of remuneration paid out to members of the Supervisory Board is given in the remuneration report, broken down into its fixed and variable portions. We do not believe an individual listing of remuneration would provide any additional information of relevance for the capital markets. The same applies to services provided by individual members of the Supervisory Board.

- The shareholdings of members of the Executive Board and the Supervisory Board of KRONES AG are not disclosed. (Item 6.3 of the Code)

  In order to safeguard the protection-worthy interests and privacy of the board members, we have opted not to make this disclosure.

  However, we do disclose the shareholdings of the Kronseder families holding seats on the Executive Board and the Supervisory Board in the annual report for KRONES AG.

- We are not yet in compliance with the deadline for publication of the consolidated financial statements of KRONES AG within 90 days of the close of the financial year. (Item 7.1.2 of the Code)

  The annual financial statements of KRONES AG are published within the statutory time period. Important figures for the past financial year that are relevant to the capital markets are published within the 90-day limit."

Neutraubling, 28 March 2014

For the Executive Board

Volker Kronseder
Chairman

For the Supervisory Board

Ernst Baumann
Chairman

Composition of the Supervisory Board

Pursuant to Item 5.4.1 of the German Corporate Governance Code, the Supervisory Board must specify concrete objectives relating to its composition that, while considering the company's specific situation, take into account the company's international activities, potential conflicts of interest, an age limit to be specified for Supervisory Board members, and diversity. These concrete objectives are to stipulate an appropriate degree of female representation.

In keeping with Item 5.4.1, the Supervisory Board of KRONES has specified the following objectives:

a) Composition based on suitable knowledge, skills, and experience

The Supervisory Board of KRONES AG shall be composed in such a way that its members possess the knowledge, skills, and professional experience required to properly complete the tasks of a member of the Supervisory Board of an international corporation and to preserve the public reputation of KRONES AG.

Consideration of candidates should also take into account motivation, integrity, character, professionalism, and independence.

b) Potential conflicts of interest (independence of the members)

The independence of the members of the Supervisory Board shall be ensured in order to prevent conflicts of interest. Potential candidates shall not serve as advisors to major competitors of KRONES AG and shall not hold management positions at companies that are customers, suppliers, or affiliates of KRONES AG. The Supervisory Board shall contain no more than two former members of the Executive Board.

Moreover, the members of the Supervisory Board shall meet the criteria for independence under Item 5.4.2 of the Corporate Governance Code. Presuming that execution of a Supervisory Board mandate as employee representative casts no doubt on the compliance with the criteria for independence under Item 5.4.2 of the Code, the majority of the members of the Supervisory Board shall be independent within the meaning of Item 5.4.2 of the Code.

Each member of the Supervisory Board shall agree to submit a declaration to the Chairman of the Supervisory Board if any conflict of interest exists. If the conflict of interest persists over an extended period or is material, the Supervisory Board member in question must resign.

c) Age limit

The age limit for members of the Supervisory Board is 70 years. A member's term in office shall end at the conclusion of the annual shareholders' meeting that follows his or her 70th birthday. Reasons must be given for any deviation from this rule.

d) International experience

KRONES AG operates internationally and has subsidiaries and offices in many countries around the globe. Therefore, international experience must be taken into consideration when selecting members of the Supervisory Board.

International experience relates not only to knowledge of the English language but also to work experience in other international companies.

e) Diversity

The Supervisory Board of KRONES AG shall take diversity into account and strive to achieve an appropriate degree of female representation when selecting its members. Female candidates are welcomed and shall be fairly considered in the selection of both shareholder and employee representatives for the Supervisory Board.

The Supervisory Board of KRONES implemented all of the objectives a) through e) in the financial year 2013.

Information on corporate governance practices

Corporate governance at KRONES is based on fairness and transparency. This principle applies both to the cooperation between the Executive Board and the Supervisory Board and to the way we deal with our employees, customers, suppliers, and the general public.

We review all strategic decisions for their long-term probability of success. Our aim is to optimise profits and cash flow in a sustainable manner.

To secure the company's long-term survival, we review all of our activities with respect to sustainability, factoring in not only our social and economic responsibilities but also the ecological conditions and consequences involved in the manufacture and use of our products. Our production operations are eco-friendly and we not only comply with statutory regulations but make every effort to remain as far below the prescribed limits as possible.

Our governance principles ensure that the welfare of the very people who contribute to our success is never subordinated to economic interests. In order to prevent accidents at the workplace and work-related illness, we create a safe environment that is conducive to the good health of our employees. All of our workflows are designed with the safety and health of our employees in mind, and we ensure that the workplace is ergonomic and free of hazards.

When choosing our suppliers, we look at their performance with respect to sustainable, socially responsible management. KRONES has developed a suppliers' code for this purpose. The code covers safety, health, the environment, quality, human rights, labour standards, and preventing and fighting corruption.

Duties and activities of the Executive Board and the Supervisory Board

The Executive Board of KRONES AG consisted of five members in the financial year 2013. As of 1 January 2014, the Executive Board consists of six members. Each of whom is responsible for specific areas of the company (see pages 6–7 and page 173). The Executive Board manages the company and its affairs. The members of the Executive Board meet daily. At these meetings, the Executive Board discusses current and strategic topics and makes decisions. For strategically important decisions, the Executive Board involves the Supervisory Board in the decision-making process in a timely manner.

The Supervisory Board oversees the Executive Board. In accordance with the articles of association, the Supervisory Board has twelve members. The Executive Board and the Supervisory Board communicate on a regular basis. The Executive Board informs the Supervisory Board in a timely manner about business development, the company's financial situation, risk management, company planning, and strategy. In addition to regular oral reports, the members of the Supervisory Board receive written reports on the company's earnings and financial position from the Executive Board each month.

The Chairman of the Supervisory Board coordinates the work of the Supervisory Board (see pages 11 and 173 for a listing of the members). The Chairman or Deputy Chairman presides over the Supervisory Board's meetings. The Supervisory Board makes decisions either in its meetings or, in exceptional cases, in a procedure in which the relevant documents are circulated to each member. Members of the Executive Board participate in meetings of the Supervisory Board at the invitation of the Chairman or Deputy Chairman of the Supervisory Board. The Executive Board members give oral or written reports on the agenda items and respond to questions from the Supervisory Board.

Each year, the Chairman of the Supervisory Board describes the Board's activities in his report to shareholders in the annual report and at the annual shareholders' meeting.

In order to perform its work in the most efficient manner possible, the Supervisory Board has formed an Audit and Risk Management Committee and a Standing Committee.

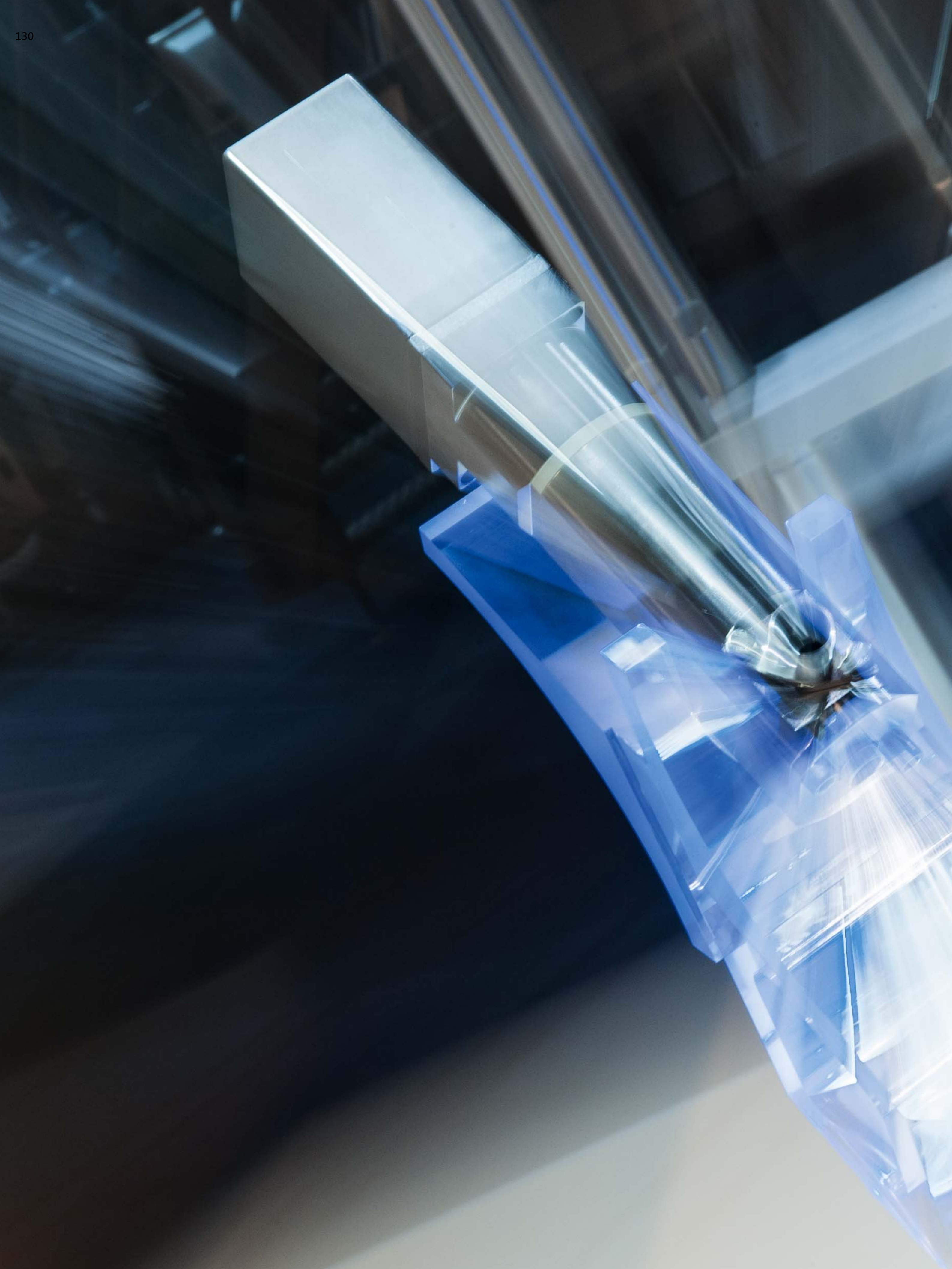
Composition, duties, and activities of the Audit and Risk Management Committee

The Audit and Risk Management Committee consists of Supervisory Board Chairman Ernst Baumann and Deputy Chairman Werner Schrödl as well as the following members of the Supervisory Board: Norman Kronseder, Graf Philipp von und zu Lerchenfeld, Josef Weitzer, and Johann Robold. Chairman of the committee is Philipp Graf von und zu Lerchenfeld.

The Audit and Risk Management Committee meets regularly and oversees the accounting and financial reporting process and the audit of the financial statements and prepares corresponding proposals for resolutions for the Supervisory Board. The Committee also prepares the Supervisory Board's review of the annual financial statements, the management report, and the auditor's report for the separate and consolidated financial statements and makes recommendations. In addition, the Audit and Risk Management Committee monitors the effectiveness of the internal control system, the risk management system, and the compliance system.

Composition, duties, and activities of the Standing Committee

The Standing Committee consists of Werner Schrödl, Norman Kronseder, Josef Weitzer, and Ernst Baumann. Chairman of the Committee is Ernst Baumann. The Standing Committee meets regularly and deals with all other topics that do not fall within the scope of the Audit and Risk Management Committee. These include corporate strategy, human resources strategy, Supervisory Board remuneration, and Executive Board remuneration.



Consolidated financial statements

Notes to the consolidated financial statements

Separate income statement

€ thousand, except per share amounts	Notes	2013		2012*	
Sales revenue	19	2,815,710		2,664,194	
Decrease in inventories of finished goods and work in progress		–18,560		–16,926	
Other own work capitalised	20	40,916		41,802	
Other operating income	21	82,527	2,920,593	104,353	2,793,423
Goods and services purchased	22				
Expenses for materials and supplies and for goods purchased		–1,102,757		–1,086,061	
Expenses for services purchased		–275,005	–1,377,762	–239,244	–1,325,305
Personnel expenses	23				
Wages and salaries		–674,631		–645,117	
Social security contributions and expenses for pension plans and for benefits		–136,088	–810,719	–131,018	–776,135
Depreciation and amortisation of intangible assets and property, plant and equipment	1/2		–84,796		–76,685
Other operating expenses	24		–474,527		–521,781
EBIT			**172,789**		**93,517**
Investment income	25	1,681		2,137	
Income from other securities and loans classified as non-current financial assets	25	10		28	
Other interest and similar income	25	5,201		6,925	
Share of profit (loss) of associates accounted for using the equity method	25	–5,036		0	
Interest and similar expenses	25	–4,978		–3,468	
			–3,122		5,622
Earnings before taxes			**169,667**		**99,139**
Income tax	7/26		–50,226		–30,885
Consolidated net income			**119,441**		**68,254**
Profit share of non-controlling interests			0		0
Profit share of KRONES Group shareholders			119,441		68,254
Earnings per share (diluted/basic) in €	27		3.84		2.26

* Adjusted according to IAS 19R

Statement of comprehensive income

€ thousand	Notes	2013	2012*
Consolidated net income		**119,441**	**68,254**
Items that will not be reclassified subsequently to profit or loss			
Effects of retroactive application of IAS 19R			–22,658
Actuarial gains and losses on pensions and similar obligations	11	–34	–16,239
		–34	–38,897
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation		–15,133	–5,282
Derivative financial instruments	11	1,386	7,028
		–13,747	1,746
Other comprehensive income	8	**–13,781**	**–37,151**
Total comprehensive income	8	**105,660**	**31,103**
of which attributable to non-controlling interests		0	0
of which attributable to KRONES Group shareholders		105,660	31,103

* Adjusted according to IAS 19R

Statement of financial position

Assets		31 Dec 2013		31 Dec 2012		1 Jan 2012*	
€ thousand	Notes						
Intangible assets	1	128,216		119,116		110,718	
Property, plant and equipment	2	475,078		464,885		441,295	
Non-current financial assets	3	1,828		2,520		2,564	
Fixed assets		**605,122**		**586,521**		**554,577**	
Deferred tax assets	7	17,340		21,605		19,374	
Trade receivables	5	12,653		8,455		17,366	
Income tax receivables	7	5,071		6,624		8,071	
Other assets	5	1,570		1,937		3,708	
Non-current assets			**641,756**		**625,142**		**603,096**
Inventories	4	640,989		648,442		642,826	
Trade receivables	5	610,928		559,862		567,750	
Current income tax receivables	7	7,470		12,603		4,521	
Other assets	5	97,040		90,634		101,990	
Cash and cash equivalents	6	239,880		132,920		125,496	
Current assets			**1,596,307**		**1,444,461**		**1,442,583**
Total			**2,238,063**		**2,069,603**		**2,045,679**

* Adjusted according to IAS 19R

Equity and liabilities		31 Dec 2013		31 Dec 2012*		1 Jan 2012*	
€ thousand	Notes						
Share capital	8	40,000		40,000		40,000	
Capital reserves	9	141,724		66,807		66,750	
Profit reserves	10	352,728		368,819		373,383	
Other reserves	11	–39,381		–40,733		–31,522	
Group retained earnings		459,111		363,603		314,225	
Group equity of the parent company			**954,182**		**798,496**		**762,836**
Non-controlling interests	12	0		0		0	
Equity			**954,182**		**798,496**		**762,836**
Provisions for pensions	13	145,896		141,046		114,656	
Deferred tax liabilities	7	22,303		5,324		0	
Other provisions	14	39,069		35,537		32,250	
Liabilities to banks		0		0		0	
Trade payables	15	3,324		6,829		0	
Other financial liabilities	15	1,715		2,177		7,034	
Other liabilities	15	906		1,811		8,189	
Non-current liabilities			**213,213**		**192,724**		**162,129**
Other provisions	14	154,679		128,666		176,065	
Provisions for taxes	14	7,995		14,030		10,682	
Liabilities to banks		0		0		0	
Advances received	15	468,817		497,163		443,452	
Trade payables	15	192,005		197,849		201,326	
Current income tax liabilities	7	3,653		558		201	
Other financial liabilities	15	9,505		14,879		34,723	
Other liabilities and accruals	15	234,014		225,238		254,265	
Current liabilities			**1,070,668**		**1,078,383**		**1,120,714**
Total			**2,238,063**		**2,069,603**		**2,045,679**

* Adjusted according to IAS 19R

FINANCIAL STATEMENTS

Statement of cash flows

€ thousand	Notes	2013	2012*
Earnings before taxes		169,667	99,139
Depreciation and amortisation (reversals)	1, 2	84,796	76,685
Increase (previous year: decrease) in provisions and accruals	14, 15	51,713	–41,387
Deferred tax item changes recognised in profit or loss	7	–19,886	–4,419
Interest expenses and interest income	25	–223	–3,457
Gains and losses from the disposal of non-current assets	21, 24	242	–221
Other non-cash expenses and income		9,726	–1,340
Increase (previous year: decrease) in trade receivables and other assets not attributable to investing or financing activities		–58,802	28,379
Decrease (previous year: increase) in inventories	4	3,132	–8,090
Decrease (previous year: increase) in trade payables and other liabilities not attributable to investing or financing activities		–29,747	21,948
Cash generated from operating activities		**210,618**	**167,237**
Interest paid		–3,659	–2,779
Income tax paid and refunds received		–32,404	–27,837
Cash flow from operating activities		**174,555**	**136,621**
Cash payments to acquire intangible assets		–43,132	–39,123
Proceeds from the disposal of intangible assets	1	908	11
Cash payments to acquire property, plant and equipment		–64,933	–71,732
Proceeds from the disposal of property, plant and equipment	2	1,162	1,983
Cash payments to acquire non-current financial assets		–802	–47
Proceeds from the disposal of non-current financial assets		1,458	91
Cash payments to acquire shares in affiliated companies	25	–5,000	0
Interest received		1,087	707
Dividends received		1,681	2,137
Cash flow from investing activities		**–107,571**	**–105,973**
Cash payments to company owners		–23,695	–18,101
Sale of treasury shares		73,722	0
Cash payments to pay lease liabilities	15	0	–1,904
Cash flow from financing activities		**50,027**	**–20,005**
Net change in cash and cash equivalents		**117,011**	**10,643**
Changes in cash and cash equivalents arising from exchange rates		–10,051	–3,219
Changes in cash and cash equivalents arising from the consolidated group		0	0
Cash and cash equivalents at the beginning of the period		132,920	125,496
Cash and cash equivalents at the end of the period	6	**239,880**	**132,920**

* Adjusted according to IAS 19R

Statement of changes in equity

	Parent company							Non-controlling interests	Group equity
€ thousand	Share capital	Capital reserves	Profit reserves	Currency differences in equity	Other reserves	Group retained earnings	Equity	Equity	
Notes	8	9	10		11			12	
At 1 January 2012 (As previously reported)	**40,000**	**66,750**	**364,499**	**8,884**	**–5,639**	**311,000**	**785,494**	**0**	**785,494**
Effects of retroactive application of IAS 19R					–25,883	3,225	–22,658		–22,658
At 1 January 2012	**40,000**	**66,750**	**364,499**	**8,884**	**–31,522**	**314,225**	**762,836**		**762,836**
Dividend payment (€0.60 per share)						–18,101	–18,101		–18,101
Consolidated net income 2012						68,254	68,254		68,254
Deduction from profit reserves			0			0	0		0
Allocation to profit reserves			718			–718	0		0
Allocation to capital reserves		57				–57	0		0
Currency differences				–5,282			–5,282		–5,282
Remeasurement of defined benefit plans					–16,239		–16,239		–16,239
Hedge accounting, incl. AFS					7,028		7,028		7,028
At 31 December 2012	**40,000**	**66,807**	**365,217**	**3,602**	**–40,733**	**363,603**	**798,496**	**0**	**798,496**
Dividend payment (€0.75 per share)						–23,695	–23,695		–23,695
Consolidated net income 2013						119,441	119,441		119,441
Sale of treasury shares		74,906	–1,184				73,722		73,722
Allocation to profit reserves			226			–226	0		0
Allocation to capital reserves		11				–11	0		0
Currency differences				–15,133			–15,133		–15,133
Remeasurement of defined benefit plans					–34		–34		–34
Hedge accounting, incl. AFS					1,386		1,386		1,386
At 31 December 2013	**40,000**	**141,724**	**364,259**	**–11,531**	**–39,381**	**459,111**	**954,182**	**0**	**954,182**

Notes to the consolidated financial statements of KRONES AG

Segment reporting

€ thousand	Machines and lines for product filling and decoration 2013	2012*	Machines and lines for beverage production/ process technology 2013	2012*	Machines and lines for the low output range (KOSME) 2013	2012
Sales revenue	**2,330,292**	2,258,252	**388,199**	311,902	**97,218**	94,039
Germany	259,287	195,408	28,394	25,745	4,709	2,967
Rest of Europe	610,758	563,952	81,710	60,552	41,542	55,682
Other regions	1,460,247	1,498,893	278,095	225,606	50,967	35,390
Depreciation and amortisation	**74,951**	66,443	**7,970**	8,475	**1,875**	1,767
of which unscheduled write-down	4,504	0	149	2,796	0	0
Interest income					15	25
Interest expense					78	226
EBT	**174,458**	120,396	**–2,515**	–13,649	**–2,276**	–7,608
Other material non-cash income and expenses	–4,752	898	–56	562	118	–120
Share of profit (loss) of associates accounted for using the equity method			–5,036			
Assets	**1,878,977**	1,732,583	**289,497**	252,983	**73,942**	79,489
Germany	1,364,620	1,284,070	289,497	252,983	0	0
Rest of Europe	113,523	93,769	0	0	73,942	79,489
Other regions	400,834	354,745	0	0	0	0
Liabilities	**1,128,844**	962,836	**102,865**	266,907	**53,207**	58,456
Capital expenditure for intangible assets and property, plant and equipment	**88,870**	100,820	**17,347**	8,093	**1,847**	1,942
Germany	77,234	93,810	17,347	8,093	0	0
Rest of Europe	568	692	0	0	1,847	1,942
Other regions	11,069	6,319	0	0	0	0
Return on sales (EBT to sales)	**7.5%**	5.3%	**–0.6%**	–4.4%	**–2.3%**	–8.1%

* Adjusted according to IAS 19R

NOTES

Total for the segments		Consolidation		Other			KRONES Group	
2013	2012*	2013	2012	2013	2012*		2013	2012*
							2,815,710	**2,664,194**
							292,390	224,199
							734,010	680,186
							1,789,310	1,759,889
							84,796	**76,685**
							4,653	2,796
				5,186	6,900		5,201	6,925
				4,900	3,242		4,978	3,468
							169,667	**99,139**
							–4,690	1,340
							–5,036	–
2,242,416	**2,065,056**	**–34,986**	**–37,004**	**30,633**	**41,551**		**2,238,063**	**2,069,603**
1,654,117	1,537,053	–21,737	–21,960	30,633	41,551		1,663,013	1,556,644
187,465	173,258	–12,290	–14,426	0	0		175,175	158,832
400,834	354,745	–959	–618	0	0		399,875	354,127
1,284,916	**1,288,199**	**–34,986**	**–37,004**	**33,951**	**19,912**		**1,283,881**	**1,271,107**
							108,065	**110,856**
							94,581	101,903
							2,415	2,634
							11,069	6,319
							6.0%	**3.7%**

Legal basis

The consolidated financial statements of KRONES AG ("KRONES Group") for the period ended 31 December 2013 have been prepared in accordance with the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB), London, applicable at the end of the reporting period, including the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) as adopted by the European Union. No early application was made of IFRSs that had not yet entered into force or their interpretations. A list of these standards and interpretations and of standards being applied for the first time is on page 168. The Executive Board authorised these consolidated financial statements for issue on 31 March 2014.

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

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

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

Consolidated group

Besides KRONES AG, the consolidated financial statements for the period ended 31 December 2013 include all material domestic and foreign subsidiaries in which KRONES AG holds more than 50% of the voting rights.

KRONES acquired a 26% stake in KLUG GmbH Integrierte Systeme, Teunz, Germany, in 2013. The shareholding is accounted for using the equity method.

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

Consolidation principles

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

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

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

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

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

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

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

Currency translation

The functional currency for KRONES AG is the euro.

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

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

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

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

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

		Closing rate		Average rate	
		31 Dec 2013	31 Dec 2012	2013	2012
US dollar	USD	1.376	1.319	1.328	1.286
British Pound	GBP	0.836	0.816	0.849	0.811
Swiss franc	CHF	1.227	1.207	1.231	1.205
Danish krone	DKK	7.460	7.461	7.458	7.444
Canadian dollar	CAD	1.474	1.312	1.368	1.285
Japanese yen	JPY	144.750	113.650	129.633	102.646
Brazilian real	BRL	3.204	2.700	2.869	2.510
Chinese renminbi (yuan)	CNY	8.344	8.215	8.226	8.116
Mexican peso	MXN	18.000	17.206	16.950	16.912
Ukrainian hryvnia	UAH	11.190	10.614	10.829	10.391
South African rand	ZAR	14.460	11.187	12.814	10.553
Kenyan shilling	KES	118.900	113.593	114.370	108.692
Nigerian naira	NGN	215.620	205.960	211.556	204.178
Russian ruble	RUB	45.105	40.249	42.312	39.925
Thai baht	THB	45.150	40.334	40.818	39.929
Indonesian rupiah	IDR	16,787.000	12,707.500	13,871.618	12,039.824
Angolan kwanza	AOA	134.382	126.640	128.055	122.658
Turkish lira	TRY	2.940	2.356	2.531	2.315

Accounting policies

The separate financial statements of KRONES AG and its domestic and foreign subsidiaries have been prepared using uniform accounting policies, in accordance with IAS 27.

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

Intangible assets

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

Research and development expenditure

Development expenditure of the KRONES Group is capitalised at cost to the extent that costs can be allocated clearly and the technical feasibility and a future economic benefit as a result of their use are probable. According to IAS 38, research expenditure cannot be capitalised and is, therefore, recognised as an expense directly in profit or loss. Borrowing costs are capitalised as cost at a capitalisation rate of 0.43%.

Goodwill

There is no goodwill in these consolidated accounts.

Property, plant and equipment

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

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

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

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

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

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

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

Leases

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

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

Financial instruments

Financial instruments under IAS 39 used by KRONES consist of the following non-current financial assets:

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

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

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

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

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

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

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

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

Non-current financial assets

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

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

Derivative financial instruments

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

The primary category of currency risk at KRONES is transaction risk arising from exchange rates and cash flows in foreign currencies. The currencies materially affected by this are the US dollar, Australian dollar, Canadian dollar, and British pound.

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

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

The derivative financial instruments are measured at fair value at the end of the reporting period. The fair values are determined using Level 2 inputs under IFRS 13.72. Gains and losses from the measurement are recognised as profit or loss on the separate income statement and the statement of comprehensive income unless the conditions for hedge accounting are met.

The derivative financial instruments for which hedge accounting is applied comprise forward currency contracts and currency swaps whose changes in fair value are recognised as a “fair value hedge” in profit or loss or a “cash flow hedge” as part of equity. In the case of cash flow hedges, to mitigate currency risks from existing underlying transactions, changes in fair value are initially recognised directly in equity and subsequently reclassified to profit and loss when the hedged item affects profit or loss. These derivative financial instruments are measured on the basis of the relevant commercial bank’s forward rates.

They are derecognised only when substantially all risks and rewards of ownership are transferred.

Receivables and other assets

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

Inventories

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

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

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

Construction contracts for specific customers

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

Deferred tax items

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

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

Provisions for pensions

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

KRONES has until now used the “corridor” approach. The corridor approach was eliminated as a result of amendments to IAS 19. Thus, actuarial gains and losses are now recognised directly in the consolidated statement of financial position and resulted in an increase in provisions for pensions and similar obligations and a reduction in equity (in other comprehensive income, OCI). The separate income statement for the group will in future be free of effects from actuarial gains and losses since these are now to be recognised in other comprehensive income. In addition, recognition of net interest was introduced. Net interest on the net defined benefit liability (asset) is determined by multiplying the net defined benefit liability (asset) by the discount rate used to measure the defined benefit obligation at the start of the annual period. Because the net defined benefit liability is reduced by any plan assets, the same (discount) rate is used to calculate the returns on the plan assets.

Partial retirement benefit obligations

Because the definition of post-employment benefits has been changed under IAS 19, the “top-up payments” promised under partial retirement agreements now fall under “other long-term employee benefits”. Thus, top-up payments are no longer recognised in full as liabilities at their net present value. Instead, they are accrued on a pro-rated basis across the relevant years of active service of the employee taking partial retirement. The result is a reduction in provisions for partial retirement.

Other provisions

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

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

Financial liabilities

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

Revenue

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

Revenue is reported less reductions.

Segment reporting

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

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

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

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

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

1 Intangible assets

The carrying amount of the intangible assets has changed as follows:

€ thousand	Industrial property rights and similar rights and assets as well as licenses	Capitalised development expenditure	Total
1 January 2012			
Cost	95,514	186,550	282,064
Accumulated amortisation	78,491	92,855	171,346
Net carrying amount	**17,023**	**93,695**	**110,718**
Changes in 2012			
Cost			
Consolidated additions	0	0	0
Additions	11,157	27,966	39,123
Disposals	1,922	0	1,922
Currency differences	–153	0	–153
Amortisation			
Consolidated additions	0	0	0
Additions	5,777	24,926	30,703
Disposals	1,911	0	1,911
Currency differences	–142	0	–142
Net carrying amount at 31 December 2012	**22,381**	**96,735**	**119,116**
1 January 2013			
Cost	104,596	214,516	319,112
Accumulated amortisation	82,215	117,781	199,996
Net carrying amount	**22,381**	**96,735**	**119,116**
Changes in 2013			
Cost			
Consolidated additions	0	0	0
Additions	11,590	31,542	43,132
Disposals	1,091	0	1,091
Currency differences	–236	0	–236
Amortisation			
Consolidated additions	0	0	0
Additions	7,315	25,792	33,107
Disposals	183	0	183
Currency differences	–218	–1	–219
Net carrying amount at 31 December 2013	**25,730**	**102,486**	**128,216**
31 December 2013			
Cost	114,859	246,058	360,917
Accumulated amortisation	89,129	143,572	232,701
Net carrying amount	**25,730**	**102,486**	**128,216**

The addition under intellectual property rights and licenses primarily relates to computer software licenses.

The capitalised development expenditure relates to new machinery projects of KRONES AG. The development expenditure capitalised in the reporting period amounts to €31,542 thousand (previous year: €27,966 thousand). This figure includes borrowing costs totalling €166 thousand (previous year: €100 thousand). Including capitalised development expenditure, a total of €132,438 thousand was spent on research and development in 2013 (previous year: €121,168 thousand). In the reporting period, a €3,991 thousand write-down on intangible assets was recognised within the depreciation and amortisation figure (previous year: €2,796 thousand). Of that, €3,842 thousand relates to the segment "machines and lines for product filling and decoration" and €149 thousand relates to the "machines and lines for beverage production/process technology" segment. The write-down is for impairments on software licenses because the licenses are no longer used and capitalised development projects to which no further benefit can be attributed.

2 Property, plant and equipment

For property, plant and equipment, impairment losses totalling €662 thousand (previous year: €0 thousand) were recognised under depreciation pursuant to IAS 36 in 2013. These related to buildings that were demolished. These write-downs are recognised in the "machines and lines for product filling and decoration" segment.

In 2013, the carrying amounts for property, plant and equipment included grants of €162 thousand (previous year: €211 thousand). Of the grants, €50 thousand (previous year: €50 thousand) were recognised in profit and loss by way of a reduced depreciation charge in 2013. As in the previous year, no reversals are included in the depreciation figure.

For the property, plant and equipment reported, there were no restrictions on title or right of disposal.

Property, plant and equipment includes leased assets amounting to €1,332 thousand (previous year: €1,472 thousand), which are to be attributed as the economic property of the relevant group company due to the provisions of the underlying lease (finance lease).

The carrying amounts of the capitalised leased assets are as follows:

€ thousand	31 Dec 2013	31 Dec 2012
Land, land rights and buildings, including buildings on third-party land	749	767
Technical equipment and machinery	16	91
Other equipment, furniture and fixtures, and office equipment	567	614
Total	**1,332**	**1,472**

There were no additions under IFRS 3 or IFRS 5 during the reporting period.

Property, plant and equipment have changed as follows:

€ thousand	Land and buildings	Technical equipment and machinery	Other equipment, furniture and fixtures, and office equipment	Construction in progress	Total
1 January 2012					
Cost	410,660	251,750	204,178	7,221	873,809
Accumulated depreciation	131,081	164,503	136,930	0	432,514
Net carrying amount	**279,579**	**87,247**	**67,248**	**7,221**	**441,295**
Changes in 2012					
Cost					
Consolidated additions	0	0	74	0	74
Additions	5,702	16,677	22,429	26,924	71,732
Disposals	855	7,441	27,890	4	36,190
Transfers	1,156	1,569	477	–3,202	0
Currency differences	–165	–665	–490	–20	–1,340
Depreciation					
Consolidated additions	0	0	32	0	32
Additions	11,491	11,224	23,267	0	45,982
Disposals	280	7,045	27,103	0	34,428
Reversals	0	0	0	0	0
Currency differences	–165	–388	–347	0	–900
Net carrying amount at 31 December 2012	**274,371**	**93,596**	**65,999**	**30,919**	**464,885**
1 January 2013					
Cost	416,498	261,890	198,778	30,919	908,085
Accumulated depreciation	142,127	168,294	132,779	0	443,200
Net carrying amount	**274,371**	**93,596**	**65,999**	**30,919**	**464,885**
Changes in 2013					
Cost					
Additions	12,187	27,089	19,529	6,128	64,933
Disposals	1,809	7,855	15,793	11	25,468
Transfers	16,890	10,288	1,044	–28,222	0
Currency differences	–1,050	–1,331	–1,740	–14	–4,135
Depreciation					
Additions	12,994	14,972	23,723	0	51,689
Disposals	1,305	7,482	15,277	0	24,064
Reversals	0	0	0	0	0
Currency differences	–468	–844	–1,176	0	–2,488
Net carrying amount at 31 December 2013	**289,368**	**115,141**	**61,769**	**8,800**	**475,078**
31 December 2013					
Cost	442,716	290,081	201,818	8,800	943,415
Accumulated depreciation	153,348	174,940	140,049	0	468,337
Net carrying amount	**289,368**	**115,141**	**61,769**	**8,800**	**475,078**

3 Non-current financial assets

The non-current financial assets consist primarily of lendings.

4 Inventories

The inventories of the KRONES Group are composed as follows:

€ thousand	31 Dec 2013	31 Dec 2012
Materials and supplies	183,775	176,132
Work in progress	232,951	222,475
Finished goods	116,795	139,731
Goods purchased for sale	96,887	100,455
Other inventories	10,581	9,649
Total	**640,989**	**648,442**

Inventories are recognised at the lower of cost and fair value less selling expenses.

Write-downs of €28,553 thousand on inventories were recognised as expense in 2013 (previous year: €25,902 thousand) and are based substantially on customary net realisable values and obsolescence allowances. The amount of reversals of write-downs recognised in profit and loss due to improved market conditions was insignificant. The carrying amount of the inventories recognised at fair value less selling expenses totalled €58,168 thousand in the reporting period (previous year: €55,325 thousand).

5 Receivables and other assets

€ thousand	31 Dec 2013	31 Dec 2012
Trade receivables	623,581	568,317
(of which amounts are due in 12 months or later)	12,653	8,455
Other assets	98,610	92,571
(of which amounts are due in 12 months or later)	1,570	1,937

For receivables from customers, the amounts recognised correspond to the fair values.

The allowance account developed as follows:

€ thousand	
At 1 January 2013	21,704
Change in the consolidated group and effects of currency translation	–985
Additions	10,822
Reversals	6,308
At 31 December 2013	25,233

The trade receivables at 31 December 2013 include gross amounts due from customers for contract work totalling €76,683 thousand (previous year: €44,649 thousand). These amounts relate to construction contracts in which costs incurred plus recognised profits less the sum of recognised losses exceeds progress billings and advances received. There are no gross amounts due to customers for contract work.

The other assets include primarily advances paid (€17,983 thousand; previous year: €18,824 thousand), current tax assets (€50,332 thousand; previous year: €47,465 thousand), prepaid expenses (€3,844 thousand; previous year: €5,261 thousand), and creditors with debit balances (€1,601 thousand; previous year: €1,361 thousand).

The derivative financial instruments measured at fair value, which were entered into for future payment receipts and meet the conditions for hedge accounting or which were entered into as free-standing hedge transactions, amounted to €4,900 thousand in 2013 (previous year: €3,170 thousand).

6 Cash and cash equivalents

Apart from cash on hand amounting to €112 thousand (previous year: €232 thousand), the cash and cash equivalents of €239,880 thousand (previous year: €132,920 thousand) consist primarily of demand deposits. Changes in cash and cash equivalents under IAS 7 “Statement of cash flows” are presented in the statement of cash flows on page 136.

7 Income tax

Income tax receivables and liabilities consist exclusively of income tax pursuant to IAS 12.

The income tax breaks down as follows:

€ thousand	31 Dec 2013	31 Dec 2012
Deferred tax expense/income (–)	19,886	4,419
Current tax	30,340	26,466
Total	**50,226**	**30,885**

The deferred tax items are computed on the basis of the national income tax rates that apply or are expected due to the current legal situation in the individual countries at the time of realisation. In Germany, a corporate income tax rate of 15.0% plus a solidarity surcharge of 5.5% and a local business tax rate (Gewerbesteuerhebesatz) for KRONES AG that averages 328% apply.

Thus, the total income tax rate for the companies in Germany is 27.3%. Abroad, the tax rates are in the 15% to 42% range. The 27.3% rate was used to calculate deferred taxes.

The deferred tax assets and liabilities at 31 December 2013 break down by items on the statement of financial position as follows:

€ thousand	Deferred tax assets		Deferred tax liabilities	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Intangible assets	102	28	28,739	26,966
Property, plant and equipment	58	45	12,660	12,703
Non-current financial assets	1	1	0	1
Other non-current assets	86	65	8,427	1,454
Inventories	4,181	3,224	46	129
Other current assets	5,343	7,770	9,203	4,938
Tax loss carryforwards	2,293	20,746	0	0
Provisions, non-current	10,011	9,807	0	0
Other non-current liabilities	78	216	664	727
Provisions, current	18,028	13,927	1,512	1,827
Other current liabilities	3,499	123	3,890	6,642
Cash flow hedging	15,937	16,115	1,188	1,220
Consolidation	1,749	821	0	0
Subtotal	**61,366**	**72,888**	**66,329**	**56,607**
Offsetting (–)	**–44,026**	**–51,283**	**–44,026**	**–51,283**
Total	**17,340**	**21,605**	**22,303**	**5,324**

The deferred tax assets and liabilities recognised in other comprehensive income amounted to €16,112 thousand at the end of the reporting period (previous year: €16,276 thousand). This figure includes the recognition in OCI of €15,831 thousand in actuarial gains and losses pursuant to IAS 19 (previous year: €15,818 thousand). A total of €281 thousand resulted from hedging activities. The deferred tax items recognised on loss carryforwards relate to KRONES AG. According to our earnings planning, positive tax results can be expected in the future. Deferred tax items were not recognised on tax loss carryforwards of €48,417 thousand (previous year: €44,996 thousand).

The tax expense of €50,226 thousand reported in 2013 is €3,907 thousand higher than the expected tax expense that would theoretically result from application of the domestic tax rate of 27.3% at the group level. The difference can be attributed to the following:

€ thousand	31 Dec 2013	31 Dec 2012
Earnings before taxes	169,667	99,139
Tax rate for the parent company KRONES AG	27.30 %	27.30 %
Expected (theoretical) tax expense	46,319	27,065
Adjustments due to different tax rates	975	–4,928
Reductions in tax due to tax-free earnings	–6,924	–8,367
Tax loss carryforwards	1,321	2,091
Increases in tax expense due to non-deductible expenses	9,905	13,886
Tax income (–) / tax expense (+) for previous years	–903	388
Other	–467	750
Income tax	**50,226**	**30,885**

The difference between reductions in taxes and increases in taxes for 2013 yields a net increase in taxes. This is primarily attributable to non-deductible operating expenses. Penalty interest is recognised under tax expense.

8 Equity

KRONES AG's share capital amounted to €40,000,000.00 at 31 December 2013, unchanged on the previous year. It is divided into 31,593,072 ordinary bearer shares, each with a theoretical par value of €1.27 per share. At the end of the reporting period, 31,593,072 shares were in circulation (previous year: 30,167,651). At 31 December 2013, the company held no treasury shares (previous year: 1,425,421).

The company is authorised pursuant to § 71 (1) No. 8 of the German Stock Corporation Act (AktG) to buy treasury shares totalling up to 10% of the current share capital in compliance with the provisions of the law and of the resolution.

The authorisation can be exercised by the company, by its consolidated companies, or by a third party acting on its or their behalf, either in whole or in part, once or multiple times, in pursuit of one or multiple purposes.

The authorisation becomes effective upon resolution by the annual shareholders' meeting and applies until the end of the day 15 June 2015. The authorisation resolved by the annual shareholders' meeting on 16 June 2010 (agenda item 6) expires when this new authorisation takes effect.

The amount of treasury shares purchased under this authorisation, together with other treasury shares that the company has already acquired or still holds or shares that the company is deemed to hold pursuant to §§ 71 a et seq. of the German Stock Corporation Act, shall at no time exceed 10% of the company's share capital. The authorisation shall not be used for the purpose of trading in the company's shares.

The acquisition may be carried out, at the discretion of the Executive Board, (1) through a stock exchange, (2) through a public tender offer, or (3) through a public call for tenders.

If the shares are purchased directly through a stock exchange, the consideration paid per share (excluding incidental costs) shall not exceed by more than 10% and not fall short of by more than 10% the opening price in the XETRA trading system (or any comparable successor system) on the Frankfurt Stock Exchange on the trading day.

If the shares are purchased through a public tender offer or a public call for tenders, the tender price per share or the high and low ends of the price range per share (excluding incidental costs) shall not exceed by more than 20% and not fall short of by more than 20% the opening price in the XETRA trading system (or any comparable successor system) on the Frankfurt Stock Exchange on the third trading day prior to the public announcement of the public tender offer or public call for tenders (the "relevant price"). If significant deviations from the relevant price occur after the publication of an announcement of a public tender offer or a public call for tenders, the offer or invitation to tender can be adjusted. In such a case, the basis of any adjustment shall be the corresponding price on the last trading day prior to the public announcement of any adjustment. The tender offer or call for tenders can stipulate additional conditions. If the tender offer is oversubscribed – or, in the case of a call for tenders, if there are several tenders of equal value and the total amount exceeds the total amount accepted – acceptance must be granted on a pro-rated basis. Provision may be made for preferential acceptance of small lots of up to 100 tendered shares per shareholder.

The Executive Board is authorised to use shares of the company that are purchased under this authorisation for any lawful purpose, including any of the following:

The shares can be sold in return for contributions in kind, particularly as part of business combinations or the acquisition of companies, parts of companies, or interests in companies.

The shares can be sold by means other than a stock exchange if they are sold at a price not substantially below the stock exchange price of the company's shares at the time of the sale.

The shares can be cancelled without the cancellation or its execution requiring a further resolution by the annual shareholders' meeting.

These authorisations relating to the use of treasury shares can be exercised once or multiple times, individually or jointly, in whole or in part.

The shareholders' subscription rights on these treasury shares are excluded insofar as these shares are sold in return for contributions in kind or sold by means other than the stock exchange in accordance with the above authorisation.

The authorisations relating to the use of treasury shares and to the subscription rights of shareholders apply to treasury shares already purchased by the company under authorisations resolved by previous annual shareholders' meetings.

By resolution of the annual shareholders' meeting on 15 June 2011, the Executive Board is authorised to increase the company's share capital, with the approval of the Supervisory Board, by up to €10 million (authorised capital) through the issuance once or repeatedly of ordinary bearer shares against cash contributions up to and including 15 June 2016. Shareholders must be granted subscription rights to these shares. However, the Executive Board may exclude the subscription rights of shareholders for any fractional amounts that may arise. Moreover, the Executive Board is authorised to determine the further details of the capital increase and its implementation, both with the approval of the Supervisory Board. The Supervisory Board is authorised to amend the articles of association in accordance with any utilisation of the authorised capital and upon expiration of the term of the authorisation.

The changes in equity that are not recognised in profit or loss (excluding dividends) totalled –€13,781 thousand in the reporting period (previous year: –€37,151 thousand) and consist of changes in currency differences and hedge accounting as well as the recognition of actuarial gains and losses on pensions under other reserves. The sum of changes in equity that are not recognised in profit or loss and those that are recognised in profit or loss was €105,660 thousand (previous year: €31,103 thousand).

Disclosures about capital management

A strong equity position is an important prerequisite for ensuring KRONES' long-term survival. To achieve this, KRONES regularly monitors and manages its capital on the basis of the equity ratio, return on capital employed (ROCE), and return on equity (ROE).

9 Capital reserves

The capital reserves total €141,724 thousand (previous year: €66,807 thousand). The capital reserves include amounts transferred under § 272 (2) No. 4 of the German Commercial Code (HGB) and amounts transferred under § 272 (2) No. 1 HGB totalling €37,848 thousand. The increase in the financial year 2013 is due primarily to the sale of treasury shares.

10 Profit reserves

The legal reserve remains unchanged from the previous year at €51 thousand.

The other profit reserves include the recognition of negative goodwill from capital consolidation for subsidiaries consolidated before 1 January 2004 and adjustments made directly in equity at 1 January 2004 as part of the first-time application of IFRSs.

Apart from the currency translations of financial statements of foreign subsidiaries that are recognised in other comprehensive income, currency differences recognised under profit reserves also include exchange differences resulting from the translation of equity using historical exchange rates.

11 Other reserves

The other reserves include the effects from the recognition in other comprehensive income of financial instruments measured after taxes.

Changes in the reserve for post-employment benefits, the reserve for cash flow hedges, and the reserve for the fair value of securities presented under "other reserves" were as follows:

€ thousand	Reserve for post-employment benefits	Reserve for cash flow hedges	Reserve for the fair value of securities	Total
At 1 January 2012	**−25,883**	**−5,631**	**−8**	**−31,522**
Measurement change recognised in equity	−22,338	11,445	9	−10,884
Tax on items taken directly to or transferred from equity	6,099	−4,362	−3	1,734
Currency difference		−61		−61
At 31 December 2012	**−42,122**	**1,391**	**−2**	**−40,733**
Measurement change recognised in equity	−47	1,679	5	1,637
Tax on items taken directly to or transferred from equity	13	−251	−1	−239
Currency difference		−46		−46
At 31 December 2013	**−42,156**	**2,773**	**2**	**−39,381**

12 Non-controlling interests

As in the previous year, there were no non-controlling interests in the financial year 2013.

A detailed overview of the composition of and changes to the individual equity components for the KRONES Group in 2013 and the previous year is presented in the statement of changes in equity on page 137.

13 Provisions for pensions

Provisions for pensions are recognised for obligations relating to vested benefits and current benefit payments to eligible active and former employees of KRONES Group companies and their surviving dependants. Various forms of provisioning for retirement exist depending on the legal, economic, and tax circumstances of the relevant country and are generally based on the employees' remuneration and years of service.

Company pension plans are generally either defined contribution plans or defined benefit plans.

In defined contribution plans, the company does not assume any obligations beyond establishing contribution payments to special purpose funds. Contributions are recognised as personnel expense in the year in which they are paid.

In defined benefit plans, the company undertakes an obligation to render the benefits promised to active and former employees, whereby a distinction is made between systems that are financed by provisions and those financed through pension funds. The amount of the pension obligations ("defined benefit obligation") has been computed in accordance with actuarial methods. Apart from the assumptions regarding life expectancy based on the 2005 Heubeck actuarial tables, the following average values for the group were also taken into account in the actuarial calculations:

The basis for calculating provisions for pensions in Germany is the company's pension scheme from 31 December 1982, which is closed to new entrants. The scheme entitles all covered employees to post-employment, permanent disability, and widow(er)'s pensions. The age limits are 63 for men and 60 for women. The post-employment pension amounts to 1% (0.5% beginning 1 January 1983) of the eligible earned income for each eligible year of employment, not to exceed 25%. It should also be noted that a safeguard for workers' benefits was put into place at the time the new scheme was established on 31 December 1982. The basis for measurement of the permanent disability and widow(er)'s pensions (50% of post-employment pension) is the post-employment pension that can be earned by the time the employee reaches the age limit, although for the permanent disability benefit only that portion is granted that corresponds to the years of service actually reached. The measurement date for eligible years of service is 31 December 1982. A fixed table applies to new entries after this date. The individual provisions are based on individual contractual agreements.

Both the defined benefit obligations and the plan assets are subject to fluctuations over time. That can have a positive or negative effect on funding status. Fluctuations in the defined benefit obligation within the KRONES Group result primarily from changes in financial assumptions such as discount rates and an increase in the cost of living as well as changes in demographic assumptions such as changed life expectancy.

in %	Average for the group	
	2013	2012
Discount rate	3.6	3.6
Projected increases in wages and salaries	0.0	0.0
Projected increases in state pensions	2.0	2.0

The rate recommendations for measuring pension liabilities at the end of the business year as published by Heubeck AG, Mercer Deutschland GmbH, TowersWatson, and AON Hewitt are used to determine the relevant discount rates. These values, which in turn are determined on the basis of market yields on senior fixed-coupon corporate bonds, are used to calculate an interest rate that reflects the anticipated benefit payments.

The average residual term of post-employment benefit obligations is 19 years (previous year: 19 years).

The projected increases in wages and salaries comprises expected future pay increases, which are estimated each year on the basis of inflation and employees' years of service with the company. Since the pension commitments at our companies in Germany are independent of future pay increases, the projected increase in wages and salaries was not taken into account for determining the corresponding pension provisions.

Increases or decreases in either the net present value of defined benefit obligations or the fair value of the fund assets can result in actuarial gains or losses due to such factors as changes in the parameters, changes in estimates relating to the risks associated with the pension commitments, and differences between the actual and expected return on plan assets. The net value of the pension provisions breaks down as follows:

€ thousand	31 Dec 2013	31 Dec 2012	31 Dec 2011
Present value of benefit commitments financed by provisions	130,342	124,533	101,820
Present value of benefit commitments financed through pension funds	44,206	44,751	39,917
Present value of benefit commitments (gross)	174,550	169,285	141,737
Fair value of plan assets	–28,654	–28,239	–27,081
Carrying amount at 31 December (net defined benefit liability)	**145,896**	**141,046**	**114,656**

The pension provisions, which amounted to €144,712 thousand at the end of the reporting period (previous year: €139,752 thousand), are primarily attributable to KRONES AG.

The costs arising from pension obligations amounted to €9,069 thousand (previous year: €8,425 thousand) and break down as follows:

€ thousand	31 Dec 2013	31 Dec 2012	31 Dec 2011
Current service cost	4,068	3,506	3,828
Interest expense	6,009	6,102	5,691
Expected return on plan assets	–1,007	–1,183	–996
Costs arising from pension obligations	**9,069**	**8,425**	**8,523**

The reconciliation of the present value of defined benefit obligations, which amounted to €174,550 thousand (previous year: €169,285 thousand), and the fair value of the plan assets, which amounted to €28,654 thousand (previous year: €28,239 thousand), and the net of both items break down as follows:

	Present value of benefit commitments	Fair value of plan assets	Total
At 1 January 2012 (adjusted)	**141,737**	**–27,081**	**114,656**
Current service cost	3,506		3,506
Interest expense (+)/interest income (–)	6,102	–862	5,240
Actuarial gains/losses	22,389	–51	22,338
Employer contributions		–2,355	–2,355
Benefits paid	–4,289	1,997	–2,292
Currency differences	–160	113	–47
At 31 December 2012 (adjusted)	**169,285**	**–28,239**	**141,046**
Current service cost	4,068		4,068
Interest expense (+)/interest income (–)	6,015	–1,007	5,008
Actuarial gains/losses	–332	285	–47
Employer contributions		–2,076	–2,076
Benefits paid	–4,201	2,269	–1,932
Currency differences	–285	114	–171
At 31 December 2013	**174,550**	**–28,654**	**145,896**

The actuarial gains/losses consist primarily of changes in financial assumptions. KRONES Unterstützungs-Fonds e.V. occupational pension scheme is responsible for administrating and managing a portion of the plan assets. KRONES AG is the scheme's sponsoring company. Allianz Global Investor is responsible for administering and managing another portion of the plan assets as reinsurer.

The fair value of the plan assets was €28.7 million at 31 December 2013. Of that, €18.2 million are pension liability reinsurance policies. The rest of the plan assets are attributable to KRONES Unterstützungs-Fonds e.V., headquartered in Neutraubling. The fund assets are invested in a special fund that is administered and actively managed by Allianz GI. The eligible instruments are specified in the investment guidelines. A defensive investment strategy is used. At 31 December 2013, the AGI fund consisted of 53.4% government bonds, 22.6% Pfandbriefe (covered bonds governed by the German Pfandbrief Act), and 22.6% investment-grade corporate bonds. 1.4% was held as cash in hand. Interest rate risk is actively managed using interest rate futures. The duration of the investment volume is 2.83 years. Managing currency risk: No direct currency investments are made. The overall rating of the fund assets is A+. KRONES AG's plan assets are secured as follows: 64% through the pension liability reinsurance policies from Allianz and 36% through KRONES Unterstützungsfonds.

The expected contributions into the plan assets in 2014 were €2,026 thousand. The expected pension benefit payments in 2014 that are not paid from the plan assets amount to €2,195 thousand.

In 2013, a total of €44,744 thousand (previous year: €46,345 thousand) was spent on the employer contribution to defined contribution plans (contributions to pensions insurance).

The sensitivity of the total pension commitments to changes in the weighted assumptions is as follows:

		Effect on the obligation	
	Change in assumption	Assumption increases	Assumption decreases
Discount rate	0.50%	9.7% decrease	9.7% increase
Change in state pensions	0.50%	7.0% increase	7.0% decrease
Change in incomes	0.50%	0.3% increase	0.3% decrease
Life expectancy	1 year	4.3% increase	4.3% decrease

The above sensitivity analysis is based on the change in one assumption, with all other factors remaining constant. It is unlikely that this would be the case in reality and changes in several assumptions can be correlated. The same method was used to calculate the sensitivity of defined benefit obligation to actuarial assumptions as was used to calculate the provisions for pensions in the statement of financial position.

14 Provisions for taxes and other provisions

Of the other provisions amounting to €201,743 thousand (previous year: €178,233 thousand), €162,674 thousand (previous year: €142,696 thousand) are due within one year. These other provisions apply to the following items:

€ thousand	1 Jan 2013	Use	Reversal	Addition	Currency differences	31 Dec 2013	Due within 1 year
Tax liabilities	15,828	10,832	2,484	7,917	–432	9,997	7,995
Personnel obligations	23,863	898	0	3,768	–68	26,665	395
Administrative expenses	1,753	827	1,553	4,817	–313	3,877	2,309
Other remaining provisions	136,789	31,865	11,304	69,788	–2,204	161,204	151,975
Total	**178,233**	**44,422**	**15,341**	**86,290**	**–3,017**	**201,743**	**162,674**

The provisions for personnel obligations are primarily for non-current obligations relating to partial retirement (€19,341 thousand; previous year: €16,592 thousand). The other remaining provisions primarily consist of warranties and anticipated losses. Estimates are based on customary empirical values. The non-current provisions have been discounted using rates between 3.3% and 4.6%.

15 Liabilities

€ thousand	Residual term of up to 12 months	Residual term of 1 to 5 years	Residual term of over 5 years	Total at 31 Dec 2013
Liabilities to banks	0	0	0	0
Advances received	468,817	0	0	468,817
Trade payables	192,005	3,324	0	195,329
Other financial liabilities	9,505	1,715	0	11,220
Other liabilities	234,014	906	0	234,920
Total	**904,341**	**5,945**	**0**	**910,286**

€ thousand	Residual term of up to 12 months	Residual term of 1 to 5 years	Residual term of over 5 years	Total at 31 Dec 2012
Liabilities to banks	0	0	0	0
Advances received	497,163	0	0	497,163
Trade payables	197,849	6,829	0	204,678
Other financial liabilities	14,879	2,177	0	17,056
Other liabilities	225,238	1,811	0	227,049
Total	**935,129**	**10,817**	**0**	**945,946**

The other financial liabilities are obligations on bills. Under IAS 39, these represent possible liabilities from bills sold and are also recognised as trade receivables amounting to €10,284 thousand (previous year: €16,317 thousand).

The other liabilities consist of deferred income (€6,606 thousand; previous year: €7,484 thousand) and other remaining liabilities (€228,314 thousand; previous year: €219,565 thousand).

The other remaining liabilities break down as follows:

€ thousand	Residual term of up to 12 months	Residual term of 1 to 5 years	Residual term of over 5 years	Total at 31 Dec 2013
Tax liabilities	13,867			13,867
Social security liabilities	7,587			7,587
Payroll liabilities	20,626			20,626
Debtors with credit balances	7,952			7,952
Finance leases	332	22		354
Accruals	163,980			163,980
Other	13,064	884		13,948
Total	**227,408**	**906**		**228,314**

Accruals, which amounted to €163,980 thousand (previous year: €149,341 thousand), have greater certainty with respect to their amount and timing than provisions have. The primary items they include are outstanding supplier invoices, obligations relating to flexible working hours, accrued vacation, and performance bonuses.

€ thousand	Residual term of up to 12 months	Residual term of 1 to 5 years	Residual term of over 5 years	Total at 31 Dec 2012
Tax liabilities	15,670	331		16,001
Social security liabilities	7,645			7,645
Payroll liabilities	18,770			18,770
Debtors with credit balances	10,880			10,880
Finance leases	413	55		468
Accruals	149,341			149,341
Other	15,035	1,425		16,460
Total	**217,754**	**1,811**		**219,565**

The liabilities from finance leases are recognised under other liabilities without consideration of future interest expense. The residual terms of the individual leases are between 2 and 4 years. Some of the leases contain options for extension or purchase.

The present values of minimum lease payments for finance leases recognised under the other remaining liabilities are as follows, broken down by residual term:

€ thousand	31 Dec 2013	31 Dec 2012
Future minimum lease payments		
Up to 1 year	525	612
1 to 5 years	462	807
	987	**1,419**
Interest portion of future minimum lease payments		
Up to 1 year	13	24
1 to 5 years	13	18
	26	**42**
Present value of future minimum lease payments		
Up to 1 year	512	588
1 to 5 years	449	789
	961	**1,377**

16 Contingent liabilities

No provisions have been recognised for the contingent liabilities because the risk of their use is deemed to be low.

There were no contingent liabilities in the reporting period or in the previous year.

17 Other financial liabilities

The other financial liabilities consist primarily of operating leases and long-term rental agreements for land and buildings, vehicles, computers, and telecommunication equipment.

€ thousand	31 Dec 2013	31 Dec 2012
Future minimum lease payments		
Up to 1 year	13,751	14,732
1 to 5 years	13,794	13,067
	27,545	**27,799**
Future maintenance		
Up to 1 year	11,213	10,890
1 to 5 years	1,148	6,091
	12,361	**16,981**

Payments amounting to €21,796 thousand (previous year: €20,883 thousand) were made under these rental and lease agreements in 2013.

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

18 Derivative financial instruments

The derivative financial instruments of the KRONES Group, with a fair value of €4,463 thousand (previous year: €1,926 thousand) of which €4,163 thousand are short-term (previous year: €2,069 thousand), substantially cover the currency risks relating to the US dollar, the Australian dollar, the Canadian dollar, the British pound, the Japanese yen, and the euro. The fair value includes the difference between the forward rate received from the relevant commercial bank and the rate at the end of the reporting period as well as appropriate premiums or discounts for the expected price development through maturity. These financial instruments are accounted for using the settlement date.

The derivative financial instruments are essentially composed of forward exchange contracts at a secured volume of €141.0 million (previous year: €221.3 million), of which €138.5 million are short-term (previous year: €219.8 million). This volume includes a nominal volume of €64.4 million (previous year: €74.6 million) for short-term cash flow hedges that is measured at a fair value of €64.4 million (previous year: €74.0 million). The risk of default relating to derivative financial instruments is limited to the balance of the positive fair values in the event of a contracting party's default. The cash flow hedges presented are effective.

The net loss from these financial instruments was €81 thousand in the reporting period (previous year: net gain of €108 thousand).

19 Revenue

The revenue of the KRONES Group, which amounts to €2,815,710 thousand (previous year: €2,664,194 thousand), consists of deliveries and services billed to customers less reductions. In the segment reporting, sales revenue is presented in detail, divided by business area and geographic market. In 2013, revenue of €1,400,692 thousand resulted from construction contracts (previous year: €1,440,378 thousand). Costs and gains (less any reported losses) for contracts in progress came to €1,207,102 thousand (previous year: €878,560 thousand). Advances received amounted to €208,614 thousand (previous year: €88,837 thousand).

20 Other own work capitalised

Other own work capitalised includes capitalised development expenditure and capitalised cost of self-constructed property, plant and equipment.

With respect to the development expenditure capitalised in accordance with IAS 38, please refer to the notes on intangible assets.

21 Other operating income

Apart from the income from the reversal of provisions (€18,924 thousand; previous year: €19,087 thousand), gains from disposals of non-current assets(€317 thousand; previous year: €644 thousand), and the reversal of impairments (€3,761 thousand; previous year: €4,631 thousand), which are not related to the period, the other operating income, which amounts to €82,527 thousand (previous year: €104,353 thousand), consists substantially of currency translation gains of €44,466 thousand (previous year: €35,069 thousand). This is compared with the recognition of impairment losses of €8,450 thousand (previous year: €3,291 thousand) and currency translation losses of €28,579 thousand (previous year: €47,355 thousand) under other operating expenses.

22 Goods and services purchased

The expenditure for goods and services purchased comprises expenses for materials and supplies and for goods purchased amounting to €1,102,757 thousand (previous year: €1,086,061 thousand) and expenses for services purchased amounting to €275,005 thousand (previous year: €239,244 thousand).

23 Personnel expenses

Within the KRONES Group, 11,841 people (previous year: 11,487) including trainees (657; previous year: 604) were employed on average for the year. The workforce of the KRONES Group is composed as follows (on average for the year):

	2013	2012
White-collar employees exempt from collective agreements	2,831	2,721
Employees covered by collective agreements	9,010	8,766
Total	**11,841**	**11,487**

24 Other operating expenses

Apart from the €511 thousand in losses from disposals of non-current assets (previous year: €423 thousand), which are not related to the period, the other operating expenses include additions to impairments on receivables (€8,450 thousand; previous year: €3,291 thousand), other taxes (€7,320 thousand; previous year: €4,210 thousand), freight costs (€82,156 thousand; previous year: €98,928 thousand), and rent and cleaning costs (€33,342 thousand; previous year: €26,127 thousand).

25 Financial income/expense

The financial expense of €3,122 thousand (previous year: financial income of €5,622 thousand) breaks down as follows:

€ thousand	31 Dec 2013	31 Dec 2012
Income from other securities and loans classified as non-current financial assets	10	28
Other interest and similar income	5,201	6,925
Interest and similar expenses	–4,978	–3,468
Interest income	223	3,457
Write-downs on non-current financial assets	–5,036	0
Investment income	1,681	2,137
Financial income	**–3,122**	**5,622**

Alongside the company's share in associates' profit and loss resulting from the equity method of accounting, which came to €3,121 thousand, there are also impairments totalling €1,915 thousand. The result from investments accounted for using the equity method relates to the machines and lines for beverage production/process technology segment. The carrying amount of the investment was reduced to zero due to the associate's development.

26 Income tax

Income tax amounted to –€50,226 thousand in 2013 (previous year: –€30,885 thousand). More information is presented under Note 7, "Income tax" (pages 153–155).

27 Earnings per share

Under IAS 33 "Earnings per share", basic earnings per share are calculated by dividing consolidated net income – less profit or loss shares of non-controlling interests – by the weighted average number of ordinary shares in circulation, as follows:

		2013	2012
Consolidated net income less profit or loss shares of non-controlling interests	€ thousand	119,441	68,254
Weighted average number of ordinary shares in circulation	Shares	31,143,961	30,167,651
Earnings per share	€	3.84	2.26

As in the previous year, diluted earnings per share are equal to undiluted earnings per share.

Group audit fees

Expenses of €468 thousand (previous year: €448 thousand) were incurred in the financial year 2013 for the KRONES Group audit and the audit of the parent company. In addition, for the parent company, expenses totalling €24 thousand (previous year: €61 thousand) were incurred for tax consultancy services. The expense for the audit of the German subsidiaries was €37 thousand (previous year: €36 thousand).

Events after the reporting period

KRONES acquired a 100% stake in the company HST Maschinenbau GmbH.

Related party disclosures

Within the meaning of IAS 24 "Related party disclosures", the members of the Supervisory Board and of the Executive Board of KRONES AG and the companies of the KRONES Group, including unconsolidated subsidiaries, are deemed related parties. Purchases and sales between the related companies are transacted at prices customary on the market ("at arm's length"). Sales to related companies that are not consolidated amounted to €24,948 thousand in 2013 (previous year: €21,102 thousand). Trade and other payment transactions resulted in assets of €4,548 thousand (previous year: liabilities of €8,230 thousand), of which €5,097 thousand are assets relating to associates. Contingent liabilities of €2,350 thousand (previous year: €2,760 thousand) result from guarantees.

Remuneration of the Executive Board and the Supervisory Board

The remuneration report summarises the principles used to determine the remuneration paid to the Executive Board of KRONES AG and explains the amount and the structure of such income. The principles and the amount of Supervisory Board remuneration are also set out in the report.

The remuneration report is on pages 116 to 119 of the 2013 Annual Report.

Corporate governance

Shareholders can view the declaration of the Executive Board and the Supervisory Board pursuant to § 161 of the German Stock Corporation Act [AktG] concerning the Corporate Governance Code as amended on 13 May 2013 at KRONES AG's website. The exceptions are also listed there.

Risk report

The risk report is part of the management report and is on pages 96 to 107.

Standards and interpretations not applied early

The following standards, interpretations, and amendments to existing standards and interpretations have been issued by the IASB and adopted by the European Union; however, their application is not yet mandatory (applicable for financial years beginning on or after 1 January 2014) and KRONES AG did not apply them early:

IFRS 10	"Consolidated financial statements"
IFRS 12	"Disclosure of interests in other entities"
IFRS 10, IFRS 11 and IFRS 12	"Transition guidance"
IFRS 10, IFRS 12 and IAS 27	"Investment entities"
IAS 27	"Separate financial statements"
IAS 32	"Offsetting financial assets and financial liabilities"
IAS 36	"Recoverable amount disclosures for non-financial assets"
IAS 39	"Novation of derivatives and continuation of hedge accounting"

These standards and interpretations are not expected to result in material changes for the consolidated financial statements of KRONES AG in the period in which they are first applied.

The following standards and interpretations, the application of which is not yet mandatory, are not expected to be relevant for the consolidated financial statements of KRONES AG:

IFRS 11	"Joint arrangements"

Amendments due to a new standard or a new interpretation and amendments to existing standards and interpretations (applicable for the first time for financial years beginning on or after 1 July 2012):

IFRS 1	"Government loans"
IFRS 1	"Severe hyperinflation and replacement of the fixed transition date for first-time application of IFRSs"
IFRS 7	"Disclosures – offsetting financial assets and financial liabilities"
IFRS 13	"Fair value measurement"
IAS 1	"Presentation of items of other comprehensive income"
IAS 12	"Recovery of underlying assets"
IFRIC 20	"Stripping costs in the production phase of a surface mine"
IAS19 (rev. 2011)	"Employee benefits"

Improvements IFRS 2009 – 2011 "CHANGES TO IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34"

With the exception of IAS 19 (rev. 2011), these changes are not applicable to KRONES or did not result in any material effects in the reporting period.

The most material change resulting from the revisions to IAS 19 (revised 2011) relates to the recognition of pension obligations from defined benefit plans.

Until now, entities had various options for presenting so-called actuarial gains and losses in their financial statements. Recognition could be (a) in profit or loss, (b) in other comprehensive income (OCI), or (c) deferred using the “corridor method”. The revised version of IAS 19 eliminates this choice in the interest of providing a more transparent and comparable presentation. Now, the actuarial gains or losses (remeasurements of the net defined benefit liability/asset) must be recognised immediately in other comprehensive income. Moreover, past service cost must now be recognised directly in profit or loss in the current period.

Also, the expected return on plan assets had previously been determined at the start of the measurement period on the basis of management’s expectations of the investment portfolio’s development. Under IAS 19 (revised 2011), this is no longer permissible. Instead, the return on plan assets is recognised using the same discount rate that was used to determine the defined benefit obligation at the start of the period.

Apart from the changes in presentation in the statement of financial position, the revisions also require new notes disclosures, for instance, sensitivity analyses.

Because KRONES has until now used the “corridor method” for presenting actuarial gains and losses, the retroactive application of the new requirements results in a higher provision. Moreover, under the new approach, operating earnings are not affected by amortisation of the amount in excess of the corridor. Instead, there is a bigger impact on other comprehensive income.

The following table shows the effect of application of IAS 19 on material items of group equity at 1 January 2012 and 31 December 2012.

Consolidated statement of financial position	before adjustment	adjustment	31 Dec 12 after adjustment
Total assets	**2,069,603**	**0**	**2,069,603**
of which deferred tax assets			
Total liabilities	**1,233,436**	**37,671**	**1,271,107**
of which provisions for pensions	87,557	53,489	141,046
of which deferred tax liabilities	21,142	–15,818	5,324
Total equity	**836,167**	**–37,671**	**798,496**
of which other provisions	1,389	–42,122	–40,733
of which group retained earnings	359,152	4,451	363,603

Consolidated statement of financial position	before adjustment	adjustment	1 Jan 12 after adjustment
Total assets	**2,039,828**	**5,851**	**2,045,679**
of which deferred tax assets	13,523	5,851	19,374
Total liabilities	**1,254,334**	**28,509**	**1,282,843**
of which provisions for pensions	82,278	32,378	114,656
of which deferred tax liabilities	3,869	−3,869	0
Total equity	**785,494**	**−22,658**	**762,836**
of which other provisions	−5,639	−25,883	−31,522
of which group retained earnings	311,000	3,225	314,225

The following table shows the effect of application of IAS 19 on material items of the separate income statement for the group from 1 January 2012 to 31 December 2012.

Separate income statement	before adjustment	adjustment	1 Jan – 31 Dec 2012 after adjustment
Earnings before taxes	**97,913**	**1,226**	**99,139**
of which personnel expenses	−777,361	1,226	−776,135
Consolidated net income	**67,028**	**1,226**	**68,254**
Earnings per share	2.22	0.04	2.26

The following table shows the effect of application of IAS 19 on material items of group equity within other comprehensive income from 1 January 2012 to 31 December 2012.

Statement of comprehensive income	before adjustment	adjustment	1 Jan – 31 Dec 2012 after adjustment
Consolidated net income	**67,028**	**1,226**	**68,254**
Items that will not be reclassified subsequently to profit or loss	**0**	**−38,897**	**−38,897**
Effects of retroactive application of IAS 19R	0	−22,658	−22,658
Actuarial gains/losses	0	−16,239	−16,239
Other comprehensive income	**1,746**	**−38,897**	**−37,151**
Total comprehensive income	**68,774**	**−37,671**	**31,103**

The following table shows the effect of application of IAS 19 on material items of the consolidated statement of cash flows from 1 January 2012 to 31 December 2012.

Statement of cash flows	before adjustment	adjustment	1 Jan – 31 Dec 2012 after adjustment
Earnings before taxes	**97,913**	**1,226**	**99,139**
Decrease in provisions and accruals	–56,715	15,328	–41,387
Increase in trade payables and other liabilities not attributable to investing or financing activities	38,502	–16,554	21,948

If KRONES had not applied IAS 19R at 31 December 2013, the personnel expenses recognised in the separate income statement for the financial year would have been €2,448 thousand higher. Furthermore, the provisions for pensions would have been €51,040 thousand lower. Equity would have been €37,106 thousand higher, deferred tax assets would have been €13,934 thousand higher, and earnings per share would have been €0.07 higher.

Shareholdings

Name and location of the company	Share in capital held by KRONES AG %*
neuspced Neutraublinger Speditions-GmbH, Neutraubling, Germany	100.00
KIC KRONES Internationale Cooperations-Gesellschaft mbH, Neutraubling, Germany	100.00
ecomac Gebrauchtmaschinen GmbH, Neutraubling, Germany	100.00
EVOGUARD GmbH, Nittenau, Germany	100.00
MAINTEC Service GmbH, Collenberg/Main, Germany	100.00
KLUG GmbH Integrierte Systeme, Teunz, Germany	26.00
S.A. KRONES N.V., Louvain-la-Neuve, Belgium	100.00
MAINTEC Service EOOD, Sofia, Bulgaria	100.00
KRONES Nordic ApS, Holte, Denmark	100.00
KRONES S.A.R.L., Lyon, France	100.00
KRONES UK Ltd., Bolton, UK	100.00
KRONES S.R.L., Garda (VR), Italy	100.00
KOSME S.R.L., Roverbella, Italy	100.00
KRONES Nederland B.V., Bodegraven, Netherlands	100.00
KOSME Gesellschaft mbH, Sollenau, Austria	100.00
KRONES Spólka z.o.o., Warsaw, Poland	100.00
KRONES Portugal Equipamentos Industriais Lda., Barcarena, Portugal	100.00
KRONES O.O.O., Moscow, Russian Federation	100.00
KRONES Romania Prod. S.R.L., Bukarest, Romania	100.00
KRONES AG, Buttwil, Switzerland	100.00
KRONES Iberica, S.A., Barcelona, Spain	100.00
KRONES S.R.O., Prague, Czech Republic	100.00
KONPLAN S.R.O., Pilsen, Czech Republic	100.00
KRONES Makina Sanayi ve Tikaret Ltd. Sirketi, Istanbul, Turkey	100.00
KRONES Ukraine LLC, Kiev, Ukraine	100.00
KRONES Angola – Representacoes, Comercio e Industria, Lda., Luanda, Angola	100.00
KRONES Surlatina S.A., Buenos Aires, Argentina	100.00
KRONES do Brazil Ltda., São Paulo, Brasil	100.00
KRONES S.A., São Paulo, Brasil	100.00
KRONES Machinery (Taicang) Co. Ltd., Taicang, China	100.00
KRONES Trading (Taicang) Co. Ltd., Taicang, China	100.00
KRONES Asia Ltd., Hong Kong, China	100.00
KRONES India Pvt. Ltd., Bangalore, India	100.00
PT. KRONES Machinery Indonesia, Jakarta, Indonesia	100.00
KRONES Japan Co. Ltd., Tokyo, Japan	100.00
KRONES Machinery Co. Ltd., Mississauga, Ontario, Canada	100.00
KRONES LCS Center East Africa Limited, Nairobi, Kenya	100.00
KRONES Andina Ltda., Bogotá, Colombia	100.00
KRONES Korea Ltd., Seoul, Korea	100.00
KRONES Mex S.A. DE C.V., Mexico D.F., Mexico	100.00
KRONES LCS Center West Africa Limited, Lagos, Nigeria	100.00
KRONES Southern Africa (Prop.) Ltd., Johannesburg, South Africa	100.00
KRONES (Thailand) Co. Ltd., Bangkok, Thailand	100.00
KRONES, Inc., Franklin, Wisconsin, USA	100.00
Maquinarias KRONES de Venezuela S.A., Caracas, Venezuela	100.00

* Direct and indirect shareholdings.

Members of the Supervisory Board and the Executive Board

Following fulfilment of the requirements for application of the German Codetermination Act [Mitbestimmungsgesetz] of 1976 in 1987, the Supervisory Board was extended from six to twelve members. Pursuant to § 8 (1) of the articles of association, six members are elected by the shareholders in accordance with the German Stock Corporation Act (§ 96 (1) and § 101). Six members are elected by the employees pursuant to § 1 (1) and § 7 (1) Sentence 1 Number 1 of the Codetermination Act.

Supervisory Board

Ernst Baumann
Chairman of the Supervisory Board
* ZF FRIEDRICHSHAFEN AG

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

Klaus Gerlach**
Head of Central International Operations and Services

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

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

Norman Kronseder
Farmer and forester
* BAYERISCHE FUTTERSAATBAU GMBH

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

Dr. Alexander Nerz
Attorney

Johann Robold**
Member of the Works Council

Petra Schadeberg-Herrmann
Managing partner at KROMBACHER FINANCE GMBH, SCHAWEI GMBH, DIVERSUM HOLDING GMBH & CO. KG
* since 19 April 2013 COMMERZBANK AG

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

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

Executive Board

Volker Kronseder
Chairman
Human Resources, Communications and Quality

Christoph Klenk
Finance, Controlling and Information Management

Rainulf Diepold
Sales and Marketing

Werner Frischholz
Plants and Components

Thomas Ricker
Bottling and Packaging Equipment

Markus Tischer
International Operations and Services
(since 1 January 2014)

* Other Supervisory Board seats held, pursuant to § 125 (1) Sentence 3 of the German Stock Corporation Act
** Elected by the employees

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

Proposal for the appropriation of retained earnings of KRONES AG

KRONES AG had retained earnings of €106,276,074.58 at 31 December 2013.

We propose to the annual shareholders' meeting on 25 June 2014 that this amount be used as follows:

Proposal for the appropriation of retained earnings	€
Dividend of €2.00 per share	63,186,144
Amount brought forward to new account	43,089,930.58

Neutraubling, 31 March 2014
KRONES AG

The Executive Board

Volker Kronseder
(Chairman)

Christoph Klenk

Rainulf Diepold

Werner Frischholz

Thomas Ricker

Markus Tischer

Other information

Auditor's report

We have audited the consolidated financial statements prepared by KRONES Aktiengesellschaft, Neutraubling, comprising the separate income statement, the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and the notes to the consolidated financial statements, together with the group management report for the financial year from 1 January to 31 December 2013. The preparation of the consolidated financial statements and the group management report in accordance with IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. [paragraph] 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on the basis of samples within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Regensburg, 31 March 2014

KPMG Bayerische Treuhandgesellschaft
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Braun	Herr
Wirtschaftsprüfer (German Public Auditor)	Wirtschaftsprüfer (German Public Auditor)

AUDITOR'S REPORT

Commercial glossary

Cash flow	All inflows and outflows of cash and cash equivalents during a period.
Corporate governance	Framework for responsible corporate management and supervision that is oriented toward sustainability.
DAX	Deutscher Aktienindex (DAX). Index containing the 30 biggest German companies (based on market capitalisation and trading volume).
EBIT	Earnings before interest and taxes.
EBITDA	Earnings before interest, taxes, depreciation and amortisation.
EBT	Earnings before taxes.
EBT margin	Ratio of earnings before taxes to sales. (Return on sales).
Equity	Funds made available to the company by the owners by way of contribution and/or investment plus retained earnings.
Fixed assets	Subset of non-current assets. In the context of this report, fixed assets include property, plant and equipment, intangible assets, and non-current financial assets.
Free cash flow	Measure of financial performance calculated as the cash flow from operating activities minus cash flow from investing activities. It is the cash available to pay dividends, reduce debt, or to be retained.
Free float	Portion of the total number of shares outstanding that is available to the public for trading (i.e. not held by big investors).
IFRSs	International Financial Reporting Standards. Accounting standards issued by the International Accounting Standards Board (IASB) that are harmonised and applied internationally.
Market capitalisation	The value of a company based on the market price of issued and outstanding ordinary shares. Calculated by multiplying the share price by the number of shares.
MDAX	Index that contains the 50 biggest German and non-German companies (based on market capitalisation and trading volume) in the traditional sectors after those included in the DAX.
Net cash and equivalents	Cash and highly liquid securities under current assets less liabilities to banks.
Return on equity before taxes	Ratio of earnings before taxes to average equity.
ROCE (assets side)	Ratio of EBIT to the average sum of fixed assets and working capital.
ROCE (liabilities side)	Ratio of EBIT to average capital employed (total assets less interest-free liabilities and interest-free other provisions).
Statement of cash flows	Statement of inflows and outflows of cash that shows the sources and uses of funds within the financial year.
Total Cost of Ownership (TCO)	The total cost associated with an investment over its entire useful life.
Total debt	Combined term for the provisions, liabilities, and deferred income stated on the liabilities side of the balance sheet.
Total operating performance	Referred to as »total operating revenue« in previous reports, this figure is the sum of »sales revenue« and »changes in inventories of finished goods and work in progress«.
Working capital	Calculated as follows: (trade receivables + inventories + prepayments) – (trade payables + advances received)
XETRA trading system	Deutsche Börse AG’s electronic stock market trading system.

COMMERCIAL GLOSSARY

Technical glossary

Aseptic beverage filling	Germ-free filling of beverages at ambient temperature.
Bloc solutions	Two or more individual machines – such as a stretch blow-moulder and a filler – are directly connected. The ErgoBloc L for the wet section of the line comprises a stretch blow-moulder, a labeller, and a filler.
Digital printing	Printing process in which data are transferred directly from a computer onto the object, without a print template first being generated. Digital printing is far more flexible and significantly more cost-effective on smaller print runs (batches) than conventional printing and labelling processes.
Energy drink	A beverage that acts as a stimulant. The main ingredients used for this are sugar and caffeine.
enviro	KRONES' sustainability programme. enviro was certified by TÜV SÜD in 2009. This independent certification enables KRONES to award the enviro seal for efficient use of energy and media (gas, water) and environmental friendliness for its machines and lines. All new developments at KRONES are aligned with the criteria of our enviro sustainability programme.
Filter cellar	After storage in special tanks, beer is filtered to remove solids and components that cause the beer to appear cloudy. This process takes place in filtration equipment located in the brewery's filter cellar.
Filler	Machines and systems with which a finished product is dosed into a container.
Inspector	Machine that checks empty or full bottles and other containers for damage or contamination.
Intralogistics	The internal flow of materials and goods within a company, including warehouse, order-picking, and conveyance systems.
Line	A complete system consisting of multiple individual machines and modules. A complete KRONES line can mix finished beverages and produce, fill, label, convey, and pack bottles.
Multireel	Machine that can hold multiple label reels and automatically feeds them into a labeller.
Pasteurisation	Brief heating of liquid foods to temperatures up to 100 degrees Celsius. In this way, micro-organisms are killed off, giving beverages such as milk and fruit and vegetable juices a longer shelf life.
PET	Polyethylene terephthalate, a thermoplastic material from the polyester family used for producing beverage bottles.
Preforms	Blanks made of PET plastic, similar in shape and size to test tubes. Preforms are made into PET bottles in a stretch blow-moulder.
Stretch blow-moulder	A stretch blow-moulder produces containers made of PET plastic (polyethylene terephthalate). The PET preforms are heated and then fed into a blow mould where compressed air is used to blow and mould them into finished containers.
Brewhouse	In the brewhouse, the raw materials malt, hops, and water are processed in several stages to produce beer.

TECHNICAL GLOSSARY

This English language report is a translation of the original German KRONES Konzern Geschäftsbericht 2013. In case of discrepancies the German text shall prevail.

We would be happy to mail you a copy of the original German version of this Annual Report on request. You can also find it in the Investor Relations section at krones.com.

The production of and the paper used for the KRONES Group's 2013 Annual 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.

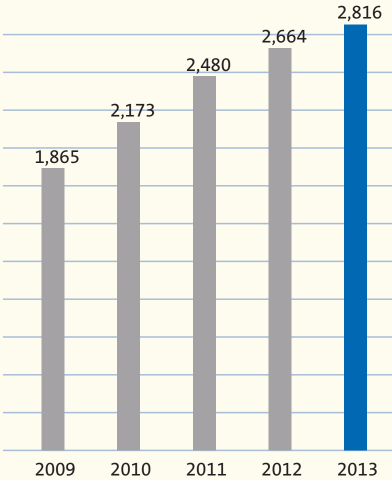
MIX
Paper from responsible sources
Papier aus verantwortungsvollen Quellen
FSC® C010887

Print CO2 compensated
Id-No. 1437892
www.bvdm-online.de

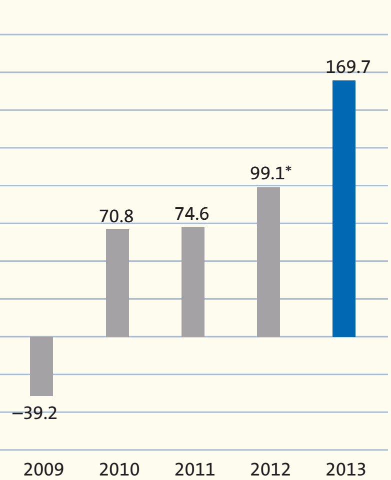
Published by	KRONES AG Böhmerwaldstrasse 5 93073 Neutraubling Germany
Project lead	Roland Pokorny, Vice President Corporate Communications
Design	Büro Benseler
Text	KRONES AG InvestorPress GmbH
Photography	KRONES AG, Roman Graggo, Fotolia
Printing & litho	Mediahaus Biering GmbH
Paper	PhoeniXmotion, Gmund Colors
Circulation	2,500 German 1,800 English

At a glance: revenues, earnings, employees, dividends

KRONES Group revenue (€ million)

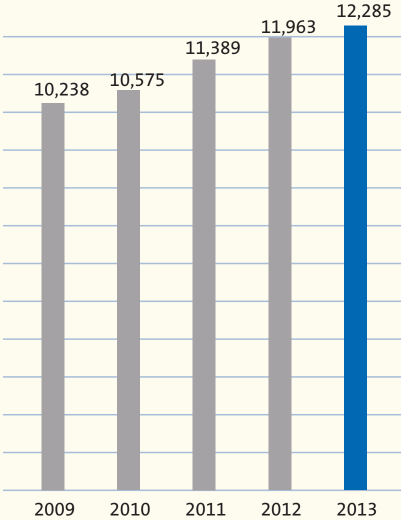


KRONES Group EBT (€ million)

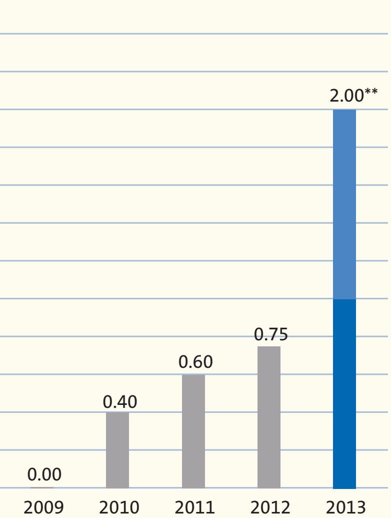


* Adjusted according to IAS 19R

KRONES workforce



Dividend per share (€)



** As per proposal for the appropriation of retained earnings, including a €1.00 special dividend

Key figures for the KRONES Group 2009 – 2013

		2013	2012*	2011*	2010	2009
Revenue						
Sales revenue	€ million	2,816	2,664	2,480	2,173	1,865
Germany	€ million	292	224	253	234	191
Outside Germany	€ million	2,524	2,440	2,227	1,939	1,674
Export share	%	90	92	90	89	90
Earnings						
Earnings before taxes	€ million	170	99	75	71	–39
Net income	€ million	119	68	44	51	–34
Earnings per share	€	3.84	2.26	1.45	1.68	–1.13
Assets and capital structure						
Non-current assets	€ million	642	625	603	569	542
of which fixed assets	€ million	605	587	555	519	496
Current assets	€ million	1,596	1,445	1,443	1,317	1,248
of which cash and equivalents	€ million	240	133	125	147	136
Equity	€ million	954	798	763	759	696
Total debt	€ million	1,284	1,272	1,283	1,127	1,094
Non-current liabilities	€ million	213	193	162	125	125
Current liabilities	€ million	1,071	1,079	1,121	1,002	970
Total assets	€ million	2,238	2,070	2,046	1,886	1,790
Cash flow/capital expenditure						
Free cash flow	€ million	67	31	–7	3	83
Capital expenditure for PP&E and intangible assets	€ million	108	111	106	82	88
Depreciation, amortisation, and write-downs	€ million	85	77	70	61	60
Net cash position (cash and cash equivalents less debt)	€ million	240	133	125	147	136
Profitability ratios						
EBT margin	%	6.0	3.7	3.0	3.3	–2.1
Return on equity before taxes	%	19.4	12.2	9.8	9.7	–5.3
ROCE (liabilities side)	%	16.7	10.0	7.9	8.1	–3.5
ROCE (assets side)	%	13.8	7.8	6.2	6.5	–2.8
Employees (at 31 December)		12,285	11,963	11,389	10,575	10,238
Germany		9,098	9,076	8,887	8,280	8,165
Outside Germany		3,187	2,887	2,502	2,295	2,073
Dividend						
Dividend per share	€	2.00**	0.75	0.60	0.40	0.00

* Adjusted according to IAS 19R ** As per proposal for appropriation of retained earnings

KRONES Group segments and product divisions

Machines and lines
for product filling
and decoration

- Product treatment technology
- Systems engineering
- Labelling technology
- Inspection technology
- Filling technology
- Cleaning technology
- Plastics technology
- Packing and palletising technology
- Conveyor technology

Machines and lines
for beverage production/
process technology

- Brewhouse and filtration technology
- Information technology
- Internal logistics
- Materials flow technology

Machines and lines
for the low output range
(KOSME)

- Labelling technology
- Filling technology
- Plastics technology
- Packing and palletising technology
- Conveyor technology

Contact

KRONES AG
Investor Relations
Olaf Scholz
Phone +49 9401 70-1169
Fax +49 9401 70-911169
E-mail olaf.scholz@krones.com
Böhmerwaldstrasse 5
93073 Neutraubling
Germany

Financial calendar

30 April 2014	Annual report for 2013 Interim report for the period ended 31 March 2014
25 June 2014	Annual shareholders' meeting
24 July 2014	Interim report for the period ended 30 June 2014
23 October 2014	Interim report for the period ended 30 September 2014

KRONES