



Our customers'
success is what
drives us.

Annual Report
for KRONES AG 2014

 KRONES

2014 highlights

- KRONES achieved its targets for 2014.
- Revenue rose 6.9% to €2.41 billion.
- Profitability, measured as the EBT margin, comes to 3.0%.
- Dividend for 2014 to increase over previous year's regular dividend, from €1.00 to €1.25 per share.

		2014	2013	Change
Revenue	€ million	2,407.2	2,251.2	+ 6.9%
New orders	€ million	2,480.4	2,484.5	-0.2%
Orders on hand at 31 December	€ million	1,394.0	1,320.8	+5.5%
EBITDA	€ million	130.3	121.4	+ 7.3%
EBIT	€ million	78.5	70.9	+10.7%
EBT	€ million	72.9	70.1	+4.0%
EBT margin	%	3.0	3.1	-
Net income for the year	€ million	42.9	55.9	-23.3%
Earnings per share (KRONES Group, IFRS)	€	4.30	3.84	+12.0%
Dividend per share	€	1.25*	2.00**	
Capital expenditure for PP&E and intangible assets	€ million	51.3	62.5	-11.2
Cash flow	€ million	111.8	111.4	+0.4
Net cash and cash equivalents*** at 31 December	€ million	165.5	113.1	+52.4
Employees at 31 December		8,995	8,876	+119

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

KRONES began implementing the Value strategy programme in 2011. Since then, the company has improved in every area. The results for the 2014 financial year reflect this progress. KRONES continued to grow profitably.

Our strong performance stems from our unwavering focus on our customers. Our customers' success is what drives us. This statement is also the title of our 2014 annual report. On the following pages, we present concrete projects that demonstrate how we meet our customers' specific needs and how machinery and systems from KRONES provide added value.



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Dear shareholders and friends of KRONES,

Long gone are the days when international companies sailed along on calm waters. Uncertainty has since become the only constant. In 2014, geopolitical risks caused considerable economic turbulence, which in turn made life difficult for many companies. KRONES was able to grow profitably in this challenging environment. Revenue at KRONES AG rose 6.9% year-on-year, to €2,407.2 million and earnings before taxes improved slightly to €72.9 million. The key to this success was and remains the Value strategy programme. With it, we took action early on to prepare for the challenges the markets would present. More details on Value can be found on pages 30 to 33, in the strategy report from my fellow Executive Board Member, Christoph Klenk.

Innovations at KRONES are focused on customers' needs

Our successful showing at the 2013 drinktec continued to bolster sales in the first year following the trade fair. There, KRONES had presented a number of innovations to the international beverage and packaging industry. One of these was the new "Viscofill" filler for the food industry. Beginning on page 54, you can read about how this machine has proven itself in practice and what advantages it offers our customers.

Last year we once again saw that there are always trends from which KRONES can profit, despite economic uncertainties. One such trend is the rapid growth of craft brewing. Small, independent breweries produce far less beer than big breweries, which requires special equipment. We identified and acted on this opportunity early, positioning ourselves on the microbrewery market with such products as the compact CombiCube B brewhouse.

KRONES also was quick to recognise our customers' growing interest in resource conservation. Within our enviro sustainability programme, we are offering more and more machines and systems that consume less energy and other resources. That helps to substantially lower the total cost of ownership, which includes ongoing operating costs alongside the initial price paid to acquire the machines. A great example of this can be found on pages 34 to 43, in our feature on the Austrian brewery Murau.

It is quite gratifying that our extensive efforts in the field of sustainability are also being acknowledged by external observers. In 2014, we were able once again to upgrade our status in the internationally recognised sustainability ratings conducted each year by oekom research. The rating agency now deems KRONES an »Industry Leader«.

We are strengthening KOSME's competitiveness

KOSME, the smallest of our three corporate segments, produces machines and systems for the low output range at sites in Italy and Austria. Despite our many efforts, we had, in the past, been unable to make our Italian site – and therefore the segment as a whole – profitable. For this reason, we decided in 2014 to restructure KOSME. The Roverbella site will in future focus on filling and labelling technology. KOSME will continue to offer complete production lines and buy in products from qualified vendors as needed. Sadly,



"KRONES grew profitably in 2014 despite the difficult environment."

*Volker Kronseider
Chairman of the Executive Board*

reducing capacities also meant that we had to terminate more than 100 employees in Rov-
erbella. This painful step was necessary in order to strengthen KOSME's competitiveness
and safeguard the Italian site's future for the long term.

We also made considerable changes in our process technology segment last year. We estab-
lished SYSKRON Holding GmbH, under which KRONES will in future once again offer its
own internal logistics products and services. We opted to take this action after KLUG
GmbH, in which we had held a minority stake, became insolvent. I am very pleased that
we were able to recruit Werner Frischholz to be Managing Director of SYSKRON Holding
GmbH. As such, he left KRONES AG on 1 September 2014, after 40 years of successful service,
including more than a decade on KRONES' Executive Board. Process technology also
accomplished external growth in 2014 with the purchase of HST Maschinenbau. The com-
pany, based in the German state of Mecklenburg-West Pomerania, develops and manufac-
tures homogenisers and reciprocating pumps for the food and beverage industry. The
acquisition strengthened KRONES' capabilities in the field of process technology for non-
alcoholic beverages, specifically the production of juices and milk. Overall, we are not yet
satisfied with the process technology segment's performance. Therefore, we will continue
to work to improve the segment's profitability.

*KRONES further grew its process
technology operations.*

In our core segment, machines and lines for product filling and decoration, we made an
acquisition in 2014 that further advanced an important innovation. KRONES bought a
majority stake in TILL GmbH, a technology company based in the German state of Hesse
that develops systems for direct digital printing to containers. The investment in TILL
enables us to expand our own expertise in the promising field of digital direct printing.

New corporate structure is taking hold

KRONES began 2014 with a new corporate structure. To fulfil our customers' needs and
requirements even faster and even more accurately, we have regionalised our corporate
structure. Of course, there are still some wrinkles to be ironed out. But in its first year of
implementation, the new structure has yielded considerable advantages in day-to-day
operations. These benefits will continue to increase. All in all, the new corporate structure
will contribute significantly to ensuring KRONES' continued commercial success.

But of course that is only possible with the commitment of our 12,624 employees world-
wide, whom I would now like to thank, on behalf of the entire Executive Board, for their
dedication and outstanding work in 2014. The KRONES team will not let up and will con-
tinue to knuckle down, to seize the opportunities our markets present and drive our
customers' success.



Volker Kronseder
Chairman of 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

Thomas Ricker

*1968

Member of the Executive Board since 2012.
Bottling and Packaging
Equipment



Rainulf Diepold

*1955

Member of the Executive Board since 1996.

Sales and Marketing

Markus Tischer

*1968

Member of the Executive Board 1 January 2014.

International Operations and Services

Ralf Goldbrunner

*1970

Member of the Executive Board since 1 September 2014

Plants and Components



Ladies and Gentlemen,

In 2014, KRONES made important decisions to ensure its future success. The Executive Board, in collaboration with the Supervisory Board, launched a new corporate structure. Implementation of the Value strategy programme continued. The Supervisory Board discussed individual actions under Value with the Executive Board. These included the streamlining of KOSME's portfolio, which, unfortunately, also resulted in staff reductions in Italy. The Supervisory Board fully stands behind this difficult decision although it was very painful for the employees affected.

KRONES demonstrated in 2014 that the company is also able to do business successfully in an unfavourable environment. The Supervisory Board believes that one of its core duties is to contribute to the company's continued successful development.

Advising and oversight

In 2014, 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. Five 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 18 March 2014. The first item of business was to resolve to extend the Executive Board contracts of Rainulf Diepold and Thomas Ricker. The Executive Board then presented the preliminary consolidated financial statements for 2013 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 provided a status update on the new corporate structure. In addition, the Executive Board explained the current situation and various options with respect to KLUG GmbH and the subsidiary KOSME. Also on the agenda was the dividend proposal. The Boards agreed to propose to the annual shareholders' meeting a regular dividend payment of €1.00 per share plus a special dividend of €1.00 per share from the proceeds of the sale of treasury shares for the financial year 2013.

Representatives from KRONES' auditing firm were present for a portion of the Supervisory Board meeting on 25 April 2014. The auditors explained to the Supervisory Board their audit mandate and the areas on which their review of the 2013 annual financial statements focused and provided a detailed overview of the audit. The Supervisory Board then approved and thus adopted the 2013 annual financial statements and the consolidated financial statements along with the management report for the financial year 2013. In this meeting, the proposal for changes to Supervisory Board remuneration was also discussed and placed on the agenda for the upcoming annual shareholders' meeting. Moreover, the Board resolved to appoint Ralf Goldbrunner a regular member of the Executive Board as of 1 September 2014. In addition to explaining the key financial performance indicators for the first quarter, the Executive Board provided its outlook for the year 2014. The Supervisory Board, together with the Executive Board, also set the agenda for the annual shareholders' meeting of KRONES AG, which would be held on 25 June 2014.



Ernst Baumann
Chairman of the Supervisory Board

Following the annual shareholders' meeting, the Supervisory Board convened its third meeting, which was also its constitutive meeting, on 25 June 2014. The Chairman of the Supervisory Board bade farewell to retiring members Dr. Klaus Heimann and Dr. Jochen Klein and thanked them for their service. He then welcomed the two new Supervisory Board Members, Dr. Verena Di Pasquale, Deputy Chairperson of DGB Bayern (the German Trade Union Confederation in Bavaria), and Hans-Jürgen Thaus, former Deputy Chairman of the Executive Board of KRONES. The Chairman of the Supervisory Board congratulated Dr. Alexander Nerz on his re-election to the Board.

The fourth Supervisory Board meeting took place on 24 September 2014 in Flensburg. KRONES produces bottle washers and pasteurisers, among other products, at this site. The Supervisory Board was given a tour of the facility and introduced to the Flensburg plant's product portfolio and manufacturing processes. At the start of the Supervisory Board meeting, Chairman of the Executive Board Volker Kronseder informed the Board about changes taking place in KRONES' markets and the resulting challenges. The Executive Board then explained current business development and the development of the group's individual segments. Because earnings at KOSME remained unsatisfactory, the Executive Board had resolved to streamline the segment's product range. The Executive Board reported to the Supervisory Board on the status of the action package at KOSME. The Executive Board also presented the key points of its annual planning for 2015 to the Supervisory Board.

On 19 November 2014, the Board met for its fifth and final meeting of the 2014 financial year. The Executive Board reported on KRONES' presence and successes at major international trade fairs. The focus of this Supervisory Board meeting was the report from Graf von und zu Lerchenfeld. As Chairman of the Audit and Risk Management Committee of the Supervisory Board, he explained KRONES' risk management system and the 10 greatest individual risks to the company. Graf Lerchenfeld concluded that, overall, the group's risk profile had not changed significantly over the previous year. Other topics covered in the fifth meeting of the Supervisory Board were the Executive Board's current business report and information on the market and competition as well as annual planning for 2015.

The work 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, Philipp Graf 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.

The Audit and Risk Management Committee convened for two meetings in 2014. On 24 April, ahead of the Supervisory Board meeting held to ratify the financial statements on 25 April 2014, the 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 2013. In the meeting held on 18 November 2014, the Committee prepared the report for the fifth Supervisory Board meeting on the basis of reports from the Internal Control System, Internal Audit, and Compliance Management.

The work of the Standing Committee

The Standing Committee consists of Werner Schrödl, Norman Kronseider, Josef Weitzer, and Ernst Baumann. Chairman of the Standing Committee is Ernst Baumann. The Committee deals with all other topics that fall outside the scope of the Audit and Risk Management Committee. The Standing Committee met twice in the 2014 financial year and prepared Supervisory Board resolutions on conducting an efficiency audit of the Supervisory Board's activities, on remuneration planning, and on follow-up topics within the Supervisory Board and Executive Board.

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 2014 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 2014 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 29 April 2015. 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 2014 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 2014.

Neutraubling, April 2015

The Supervisory Board



Ernst Baumann

Chairman of the Supervisory Board

Pursuant to Section 8 (1) of the articles of association, six members of the Supervisory Board are elected by the shareholders in accordance with the German Stock Corporation Act (Sections 96 (1) and 101). Six members are elected by the employees pursuant to Section 1 (1) and Section 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 Group Works Council
Chairman of the Central Works Council
Deputy Chairman of the Supervisory Board
* ADVISORY BOARD OF BAYERISCHE BETRIEBSKRANKENKASSEN

Klaus Gerlach**

Head of Central International Operations and Services

Dr. Klaus Heimann**

Director of the Youth, Training, and Qualification Policy Division of IG METALL
(until 14 July 2014)

Dr. Jochen Klein

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

Norman Kronseder

Farmer and forester
* BAYERISCHE FUTTERSAAATBAU GMBH

Philipp Graf von und zu Lerchenfeld

Member of the German Bundestag, Dipl.-Ing. agr., auditor and tax consultant

Dr. Alexander Nerz

Attorney

Dr. Verena Di Pasquale**

Deputy Chairperson of DGB Bayern (the German Trade Union Confederation in Bavaria)
(since 14 July 2014)

Johann Robold**

Member of the Works Council

Petra Schadeberg-Herrmann

Managing partner at KROMBACHER FINANCE GMBH, SCHAWEL GMBH, DIVERSUM HOLDING GMBH & CO. KG
* CHOCOLADEFABRIKEN LINDT & SPRÜNGLI AG
* COMMERZBANK AG

Jürgen Scholz**

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

Hans-Jürgen Thaus

Former deputy chairman of KRONES AG
(since 25 June 2014)
* MASCHINENFABRIK RHEINHAUSEN GMBH
* KURTZ HOLDING GMBH & BETEILIGUNGS KG
* SCHULER AG

Josef Weitzer**

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

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

** Elected by the workforce

- World's stock markets post slight gains
- KRONES share gains 29.4% in 2014
- Dividend of €1.25 per share planned

2014 was another good year for KRONES shareholders. Our share gained 29.4% over the course of the year to reach €80.76. With that, it far outperformed both of Germany's most important indices, the DAX and the MDAX, which improved by only a few percentage points each.

The stock markets in 2014

Monetary easing was the biggest upward force on the world's stock markets once again in 2014. Despite the strong influx of liquidity, various negative news items hampered the equity markets at intervals. The end result was that most of the world's stock markets ended the year with only slight, single-digit gains following considerable ups and downs. The Ukraine crisis impacted shares at the start of the year. The markets recovered at mid-year only to face renewed downward pressure from weak economic data and the threat of Western escalation against Russia. In addition, concerns over a possible tightening of us monetary policy, the deadly Ebola virus, and the Islamic State terrorist organisation made for waves of uncertainty. In mid-October, most share indices were in negative territory and hit their lows for the year. Continued monetary easing in Europe and Japan and hopes of a delayed tightening in the USA bolstered sentiment from mid-October onward and helped prices surge through the end of the year.

Germany's DAX index closed the year up 2.7%, at 9,805 points after having hit a record high of 10,093 points on 5 December. The Euro-Stoxx-50, which covers the euro area's blue-chip shares, posted a narrow gain of 1.1%. Stock markets outside Europe fared better. The leading US index, the Dow Jones, rose to a new record high in 2014 and closed the trading year at 17,983 points, up 9.0% from the start of the year. Japan's Nikkei index climbed another 7.1% despite the previous year's explosive year-end rally.

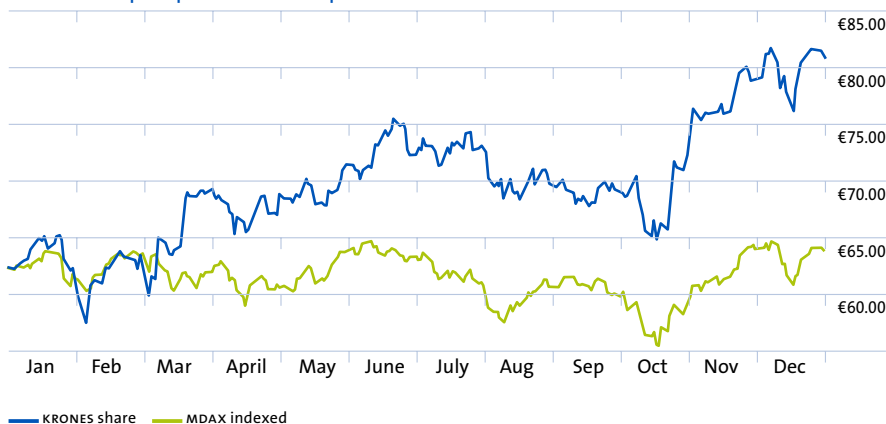


"KRONES' share was among the MDAX's strongest performers in 2014. That helped us advance further in the MDAX rankings."

Olaf Scholz

Senior Vice President of Investor Relations

KRONES share price performance compared with the MDAX 2014



The KRONES share outpaced the MDAX for almost all of 2014. An explosive recovery from mid-October onward further widened our share's lead.

KRONES far outperforms MDAX

The MDAX, which also includes KRONES, advanced 2.2% in 2014 following strong gains in both of the previous years. After hitting a record high of 17,204 points on 10 June, Germany's mid-cap index moved more or less sideways, with several ups and downs, through the end of the year, closing the year at 16,935 points. Besides the robotics manufacturer KUKA (+73%), real estate stocks were the top MDAX performers. The fact that the MDAX only managed a slight gain overall in 2014 was due to severe losses among index heavyweights BILFINGER, METRO, and AIRBUS.

With its gain of 29.4%, the KRONES share outperformed the MDAX by a wide margin. Assuming that the dividend of €2.00 per share was immediately reinvested brings that gain up to 32.9% in 2014. That means our share also outperformed the DAX All-Industrial-Index. Deutsche Börse's industry index, which includes the shares of machinery manufacturers, rose by 17% last year.

The KRONES share got the year off to a slow start, hitting its low for the year, €56.43, on 4 February. Bolstered by the release of our results and dividend proposal for 2013, the share picked up momentum and had gained 16% by mid-year. The general malaise on the stock markets caused the share price to slip back into negative territory by mid-October. But then the share began an impressive year-end rally, supported by strong 9-month figures and affirmation of our outlook for the year. It closed the year at €80.76, very near its all-time high of €81.99.

The KRONES share benefited from the fact that we were able to match our forecasts for 2014 despite economic challenges.

Key figures for the KRONES share (some figures are for the KRONES Group)

At 31 December		2014	2013	2012
Number of shares	million	31.59	31.59	31.59
Free cash flow per share	€	4.82	2.12	1.01
Equity per share	€	31.29	30.20	26.50
Earnings per share	€	4.30	3.84	2.26
Price/earnings (P/E) ratio based on closing price for the year		18.8	16.3	20.8
Dividend per share	€	1.25*	2.00**	0.75
High	€	81.99	67.58	47.25
Low	€	56.43	45.02	35.75
Year's closing price	€	80.76	62.43	47.00

* As per proposal for the appropriation of retained earnings

** including a €1.00 special dividend

KRONES share remains a good investment for the long term

KRONES' share price has developed very well, not only in 2014 but also long term. KRONES' share price has almost tripled over the past ten years. The KRONES share's average annual price gain in this period comes to 10.9%. That is more than the MDAX price index (+9.8%), that is, the MDAX excluding dividends. Including dividends, and assuming that the dividends were reinvested in KRONES shares, average annual performance for the last ten years comes to 12.3% (MDAX: 12.2%).

KRONES share price performance compared with the MDAX, 2005 – 2014



KRONES celebrates 30th anniversary of its IPO

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

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. In the rankings used for MDAX inclusion, KRONES' share had improved its position to 39th for market capitalisation thanks to its strong share price growth (previous year: 43rd) and occupied the 50th spot for trading volume (previous year: 46th) at the end of 2014.

In the financial year 2014, daily trading volume in XETRA trading and on the Frankfurt stock exchange averaged around 42,000 shares in total (previous year: 48,300 shares). Trading volume on the official exchanges has dropped steadily in recent years although investor interest has risen. The reason for this change is that institutional investors are increasingly trading on off-exchange platforms known as “dark pools”. This phenomenon affects almost all DAX and MDAX shares and is not specific to KRONES.

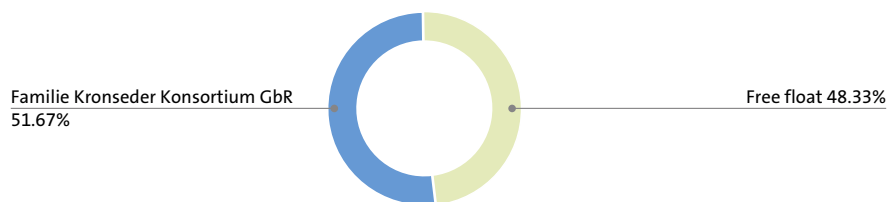
Key data for the KRONES share

Number of shares	31,593,072
German securities identification number	633500
ISIN	DE 0006335003
Ticker symbol	KRN

Shareholder structure

Kronseder Family Konsortium GbR retains a 51.67% stake and remains a stable majority shareholder of KRONES AG. That allows the company to think and plan sustainably and for the long term rather than in quarters. The free float (those shares not held by the family) comes to 48.33%.

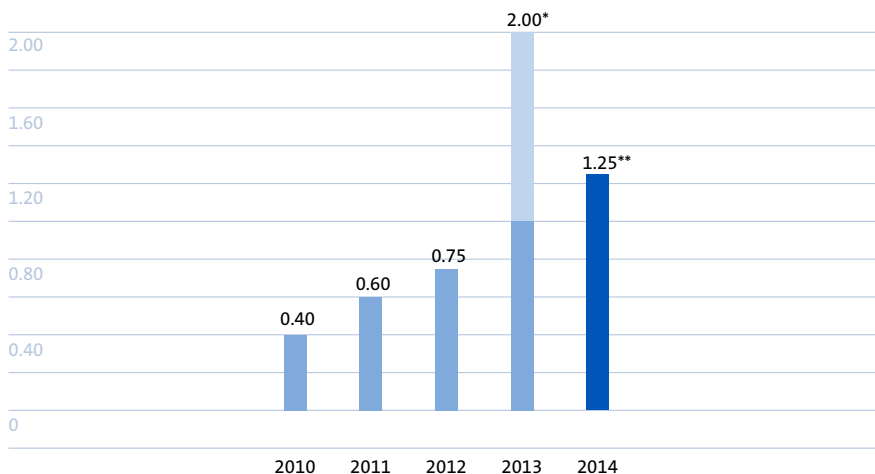
Shareholder structure as of 31 March 2015



KRONES intends to pay out a dividend of €1.25 per share for 2014

The company's long-term dividend policy is to pay out 25% to 30% of consolidated profit to shareholders. Given last year's strong earnings performance, the Executive Board and the Supervisory Board will propose to the annual shareholders' meeting on 17 June 2015 that a dividend of €1.25 per share be paid out for the financial year 2014. That is less than the €2.00 that was paid out in the previous year, when KRONES shared the proceeds from its sale of the treasury shares with shareholders by way of a one-time special dividend of €1.00 per share. But it is 25% more than the regular dividend – that is, the dividend adjusted to exclude the one-time payout – of €1.00 per share.

Dividend per share (€)



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

KRONES is communicating with investors

As a member of the MDAX share index, KRONES is watched by many international analysts and investors, who need meaningful, transparent information about our company for their investment decisions. We have addressed the demand for more information in a number of ways. The redesigned Investor Relations page of our website provides access to all important data on the KRONES share.

An analyst meeting held at our Rosenheim plant highlighted opportunities in the field of packing and palletising.

In addition, KRONES once again held a Conference Call after the release of each quarter's results in 2014, using a presentation to explain the figures to analysts and investors. These presentations are freely available on our website. This was complemented by several road shows, which Chief Financial Officer Christoph Klenk and KRONES' Senior Vice President for Investor Relations, Olaf Scholz, conducted again in 2014 in international financial centres like New York, London, Zurich, Stockholm, and Frankfurt. There, they visited and shared information with local investors and analysts.

On 17 September 2014, KRONES hosted an analyst meeting at its Rosenheim plant. Some 20 financial market experts attended. The meeting's focus was on packing and palletising technology, which is expected to achieve higher-than-average growth. Aside from the theory portion, the analysts were given a tour of the plant, which afforded them a look into the individual production steps involved in packing and palletising. In addition, Chief Financial Officer Christoph Klenk explained KRONES' future strategy and positioning and then opened the floor to an in-depth Q&A session.

High spirits at the 2014 annual shareholders' meeting

KRONES held its annual shareholders' meeting in Neutraubling on 25 June 2014. The meeting was, as always, a very harmonious one. The dividend proposal caused spirits to soar. KRONES paid its shareholders a dividend of €2.00 per share (previous year: €0.75) for the financial year 2013. The dividend included a €1.00 per share bonus from the sale of our treasury shares. The total payout to shareholders for the financial year 2013 was €63.2 million (previous year: €23.7 million). Representation of the company's share capital at the meeting was strong, at 82% (previous year: 80%). The roughly 200 shareholders present approved all of the resolutions proposed for voting by a large majority – including the election of two new Supervisory Board Members, Dr. Verena Di Pasquale and Hans-Jürgen Thaus.



Management report for KRONES AG

Fundamental information

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Business model, business areas, and organisational structure

KRONES offers machinery and 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 are an important part of KRONES' business model. The company maintains service centres and offices around the world.

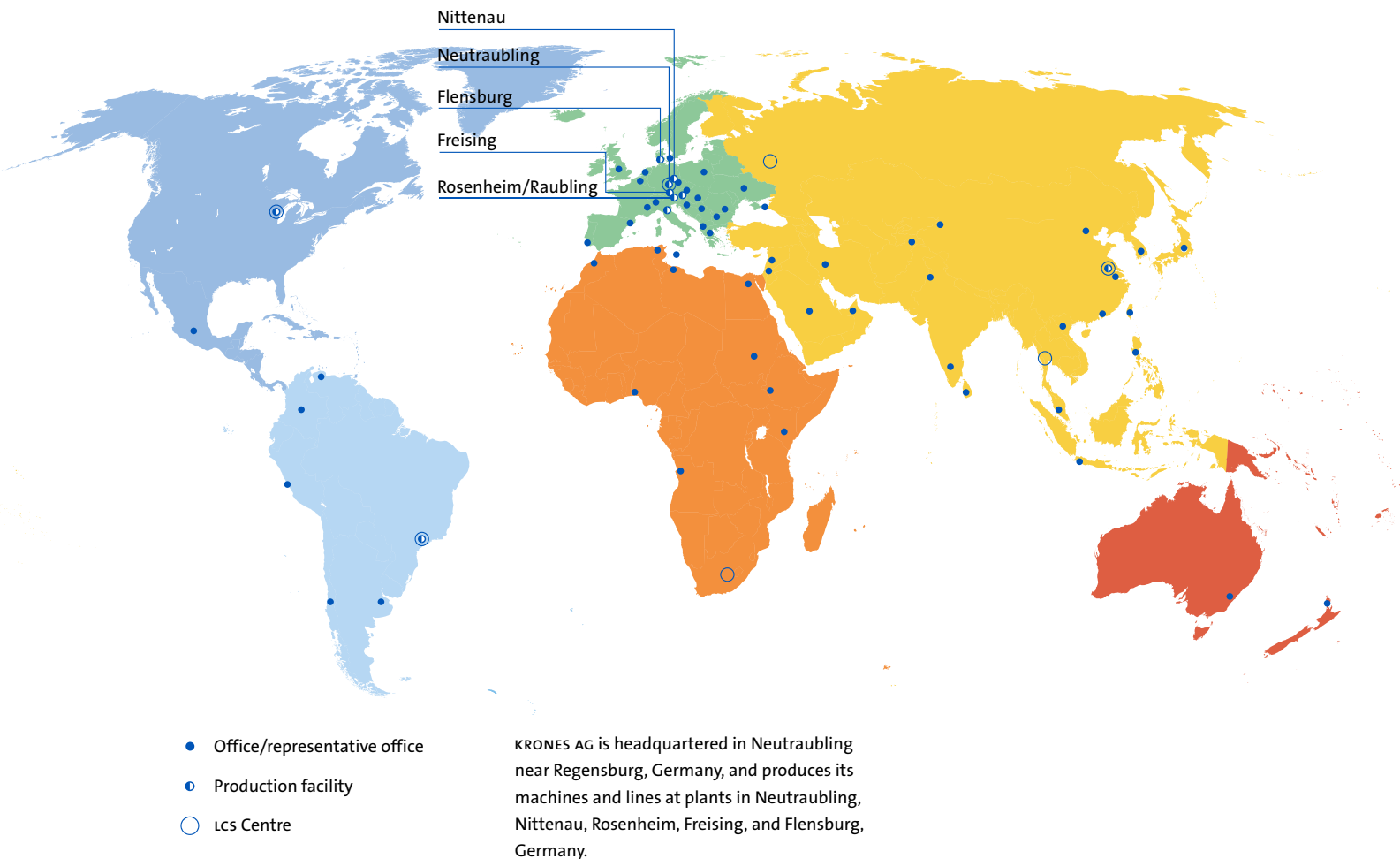
Major markets and competitive position

Customers in the beverage industry account for around 90% of KRONES' revenue. The remaining revenue comes from business with companies in non-beverage sectors (food, milk, chemicals, pharmaceuticals, and cosmetics).

KRONES is heavily export-oriented, generating around 90% of revenue outside Germany. The regional breakdown of revenue is well balanced overall. KRONES generates around 40% of its revenue in mature industrialised countries and around 60% in the rapidly growing emerging markets.

Apart from a few large companies that are part of a corporate group, KRONES competes with a number of smaller companies that offer only individual filling and packaging products. Most of our main competitors are based in the euro area. Chinese manufacturers have primarily competed against KRONES for orders on their home market but are increasingly expanding into international markets.

As a full-service provider, KRONES is able to distinguish itself from most of its competitors. Our global service portfolio, which enables us to provide fast service to customers on-site, is a crucial advantage. Overall, KRONES is the world's leading manufacturer of filling and packaging technology.





As a full-service provider, KRONES delivers complete production plants from a single source to customers in the beverage industry. A KRONES filling line for producing, filling, packaging, and storing beverages consists of innovative individual machines and systems. Custom IT solutions control and document all processes within the line.

The following is a complete brewery that we delivered to our customer Petropolis in 2014 and serves as an excellent example of our whole-plant expertise. The beer is bottled in returnable glass bottles. The line produces 62,000 bottles per hour.



Process technology

KRONES offers all of the products a brewery needs to produce beer. That includes the brewhouse **1**, in which the beverage is brewed in several stages from the basic ingredients water, hops, and malt. The brewhouse consists of various systems and tanks such as the malt silo, mash tun, lauter tun, wort kettle, whirlpool, and wort chiller. But the beer isn't ready after passing through these stages. Before filling, it also passes through fermentation and conditioning tanks **2** and filters. KRONES delivers it all from a single source.

Filling and packing

A Pressant series depalletiser **3** lifts crates containing empty returnable bottles from a pallet, a layer at a time, and sets them on the conveyor table.

In the next step, a fully automatic Smartpac unpacker and packer **4** lifts the bottles out of the crates and places them on the conveyor belt (blue). The empty crates are sent on a different path, to the crate washer **5**.

The used glass bottles must be absolutely clean before they can be refilled. A Lavatec bottle washer **6** handles this task while conserving water and chemicals.

To ensure that no residue remains in the cleaned bottles, the containers are run through a Linatronic empty bottle

inspector **7**. Cameras and sensors detect even the most minute contaminants. Any bottles that are not impeccably clean are safely removed from production.

The beer flows through pipes leading from the brewery into the bottling hall and is filled into the clean bottles by a Modulfill HRS filler **8**. This powerful machine has 176 filling valves.

A Checkmat FM-G monitoring system **9** verifies whether the bottles have been filled and crowned properly.

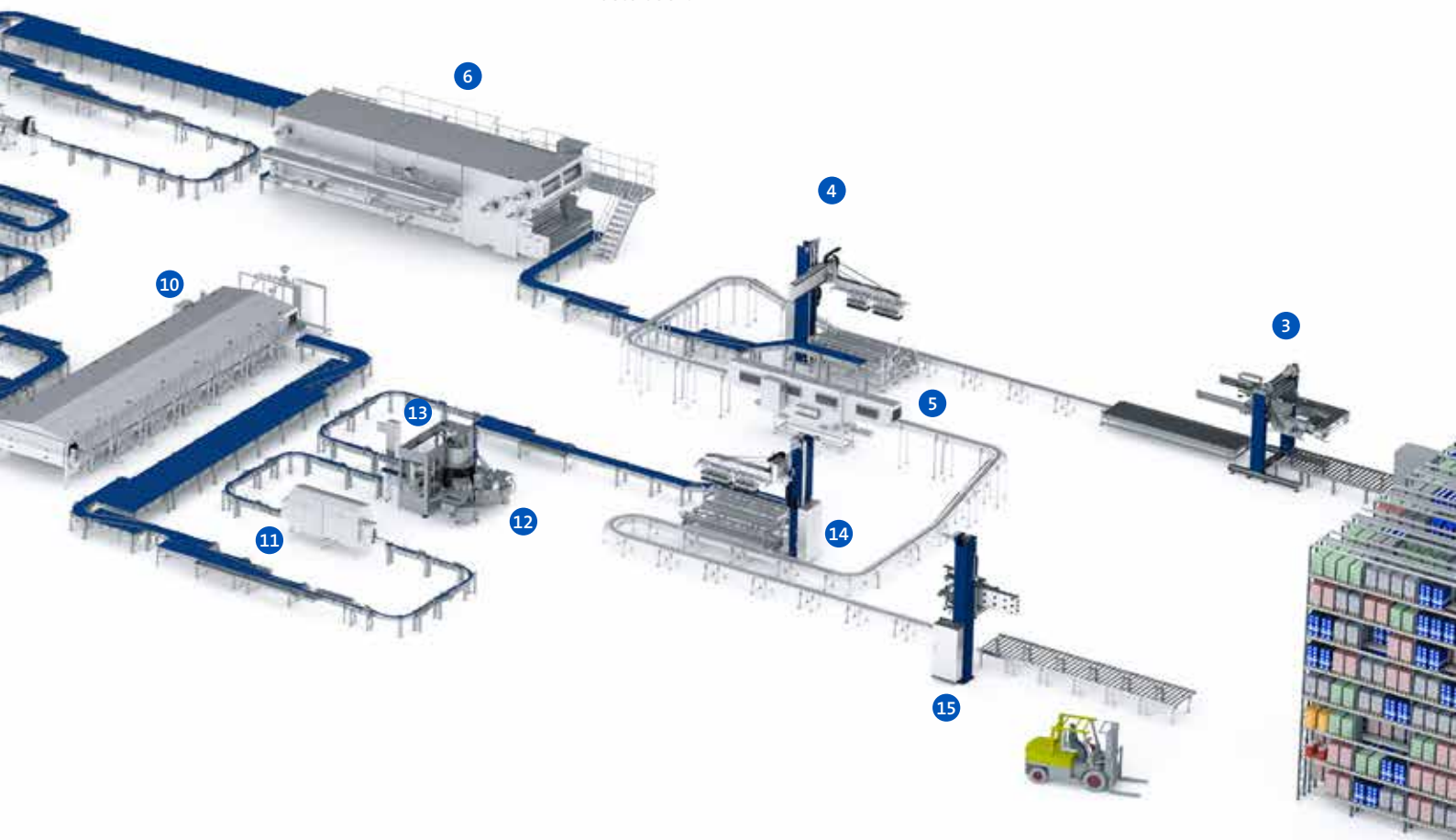
To give the beer a longer shelf life, the filled bottles are run through a tunnel pasteuriser featuring various temperature zones **10**. The beer's temperature is then brought back down in a cooling unit **11**.

The Solomodul modular labeller **12** places labels on the bottles. The versatile machine can handle a range of bottle decoration.

A Checkmat series monitoring unit **13** verifies whether the label has been applied correctly.

The Smartpac **14** then picks up the bottles and places them in clean crates coming out of the crate washer **5**.

A Modulpal robot **15** places the crates on pallets in layers. The pallets are then conveyed to a high-bay warehouse that was delivered and installed by KRONES Intralogistics.

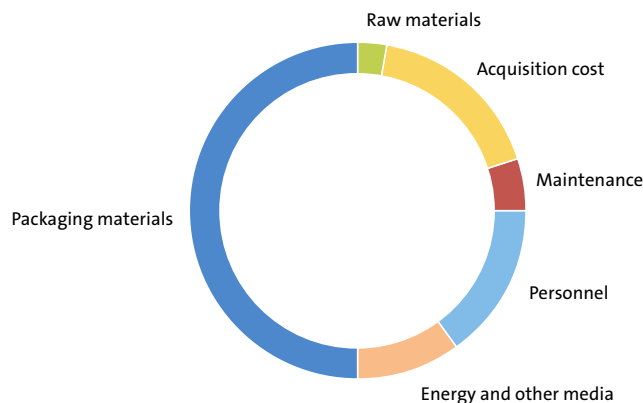


- Customers' decision-making criteria are changing
- Overhauls a primary means to lower operating costs
- Upgrades keep existing machinery up to date
- Industry 4.0 – an opportunity for our customers

Customers in KRONES' markets are shifting the criteria by which they assess machines and equipment. In the past, acquisition cost and performance data were the decisive factors. Now, operators are increasingly focussed on efficiency – how much a machine or line actually produces in relation to the theoretically possible output. Keeping malfunctions and downtimes to a minimum not only increases efficiency. It also reduces overall operating costs.

KRONES sees considerable opportunity for LCS (Lifecycle Service) in the changing market demands. We offer our customers a wide range of products that will enable them to master whatever challenges the future holds.

Share of total cost of ownership per filled 1.5-litre PET water bottle

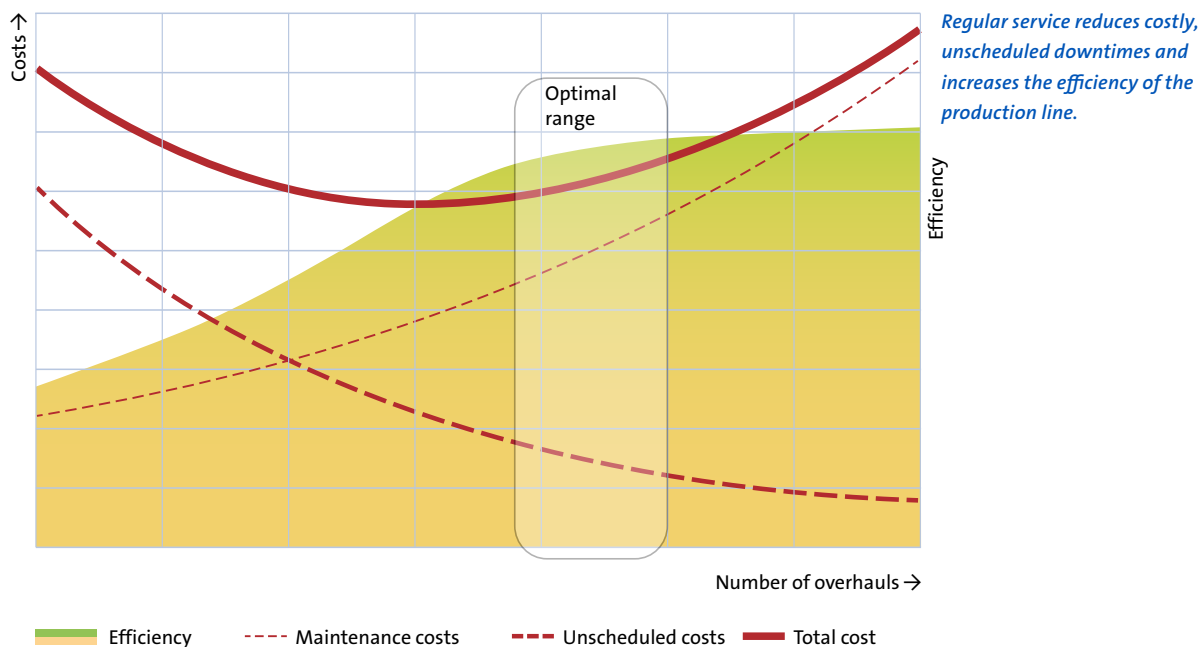


Maintenance accounts for only a small part of TCO, the total cost of owning and operating a filling line.

Analyses show that maintenance costs make up only 2%–5% of the total cost per bottle filled, depending on the product and packaging type. However, with this relatively small outlay customers can reduce bigger expense items such as staff, energy and media, and packaging material. That translates to enormous leverage for operating cost savings. To this end, we offer our customers LCS products that are precisely tailored to their needs. In the following, we would like to highlight two of these products: overhauls and upgrades.

Overhauls

Regular machine maintenance and overhauls are key to ensuring high long-term line efficiency. There is a direct correlation between line uptime and investment in planned maintenance.



Scheduled overhauls, in which parts are replaced proactively, considerably reduce the risk of unscheduled line downtimes.

Unplanned downtimes generally result in more production time lost and can negatively impact a line's efficiency.

Investing in scheduled overhauls increases efficiency and reduces a customer's operating costs.

There is no one single perfect solution for planning overhauls. Instead, the particular characteristics of each line and the customer's specific needs must be taken into account. It is in looking at these conditions together that we are able to define the best possible maintenance strategy for a customer's plant. KRONES offers the right tools and expertise for every solution.

Upgrades

Our upgrades keep KRONES equipment at our customers' plants up to the latest standard of technology. In order to best showcase the advantages of these products, all upgrades' benefits to customers are indicated in our catalogue. These can include potential for optimising:

- Efficiency
 - Increasing efficiency
 - Increasing uptime
 - Optimising production time
 - Reducing stoppages and errors
 - Optimising changeover times

- Environmental performance
 - Conserving energy or media
 - Reducing consumables
 - Reducing materials

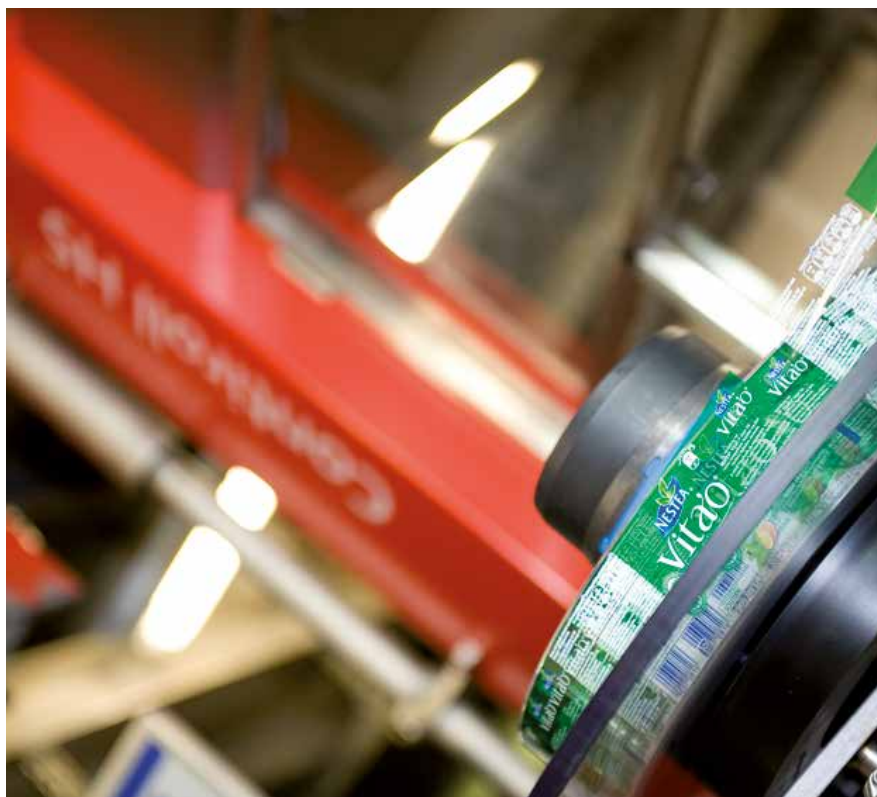
- Materials
 - Reducing materials consumption (adhesives, films)
 - Higher tolerance for materials used

- Media
 - Conserving water
 - Conserving electricity
 - Conserving assist gasses

- Personnel
 - Easier operation
 - Fast, flexible changeovers
 - Increasing occupational safety

- Quality
 - Improving the product
 - Increasing hygiene
 - Optimising container appearance

We currently offer around 260 upgrades for our various machines and technologies. A typical example of these is an upgrade of the insulation used for the glue roller housing on our Contiroll HS labelling machine. This upgrade can save up to 25% in energy consumption and also protects the insulation from scorching, lowers emissions of glue vapours, and thus increases the KRONES Contiroll's efficiency.



KRONES' upgrade for the Contiroll HS labelling machine increases efficiency and operator safety.

Industry 4.0 focuses on customer benefits

The Industrial Internet of Things, the digitalisation of the manufacturing industry, holds enormous opportunities for optimising manufacturing and value chain processes throughout industry. KRONES took up the challenge of this fourth industrial revolution quite some time ago and has been working on numerous new product ideas. To this end, we are collaborating with a renowned research institute to develop algorithms that will yield great advantages for our customers. These products are not yet ready for market but we view Industry 4.0 as an important topic that will generate great benefits for our customers going forward.

Megatrends are keeping our markets stable

We are satisfied overall with KRONES' development in the reporting period. KRONES achieved its targets despite the year's many economic and political disturbances.

Our markets were stable overall in 2014. Regional economic fluctuations offset each other. Our products and services enabled the company to benefit from three major megatrends:

- A growing middle class in the emerging markets
- Urbanisation
- An expanding variety of packaging forms

Prices did not improve last year despite good market growth. Only by lowering costs were we able to improve profitability in 2014.

Strengthening our market position worldwide

Our Value strategy programme and its four pillars of innovation, growth, profitability, and quality are crucial to our success. Our new corporate structure, launched in 2014, supports Value. Although implementation of the new organisational structure has not yet been perfected in all areas, it is clear that the new leadership structures are enabling us to operate more efficiently and flexibly and putting us closer to customers so that we can better address their specific needs.

To this end, we are implementing a strategy of regionalisation, focussing on employing well-trained skilled workers in the regions to provide rapid, on-site support to our customers. For this reason, the KRONES Group's workforce outside Germany will continue to grow steadily in the years ahead while our workforce in Germany will remain stable. We are also developing new products and services that our customers will appreciate. They are increasingly focused on total cost of ownership and line efficiency and we are addressing their needs with innovative products and a growing range of new services. For example, the Aseptbloc, which we unveiled at the 2013 drinktec trade fair has been very well received on the market thanks to its low operating costs and high availability. New services and upgrades from Lifecycle Service (LCS) also help customers get more out of their lines.

Significant progress towards our 7/7/20 target

Our medium-term target of 7/7/20 for the KRONES Group, 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 now within reach thanks to our strong overall performance in 2014. At 4.9%, revenue growth for the KRONES Group was slightly below our target range of 5 to 7 percent on average. The group's EBT margin improved from 6.0% to 6.5%. At 16.4%, ROCE for the KRONES Group was within our forecast for 2014. KRONES AG will play a pivotal role in accomplishing our group-wide targets.



"Our new corporate structure supports our Value programme exceptionally well. We are becoming more efficient, more flexible, and closer to our customers."

*Christoph Klenk
Chief Financial Officer*

Continued implementation of Value strategy

Since we can expect only meagre support from prices in 2015, reducing costs, developing new products and services, and further improving quality remain important items within Value for achieving profitable growth.

In the machines and lines for product filling and decoration business area, we will further expand our regional LCS business. We also intend to make our products increasingly modular to speed production and installation. Moreover, we will be optimising and diversifying our global purchasing strategy, with an eye toward improving all major cost factors (logistics, wages, tariffs, and taxes). By acquiring a majority stake in TILL GmbH, we are strengthening our labelling technology portfolio in the field of digital direct printing.

Making costs more flexible and driving product innovations remain important topics under the Value programme.

In process technology, revenue fell short of the previous year because we were unable to complete two large projects in 2014. It should also be borne in mind that the business area underwent considerable growth in 2013. All in all, 2014 revenue was within our target range. We are also satisfied with the level of new orders, which should enable us to increase revenue and earnings again in this area in 2015.

A major milestone in process technology was the establishment of SYSKRON Holding after our partner KLUG GmbH became insolvent in the first quarter of 2014 and KRONES chose not to overpay for the insolvent company. SYSKRON Holding will bundle all of KRONES' intralogistics activities in the future. KRONES will offer holistic solutions for internal logistics to customers in the beverage filling and packaging industries worldwide through the newly established company. These operations are to develop further and grow to 75 employees in 2015. This and the fact that we acquired TRIACOS Consulting & Engineering GmbH in February 2015 demonstrate that intralogistics remain an important part of KRONES' corporate strategy. By acquiring TRIACOS, SYSKRON is adding to its expertise in consulting on and implementing SAP solutions, with a focus on production and internal logistics.



EVOGUARD GmbH, which was established as an independent company for our components business in 2014, has developed well. The company's valve technology has gained full acceptance, even outside the beverage industry. EVOGUARD has also established pumps as another key component. We will bring the new series of pumps to market in 2015. The successful integration of HST Maschinenbau GmbH, a leading producer of homogenisers which we acquired at the end of 2013, has significantly improved our process technology offerings for milk and juices. Our goal for the process technology segment is still to strengthen our position in soft drinks and water in the years ahead. We did not make as much progress as we had hoped we would with respect to expanding our local service structures for turnkey projects. We need to utilise more potential here.

We restructured the subsidiary KOSME in mid-2014 in response to its unsatisfactory business development. Only KOSME Italy was affected by the reorganisation. In order to safeguard the future of operations in Roverbella, Italy, and achieve profitability there, packing and palletising operations were discontinued and capacities adjusted

accordingly. Sadly, we had to release 100 employees at the site. KOSME Italy has since focused on its core expertise: filling and labelling technology. Labelling technology activities in particular will be expanded at our Italian site in the years ahead. The subsidiary is strategically important to KRONES as it strengthens our market position in the key field of smaller and mid-sized applications. Revenue development at KOSME was satisfactory in 2014 despite the actions taken. KOSME is expected to generate a profit margin (EBT margin) of 4% to 5% from 2015 onwards.

All in all, we expect the measures taken under Value to continue to bear fruit in 2015, with around 4% revenue growth for the group and further improved profitability. The KRONES Group's EBT margin is expected to increase to 6.8% in 2015.

Strong financial footing enables us to invest in growth

KRONES is extremely well positioned financially. Increased free cash flow and a high net cash position give us the flexibility to act quickly on interesting investment opportunities. Apart from our "regular" internal capital expenditure, we will be investing increasingly in the Internet of Things, also known as Industry 4.0, which entails deriving information and relationships from data on a customer's entire value chain in order to further increase the efficiency of KRONES machines and lines. We are developing products and business models with which to accomplish this.

We will apply some of our cash to making acquisitions. KRONES is interested in companies that are strong in process technology and information technology. We also see potential opportunities for meaningful investments in our core business area. TILL GmbH is an excellent example of this. When reviewing potential acquisitions, KRONES pays close attention to ensuring that the risk is manageable and the acquisitions can be quickly integrated. The company is continually analysing the market for such opportunities. KRONES will pay out 25% to 30% of profits in dividends.

Of course, any strategy is only as good as the people implementing it. Our 12,600 or so employees worldwide are doing an outstanding job. Their commitment is moving KRONES forward every day. We want to maintain and nurture this spirit at KRONES. The KRONES team will not rest on the past successes of the Value strategy. We will continue to work hard in 2015 to lead the company into a successful future. Only by working together will we create value for the long term.

Our employees drive the success of the Value strategy programme every day.

Christoph Klenk
Chief Financial Officer

KRONES' management system

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

- Revenue
- Earnings before taxes (EBT)

In order to strengthen our market position and utilise economies of scale, we are striving to achieve **revenue growth** above the market average.

Earnings before taxes (EBT) are an important earnings indicator. It is from EBT that KRONES AG pays out taxes and dividends and makes investments and capital expenditures.



Seit  1495

fluraver
BIER

Rein das Beste



100% renewable beer

Beer tastes best cool. But brewing it takes heat. And generating heat costs money. Running an energy-efficient brewhouse can save a lot of money. The Austrian brewery Murau accomplishes this with KRONES' EquiTherm system and heat from a bio-mass-fuelled cogeneration plant operated by the local public utilities.

A close-up photograph of a copper brewing vessel. The image shows a section of the copper shell with a black, star-shaped handle attached to a brass fitting. Another brass fitting is visible above it. The copper surface is highly reflective, showing highlights and shadows. In the background, a circular opening with a metal mesh is visible.

Innovation meets tradition

The Murau Brewery goes back more than 500 years and has been operating as a cooperative of some 500 publicans and merchants since 1910. That makes Murau eGen the largest of Austria's three cooperative breweries. Since the end of April 2014, the brewery has been producing its beer with 100 percent of its thermal energy coming from the biomass cogeneration plant operated by the municipal utility, Murauer Stadtwerke GmbH. To accomplish this, the brewery has been retrofitted with KRONES' innovative EquiTherm system makes it possible.

Murauer
BIER





In its final stage of completion, the CHP plant will supply 20 million kilowatt hours of thermal energy. The wood used to fuel the plant comes from forest thinnings and timber processing and is supplied exclusively by local forestry firms.



Since late April 2014, the cooperative brewery on the Mur River has been sourcing 100% of the thermal energy used to produce its roughly 280,000 hectolitres of beer from a biomass CHP plant operated by the municipal utility.



“KRONES has truly perfected this energy recovery system. It works so well, it makes an engineer’s heart beat faster”, says Murauer Stadtwerke’s director Kurt Weitischek about KRONES’ Equitherm system.





Brewing beer without fossil fuels

The cooperative Murau Brewery used to consume up to 700,000 litres of heating oil per year for producing its beers. Since the end of April 2014, the Austrian brewery's annual output of around 280,000 hectolitres has been powered by 100% thermal energy coming from a biomass CHP (combined heat and power) plant operated by the municipal utility, Murauer Stadtwerke GmbH. No more heating oil. KRONES made it possible to use renewable, carbon-neutral thermal energy in the brew-house. The challenge was to convert the entire brewing process to low-temperature process heat from the biomass CHP plant. EquiTherm made it possible.

EquiTherm saves energy sustainably

The EquiTherm system consists of three separate process units – the wort cooler, the energy storage tank, and the ShakesBeer EcoPlus mashing tun – all intelligently linked by KRONES. The technical details are complex but can be boiled down to this: Thermal energy that is no longer needed is drawn off of the heated wort by the water used in the wort chilling process, which is then stored in a stratified energy storage tank. In this way, the system also saves energy used for wort chilling. Hot water is fed from the energy storage tank to the mash tun as needed to heat the mash. This intelligent system for recirculating thermal energy saves the Murau Brewery up to 30 percent in terms of thermal energy and 20 percent in terms of electricity in the brewhouse.

In all, this energy-efficiency upgrade saves the company the equivalent of 210,000 litres of heating oil each year. Now that's a great reason to enjoy a cool beer.

Right:


Josef Rieberer (left), managing director of the Murau eGen brewery, is convinced. "Value creation stays here in the region, we're keeping transport distances short, and consumers will certainly appreciate that".








100% heat
from biomass



30% less
thermal energy



100% less
fossil fuel



20% less
electricity

Energy conservation and resource efficiency are priority topics among our customers. With the enviro programme, we are able to offer machines and lines that are setting industry-wide standards on all aspects of sustainability. Our EquiTherm system bears the enviro seal.







Twinpack in Brazil

Grupo Petrópolis has put two brand new breweries into operation, each with a capacity of six million hectolitres. Brazil's second-largest brewery group has opted for the "carefree" package from KRONES. And so, Petrópolis can continue its rapid growth trend unimpeded.

Steady growth

Founded in Petrópolis, a rural region within the Brazilian State of Rio de Janeiro, Grupo Petrópolis is among the dynamically growing companies at the foot of Sugarloaf Mountain. With a market share of twelve percent and annual output of 16 million hectolitres, the privately owned brewery has grown from a beverage wholesaler to a major player on Brazil's beer market. The Petrópolis Group employs more than 22,000 people at its six plants. KRONES has supported the company's rise with equipment and services since 2001.





A CIP system with eleven different tanks provides automatic cleaning of the entire cold end.



Mecafill VKP-V filler with 176 filling valves







Everything from the best source

Petrópolis built two new breweries in 2013 and 2014, each equipped with two filling lines and capacity for six million hectolitres. KRONES executed both projects from start to finish, from the planning phase through to commissioning. The facility in Salvador de Bahia went into operation at the end of July 2013, following about one year of construction. The second brewery, 750 kilometres further north in Itapissuma near Recife in the state of Pernambuco, brewed its first beer in early April 2014. “Our partnership with KRONES goes back many years. We always choose KRONES for their innovation and the efficiency of their machines”, explains Walter Faria, owner of Petrópolis, about the brewery’s close relationship with KRONES. “Strong after-sales service is also key for us.”

Top-of-the-line technology in all areas

The process areas of both facilities are equipped with the very latest STEINECKER solutions for beer production. In the cold end, KRONES installed exclusively EVOGUARD valves for hygienic applications. Each brewery has a returnable glass bottling line for 62,000 bottles per hour and a minimum efficiency of 90 percent. Each brewery also has a canning line that runs 128,000 cans per hour with a minimum efficiency of 92 percent.

For Petrópolis, it was important that both lines conserve energy, water, and materials and have optimised changeover times. “We are very satisfied with the KRONES filling lines’ resource consumption and efficiency. Our efficiency levels are all on par with global benchmarks”, says Walter Faria. It’s no wonder, then, that Petrópolis now has 15 filling lines from KRONES installed.





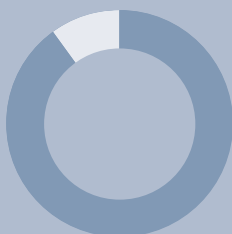
12 million
hectolitres per year



62,000 bottles
per hour

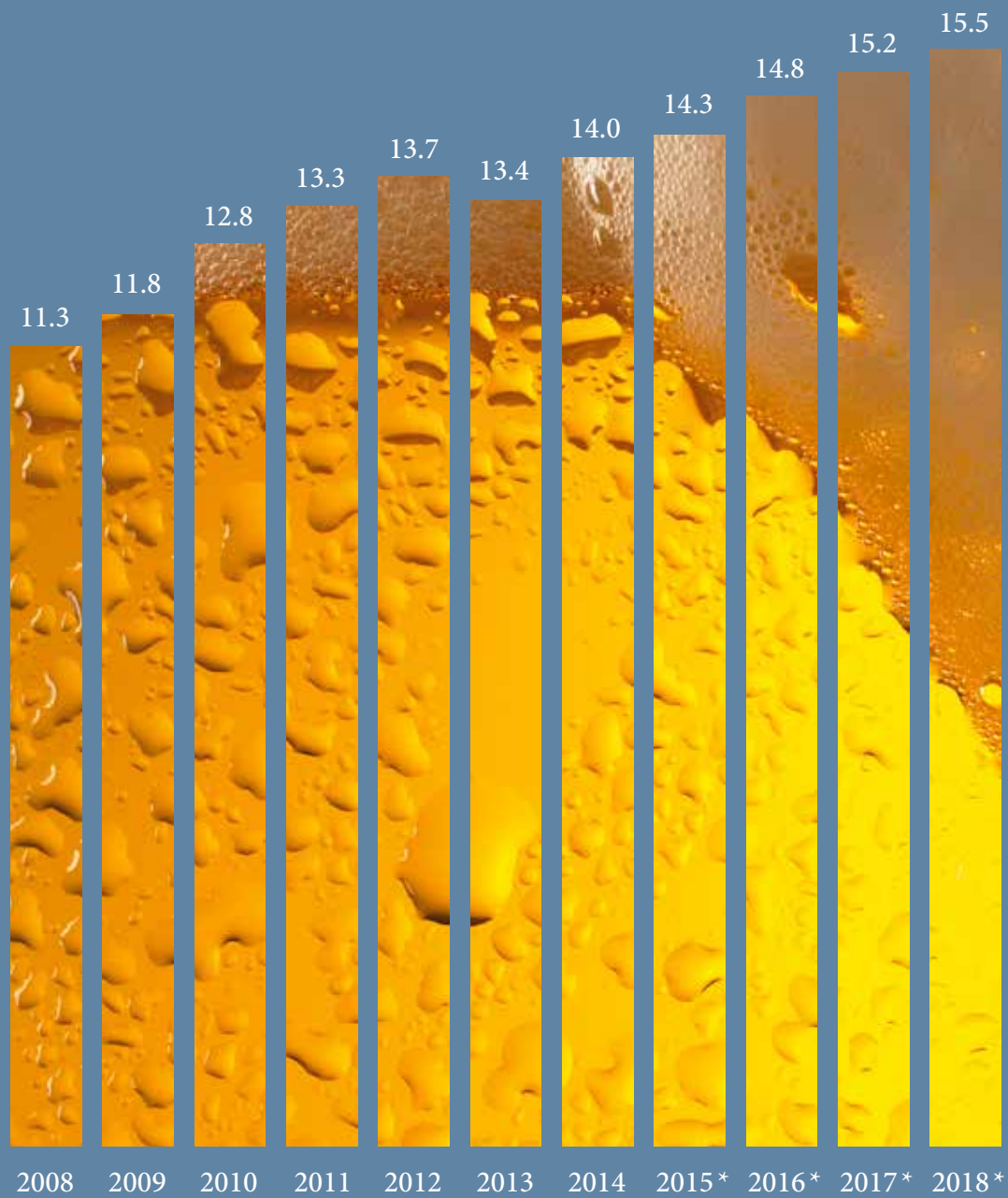


128,000 cans
per hour



at least 90%
efficiency

Demand for beer is growing steadily in Brazil (billions of litres)



*Expected growth

Source: Euromonitor estimate 2014





The perfect filler

Most beverages flow into their packaging easily. But filling jams, sauces, and dairy products, which often contain chunks, can be quite sticky. At the 2013 drinktec, KRONES presented the piston-based dosing unit Viscofill for the first time. The newest member of our family of fillers is tailored to the needs of the food industry. It is versatile and can handle any challenge. These characteristics have also convinced Freiburg-based Schwarzwaldmilch GmbH.

A versatile all-rounder

Filling viscous food products into packaging is no easy task. They form threads or hard-to-manage droplets. Viscofill is up to the challenge. It fills highly viscous foods accurately and gently and ensures the highest level of hygiene and reliability. Freiburg, Germany-based Schwarzwaldmilch GmbH is already using the Viscofill.

The dairy cooperative processes 600,000 litres of milk each day, filling milk, plain yoghurt, fruit yoghurt, chocolate milk, and cream into returnable glass containers on one of six production lines. Each product comes in three different sized bottles or jars. “We looked for a manufacturer who could cover all of these bases with a single filler,” recalls Schwarzwaldmilch’s Master Dairyman Andreas Haberstroh. Thanks in large part to its exceptional versatility, the dairy chose the KRONES Viscofill.

Big performance on a small footprint

Another important selling point was the innovative filler’s compact design and small footprint. Schwarzwaldmilch GmbH is happy with its choice. “The new filler runs more quietly than the old one and ensures a higher level of product reliability. The Viscofill is just more fun to operate. Before, changeovers took many physical manipulations. Now, we simply go into the control menu and select the parameters we need”, says a satisfied Haberstroh. Another benefit of the Viscofill series is that it cleans itself automatically at changeovers or at the end of a production run. That gives operating personnel more time to take care of other important tasks. And there is certainly plenty to do in this fast-growing traditional dairy.







“The Viscofill is just fun to operate”, remarks Master Dairyman Andreas Haberstroh.



Viscofill uses a piston to actively feed product in a two-step process: The piston draws the correct quantity of product into the dosing cylinder on the upstroke and then pushes the product out to the container on the downstroke.



The dairy processes three different types of milk: organic, pastured, and conventional milk.







Versatile
applications

Utmost hygiene –
and product reliability

Easy, fast
operation

Fully automatic
cleaning

Compact, space-saving
design

Schwarzwaldmilch GmbH
cooperative of Black Forest
dairy farmers

100% local

84 years as a traditional dairy

300 employees

Strong focus on regional and
seasonal products

Distribution throughout Germany

National leader for lactose-free milk,
second for fresh organic milk



Maren Zeidler, Stefan Protz, and Andreas Haberstroh are proud of the exceptional quality of Schwarzwaldmilch products.

- R&D gets a powerful new organisation
- Industry 4.0 opens up new opportunities
- All innovations increase the benefit to our customers

KRONES restructured its research and development organisation in 2014. Team members in our central R&D unit focus primarily on research and preliminary developments through the prototype stage as well as basic technologies and automation solutions that work across our segments. Activities outside the central unit are focused on the actual development of specific machines, lines, and services for the company's individual segments. Overall, the new organisational structure will help our 2,000-strong R&D team to work more efficiently and generate more targeted innovations for our customers.

In addition, our professional innovation management system, which includes company-wide ideas competitions and inter-divisional developer fairs, strengthens KRONES' innovative power. KRONES' patent holdings grew by nearly 20% in 2014 to 3,730. That puts KRONES in the lead among German machinery manufacturers.

Including capitalised development expenditure, KRONES spent a total of €149 million on research and development in 2014 (previous year: €132 million). That represents 5.0% of revenue.

Industry 4.0 holds opportunities – enviro sustainability programme well established

In terms of strategy, KRONES aims to fully utilise the potential of the “Industrial Internet of Things”, also known as Industry 4.0 or the fourth industrial revolution. To achieve this, we continue to evolve our product range and develop new business models. Thanks to the comprehensive collection and analysis of data, Industry 4.0 will significantly improve predictive maintenance and troubleshooting, which in turn will reduce downtimes. Machines and lines will also become more flexible, enabling much faster changeovers to different products or containers. We have already rolled out our first such solutions: Line X Press and Format X Press.

As part of our enviro sustainability programme, we are further reducing our machines' energy and media consumption and helping our customers achieve even more resource-friendly production.

All of these measures taken together enable us to deliver even more cost-effective solutions to our customers.

Our lines are adapted to customers' specific needs

Another focus of development efforts at KRONES is on providing our customers with cost-effective, dependable machines and lines that match their needs, which vary from one region to another. One example of this is the ErgoBloc L, of which we have sold more than 80. The compact system produces, labels, fills, and caps PET containers. We have now expanded this successful series to include an entry-level model that meets the needs of customers in the emerging markets.

Digital direct printing on containers is making its mark

The market launch of products exhibited at last year's drinktec trade fair – where KRONES once again demonstrated its technology leadership – helped shape our R&D activities in 2014. These included the DecoType, a new machine for printing directly onto containers made of glass and plastic. The first such machine was installed at a customer's plant last year and is currently being tested in live operation.

KRONES has strengthened its capabilities in this area by way of its equity investment in TILL GmbH, a technology company that develops systems for direct digital printing. Together the two companies are driving the development of digital direct printing so that we can offer machines to meet a variety of needs in all performance categories in the future.

Selected innovations

The following pages present machines and lines that exemplify our successful innovations and increase the benefit for our customers.

Double filling valve

The diversity of beverage products is growing rapidly and our twin-flow Double Filling Valve provides the flexibility needed for filling. Reliable flow meters ensure precise dosing for multi-ingredient beverages regardless of their viscosity or composition. For example, when filling fruit juices with fruit chunks, fibres, or pulp, the new filling valve delivers the juice and the fruit content separately. That allows the two components to be heat treated separately and then filled together in the aseptic filling unit. This process offers considerable advantages. One significant benefit is that both product components can be processed with a single filling valve. The same valve can also be used to add flavouring components.



Sleevematic Inline TS

Consumption of milk and dairy drinks as well as RTD (ready-to-drink) teas is growing rapidly, particularly in the Asia-Pacific region and China. Demand for shrink sleeve labels that protect light-sensitive products is also increasing at the same pace. The new Sleevematic Inline TS from KRONES gives customers an even more economical means to label their containers. The machine can apply shrink sleeves to as many as 50,000 containers per hour. Previously, two labelling stations were needed to achieve this level of performance. Thus, the Sleevematic Inline TS saves customers an entire labelling station. It also makes for faster labelling. That is because, unlike previous Sleevematic models, which require "stop-and-go" operation of the film feed drive, the sleeves are pre-perforated and then torn off by the transfer roller on the new machine.





Contiroll ED

We have developed yet another module for labellers in our Ergo series, the new Contiroll ED labelling station for reel-fed wrap-around labels. The Contiroll ED (Ergonomic Design) features a simple, ergonomically enhanced design and excellent accessibility. Customers also benefit from low consumption and operating costs. The gluing unit ensures lower consumption of both energy and adhesives than on comparable machines. Shorter changeover times also contribute to more economical operation.



Linear full-bottle inspector

KRONES' latest generation of empty and full bottle inspectors is based on a modular concept. The linear machines are inexpensive and give bottlers optimum product reliability. Linatronic full-bottle inspectors (FBI) detect even the smallest foreign objects or particles and remove compromised bottles from the production line. No special change parts are needed for inspecting bottles of different sizes, making changeovers very quick. Additional modules can be retrofitted to meet future inspection needs. As a result, our customers retain plenty of flexibility after buying a full-bottle inspector from KRONES.



Hydronic

For KRONES, beverage production starts at the water source. KRONES offers a broad range of water treatment options, with the various designs of our Hydronic water treatment system featuring membrane technology. The system is based on a modular design and can be configured to deliver the precise water quality needed for beverage production operations. The modular design makes it possible to adjust the Hydronic's capacity without interrupting production. The entire system, from the water source to the product tank, can be sterilised using hot water. That largely eliminates the need for chemicals. Combined with the innovative water treatment process itself, that increases the useful life of the membranes and reduces operating costs. In addition, the machine is designed to ensure ease of access and maintenance.



Varioline

KRONES has added new functionality to its Varioline packaging line. KRONES Varioline combines various modules to create a compact packaging line tailored to customers' individual needs. The system is designed to handle up to 52,000 containers per hour. A small footprint, quick changeovers, and high operational reliability make the Varioline an attractive all-in-one solution for handling all packaging trends. Customers like North America's numerous craft brewers greatly appreciate this solution as they use customised packaging to appeal to consumers.



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- Global economic growth of 3.3% in 2014
- Stable domestic economy
- Good environment for manufacturers of filling and packaging technology

International trouble spots slow growth

The global economy grew less in 2014 than experts with the International Monetary Fund (IMF) had forecast at the start of the year. Geopolitical crises such as those in Ukraine and the Middle East hampered global economic growth, as did unexpectedly poor economic trends in Japan, Europe, and several newly industrialised countries. All told, the world economy expanded by 3.3% in 2014. The IMF's initial forecast was for 3.7% growth.

The world's economic engine was not running at full speed in 2014.

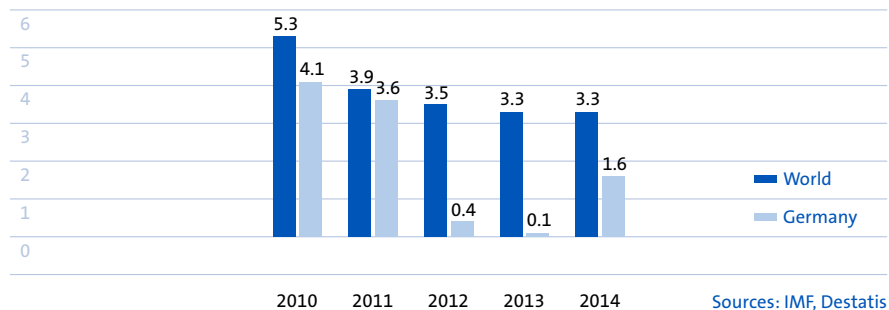
A positive effect came from the world's biggest economy, the USA, which gained momentum over the course of last year. Low energy prices bolstered the US economy. Gross domestic product (GDP) increased by 2.4% year-on-year, putting US economic growth far ahead of other industrialised countries. According to the IMF, the economies of the world's industrialised countries grew by 1.8% overall in 2014. GDP growth was slower than average in the euro area (+0.8%) and Japan (+0.1%). Parts of the euro zone were still suffering from the effects of the financial crisis and Japanese consumers were buying less in response to a value-added tax increase.

At 4.4%, growth in the emerging markets was slower than in the previous year (4.7%), drawn down by the battered economies of Russia and Brazil and weaker growth in China. At 7.4%, China's GDP did not grow as much in 2014 as it had in the previous year (7.8%).

German economy grows 1.6%

The domestic economy registered much stronger growth in 2014 than in the previous year. Germany's GDP improved by 1.6% year-on-year according to preliminary figures from Germany's Federal Statistical Office. In 2013, growth had been almost negligible, at 0.1%. The biggest contribution to growth in 2014 came from private consumers, whose spending was robust thanks to a relatively strong labour market. Despite numerous trouble spots, companies invested more in 2014. That, too, benefited economic growth. Exports also picked up, helping the German economy put in a good performance overall in 2014 despite the difficult global environment.

Change in gross domestic product (%)



German machinery sector posts slight increase in output

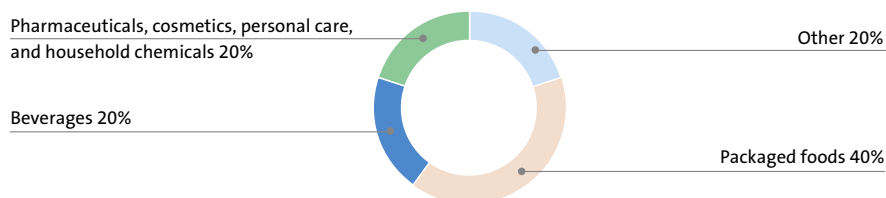
The German Engineering Federation (VDMA) started 2014 with high hopes. According to the VDMA's forecast, the industry was supposed to gather momentum and increase output by 3% over the weak previous year. But new orders were not as strong as expected in the first half of 2014. The implosion of the Russian economy also hit many German machinery manufacturers. The VDMA had no choice but to lower its growth forecast to 1% in July 2014. According to preliminary figures, the value of machinery and equipment produced in 2014 was up 0.7% over the previous year.

The "food and packaging machinery" subsector developed better than the industry as a whole in 2014. Revenue in this VDMA subsector increased by 4% year-on-year.

The packaging machinery market

According to the German Engineering Federation (VDMA), the packaging machinery market's volume worldwide amounted to €30.3 billion in 2013. Figures for 2014 were not yet available when this report went to press. However, the market likely grew further. 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 90.4% of its consolidated revenue with the beverage industry in 2014.

The global market for packaging machinery by application



Source: VDMA estimate for 2013

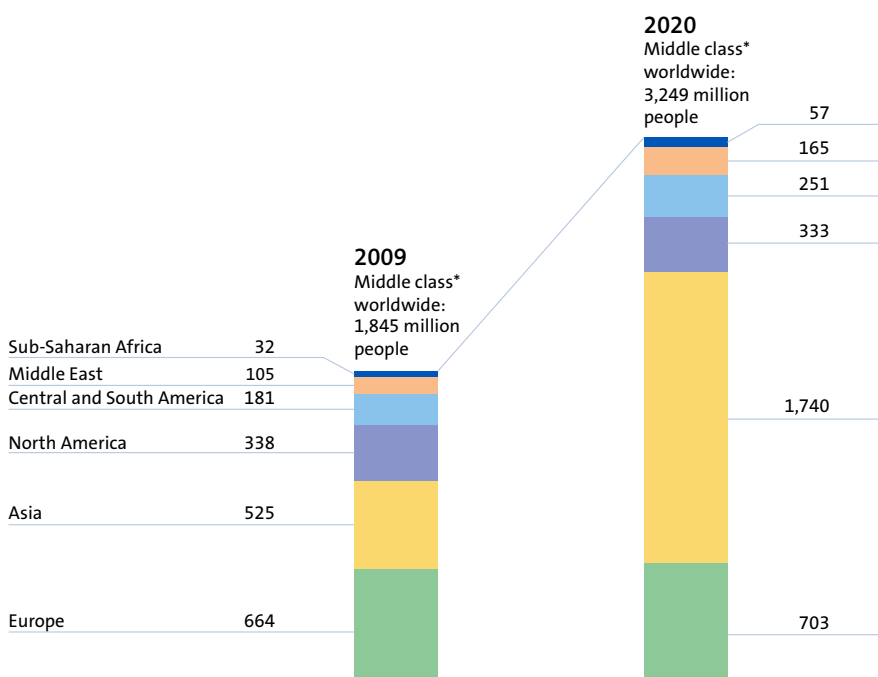
Megatrends drive market growth

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 average on a long-term basis. This growth is driven by several megatrends.

First, the world's population will steadily increase in the coming years and decades. All those people will need to eat and drink. Second, 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 in the Asia-Pacific region alone will have grown by around 1.2 billion people between 2009 and 2020. Worldwide, the middle class is expected to grow by 1.4 billion people in the same period. As incomes rise in this segment of the population, so too will consumption.

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

The middle class is growing (figures denote millions of people)



Many people in newly industrialised countries will climb the income ladder into the middle class in the years ahead.

* The term "middle class" includes people who earn or spend between 10 and 100 US dollars per day (based on purchasing power from 2005)
Source: Brookings Institution 2012

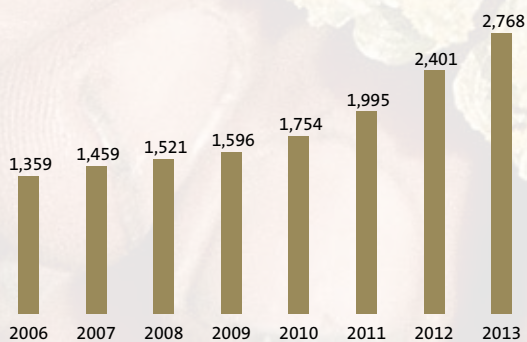
Increasing urbanisation – the migration of people from the countryside to cities – will also stimulate demand for packaged food and beverages. That is because people who live in cities generally consume more packaged products than those who live in rural areas. While many people already live in cities in Europe and in the Americas, 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.



Craft brewing – a fast-growing niche market

Some 30 years ago, the number of breweries in the USA was relatively small. That has changed dramatically. In 2013, there were more than 2,800 breweries in the US. This explosive growth has been driven exclusively by craft brewers.

The number of craft brewers in the USA is growing rapidly



Handcrafted beer

Beer consumption worldwide is growing more slowly than overall consumption of packaged beverages. That is because demand for the juice of the barley is saturated in many industrialised countries. But craft beer – handcrafted in small, independent breweries – is a niche that's growing fast, independently of the larger market.

There is no uniform, global definition for “craft brewers”. In the USA, a brewery with annual production of less than seven million hectolitres is considered small and therefore fits the “craft brewer” bill. Very few German breweries come anywhere close to that volume. Craft brewers identify themselves as brewers who place great value on the raw materials they use and produce specialty beers that stand apart from mainstream brews in terms of style and flavour.





“Craft beer” was born in the USA

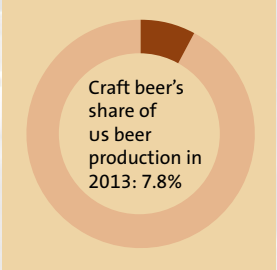
Like many other trends, the craft beer movement started in the USA. Following a period of cut-throat competition, only a handful of big breweries dominated the market in the 1980s. For the most part, these beer conglomerates served up light, weakly hopped beers. Creative brewers wanted to give consumers more. They made it their goal to bring consumers back to a real beer culture and a diversity of flavours. The craft brewing scene started out small but it grew.

By 2013, the US Brewers Association counted 2,768 craft brewers among the country’s 2,822 breweries. Craft breweries accounted for almost 8% of total beer production in the US in 2013. Craft beer, which is generally sold at a higher price point, accounted for around 14% of beer revenue. American craft beer is growing at an impressive rate. While overall beer sales in the US were down 1.9% in 2013, craft beer sales were up 17.2% year-on-year.

Beer sales in the USA in 2013



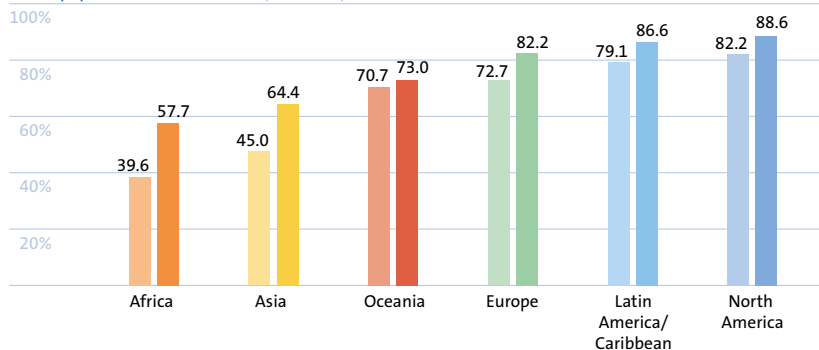
Beer revenue in the US in 2013
Overall:
USD 100 billion
Craft:
USD 14.3 billion



Source: www.brewersassociation.org/category/insights/



Urban population 2011 and 2050 (% of total)

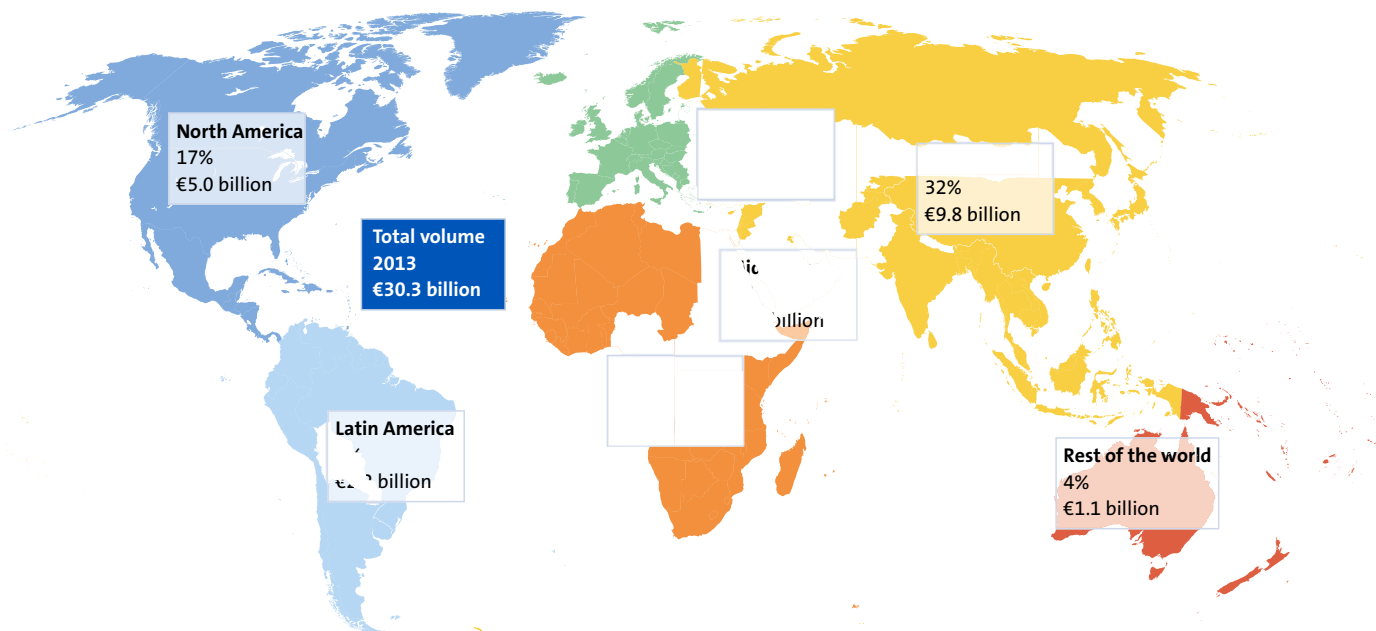


Source: The United Nations

Europe and Asia are the biggest markets for packaging machinery

Demand for packaging machinery in the emerging markets has grown more rapidly than average in recent years. That is likely to remain the case, with Asia replacing Europe as the largest single market for the foreseeable future.

The global market for packaging machinery in 2013 – by region

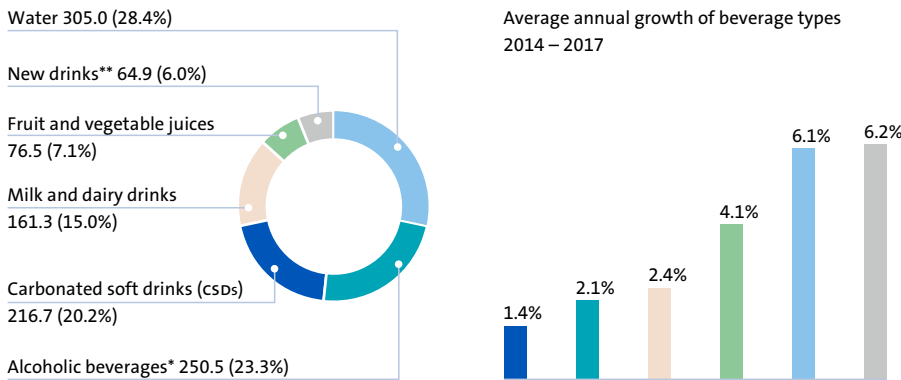


Source: VDMA estimate, September 2014

Demand for packaged beverages is increasing steadily

Worldwide demand for packaged beverages is increasing steadily, almost independently of macroeconomic trends. According to preliminary data compiled by the market research institute Euromonitor, global consumption of packaged beverages rose by 3.4% year-on-year in 2014 to around 1,075 billion litres. That growth is likely to continue in the years ahead since the world's growing population will still need to quench its thirst. Euromonitor expects packaged beverage consumption worldwide to grow by an average of 3.6% annually from 2014 to 2017, to around 1,194 billion litres.

Global consumption of packaged beverages in 2014 (billion litres)



2014: 1,074.9 billion litres (Sources: Euromonitor, own estimates)

*Beer, wine, and spirits ** Energy drinks, sports drinks, and ready-to-drink tea and coffee

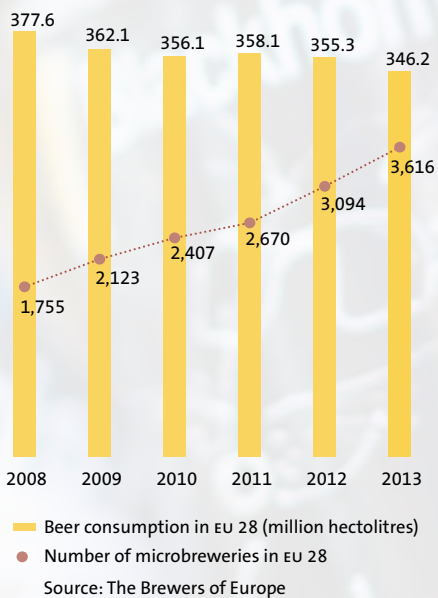
Euromonitor began including water packaged in plastic pouches in its statistics in 2014. That has resulted in an increase in the volume of the water market.

Among packaged beverages, water is the number one thirst quencher worldwide. According to preliminary data from Euromonitor, people around the world drank some 305 billion litres of “bottled” water in all in 2014. That corresponds to 28.4% of total packaged beverage consumption. Water not only occupies a large share of the beverage market. It is also a major growth segment. One reason for this is the rapid rise in demand for clean, bottled water in the emerging markets. Another is the fact that people in the industrialised countries are also increasingly reaching for bottled water as they pursue healthier lifestyles. Overall, consumption of packaged water is likely to grow at an annual rate of 6.1% on average in the period from 2014 to 2017.

The world's population consumed 250.5 billion litres of packaged alcoholic beverages in 2014 (23.3% of total beverage consumption). This beverage segment includes beer (which accounts for around 80%), wine, and spirits. With annual growth expected to be 2.1% on average, demand for alcoholic beverages will increase less than the market as a whole. That the demand for alcoholic beverages will grow at all will be thanks in large part to Chinese consumers. While beer consumption will be more or less flat in many industrialised countries, China's beer market is booming.



Beer consumption and number of microbreweries in Europe (EU 28)



Craft brewing is growing in Europe

Denmark is leading the way in Europe's craft beer movement. In the year 2000, the country had 19 breweries. In 2014, that number had grown to 150. Europe is seeing two opposing trends in beer. On the one hand, beer consumption has declined in recent years. On the other hand, the number of breweries has increased. That is because of the robust growth of microbreweries, which are at least in part traditional "craft brewers". According to figures from the European industry group The Brewers of Europe, there were 3,616 microbreweries in the European Union at the end of 2013. Five years earlier, there were just 1,755.

Germany traditionally has many small and mid-sized breweries. However, connoisseurs would say that the number of different types and flavours of beer is relatively limited. All in all, the craft beer movement is just getting started in Germany.



KRONES has the equipment small breweries need

Small breweries depend on variety to set themselves apart and offer a wider range of small-batch specialty beers. They need brewing technology that can easily support frequent product changes and different production volumes. With the CombiCube family of products, KRONES has taken the high-performance technology that has proved itself in large-scale breweries and adapted it to the specific needs of craft brewers.

The compact CombiCube B brewhouse is ideally suited for specialty breweries with output volumes of up to 250,000 hectolitres per year. KRONES also has fermentation and filtering systems that are just right for small breweries. The CombiCube C fermentation tank system is the best solution for breweries that produce a variety of beers with different output volumes. KRONES' CombiCube F beer filtration system offers enormous variability and is designed to handle a wide variety of products.

Carbonated soft drinks (CSDs) make up the third-largest market segment. Last year, people drank 216.7 billion litres of cola, sodas, and the like. CSDs' share of the overall market (20.2% in 2014) has been declining for years. That is because, as consumers become increasingly health-conscious, they are leaning away from sugary soft drinks. Euromonitor analysts believe that consumption of bottled soft drinks will continue to grow more slowly than the beverage market as a whole, by 1.4% each year on average through 2017.

Last year, the world's population consumed 161.3 billion litres of milk and dairy drinks, giving this segment a 15.0% share of total beverage consumption. This market is growing by 2.4% on average. Plain milk accounted for the largest share (80%) of this segment, but mixed dairy drinks dominated in terms of growth. While demand for plain milk is likely to grow less than the beverage market as a whole, Euromonitor expects fruit-flavoured dairy drinks to grow by 6.8% each year and yoghurt smoothies by 6.3%.

Demand for fruit juices (7.1% of the market in 2014) is growing faster than the market as a whole, as are "new drinks" (6.0% share in 2014). "New drinks" include ready-to-drink tea and coffee as well as energy and sports drinks. Consumption of new drinks is expected to increase by 6.2% on average per year through 2017. Rapidly growing demand for ready-to-drink packaged tea in Asia is the main force driving this trend. Demand for packaged fruit juices is expected to be less vigorous in the years ahead, with annual average growth rates of 4.1%.

Strong growth in the emerging markets

Since megatrends – population growth, an expanding middle class, and urbanisation – are primarily playing out in the newly industrialised and developing countries, demand for packaged beverages is growing more rapidly in these regions. As a result, regional shares of global consumption will likely 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	2014		2017		Annual average growth %20 14–2017
	Billion litres	%	Billion litres	%	
North America/Central America	188.5	17.5	189.5	15.9	0.2
China	179.9	16.7	220.2	18.4	7.0
Asia-Pacific	169.9	15.8	198.7	16.6	5.4
South America	160.1	14.9	175.8	14.7	3.2
Western Europe	139.4	13.0	144.4	12.1	1.2
Africa/Middle East	99.2	9.2	122.8	10.3	7.4
Russia/cis/Eastern Europe	84.5	7.9	89.5	7.5	1.9
Central Europe	53.4	5.0	53.3	4.5	-0.1
Worldwide	1,074.9	100.0	1,194.2	100.0	3.6

Sources: Euromonitor, own estimates

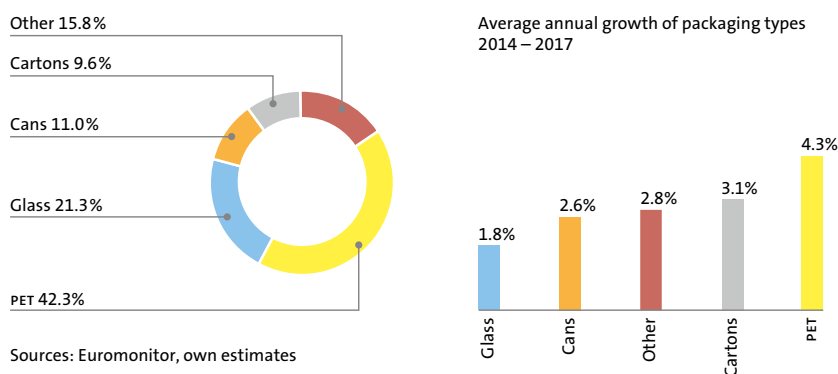
Demand for packaged beverages is rising rapidly in the newly industrialised and developing countries.

Packaging made of PET plastic dominates the global beverage market

There are two ways to present the shares that the various packaging materials account for in the market as a whole: the packaged volume of beverages or the number of units, that is, containers filled. Until now, KRONES has reported in terms of beverage volume in our annual report. However, in other communications aimed at investors, we have reported based on units filled. For the sake of consistency in our communications, we are switching over to presenting filled units in our annual report as well.

This year, we will present both methods and briefly explain the different results. We can say this up front: Regardless of which method is used, PET (polyethylene terephthalate) is the leading packaging material and growing faster than any other. This is due largely to the fact that water, which is both the most popular and the fastest-growing beverage, is primarily bottled in PET containers.

Global beverage market by packaging material in 2014 (Based on beverage volume)



Around 42% of the global volume of packaged beverages goes into packaging made of PET – and that share is growing.

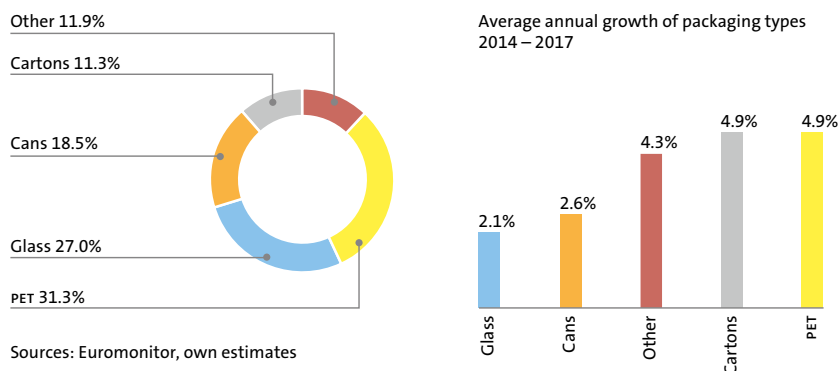
Preliminary data from Euromonitor show that 42.3% of packaged beverages worldwide went into PET containers in 2014. With that, the trend toward this lightweight, unbreakable, and versatile beverage packaging material continues. That is unlikely to change in the years ahead since the PET segment is growing faster than the overall packaging market as consumption of bottled water increases. Euromonitor's market researchers expect the volume of beverages bottled in PET to grow by 4.3% annually on average from 2014 to 2017.

By contrast, Euromonitor is predicting average annual growth of only 1.8% for glass, which currently accounts for 21.3% of the global packaged beverage volume and was the second-most popular packaging material in 2014. Glass bottles are used primarily for alcoholic beverages, whose consumption is growing more slowly than the beverage market as a whole.

Metal cans are often used for carbonated soft drinks and beer, both of which are growing slower than the overall beverage market. Cans made up 11.0% of the packaging market in 2014. The volume of beverages packaged in metal cans is expected to grow by 2.6% on average per year from 2014 to 2017.

Fruit juices and milk and dairy drinks are often packaged in cartons. This type of packaging is rarely used for other types of beverages. In all last year, 9.6% of the total volume of packaged beverages went into cartons. Growth through 2017 is expected to be 3.1% per year on average.

Global beverage market by packaging material in 2014 (Based on units filled)



Looking now at the market shares of the various packaging materials on the basis of units filled, we see the shares of metal cans and glass increase at the expense of PET. The main reason for this is that Beer and carbonated soft drinks, which are often packaged in cans or glass bottles, are primarily sold in smaller-volume containers than, for instance, water, which is primarily packaged in larger PET containers. In other words, the same volume of water goes into fewer containers than beer and soft drinks.

Even though PET's share was far smaller in 2014 in terms of beverage containers (31.3%) than it was in terms of volume (42.3%), PET plastic was still the leading packaging material. And that is unlikely to change in the foreseeable future. On the contrary, while Euromonitor expects the total number of filled beverage containers to grow by 3.6% annually on average through 2017, the growth forecast for PET is 4.9%.

According to Euromonitor's preliminary figures, 27.0% of all beverage containers used last year were made of glass. However, glass is expected to grow more slowly than the market as a whole, by 2.1% annually on average.

The outlook is similar for cans, the third most popular packaging material. Metal cans made up 18.5% of all beverage containers filled in 2014. According to Euromonitor, this packaging material is likely to grow by 2.6% on average in the years ahead in terms of units filled.

Euromonitor expects the growth in demand for cartons to be stronger. Cartons are benefiting from the soaring popularity of fruit juices and dairy drinks. The number of cartons filled is expected to grow by 4.9% on average each year through 2017. In 2014, cartons made up 11.3% of the total number of beverage containers filled.

- KRONES AG revenue up 6.9% to €2,407.2 million, total operating performance up 2.1%
- Profitability improves as planned
- Shareholders to receive a dividend of €1.25 per share for 2014
(previous year: €1.00 plus special dividend of €1.00)

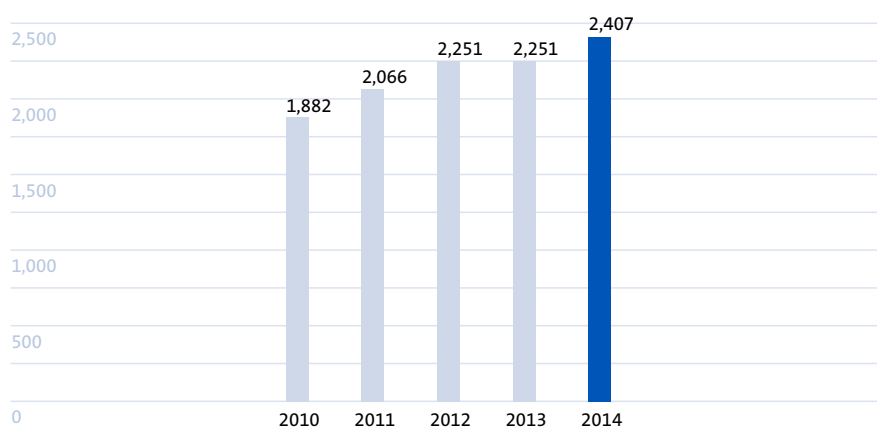
A comparison of the forecasts we made in our 2013 annual report for KRONES AG (page 91) with the figures actually attained in 2014 reveals the following: Thanks to project timing, revenue growth exceeded our forecast (forecast: 3% to 4%, actual growth: 6.9%). With EBT up from €70.1 million to €72.9 million, we achieved the “slight increase” we had forecast.

KRONES AG meets targets

KRONES AG held steady on its growth course in 2014. Revenue increased 6.9% to €2,407.2 million (previous year: €2,251.2 million).

KRONES’ global presence and broad portfolio of products and services proved to be great assets once again in 2014. KRONES thinks in terms of solutions in order to increase the overall benefit to customers. Despite many regional trouble spots, our business environment remains predictable overall.

KRONES AG revenue (€ million)



KRONES AG's revenue increased 6.9% to €2,407.2 million (previous year: €2,251.2 million).

Revenue by region

In general, when analysing revenue by region, one must take into account the fact that business in the machinery industry often involves large-scale projects and that invoice timing on such projects can have a significant impact on the regional breakdown of revenue, often resulting in considerable shifts from one year to the next.

For instance, revenue in Germany rose from €228.7 million to €317.8 million. Thus, sales in Germany accounted for 13.2% (previous year: 10.2%) of KRONES’ revenue.

As for the rest of Europe, revenue in Western Europe increased by 6.3% to €423.9 million. Revenue in the Eastern Europe/CIS sales region jumped by 26.9% to €209.2 million despite the Ukraine crisis because of the low baseline from the previous year. The remaining countries of Central Europe contributed €72.6 million in revenue

(+30.8%). All told, the European sales regions (excluding Germany) accounted for 29.3% of total revenue (previous year: 27.5%).

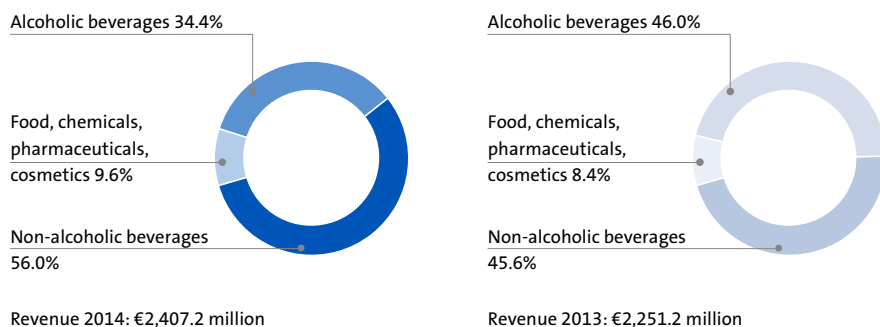
In general, KRONES benefits from global population growth and from increasing urbanisation in the emerging economies. Sales regions outside Europe accounted for 57.5% of revenue in 2014 (previous year: 62.3%).

The Middle East/Africa sales region has been one of our most important markets for many years now. After an exceptionally strong year in 2013 (€427.2 million), revenue was down in 2014 to €294.1 million. We increased revenue in the important Chinese market by 14.7%, from €182.6 million in the previous year to €209.4 million. We also posted strong growth in the rest of the Asia-Pacific region. Revenue there was up 29.1% to €428.2 million. A portion of the revenue increase can be attributed to strong demand from Japan. Revenue in the mature North American market was down from €216.7 million to €171.3 million. One reason for the decrease is that the big US beverage groups are investing heavily in the newly industrialised countries and only gradually updating their domestic facilities. We expect business in North and Central America to pick up considerably in 2015. In contrast, sales in South America were up 14.4% to €280.7 million.

Revenue by industry

Sales of equipment for processing alcoholic beverages were down sharply in 2014, from €1,035.4 million to €829.0 million. The sector's share of revenue was 34.4% in 2014 (previous year: 46.0%). It should be kept in mind here that demand from international breweries for KRONES process technology and filling and packaging technology had been exceptionally high in 2013. The decrease in 2014 was merely a return to normal levels.

KRONES AG revenue by industry



Revenue from business with producers of non-alcoholic beverages, on the other hand, increased from €1,026.8 million to €1,347.6 million. This customer group's share of revenue jumped from 45.6% to 56.0%.

Revenue in the "non-beverage" sectors (milk, food, pharmaceuticals, and cosmetics) increased considerably, as in the previous year. Revenue here grew 22.0% from €189.0 million to €230.6 million, to account for 9.6% of total revenue (previous year: 8.4%). Thus, our strategy of stepping up our marketing of machines and lines to customers outside the beverage industry is bearing fruit.

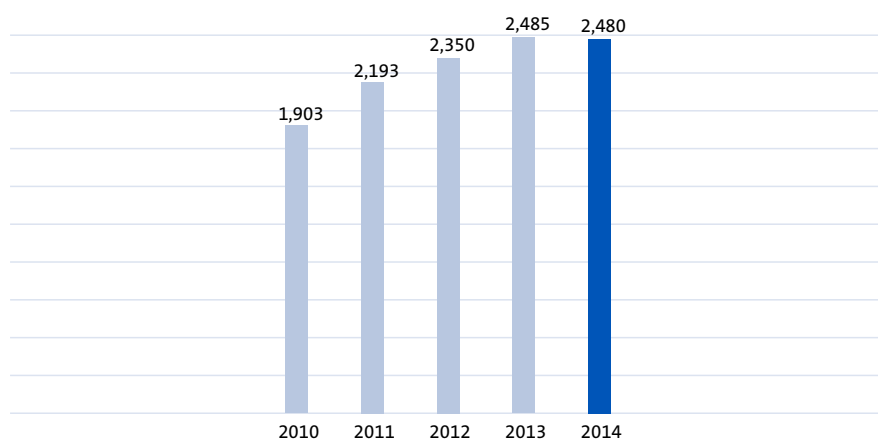
New orders at KRONES AG match previous year

In all, capital spending among our customers was at a good level in 2014. KRONES profited from its global business and its broadly diversified portfolio of products and services. Despite numerous regional trouble spots (such as Ebola, the Ukraine crisis, and the Islamic State), our business environment was predictable overall in 2014. Our close link with the non-cyclical “food and drink” sector also helped. New orders at KRONES AG were at the same high level in 2014 (€2,480.4 million) as they had been in the previous year (€2,484.5 million). Unlike the group, where orders were up sharply (+8.2%), KRONES AG did not post any orders growth.

That is in part a factor of the reporting date and in part due to local purchasing of some peripherals and increased manufacture of LCS products by subsidiaries.

New orders for process technology were up more sharply than overall orders. At the regional level, we generated the highest percentage increase in new orders in Central and Western Europe and in North America in 2014.

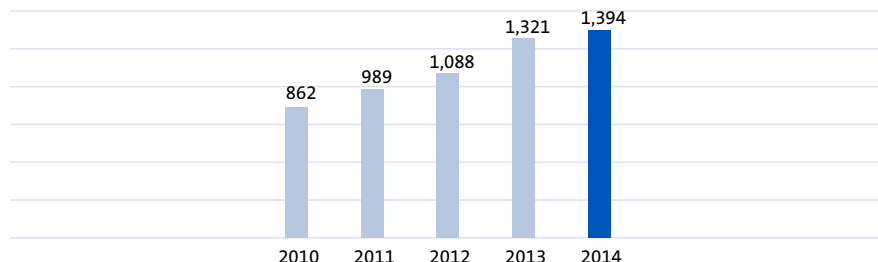
KRONES AG new orders (€ million)



Orders backlog has grown further

At the end of 2014, KRONES AG had an orders backlog of €1,394.0 million on the books (previous year: €1,320.8 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 2015.

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



KRONES increases profitability as expected

KRONES improved earnings in 2014 as planned despite continued price pressures. Besides the higher revenue, measures taken under our Value strategy programme to improve cost structures company-wide also had a positive effect on earnings.

At €72.9 million, earnings before taxes at KRONES AG were somewhat higher (+4.0%) in 2014 than in the previous year (€70.1 million).

Earnings before taxes rose 4.0% from €70.1 million to €72.9 million.

The Executive Board and the Supervisory Board will propose to the annual shareholders' meeting that a dividend of €1.25 per share be paid for the successful financial year 2014 (previous year: €2.00 per share, including a special dividend). The dividend proposal reflects the improved earnings as well as the company's new dividend policy to pay out 25% to 30% of consolidated profit to shareholders. If the annual shareholder's meeting approves the dividend proposal from the Executive Board and the Supervisory Board, the dividend payout ratio for 2014, based on consolidated net income, will be 29.1%.

In the previous year, a special dividend of €1.00 per share was paid out in addition to the regular dividend, giving shareholders a part in the proceeds from the sale of the company's treasury shares.

KRONES AG earnings structure

€ million	2014	2013	Change
Revenue	2,407.2	2,251.2	+6.9%
Changes in inventories of finished goods and work in progress	+12.7	+119.6	-89.4%
Total operating performance	2,419.9	2,370.8	+2.1%
Goods and services purchased	-1,343.1	-1,298.9	+3.4%
Personnel expenses	-671.5	-643.4	+4.4%
Other operating income (expenses) and own work capitalised	-275.0	-307.1	-10.5%
EBITDA	130.3	121.4	+7.3%
Depreciation and amortisation on fixed assets	-51.8	-50.5	+2.6%
EBIT	78.5	70.9	+10.7%
Financial income/expense	-5.6	-0.8	-
EBT	72.9	70.1	+4.0%
Income tax	-27.2	-9.7	-
Other taxes	-2.8	-4.5	-37.8%
Net income for the year	42.9	55.9	-23.3%

Earnings before taxes increased more sharply than total operating performance because KRONES was able to reduce other operating expenses.

KRONES further grew its business volume year-on-year in 2014. At €2,407.2 million, revenue increased more sharply than forecast in 2014. Revenue was up 6.9% from the previous year's €2,251.2 million. Total operating performance rose 2.1% to €2,419.9 million. As planned, KRONES was able to improve its profitability since many expense items within "other operating expenses" grew less than revenue or decreased (such as trade fair expenses and quality costs).

Goods and services purchased increased somewhat more sharply than total operating performance in the reporting period. At €1,343.1 million, KRONES spent 3.4% more for goods and services purchased in the reporting period than in 2013. Therefore, the ratio of expenses for goods and services purchased to total operating performance increased slightly year-on-year, from 54.8% to 55.5%. That was due to a number of factors such as the product mix and the intensely competitive environment.

Personnel expenses also grew somewhat more than total operating performance in the reporting period. This line item was up 4.4% year-on-year to €671.5 million. The increase in personnel expenses was due to the expansion of our workforce and the increase in pay rates as a result of collective bargaining. The ratio of personnel expenses to total operating performance increased from 27.1% in the previous year to 27.7%.

Personnel expenses rose 4.4% to €671.5 million.

Depreciation and amortisation of fixed assets increased slightly, from €50.5 million to €51.8 million in 2013. The ratio of depreciation and amortisation on fixed assets to total operating performance remained unchanged at 2.1%.

The net of other operating income and expenses and own work capitalised decreased from –€307.1 million in the previous year to –€275.0 million in 2014 (–10.5%). Cost reductions and effects of the Value strategy programme contributed to the improvement.

The financial result consists largely of earnings from investees and interest income and, on the expense side, of discounting expenses and a write-down on long-term financial assets. The financial result is negative (–€5.6 million). The fact that this figure worsened year-on-year (previous year: –€0.8 million) is due primarily to write-downs on long-term financial assets.

After income taxes (€27.2 million) and other taxes (€2.8 million), KRONES AG had net income of €42.9 million for 2014 (previous year: €55.9 million).

As in the previous years, KRONES AG had no bank debt at 31 December 2014. Cash and cash equivalents at the end of the reporting period came to €165.5 million. That is an increase of €52.4 million over 31 December 2013 (€113.1 million). The increase in working capital as a result of business growth was offset by the further improvement of receivables management.

Existing lines of credit totalling €263 million may be used as cash credit or surety credit. The company also has at its disposal extensive additional surety lines.

Moreover, in October 2014, we signed a syndicated loan agreement with our core banks for €250 million through 23 October 2019 (with an option for extension). This revolving line of credit is available as a back-up facility to finance working capital, including the financing of equity investments.

That further strengthens the main objectives of our financial management – ensuring KRONES' strong financial footing and independence.

Cash flow (net income or loss for the year plus depreciation, amortisation, and write-downs) amounted to €111.8 million in 2014 (2013: €111.4 million).

KRONES AG's cash flow is as follows:

€ million	2014	2013
Cash and cash equivalents at 1 January	113.1	38.5
Cash flow from operating activities	166.8	67.3
Cash flow from investing activities	-60.8	-46.7
Cash flow from financing activities	-53.6	54.0
Cash and cash equivalents at 31 December	165.5	113.1

Asset and capital structure of KRONES AG

(€ million at 31 December)	2014	2013	2012
Fixed assets	501.7	487.6	476.2
Current assets and prepaid expenses	919.2	901.0	711.7
of which cash and cash equivalents	165.5	113.1	38.5
Equity	617.5	637.8	530.6
Total debt	803.4	750.8	657.3
Provisions	477.0	452.2	402.0
Liabilities	326.4	298.6	255.3
Total	1,420.9	1,388.6	1,187.9

For more information, please refer to the complete balance sheet on page 126.

At 31 December 2014, KRONES AG's total assets were up 2.3% from the previous year to €1,420.9 million. With that, total assets increased more than revenue (+6.9%).

Fixed assets were up 2.9% to €501.7 million (previous year: €487.6 million). Tangible fixed assets account for the largest part of fixed assets and came to €354.3 million at 31 December 2014, which is down 2.2% year-on-year. Capital expenditure went primarily into machinery and equipment, the purchase of standard software, and the construction of assembly and production halls in Neutraubling and Rosenheim. Long-term financial assets were up from €100.1 million to €119.4 million. The increase resulted primarily from the acquisition of companies in Germany and from lending to affiliated companies in Germany.

Current assets, including prepaid expenses, came to €919.2 million at the end of 2014, up 2.0% on the previous year (€901.0 million). Receivables increased only slightly despite the 6.9% revenue growth and inventories were down considerably, from €250.9 million to €212.0 million. The decrease in the inventories figure is due in part to higher prepayments received, which are netted against inventories. Another important and gratifying reason for the increase in current assets is that cash and cash equivalents grew by €52.4 million year-on-year to €165.5 million in 2014. More intensive receivables management also contributed.

On the liabilities side, KRONES' provisions were up to €477.0 million at the end of 2014 (31 December 2013: €452.2 million). Provisions for pensions increased further, due in large part to interest rate adjustments, as did other personnel provisions as well as provisions relating to operating activities and with respect to projects as a result of business growth.

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

Liabilities were up from €298.6 million in 2013 to €326.4 million in the reporting period. This was due in part to higher liabilities to affiliated companies. As in the previous years, KRONES had no bank debt at the end of 2014. Thus, KRONES AG's net cash and cash equivalents (cash and cash equivalents less bank debt) amounted to €165.5 million at the end of the 2014 reporting period (previous year: €113.1 million).

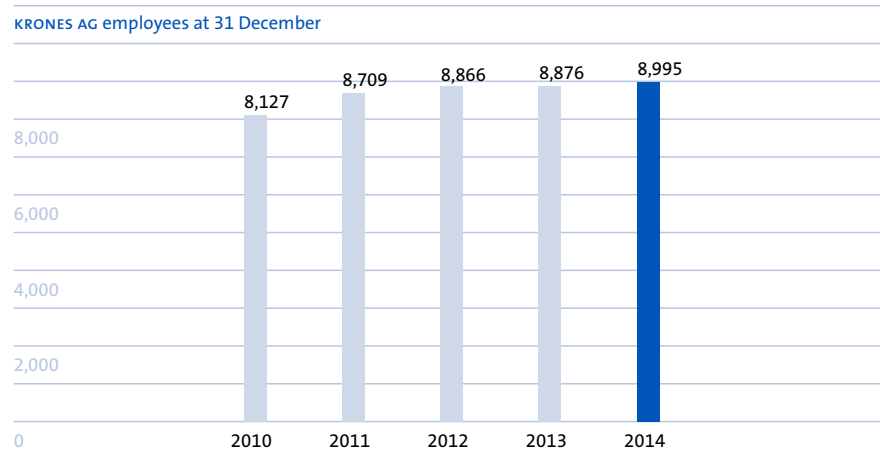
KRONES AG's equity at 31 December 2014 came to €617.5 million, which is €20.3 million less than the previous year (€637.8 million). The decrease resulted from the high dividend payout. In June 2014, the company paid €63.2 million in dividends, including a special dividend, to shareholders. Net income for 2014 only increased equity by €42.9 million. That puts the equity ratio at 43.5% at the end of 2014, which is below the year-earlier figure of 45.9%. Nevertheless, KRONES still has an extremely robust financial and capital structure overall.

KRONES workforce grows further – in Germany, too

Qualified, motivated people are absolutely crucial for our long-term profitable growth. That is why KRONES aims to steadily grow both the qualifications and the performance of our workforce. That will involve new hiring, most of which will take place abroad within the group as a whole. But KRONES also further expanded its workforce in Germany.

At the end of 2014, KRONES AG employed 8,995 people, up from 8,876 in the previous year. Adjusted for the 53 workers who moved to our spin-off EVOGUARD GmbH as of 1 January 2014, workforce growth comes to 172 employees.

With that, KRONES met its targets for workforce growth.



KRONES offers attractive training options to address the shortage of skilled labour in Germany.

The quality of our employees is also steadily increasing. KRONES offers extensive training and continuing education programmes. 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 17.7% of our workforce, after 17.6% in the previous year.

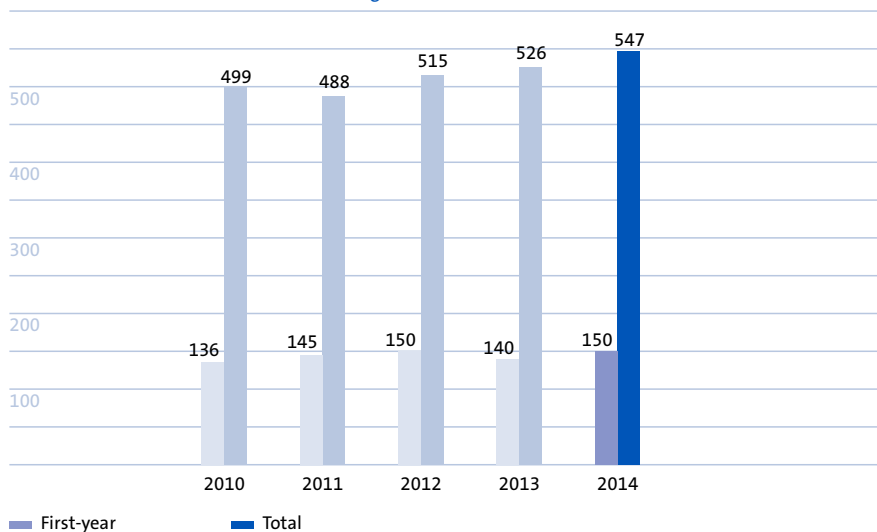
KRONES trains its own young talent

The ageing of populations in the developed industrialised countries and the shortage of skilled workers in Germany make recruiting qualified young people one of the most important tasks of KRONES' 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 thesis-writing opportunities.

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

KRONES provides attractive, challenging training in a variety of fields and Bachelor studies programmes. In the fall of 2014, 150 young people began training with KRONES, ten more than last year. In all, KRONES was training 547 young people in Germany at the end of 2014. Of these, 78 were completing a dual course of vocational training and university study and 100 were training under our "Profil 21" programme. Apart from a trade proficiency certificate ("Facharbeiterbrief"), Profil 21 graduates also earn the title of state-certified service technician upon completion of the 4.5-year programme.

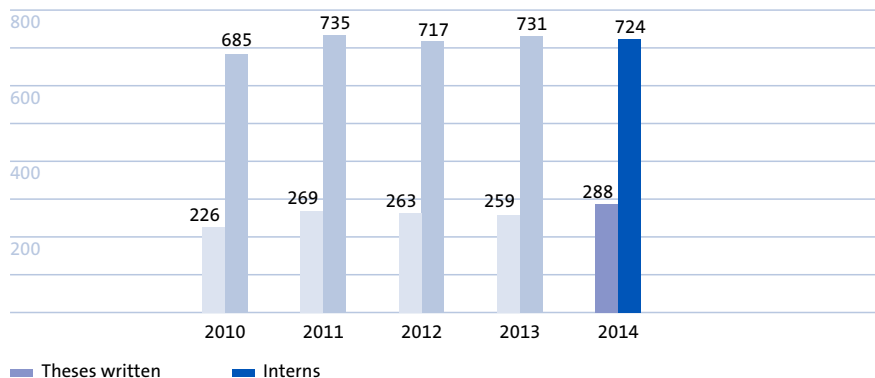
Total number of trainees and trainees starting at KRONES AG



KRONES works closely with universities to ensure early contact with graduates. The company participates in university job fairs and organises a range of events to inform students about the careers and opportunities KRONES offers.

KRONES also offers opportunities for students in engineering and other courses of study to gain experience with the company during their studies. In the reporting period, 724 students completed internships and 288 wrote their Master's or Bachelor's theses at KRONES.

Interns and theses at KRONES



KRONES is one of Germany's best employers

Both our young recruits and our seasoned professionals value KRONES highly for its ability to unite the stability of a family enterprise with the innovativeness of a market and technology leader.

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

A recent study confirms this, with KRONES ranking among Germany's best employers. The study was conducted as an independent survey by the news magazine Focus in collaboration with Xing, the leading career network in German-speaking countries, and Kununu, the biggest German-speaking employer rating portal. The survey asked employees to rate, among other things, how satisfied they are with their managers' leadership style, their career prospects, their pay, and their employer's image. In addition, the survey asked employees how likely they were to recommend their own employer. In the industry ranking for "machinery and systems engineering, multiple technologies", KRONES AG ranked 18th in Germany and 4th in the state of Bavaria.

More information on our labour practices is in our Sustainability Report, which is available online at www.krones.com.

Doing business in a sustainable, socially responsible manner has always been an integral part of KRONES' corporate philosophy. A stable shareholder base, which includes the Familie Kronseder Konsortium GbR as a major shareholder, enables the company to pursue long-term goals. The fundamental principles that guide our employees in thinking and acting sustainably are firmly anchored in our mission statement, code of conduct, and numerous other codes and policies.

Our sustainability efforts address economic, environmental, and social aspects. We are developing concrete goals and actions to fulfill our responsibility as a company with respect to all stakeholder groups in these areas.

Many important measures undertaken in 2014

Our efforts in 2014 focused on compliance, work-life balance, and resource conservation. For example, concurrent to the establishment of a Compliance department, we also launched a broadly based information campaign. Mandatory compliance training for all employees in Germany was part of the campaign. In addition, our human resources department offered employees a wide range of development opportunities and programmes for establishing a healthy work-life balance. Within our environment-related efforts, we made reducing CO₂ emissions an important goal. In recent years, KRONES has significantly reduced CO₂ emissions despite higher revenue.

KRONES took action on many important aspects of sustainability in 2014. KRONES once again earned a "Prime" ranking from oekom Research.

KRONES identified as an Industry Leader

KRONES' sustainability performance is regularly reviewed by oekom Research, one of the world's leading rating agencies in the field of sustainable investment. In 2014, KRONES earned a "Prime" rating for the second year in a row. That means that KRONES outperforms the average of its industry peers when it comes to corporate social responsibility and is listed by oekom Research as an "Industry Leader" in the "Machinery" category.

We aim to improve our sustainability performance in all areas in 2015. To this end, we have once again set ambitious goals and intend to take the necessary actions. More information on the topic of sustainability is in our Sustainability Report, which is available online at www.krones.com.



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

KRONES' risk management system

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 2015 financial year. Opportunities are possible positive deviations from our earnings forecast for the 2015 financial year.

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

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

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:

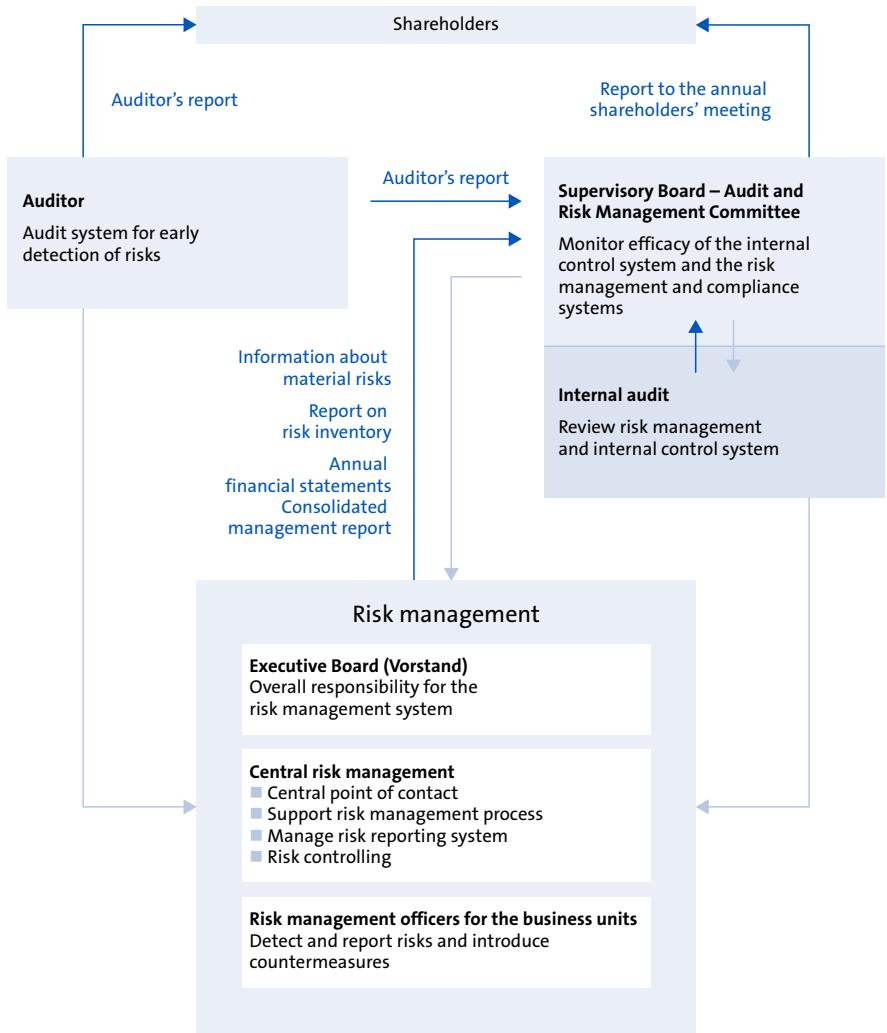
- Annual planning
- Medium-term planning
- Strategic planning
- Rolling forecasts
- Monthly and quarterly reports
- Capital expenditure planning
- Production planning
- Capacity planning
- Project controlling
- Accounts receivable management
- Exchange rate hedges
- Insurance policies

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.

Risk management organisation at KRONES



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

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:

KRONES AG 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 also performs programmed plausibility checks.
- We use dual verification for all accounting-related processes.

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

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	low	low
■ Currency risk	low	low
Operational risks		
■ Price risk	medium	medium
■ Procurement risks	medium	low
■ Cost risk	low	medium
■ Personnel risk	medium	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. The assessment is of net risk, after measures taken.

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. 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.

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.

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.

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

3. Interest rate risk

KRONES is exposed to risks arising from possible fluctuations in market interest rates. KRONES AG currently has no bank debt. Interest rate hedges are available as an option if needed.

Impact of interest rate risk: We rate both the likelihood of an event 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.

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 pre-defined 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 the likelihood of an event as medium 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 the likelihood of an event as low and the financial impact as medium.

4. Personnel risk

KRONES is planning to continue to increase its business volume. 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 students pursuing their bachelor's and master's degrees. We also use professional HR consultants.

Impact of personnel risk: We rate the likelihood of an event as medium 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 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

Beverage 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 up 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 significant support 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.

Executive Board changes at KRONES AG

Volker Kronseder, Chairman of the Executive Board of KRONES AG, has decided not to renew his contract, which expires on 31 December 2015. This is in keeping with the company's internal rules. Mr. Kronseder has informed the Supervisory Board of KRONES AG of his decision.

Volker Kronseder wishes to continue to contribute to the company's successful development and assume responsibility for KRONES AG. Therefore, he has also informed the Supervisory Board that he is available to stand for election to the Supervisory Board of KRONES AG in the ordinary annual shareholders' meeting in 2016.

The Supervisory Board has appointed Christoph Klenk his successor as Chairman of the Executive Board of KRONES AG effective 1 January 2016. Christoph Klenk has been a Member of the Executive Board since 2003 and responsible for Finance (CFO) at KRONES AG since 2012. The Supervisory Board has appointed an external candidate to succeed Christoph Klenk as CFO who has demonstrated his suitability through his work for another international group of companies and has many years' experience in the packaging industry.

The new CFO informed the Supervisory Board today that he accepts the position. The new executive's name and starting date at KRONES will be disclosed as soon as he and his current employer have reached agreement on the date of his resignation.

KRONES subsidiary SYSKRON acquires provider of SAP solutions

Effective 2 February 2015, SYSKRON Holding GmbH, KRONES' subsidiary for intralogistics, bought a 100% stake in TRIACOS Consulting & Engineering GmbH. By acquiring TRIACOS, SYSKRON has added to its expertise in consulting on and implementing SAP solutions, with a focus on production and internal logistics. Besides its own software development, SYSKRON can now also offer standard SAP solutions for the beverage industry. The integration of SAP software solutions is important for the future development of "Industry 4.0" business models.

TRIACOS GmbH, based in Altenstadt an der Waldnaab (in the Upper Palatinate region), generated around €2 million in revenue in 2014 and employs 22 SAP specialists whose primary focus is on implementing projects for small and mid-sized customers in Germany. The cost of the acquisition was in the mid-single-digit millions of euros.

KRONES AG acquires SCHÄFER Förderanlagen- und Maschinenbau GmbH

Effective 5 March 2015, KRONES AG has acquired full ownership of SCHÄFER Förderanlagen- und Maschinenbau GmbH. The company's core business has been engineering and after-sales service for palletising solutions for the beverage industry since 2014.

- World economy to grow 3.5% in 2015
- Good environment for manufacturers of beverage filling and packaging technology
- KRONES intends to grow profitably in 2015

Global economy will have bright and dark spots

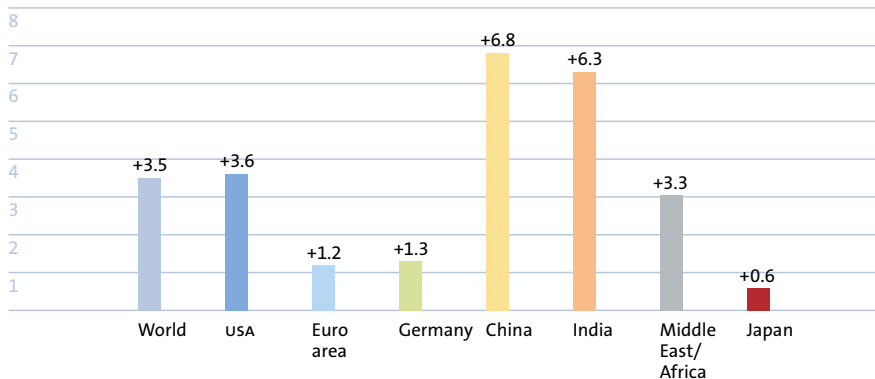
In its “World Economic Outlook” from January 2015, the International Monetary Fund (IMF) took a less optimistic view of the world economy than it has previously. That is primarily due to weaker capital spending in industrialised and newly industrialised countries. The poor economic environment in Japan and the euro area are also holding the global economy back. On the other hand, low oil prices are giving world economic growth a boost. In all, the IMF expects the global economy to grow by 3.5% in 2015. The forecast was for 3.8% growth in October 2014.

The USA is increasingly becoming the driving force for the world economy. Low oil and energy prices are encouraging consumer spending there. Low interest rates are also benefiting the world's biggest economy. The IMF expects US gross domestic product (GDP) to increase by 3.6% year-on-year in 2015. The IMF is less optimistic about other industrialised countries. For Japan, the IMF is forecasting GDP growth of just 0.6% despite the government's economic stimulus programmes and very loose monetary policy. Europe still faces a host of unresolved problems. According to the IMF, euro area GDP will grow by 1.2%. IMF experts are only slightly more optimistic about Germany's prospects, with a 1.3% growth forecast.

The IMF expects growth in newly industrialised and developing countries to slow somewhat in 2015. Low oil prices are taking their toll on some oil-exporting countries, particularly Russia. Growth is slowing in China as well. The IMF is predicting 6.8% GDP growth for China for 2015, which is much weaker than in previous years. The IMF's growth forecast for India is 6.3%. For the Middle East/Africa region, the economists are expecting GDP growth of 3.3%. In all, the IMF is forecasting 4.3% economic growth for the emerging and developing economies for 2015 (previous year: 4.4%).

Prospects are good overall for the world economy in 2015.

GDP growth in 2015 (% forecast)



Source: IMF

Low inflation rates and a strong labour market

As a supplier of beverage filling and packaging equipment, KRONES is very close to consumption. Therefore, unemployment rates and inflation in the individual sales regions impact the company's business. Low unemployment has a positive effect on consumer spending and thus also on demand for packaged beverages and foods. Low inflation supports consumer's purchasing power. Overall, we do not expect either of these factors to have any negative effects on business at KRONES in 2015.

Demand for food and packaging machinery is rising

The German Engineering Federation (VDMA) expects growth in the sector to accelerate in 2015. As the VDMA sees it, low raw materials prices are stimulating the global economy and the weak euro is giving German manufacturers additional support. On the other hand, the Russia-Ukraine crisis and insufficient reforms in Europe carry risks. In all, the VDMA expects output in the sector to grow by 2% in 2015 over the previous year. Output increased by 0.7% in 2014.

The VDMA expects development in the individual subsectors to vary, in some cases significantly, from the overall forecast. Demand in the food and packaging machinery subsector, which is important for KRONES, is likely to improve more than the sector as a whole.

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



* Forecast

Source: Germany's Federal Statistical Office, VDMA

Attractive market has KRONES cautiously optimistic about 2015

Despite the many political and economic uncertainties, KRONES is cautiously optimistic about the business outlook for 2015. Growth in the packaging machinery market is stronger and more stable than the global economy. That is because the most important growth drivers are megatrends that are virtually independent of economic cycles. The steady growth of the middle class and increasing urbanisation in the emerging economies are leading to increased demand for packaged food and beverages. Since food and beverage producers depend increasingly on innovative packaging solutions to distinguish themselves from competitors, the conditions for stable growth in demand for KRONES' products and services in 2015 are good overall.

That is particularly true in the emerging markets of Asia and Africa. Prospects also remain good in the Middle East – provided that the security situation in the region does not deteriorate. Demand in China is likely to remain stable in 2015.

In the established markets, we expect business to pick up, particularly in North America. Revenue in Europe should also develop well overall. If the political situation with respect to the Russia-Ukraine conflict does not escalate further, we expect the decline in business development in the region to be balanced out at the group level in 2015.

KRONES intends to further increase profitability in 2015

KRONES expects little support from prices in 2015. Therefore, reducing costs, launching new products and services, and further improving quality remain important topics under our Value programme, so that we can grow profitably and achieve KRONES AG's targets.

In our core business area, machines and lines for product filling and decoration, we intend to further improve cost structures and make them more flexible and to tap new revenue potential in 2015. In the current financial year, KRONES will increasingly offer local products and do more purchasing locally. At the same time, we are expanding our international service structures and LCS Centres. These efforts will enable us to deliver our services and products quickly and increase customer loyalty. KRONES intends to use its strong market position to further grow its profitable after-sales business, particularly in the emerging markets. To this end, KRONES will continue to expand its hiring of qualified specialists in the regions in 2015.

KRONES will continue to focus on the pillars of the Value programme – profitability, growth, innovation, and quality – in 2015.

We intend to make progress in all product areas within process technology. In order to advance in the attractive smaller-projects market, KRONES is further expanding its local structures in the regions. Here, too, we are looking at “localising” our first products in 2015 – that is, increasing the share of locally generated added value.

Based on the current macroeconomic prospects and developments on the markets relevant to KRONES, we expect KRONES AG’s revenue to grow by around 3% in 2015.

The company’s profitability is set to improve yet again this year. KRONES AG expects its EBT margin (earnings before taxes to revenue) to rise to around 3,5% in 2015. We are forecasting an EBT of between €80 million and €90 million.

KRONES AG intends to increase revenue and earnings in 2015.

	Forecast for 2015	Actual value 2014
Revenue	+ 3%	€2,407.2 million
EBT	€80 to 90 million	€72.9 million

Disclosures required under § 289 (4) of the German Commercial Code (HGB)

Pursuant to Section 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 Section 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 Section 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. Special verification of the shareholding in text form, issued in German or English by the institution with which the account is held, shall constitute sufficient evidence of the shareholding. The evidence of shareholding must refer to the start of the twenty-first day prior to the annual shareholders' meeting.

Pursuant to Section 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. Section 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 (Section 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	51.67%	51.67%

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 March 2015. 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 Sections 84 and 85 of the German Stock Corporation Act (AktG). Pursuant to Section 6 (1) of the articles of association, the Executive Board consists of at least two members. Pursuant to Section 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 Sections 179 et seq. of the German Stock Corporation Act. Such amendments are to be resolved by the annual shareholders' meeting (Section 119 (1) No. 5 and Section 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 (Section 13 of the articles of association).

Pursuant to Section 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.

By resolution of the annual shareholders' meeting of 25 June 2014, the company is authorised up to and including 24 June 2019 to buy treasury shares totalling up to 10% of the share capital at the time that the resolution took effect or – if smaller – at the time that the authorisation is exercised, in compliance with the provisions of the law and of the resolution by the annual shareholders' meeting.

By resolution of the annual shareholders' meeting of 25 June 2014, the Executive Board is authorised 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 for this year and prior years 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 medium-term incentives containing risk factors
- 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, responsibilities, personal performance and experience of the respective member of the Executive Board and the economic position, performance, and outlook of the enterprise, taking into account its peer companies.

For the financial year 2014, the direct fixed remuneration of the seven members of the Executive Board who were active in 2014 was €3,028 thousand (previous year: €2,591 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 €85 thousand (previous year: €75 thousand).

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 was 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 is composed as follows as of 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

The variable remuneration contains risk elements and is thus not guaranteed remuneration. In 2014, the variable remuneration amounted to €892 thousand (previous year: €1,346 thousand).

- 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

Provisions for the mid-term incentive amounted to €1,480 thousand at the end of the financial year (previous year: €0 thousand). Of that, €774 thousand apply to the year 2014 as remuneration.

- 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%

Provisions for the long-term incentive amounted to € 1.754 thousand at the end of the year (previous year: € 942 thousand).

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.

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 € 1.024 thousand (previous year: € 2.357 thousand) were recognised for active members of the Executive Board.

In addition, €561 thousand was paid into defined contribution plans in 2014.

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

Section 285 Sentence 1 No. 9a Sentences 5–9 and Section 314 (1) Sentence 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 Section 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 €820 thousand (previous year: €797 thousand) were made and a €779 thousand excess of plan assets over pension liability was recognised (previous year: €456 thousand).

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 2014, the articles of association as amended by the annual shareholders' meeting on 25 June 2014 apply.

The Supervisory Board's remuneration consists of an annual fixed remuneration of €35,000. The Chairman of the Supervisory Board receives two and one-half 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. Moreover, the members of the Supervisory Board receive a flat €1,500 fee per meeting as reimbursement for their expenses unless they submit proof of having incurred higher expenses.

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 €1,500 flat-rate reimbursement for expenses per meeting.

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

The total remuneration paid to members of the Supervisory Board amounted to €628 thousand (previous year: €553 thousand).

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.

“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 24 June 2014 have been and are being complied with in accordance with the German Corporate Governance Code (hereinafter the 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 remuneration of each member of the Executive Board, subdivided according to fixed, performance-related, and long-term incentive components, is not listed individually by each member’s name and published in table form. (Items 4.2.4 and 4.2.5 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 Section 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 relevant tasks are undertaken by the Standing Committee.

- Special consideration in terms of remuneration is not given to Chairmanship of Supervisory Board Committees. In addition, 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)

The Supervisory Board is of the opinion that, given the size of the committees, the current additional remuneration paid to members of committees is also appropriate for the committee chairs. The total of remuneration paid out to members of the Supervisory Board is given in the remuneration report. 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.

- 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, 25 March 2015

For the Executive Board

Volker Kronseder
Chairman

For the Supervisory Board

Ernst Baumann
Chairman

Statement required by Section 264 (2) Sentence 3 and Section 289 (1) Sentence 5 of the German Commercial Code (HGB)

“To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the company’s assets, liabilities, financial position, and profit or loss, and the management report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the company’s expected development of KRONES AG.”

Neutraubling, 31 March 2015

KRONES AG

The Executive Board



Volker Kronseder
Chairman of the
Executive Board



Christoph Klenk



Rainulf Diepold



Ralf Goldbrunner



Thomas Ricker



Markus Tischer





Corporate Governance

Statement on corporate governance

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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.

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 2014.

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 member is responsible for specific areas of the company (see pages 8–9 and 146). 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 13 and 146 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, Philipp Graf 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.

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		2014	2013
€ thousand	Notes		
1. Revenue	13	2,407,163	2,251,165
2. Changes in finished goods inventories and work in progress		12,702	119,631
3. Other own work capitalised		7,848	9,310
4. Other operating income	14	79,222	62,402
		2,506,935	2,442,508
5. Goods and services purchased			
a) Cost of raw materials, consumables and supplies, and of purchased merchandise		-1,056,427	-1,006,714
b) Cost of purchased services		-286,629	-292,176
		-1,343,057	-1,298,890
6. Personnel expenses	15		
a) Wages and salaries		-568,083	-545,266
b) Social security, post-employment and other employee benefit costs		-103,392	-98,117
		-671,475	-643,383
7. Depreciation and amortisation of tangible and intangible fixed assets	16	-51,818	-50,512
8. Other operating expenses	17	-362,113	-378,839
9. Income from long-term equity investments	18	14,851	13,332
10. Income from other securities and long-term loans	18	453	191
11. Other interest and similar income	18	5,669	1,758
12. Write-downs of long-term financial assets	18	-17,108	-5,036
13. Interest and similar expenses	18	-9,447	-11,007
		-2,434,046	-2,372,386
14. Result from ordinary activities		72,890	70,123
15. Taxes on income	19	-27,204	-9,715
16. Other taxes	19	-2,799	-4,476
17. Net income for the year		42,887	55,931
18. Retained profits brought forward		43,090	50,345
19. Retained earnings		85,977	106,276

Assets		31 Dec 2014	31 Dec 2013
€ thousand	Notes		
A. Fixed assets			
I. Intangible fixed assets	1		
Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets		27,927	25,145
II. Tangible fixed assets	2		
1. Land, including buildings on third-party land		235,570	237,012
2. Technical equipment and machinery		62,751	70,999
3. Other equipment, operating and office equipment		45,257	46,175
4. Prepayments and assets under construction		10,731	8,141
		354,309	362,327
III. Long-term financial assets	3		
1. Shares in affiliated companies		95,957	91,065
2. Loans to affiliated companies		22,815	8,252
3. Long-term securities		0	41
4. Other loans		657	756
		119,429	100,114
		501,665	487,586
B. Current assets			
I. Inventories	4		
1. Raw materials, consumables and supplies		163,679	154,955
2. Work in progress		180,198	208,268
3. Finished goods and merchandise		410,671	379,947
4. Prepayments		7,929	7,490
5. Payments received on account of orders		-550,511	-499,764
		211,965	250,896
II. Receivables and other assets	5		
1. Trade receivables		383,127	368,449
2. Receivables from affiliated companies		113,573	104,603
3. Receivables from other long-term investees and investors		0	5,869
4. Other assets		43,178	56,172
		539,878	535,093
III. Cash-in-hand, bank balances, and cheques	6		
		165,516	113,097
		917,359	899,086
C. Prepaid expenses		1,917	1,943
Total assets		1,420,941	1,388,615

Equity and liabilities		31 Dec 2013		31 Dec 2013	
€ thousand	Notes				
A. Equity					
I. Subscribed capital	7				
Ordinary shares			40,000		40,000
II. Capital reserves			141,551		141,551
III. Revenue reserves					
1. Legal reserve		51		51	
2. Other revenue reserves		349,888		349,888	
			349,939		349,939
IV. Retained profits brought forward	8		43,090		50,345
V. Net income for the year	8		42,887		55,931
			617,467		637,766
B. Provisions					
1. Provisions for pensions and similar obligations	9	112,376		103,013	
2. Provisions for taxes		10,288		4,739	
3. Other provisions		354,386		344,419	
			477,050		452,171
C. Liabilities					
1. Trade payables	10	155,430		147,787	
2. Liabilities to affiliated companies		126,396		112,066	
3. Liabilities to other long-term investees and investors		1,576		772	
4. Other liabilities		42,994		38,053	
			326,396		298,678
D. Deferred income					
			28		0
Total equity and liabilities					
			1,420,941		1,388,615

Statement of changes in fixed assets

€ thousand	Cost				Depreciation, amortisation, and write-downs		Carrying amounts	
	At	(T)		(T)	At	At	At	At
	1 Jan 2014	Transfers Additions	Costs	Transfers Disposals	31 Dec 2014	31 Dec 2014	31 Dec 2014	31 Dec 2013
Intangible fixed assets								
Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets	109,715	12,115	101	3,494	118,437	90,510	27,927	25,145
Tangible fixed assets								
1. Land, including building on third-party land	371,617	(T) 2,519 5,720	103	597	379,362	143,792	235,570	237,012
2. Technical equipment and machinery	246,587	(T) 150 10,368	0	11,454	245,651	182,900	62,751	70,999
3. Other equipment, operating and office equipment	161,754	U 145 17,684	0	13,355	166,228	120,971	45,257	46,175
4. Prepayments and assets under construction	8,141	5,404	0	(T) 2,814 0	10,731	0	10,731	8,141
	788,099	(T) 2,814 39,176	103	(T) 2,814 25,406	801,972	447,663	354,309	362,327
Long-term financial assets								
1. Shares in affiliated companies	175,774	21,492	0	0	197,266	101,309	95,957	91,065
2. Loans to affiliated companies	8,252	17,533	0	2,970	22,815	0	22,815	8,252
3. Other long-term equity investments	5,036	0	0	0	5,036	5,036	0	0
4. Loans to other long-term investees and investors	0	508	0	0	508	508	0	0
5. Long-term securities	41	0	0	41	0	0	0	41
5. Other loans	756	1	0	100	657	0	657	756
	189,859	39,534	0	3,111	226,282	106,853	119,429	100,114
	1,087,673	(T) 2,814 90,825	204	(T) 2,814 32,011	1,146,691	645,026	501,665	487,586

General disclosures

■ Legal basis

The annual financial statements of KRONES AG have been prepared in accordance with the provisions of the Third Book of the German Commercial Code (HGB) and the supplementary provisions of the German Stock Corporation Act (AktG).

KRONES AG prepares the income statement according to the total cost (nature of expense) method.

■ Currency translation

Receivables and liabilities in foreign currencies with a remaining maturity of one year or less are translated using the middle spot rate at the end of the reporting period.

KRONES AG uses forward exchange transactions to hedge future currency risks. If the requirements are met, these financial instruments are combined with the hedged item to form hedges. Changes in the value of the hedged items and the hedging instruments offset each other.

- Please note that there may be rounding differences between these and the mathematically precise values (currency units, percentages, etc.).

Accounting is done in accordance with the rules applicable to corporations. The same accounting policies have been applied as in the previous year.

Assets

Purchased intangible fixed assets are recognised at the cost that must be capitalised and are amortised on a scheduled straight-line basis over an estimated useful life of three to 20 years. Internally generated intangible fixed assets are not capitalised. Therefore, development costs are immediately expensed in their full amount. Unscheduled write-downs are taken as necessary.

Tangible fixed assets are measured at cost less scheduled depreciation and any necessary unscheduled write-downs. The cost of internally generated plant and equipment includes all costs that are directly attributable to the production process as well as those indirect material and labour costs that must be capitalised.

Depreciation and write-downs of tangible fixed assets are carried out using the highest applicable rates under the law. Buildings and moveable items of fixed assets of KRONES AG are depreciated using the declining balance method wherever possible. All other fixed assets are depreciated using the straight-line method. For assets depreciated using the declining balance method, depreciation switches to the straight-line method if it results in higher depreciation. Since the declining balance method of depreciation is not compatible with BilMoG rules, all tangible fixed assets acquired on or after 1 January 2010 are depreciated using the straight-line method only. Unscheduled write-downs are taken for impairments that are expected to be permanent.

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

Useful life	in years
Buildings	25–50
Machinery	5–20
Technical equipment	5–25
Operating and office equipment	3–20
Software and other rights	3–20

Moveable items of fixed assets with a cost of €150 or less that can be used independently and are subject to wear and tear are immediately expensed. Assets with a cost of more than €150 and not more than €1,000 are pooled and depreciated or amortised over a useful life of 5 years using the straight-line method.

Shares in affiliated companies and associates are recognised at amortised cost.

Securities and loans are recognised at the lower of nominal value and fair value; write-downs have been reversed as required.

Inventories are carried at the lower of cost and market value.

The cost of finished goods and work in progress includes direct material and labour costs as well as indirect material and indirect labour. The carrying amount of inventories is reduced in keeping with the lower-of-cost-or-market principle. This reduction takes into account all inventory risks arising from reduced marketability or obsolescence that were identifiable when the financial statements were prepared.

Receivables and other assets are recognised at cost. Identifiable risks are accounted for through specific valuation allowances. General credit and financing risks are accounted for by way of global valuation allowances. Receivables and non-interest-bearing items with longer terms are discounted based on the expected date of payment. Export receivables in foreign currencies are recognised using the middle spot rate at the transaction date or at the reporting date.

Assets that serve exclusively to settle pension obligations and are exempt from attachment by all other creditors (plan assets) are measured at fair value. Income and expenses from these assets are netted against the interest cost on the corresponding obligations and recognised in financial income (expense). Moreover, the assets themselves are offset against the corresponding liabilities. Any obligations in excess of the assets are recognised under provisions. If the value of the assets exceeds the amount of the obligations, the difference is recognised as an asset under a separate heading, "excess of plan assets over post-employment benefit liability".

Prepaid expenses are recognised to the extent permissible under commercial law.

Equity and liabilities

The reported provisions for pensions and similar obligations are recognised at the settlement amount dictated by prudent business judgment. Future price and cost increases are taken into account in the measurement. The pension provisions for post-employment benefit obligations with a remaining maturity of more than one year are discounted at the average market interest rate corresponding to their remaining maturity, as calculated by the Deutsche Bundesbank. Instead of calculating individual discount rates for each individual liability, a single remaining maturity of 15 years is assumed across the board for all of these liabilities as permitted under Section 253 (2) Sentence 2 HGB.

Other provisions are recognised for obligations to third parties when an outflow is probable and there is uncertainty regarding the amount or timing of its utilisation. They are recognised at the amount dictated by prudent business judgement for all identifiable risks and uncertain obligations. Measurement is based on the settlement amount. Provisions with a remaining maturity of more than one year are discounted at the average market interest rate corresponding to their remaining maturity, as calculated by the Deutsche Bundesbank.

Provisions for anniversary bonuses are discounted at the average market interest rate calculated by the Deutsche Bundesbank based on an assumed remaining maturity of 15 years pursuant to Section 253 (2) Sentence 2 HGB.

Liabilities are carried at the settlement amount. Trade payables in a foreign currency that are not hedged are recognised as liabilities at the middle spot rate at the reporting date.

The value date for contingent liabilities on bills, guarantees, and warranties is the reporting date.

Deferred income is recognised to the extent permissible under commercial law.

Assets

■ Fixed assets

The fixed asset items stated on the balance sheet are presented in the statement of changes in fixed assets. The carrying amounts are presented gross on the basis of historical cost.

1 Intangible fixed assets

The addition relates primarily to software licenses (€12,115 thousand).

2 Tangible fixed assets

The addition to land and buildings results primarily from the expansion of the Rosenheim (€2,807 thousand), Neutraubling (€1,865 thousand), and Nittenau (€976 thousand) sites. Capital expenditure for the remaining tangible fixed assets amounting to €33,456 thousand relates primarily to capacity expansion and updating at the production sites.

3 Long-term financial assets

The additions to long-term financial assets relate primarily to an increase in the carrying amount of the investment in KOSME S.r.l, Roverbella, Italy, the acquisition of shares in HST Maschinenbau GmbH, Dassow, and TILL GmbH, Hofheim, and loans to EVOGUARD GmbH, Nittenau, SYSKRON Holding GmbH, Wackersdorf, and TILL GmbH, Hofheim. A complete presentation of shareholdings is made public through the electronic Federal Gazette (elektronischer Bundesanzeiger).

4 Inventories

The carrying amount of inventories, prior to deduction of prepayments received, is up 1.6% over the previous year. Around 72.2% of inventories were financed up front through prepayments from customers.

5 Receivables and other assets

€ thousand	31 Dec 2014	Amounts due in 1 year or earlier	31 Dec 2013	Amounts due in 1 year or earlier
Trade receivables	383,127	10,381	368,449	8,410
Receivables from affiliated companies	113,573		104,603	
Receivables from other long-term investees and investors	0		5,869	
Other assets	43,178	3,641	56,172	5,509
	539,878	14,022	535,093	13,919

Of the trade receivables, 20.1% are due from customers in Germany and 79.9% are due from customers outside Germany. The general credit risk is sufficiently accounted for by way of a global valuation allowance of 1% of the risky receivables. Delinquent accounts and non-interest-bearing items with longer terms are discounted at a rate of 2.90%.

The receivables from affiliated companies result from deliveries effected or services rendered between group companies (€113,300 thousand) and from other settlements (€272 thousand).

6 Cash-in-hand, bank balances

€ thousand	31 Dec 2014	31 Dec 2013
Cash-in-hand	9	12
Bank balances	165,507	113,085
	165,516	113,097

7 Subscribed capital

The subscribed capital of KRONES AG amounts to €40,000,000.00.

At the reporting date, there were 31,593,072 ordinary bearer shares outstanding.

By resolution of the annual shareholders' meeting of 15 June 2011, a stock of authorised capital was established. With this authorised capital, the Executive Board may, with approval of the Supervisory Board, increase the share capital by a total of up to €10,000,000.00 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.

Pursuant to Section 71 (1) No. 8 of the German Stock Corporation Act (AktG), the company can be authorised to buy these shares (treasury shares) totalling up to 10% of the current share capital. The authorisation to purchase treasury shares resolved by the annual shareholders' meeting on 16 June 2010 (agenda item 6) would have expired at the end of the day 15 June 2015, before the next annual shareholders' meeting. To ensure the company's ability to act in this respect after the end of the day 15 June 2015, a new authorisation to purchase and use treasury shares was issued to the company by resolution of the annual shareholders' meeting on 25 June 2014. The authorisation applies until the end of the day 24 June 2019. The new authorisation replaces the one resolved by the annual shareholders' meeting of 16 June 2010.

The holdings of shares acquired for this purpose, combined with other treasury shares previously acquired and still held by the company, shall not exceed 10% of the share capital of KRONES AG. The acquisition may be carried out, at the discretion of the Executive Board, through a stock exchange, through a public tender offer, or through a public call for tenders.

If the shares are purchased through a stock exchange, the consideration paid per share shall not exceed by more than 10% and not fall short of by more than 10% the opening price in the XETRA trading 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 shall not exceed by more than 10% and not fall short of by more than 20% the opening price in the XETRA trading system

on the Frankfurt Stock Exchange on the third trading day prior to the public announcement of the tender offer or call for tenders.

By resolution of the shareholders' meeting on 25 June 2014, the Executive Board is authorised to use treasury shares of KRONES AG for any lawful purpose.

This authorisation can be exercised once or multiple times, in whole or in part.

8 Retained earnings

€ thousand	31 Dec 2014	31 Dec 2013
Retained profits brought forward	43,090	50,345
Net income for the year	42,887	55,931
	85,977	106,276

Of the €106,276 thousand in retained earnings from 2013, the company paid out €63,186 thousand in dividends and €43,090 thousand was carried forward to new account.

9 Provisions

Under a pension scheme KRONES AG has committed to providing post-employment, permanent disability, and widow(er)'s pensions to all employees who started at KRONES AG prior to 1999. Recognition of the pension provisions is based on actuarial valuations. The following factors were taken into account in the actuarial calculation:

	2014	2013
Standard of measurement	Projected unit credit method	Projected Unit Credit Method
Basis of calculation	"2005G actuarial tables" from Klaus Heubeck	"2005G actuarial tables", from Klaus Heubeck
Discount rate	4.53%	4.88%
Projected increases in wages and salaries general pension plan	0.00%	0.00%
Projected increase in wages and salaries individual commitments	3.00%	3.00%
Projected increase in state	2.00%	2.00%
Employee turnover rate	2.00% p. a.	2.00% p. a.

Since the pension commitments under the general pension plan are independent of future pay increases, the projected increase in wages and salaries was not taken into account for determining the corresponding pension provisions.

The settlement amount of the pension liabilities that was netted against the plan assets was €132,154 thousand. The fair value of the plan assets, which serve exclusively to cover post-employment benefit obligations and are exempt from attachment by all other creditors, was €19,778 thousand; the cost of the plan assets was €18,394 thousand. The net of these expenses and income was €5,348 thousand.

Direct pension obligations that are not covered by the assets of KRONES Unterstützungsfonds e.V. amount to €7,656 thousand.

The provisions for taxes take into account the expected payments of tax in arrears.

The other provisions cover all identifiable risks and other uncertain obligations. The long-term provisions were discounted at rates between 2.80% and 4.53% corresponding to their remaining maturity.

The provisions for anniversary bonuses were discounted at a rate of 4.53%.

The other provisions are essentially provisions for personnel obligations, including partial retirement (€100,459 thousand), and order-specific provisions (€234,679 thousand) that include, in particular, installation work not yet performed, warranties, claims for damages, anticipated losses, and outstanding supplier invoices.

10 Liabilities

€ thousand	31 Dec 2014	Amounts due in 1 year or earlier	31 Dec 2013	Amounts due in 1 year or earlier
Trade payables	155,430	155,430	147,787	147,787
Liabilities to affiliated companies	126,396	126,396	112,066	112,066
Liabilities to other long-term investees and investors	1,576	1,576	772	772
Other liabilities	42,994	42,265	38,053	37,357
	326,396	325,667	298,678	297,982

Of the liabilities to affiliated companies, –€2,962 thousand resulted from deliveries effected or services rendered between group companies.

The other liabilities contain tax liabilities amounting to €14,415 thousand (previous year: €10,536 thousand) and social security liabilities totalling €3,133 thousand (previous year: €3,724 thousand).

11 Contingent liabilities

€ thousand	31 Dec 2014	31 Dec 2013
Contingent liabilities from bill guarantees	15,366	10,942
Contingent liabilities from guarantees and warranties	11,631	10,350
Total	26,997	21,292

The contingent liabilities from bill guarantees result from the issuance and transfer of trade bills. The risks relating to guarantees and warranties, of which €11,631 thousand relate to affiliated companies, stem from binding letters of comfort (Patronatserklärungen) in the amount of €2,000 thousand and guarantees in the amount of €9,631 thousand.

Taking into account what was known at the time this report was prepared, KRONES AG expects that the principal obligors will be able to fulfil the obligations underlying the contingent liabilities and therefore deems the risk of payout to be unlikely.

12 Other financial liabilities

€ thousand	31 Dec 2014	Amounts due in years 2 – 5	Amounts due after year 5	31 Dec 2013	Amounts due in years 2 – 5	Amounts due after year 5
Rental and lease agreements	23,930	10,583	0	26,127	13,327	0
Maintenance contracts	19,206	10,665	0	11,815	714	0
Total	43,136	21,248	0	37,942	14,041	0

The lease liabilities result primarily from the leases on our vehicle fleet and on data storage systems.

The liabilities from maintenance contracts are related to IT (hardware and software) and office communication devices.

13 Revenue

Breakdown by sales region	2014	2013
Germany	13.2%	10.2%
Rest of Central Europe	3.0%	2.5%
Western Europe	17.6%	17.7%
Eastern Europe/cis	8.7%	7.3%
Asia-Pacific	17.8%	14.7%
South America	11.7%	10.9%
North and Central America	7.1%	9.6%
China	8.7%	8.1%
Middle East/Africa	12.2%	19.0%

14 Other operating income

€ thousand	2014	2013
Income from currency translation	10.869	21.493
Prior-period income	18.655	16.623
Income from disposal of fixed assets	967	804
Income from reversal of provisions	11.551	12.999
Income from reduction in specific and global valuation allowances on receivables	5.084	2.370
Income from derecognition of liabilities	306	263
Income from reversals of write-downs and costs subsequently added to the carrying amounts of assets	170	0
Other prior-period income	577	187

15 Personnel expenses

€ thousand	2014	2013
Wages and salaries	568,083	545,266
Social security, post-employment and other employee benefit costs	103,392	98,117
of which for post-employment benefits	9,589	6,961
Total	671,475	643,383

Average number of employees for the year (excluding trainees)	2014	2013
Employees covered by collective agreements	6,342	6,285
White-collar employees exempt from collective agreements	2,112	2,130
Total	8,454	8,415

The company employed 509 trainees on average in 2014 (previous year: 490 trainees).

16 Depreciation, amortisation, and write-downs

Scheduled amortisation of intangible fixed assets amounting to €8,864 thousand were taken on purchased concessions, industrial and similar rights and assets, and licenses in such assets.

Scheduled depreciation of tangible fixed assets totalling €41,989 thousand were taken on land and buildings (€9,535 thousand), technical equipment and machinery (€14,614 thousand), and other equipment, operating and office equipment (€17,840 thousand). Unscheduled write-downs totalled €518 thousand on intangible fixed assets, €192 thousand on buildings, and €255 thousand on operating and office equipment.

17 Other operating expenses

€ thousand	2014	2013
Operating costs	108,640	115,288
Administrative expenses	45,135	43,717
of which losses from currency translation	13,981	10,592
Selling expenses	206,935	219,226
Prior-period expenses	1,403	608
of which losses on disposal of fixed assets	58	505
of which losses on receivables	1,306	46

18 Financial income (expense)

€ thousand	2014	2013
Income from long-term equity investments		
Income from long-term equity investments in affiliated companies	14,851	13,332
Interest income (expense)		
Income from other securities and long-term loans	453	191
Other interest and similar income		
from affiliated companies	19	10
from other companies	5,142	1,013
from discounting	508	735
Interest and similar expenses		
to affiliated companies	-926	-709
to other companies	-1,426	-3,322
from discounting	-7,095	-6,976
Net interest income (expense)	-3,325	-9,058
Write-downs of long-term financial assets	-17,108	-5,036
Net financial income (expense)	-5,582	-762

Write-downs of long-term financial assets totalling €16,600 thousand were taken on shares in affiliated companies and €508 thousand on loans to long-term investees.

The interest income arising from the discounting of long-term provisions results primarily from the discounting of pledged pension liability reinsurance policies (€500 thousand).

The interest expense arising from the discounting of long-term provisions results primarily from the discounting of provisions for pensions and similar obligations (€5,848 thousand), the discounting of provisions for partial retirement (€670 thousand), the discounting of provisions for anniversary bonuses (€228 thousand), and the discounting of provisions for warranties (€149 thousand).

19 Income taxes and other taxes

The item “taxes on income” includes tax charges for the financial year. The income tax expense includes prior-period tax income of €526 thousand.

The other taxes include property tax, motor vehicle tax, and other taxes.

20 Deferred taxes

The annual financial statements of KRONES AG would show deferred tax assets totalling €31,648 thousand at 31 December 2014.

Temporary measurement differences on assets, liabilities, and items of prepaid expenses and deferred income resulted in deferred tax assets of €31,648 thousand. These relate to differences in “land and buildings”, “raw materials, consumables and supplies”, “provisions for pensions and similar obligations”, and “other provisions”.

The taxes are calculated on the basis of the tax rates that apply in Germany – that is, a corporate income tax rate of 15.0% plus the solidarity surcharge of 5.5% and a local business tax rate (Gewerbesteuerhebesatz) for KRONES AG that averages 328%. The resulting total income tax rate is 27.3%.

Because the result is an excess of deferred tax assets, no use was made of the option for recognition provided for under Section 274 (1) Sentence 2 HGB.

21 Corporate Governance Code

Shareholders can view the declaration of the Executive Board and the Supervisory Board from 25 March 2015 pursuant to Section 161 of the German Stock Corporation Act [AktG] concerning the Corporate Governance Code as amended on 24 June 2014 at KRONES AG's website. The exceptions are also listed there.

22 Notifications of shareholdings in KRONES AG

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	51.67%	51.67%

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, and Leopold Kronseder

Related parties:

Due to the existence of a pooling agreement relating to voting rights, the persons and enterprises listed in the notification pursuant to Section 21 et seq of the German Securities Trading Act above have a controlling influence over KRONES AG.

23 Audit fees

This disclosure is made in the consolidated financial statements of KRONES AG.

24 Derivative financial instruments

KRONES AG uses derivative financial instruments solely for the purpose of hedging currency risks in operations and therefore practices micro-hedging. Changes in the value of the hedged items and the hedging instrument largely offset each other over the term of the hedge since material details of the contract, such as term and amount, are largely identical for the hedged item and the hedging instrument. KRONES AG does not use derivative financial instruments for speculative purposes. The derivative financial instruments, with a fair value of €134 thousand (previous year: €2,759 thousand), essentially cover the currency risks relating to the British pound, the Canadian dollar, the Japanese yen, and the US dollar. 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. The financial instruments are essentially composed of forward exchange contracts at a secured volume of €89,867 thousand (previous year: €90,149 thousand).

Executive Board remuneration

The structure of the remuneration system for the Executive Board for this year and prior years 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 medium-term incentives containing risk factors
- 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, responsibilities, personal performance and experience of the respective member of the Executive Board and the economic position, performance, and outlook of the enterprise, taking into account its peer companies.

For the financial year 2014, the direct fixed remuneration of the seven members of the Executive Board who were active in 2014 was €3,028 thousand (previous year: €2,591 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 €85 thousand (previous year: €75 thousand).

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 was 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 is composed as follows as of 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

The variable remuneration contains risk elements and is thus not guaranteed remuneration. In 2014, the variable remuneration amounted to €892 thousand (previous year: €1,346 thousand).

- 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

Provisions for the mid-term incentive amounted to €1,480 thousand at the end of the financial year (previous year: €0 thousand). Of that, €774 thousand apply to the year 2014 as remuneration.

- 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%

Provisions for the long-term incentive amounted to € 1.754 thousand at the end of the year (previous year: € 942 thousand).

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.

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 € 1.024 thousand (previous year: € 2.357 thousand) were recognised for active members of the Executive Board.

In addition, €561 thousand was paid into defined contribution plans in 2014.

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

Section 285 Sentence 1 No. 9a Sentences 5–9 and Section 314 (1) Sentence 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 Section 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 €820 thousand (previous year: €797 thousand) were made and a €779 thousand excess of plan assets over pension liability was recognised (previous year: €456 thousand).

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 2014, the articles of association as amended by the annual shareholders' meeting on 25 June 2014 apply.

The Supervisory Board's remuneration consists of an annual fixed remuneration of €35,000. The Chairman of the Supervisory Board receives two and one-half 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. Moreover, the members of the Supervisory Board receive a flat €1,500 fee per meeting as reimbursement for their expenses unless they submit proof of having incurred higher expenses.

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 €1,500 flat-rate reimbursement for expenses per meeting.

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

The total remuneration paid to members of the Supervisory Board amounted to €628 thousand (previous year: €553 thousand).

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.

KRONES AG had retained earnings of €85,976,831.43 at 31 December 2014. We propose to the annual shareholders' meeting on 17 June 2015 that this amount be used as follows:

Proposal for the appropriation of retained earnings	€
Dividend of €1.25 for 31,593,072 ordinary shares	39,491,340.00
Amount carried forward to new account	46,485,491.43

Neutraubling, 31 March 2015

KRONES AG

The Executive Board



Volker Kronseder
(Chairman)



Christoph Klenk



Rainulf Diepold



Ralf Goldbrunner



Thomas Ricker



Markus Tischer

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

Supervisory Board

Ernst Baumann

Chairman of the Supervisory Board
* ZF FRIEDRICHSHAFEN AG

Werner Schrödl**

Chairman of the Group Works Council
Chairman of the Central Works Council

Deputy Chairman of the Supervisory Board

* ADVISORY BOARD OF BAYERISCHE BETRIEBSKRANKENKASSEN

Klaus Gerlach**

Head of Central International Operations and Services

Dr. Klaus Heimann**

Director of the Youth, Training, and Qualification Policy Division of IG METALL
(until 14 July 2014)

Dr. Jochen Klein

Managing director of I-Invest GmbH

* DÖHLER GMBH

* HOYER GMBH

* CONSORTIUM GASTRONOMIE GMBH
(until 25 June 2014)

Norman Kronseder

Farmer and forester

* BAYERISCHE FUTTERSATBAU GMBH

Philipp Graf

von und zu Lerchenfeld

Member of the German Bundestag, Dipl.-Ing. agr., auditor and tax consultant

Dr. Alexander Nerz

Attorney

Dr. Verena Di Pasquale**

Deputy Chairperson of DGB Bayern (the German Trade Union Confederation in Bavaria)
(since 14 July 2014)

Johann Robold**

Member of the Works Council

Petra Schadeberg-Herrmann

Managing partner at KROMBACHER FINANCE GMBH, SCHAWEI GMBH, DIVERSUM HOLDING GMBH & CO. KG

* CHOCOLADEFABRIKEN LINDT & SPRÜNGLI AG

* COMMERZBANK AG

Jürgen Scholz**

1st authorised representative and treasurer of the IG METALL administrative office in Regensburg

* INFINEON TECHNOLOGIES AG

Hans-Jürgen Thaus

Former deputy chairman of KRONES AG
(since 25 June 2014)

* MASCHINENFABRIK RHEINHAUSEN GMBH

* KURTZ HOLDING GMBH & BETEILIGUNGS KG

* SCHULER AG

Josef Weitzer**

Deputy Chairman of the Group Works Council

Deputy Chairman of the

Central Works Council

Chairman of the Works

Council in Neutraubling

* SPARKASSE REGENSBURG

Executive Board

Volker Kronseder

Chairman
Human Resources,
Communications and Quality

Christoph Klenk

Finance, Controlling and Information Management

Rainulf Diepold

Sales and Marketing

Werner Frischholz

Plants and Components
(until 31 August 2014)

Thomas Ricker

Bottling and Packaging Equipment

Markus Tischer

International Operations and Services
(since 1 January 2014)

Ralf Goldbrunner

Plants and Components
(since 1 September 2014)

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

** Elected by the employees

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



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We have audited the annual financial statements, comprising the balance sheet, the income statement, and the notes to the financial statements, together with the accounting records and the management report of KRONES Aktiengesellschaft, Neutraubling, for the financial year from 1 January to 31 December 2014. The accounting records and the preparation of the annual financial statements and the management report in accordance with German commercial law are the responsibility of the company's management. Our responsibility is to express an opinion on the annual financial statements together with the accounting records and on the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Section 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 annual financial statements in accordance with the German generally accepted accounting principles and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company 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 accounting records, the annual financial statements and the management report are examined primarily on the basis of samples within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and the 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 annual financial statements comply with the requirements of the law and give a true and fair view of the net assets, financial position and results of operations of the company in accordance with German generally accepted accounting principles. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the company's position and suitably presents the opportunities and risks of future development.

Regensburg, 31 March 2015

KPMG Bayerische Treuhandgesellschaft
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Braun
(German Public Auditor)

Herr
(German Public Auditor)

AktG	German Stock Corporation Act (Aktiengesetz).
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 revenue. (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).
HGB	German Commercial Code (Handelsgesetzbuch).
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	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.

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.
Brewhouse	In the brewhouse, the raw materials malt, hops, and water are processed in several stages to produce beer.
Craft brewer/Craft beer	Smaller, independent breweries (craft brewers) that produce handcrafted specialty beers (craft beer).
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.
Efficiency	A measure of effectiveness that shows the ratio of input to output and is generally presented as a percentage (0% to 100%). For machinery and lines, efficiency is used to express the ratio of actual, measured performance (output) to nominal (theoretically possible) performance (output). For example: A filling line has a nominal output of 50,000 bottles per hour. However, due to downtimes and fluctuations, it averages only 45,000 bottles per hour. It's efficiency is 90% (45,000/50,000).
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.
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.
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.
Sleeve	Labels made of plastic film that are either stretched over containers or heat-shrunk to fit.
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.



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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

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