

Our customers'  
success is what  
drives us.

## 2014 highlights

- KRONES achieved its targets for 2014.
- Revenue rose 4.9% to €2.95 billion.
- Earnings performance, measured as the EBT margin, improved from 6.0% to 6.5%.
- Dividend for 2014 to increase over previous year's regular dividend, from €1.00 to €1.25 per share.

		2014	2013	Change
Revenue	€ million	2,953.4	2,815.7	+ 4.9%
New orders	€ million	3,040.0	2,808.8	+8.2%
Orders on hand at 31 December	€ million	1,079.1	992.4	+8.7%
EBITDA	€ million	276.3	257.6	+ 7.3%
EBIT	€ million	185.1	172.8	+ 7.1%
EBT	€ million	191.8	169.7	+ 13.1%
EBT margin	%	6.5	6.0	–
Consolidated net income	€ million	135.7	119.4	+ 13.6%
Earnings per share	€	4.30	3.84	+ 12.0%
Dividend per share	€	1.25*	2.00**	
Capital expenditure for PP&E and intangible assets	€ million	94.6	108.1	– 13.5
Free cash flow	€ million	152.1	67.0	+ 85.1
Net cash and cash equivalents*** at 31 December	€ million	336.4	239.9	+ 96.5
Employees at 31 December				
Worldwide		12,624	12,285	+ 339
Germany		9,344	9,098	+ 246
Outside Germany		3,280	3,187	+ 93

\* As per proposal for the appropriation of retained earnings \*\* including 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 rose 4.9% year-on-year, to €2,953.4 million and earnings before taxes improved by 13.1% to €191.8 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 Rovbella site will in future focus on filling and labelling technology. KOSME will con-



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

*Volker Kronseder  
Chairman of the Executive Board*

tinue to offer complete production lines and buy in products from qualified vendors as needed. Sadly, reducing capacities also meant that we had to terminate more than 100 employees in Roverbella. 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 established SYSKRON Holding GmbH, under which KRONES will in future once again offer its own internal logistics products and services. We chose this course of 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 company, based in the German state of Mecklenburg-West Pomerania, develops and manufactures 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, 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 continue 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  
since 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 its 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 Kronseider**

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, SCHAWEL GMBH, DIVERSUM HOLDING GMBH & CO. KG  
\* CHOCOLADEFABRIKEN LINDT & SPRÜNGLI AG  
\* COMMERZBANK AG

**Jürgen Scholz\*\***

1<sup>st</sup> 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 Section 125 (1) Sentence 5 of the German Stock Corporation Act

\*\* Elected by the employees

- 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

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

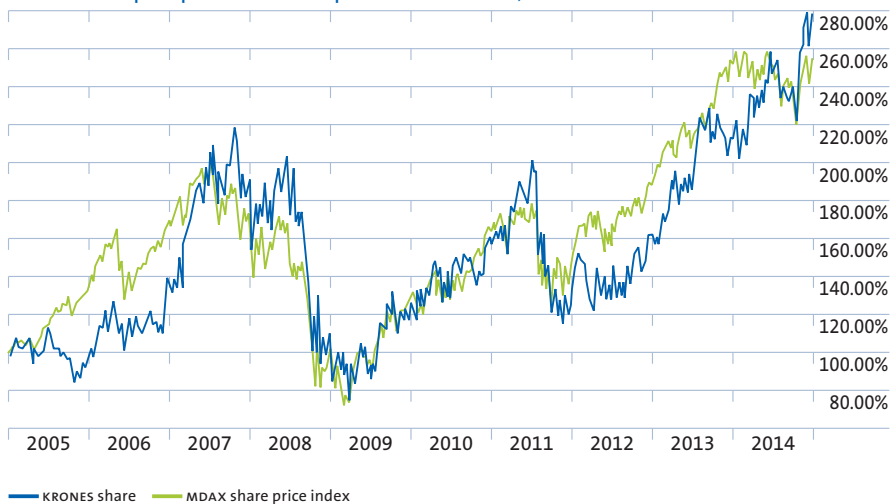
\* As per proposal for the appropriation of retained earnings

\*\* 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 30<sup>th</sup> anniversary of its IPO

KRONES' stock has been listed and available for trading since 29 October 1984. Thus, the share celebrated its 30<sup>th</sup> 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 39<sup>th</sup> for market capitalisation thanks to its strong share price growth (previous year: 43<sup>rd</sup>) and occupied the 50<sup>th</sup> spot for trading volume (previous year: 46<sup>th</sup>) 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.

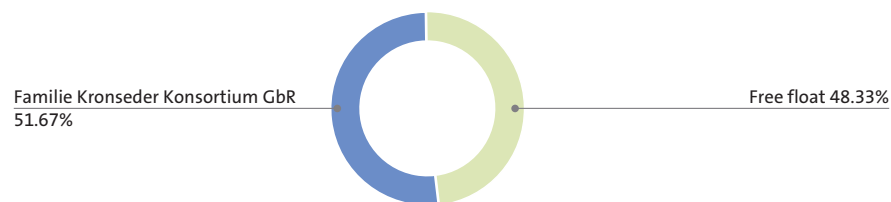
#### Key data for the KRONES share

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

#### Shareholder structure

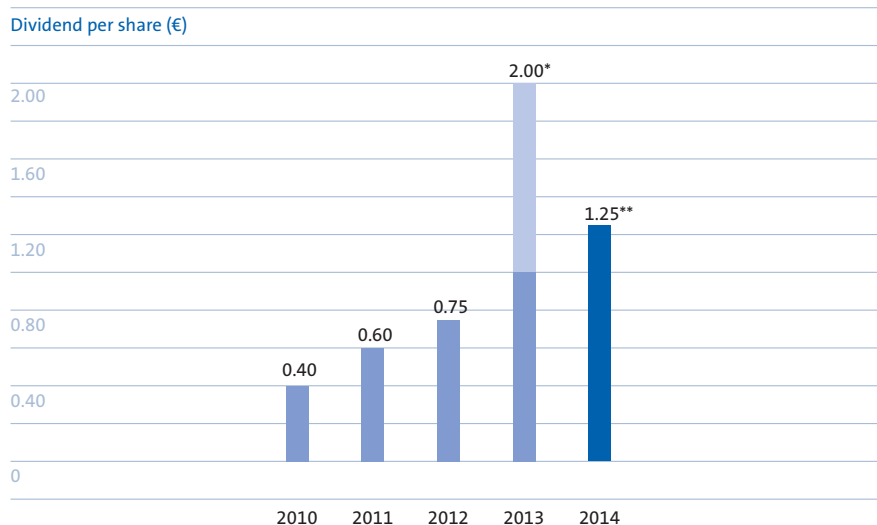
The Kronseder family consortium retains a 51.67% stake and remains a stable majority shareholder of KRONES AG. That allows the company to think and plan sustainably and for the long term rather than in quarters. The free float (those shares not held by the family) comes to 48.33%.

#### Shareholder structure as of 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.



\* 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.

## Q1

New orders: €738.8 million

Revenue: €703.0 million

Earnings before taxes: €43.1 million

Share price at 31 March 2014: €69.32



In January, EVOGUARD GmbH, KRONES' spin-off for valve technology activities, began operations. With this independent company and its favourable cost structures, KRONES aims to further advance its components business. EVOGUARD valves are tailored to the needs of the food, beverage, and dairy industries. They are also suited for pharmaceutical and biotech applications. EVOGUARD GmbH now also offers pumps.

KRONES got the financial year 2014 off to a good start and continued to strengthen earnings as planned. In the first three months of 2014, revenue rose 2.9% year-on-year, to €703.0 million and earnings before taxes improved by 10.8% to €43.1 million. Despite the difficult macroeconomic environment, KRONES confirmed its revenue and earnings targets for 2014 as a whole.

KRONES' share price far outperformed the market as a whole in the first quarter of 2014, gaining 11.0% in the period from January to March. Our preliminary revenue and earnings figures for the 2013 financial year, which met analysts' expectations, contributed to this development.

## Q2

New orders: €723.1 million

Revenue: €732.5 million

Earnings before taxes: €46.3 million

Share price at 30 June 2014: €72.39



Growth at KRONES picked up in the second quarter. In the period from April to June 2014, revenue improved 5.5% year-on-year. Accomplishments made under the Value strategy programme pushed earnings before taxes up 13.5%. Overall, in the first half of 2014, the company laid solid groundwork for achieving its targets for the year as a whole.

The annual shareholders' meeting was held on 25 June in Neutraubling. By a large majority, the shareholders approved the dividend payout of €2.00 per share proposed by the Executive Board and the Supervisory Board for 2013 (previous year: €0.75). The considerably higher dividend reflects improved earnings as well as the company's new dividend policy to pay out 25% to 30% of consolidated profit to shareholders instead of the previous 20% to 25%. KRONES also shared the proceeds from the sale of its treasury shares with shareholders by paying out an additional €1.00 per share.

The KRONES share continued to demonstrate its relative strength over the major German indices in the second quarter. The share was trading at €72.39 at the end of June, thus closing the first half of 2014 with a gain of 16.0%.



## Q3

New orders: €735.9 million



Revenue: €728.9 million



Earnings before taxes: €47.3 million



Share price at 30 September 2014: €68.86



Business developed well in the third quarter. Our strong international diversification enabled us to offset temporary fluctuations in demand in individual regions. At €728.9 million, revenue was up 11.2% on the year-earlier period. Earnings before taxes increased by 26.5% to €47.3 million.

In an effort to strengthen **KOSME**'s competitiveness, **KRONES** implemented a raft of measures at the subsidiary's Italian site and streamlined its product range. The company's smallest segment will now produce only filling and labelling machinery. It will no longer manufacture packing and palletising systems. **KOSME** will continue to offer complete lines, buying in machinery from third-party vendors as needed.

Geopolitical tensions weighed on the stock markets in the third quarter. Our share, too, gave up a portion of the strong gains achieved in the first half. Like the **MDAX**, it lost 4.9% in the third quarter. At the end of September, **KRONES**' share price was up 10.3% from the start of the year.

## Q4

New orders: €842.2 million



Revenue: €789.0 million



Earnings before taxes: €55.1 million



Share price at 31 December 2014: €80.76



**KRONES** improved its rating in the globally recognised, annual sustainability ratings conducted by **oekom** research from C+ Prime to B-Prime. That puts **KRONES** among the three best companies in the "Machinery" category and earns it a listing as "Industry Leader" with **oekom** research.

The **Brau Bevi**ale took place from 11 – 13 November in Nuremberg, Germany. We unveiled the new **Krones.shop** at this capital goods fair for the beverage industry. The information platform, which includes an online shop for spare parts and services, strengthens **KRONES**' services business. The shop gives customers faster, more convenient access to spare parts.

The fourth quarter was the best of 2014. With revenue of €789.0 million, **KRONES** generated €55.1 million in earnings before taxes. New orders were up 19.5% year-on-year to €842.2 million in the fourth quarter.

The **KRONES** share hit its highest-ever closing price, €81.99, on 4 December. The share closed 2014 at €80.76. In all, the share gained 29.4% in 2014 and was among the top performers within the **MDAX**.



## Consolidated management report

### Fundamental information about the group

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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.

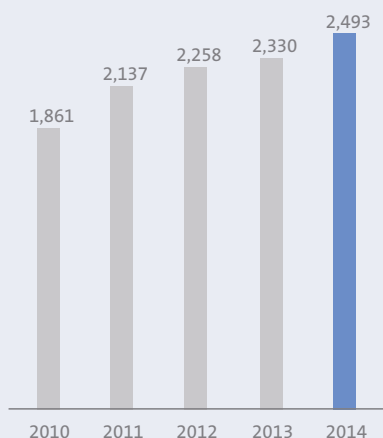
KRONES reports on its three segments: "machines and lines for product filling and decoration", "machines and lines for beverage production/process technology", and "machines and lines for the low output range (KOSME)".

**Machines and lines for product filling and decoration**

This segment is by far KRONES' largest and most profitable segment. It offers machines and lines for filling, labelling, packaging, and conveying products. Machines for producing PET containers and converting used plastic bottles into food-grade recycled material (PET recycling systems) are also part of this segment.

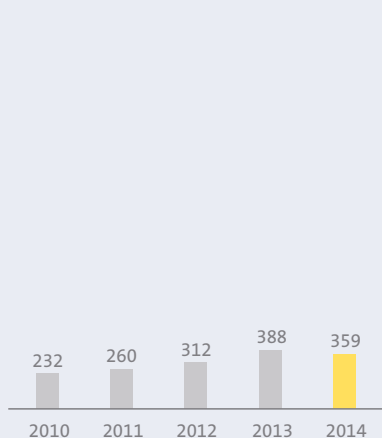
	2014	2013
EBT (€ million)	193.2	174.5
EBT margin (%)	7.7	7.5
Employees*	11,148	10,841

\*Consolidated group

**Revenue (€ million)****Machines and lines for beverage production/process technology**

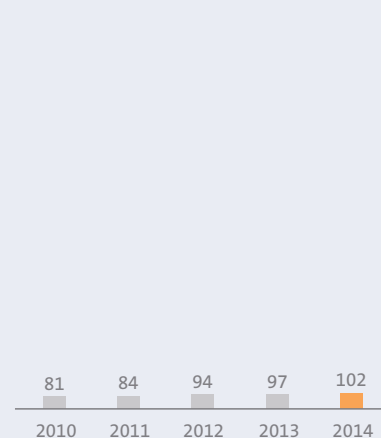
This segment includes brewhouse and cellar systems (i.e. products for breweries). Equipment used for treating sensitive beverages such as milk and for producing dairy drinks and fruit juices also falls within this KRONES segment. Our components business, that is, EVOGUARD brand valves and pumps, is also part of the "beverage production/process technology" segment.

	2014	2013
EBT (€ million)	3.3	-2.5
EBT margin (%)	0.9	-0.6
Employees*	822	620

**Revenue (€ million)****Machines and lines for the low output range (KOSME)**

KOSME offers a product range of filling and labelling technology similar to that of our "machines and lines for product filling and decoration" segment, but for the lower output range. In 2014, the segment's portfolio was streamlined and packing and palletising operations discontinued. With KOSME, we are able to serve smaller and mid-sized companies that do not need high-speed machines but are nevertheless committed to quality.

	2014	2013
EBT (€ million)	-4.7	-2.3
EBT margin (%)	-4.6	-2.3
Employees*	400	503

**Revenue (€ million)**

**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).

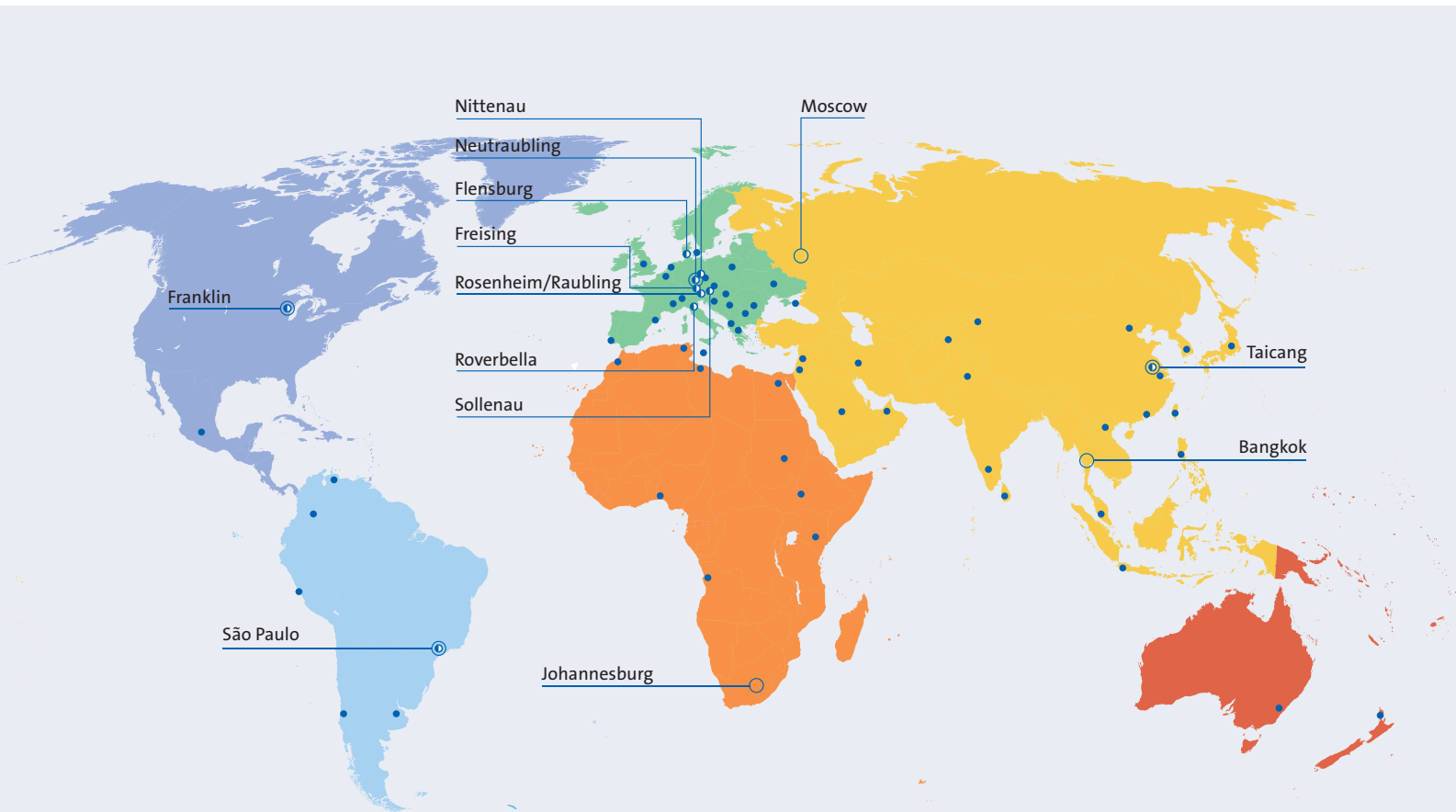
KRONES is heavily export-oriented, generating around 90% of consolidated revenue outside Germany. The regional breakdown of revenue is well balanced overall. KRONES generates

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.

**KRONES Group sites**



- Office/representative office
- Production facility
- LCS Centre

KRONES is headquartered in Neutraubling, Germany, and produces the lion's share of its machines and lines in Germany. The subsidiary KOSME produces in Austria and Italy. KRONES manufactures spare parts at its Lifecycle Service (LCS) Centres in Franklin (USA), Taicang (China), and São Paulo (Brazil). In addition to the 7 strategically located LCS Centres, the company also has a global network of service and sales offices.

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.

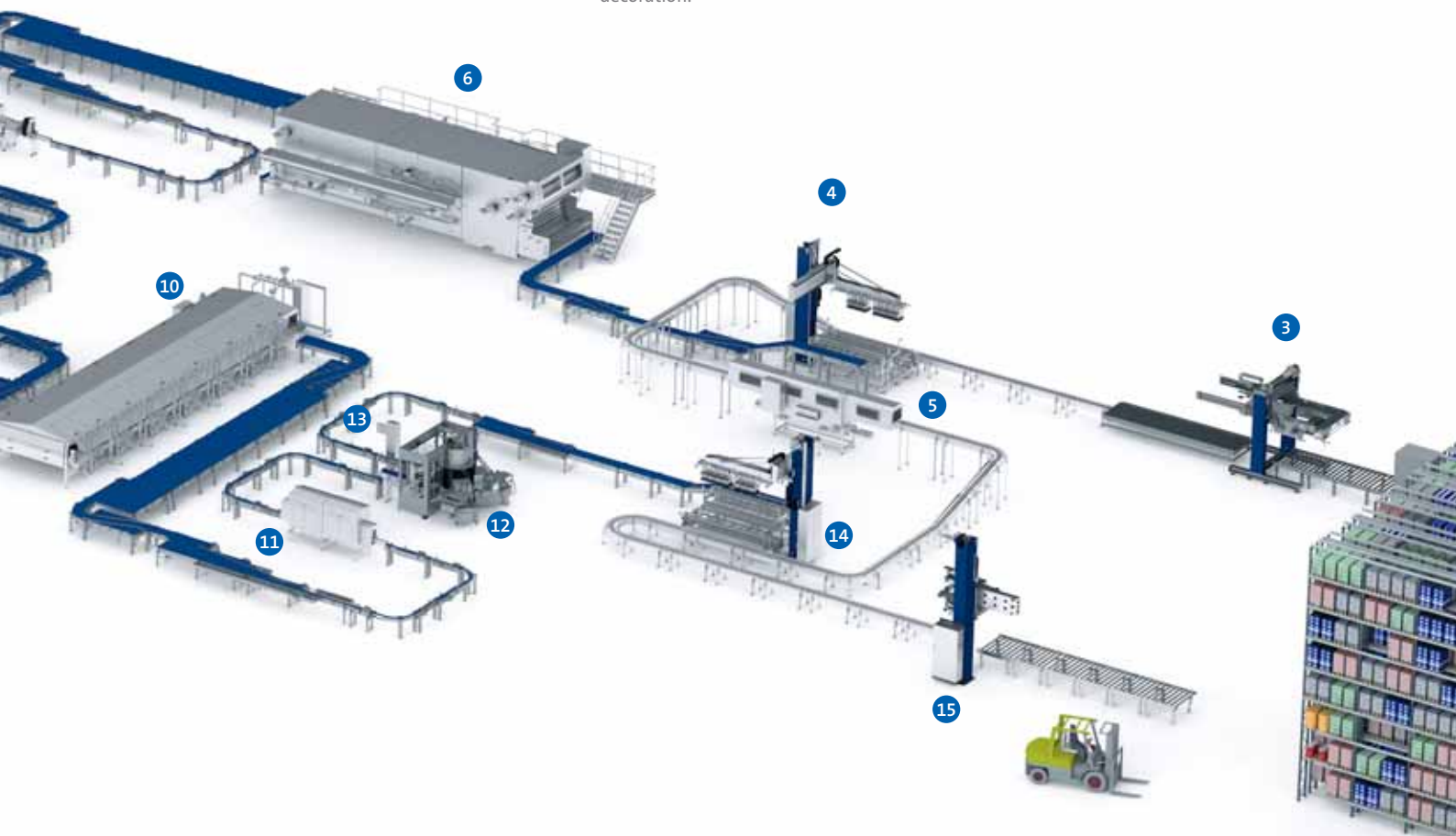
A Checkmat series monitoring unit **13** verifies whether the label has been applied correctly.

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.

### KOSME

Our KOSME segment also offers complete lines for filling and packaging beverages, but for smaller-scale applications.

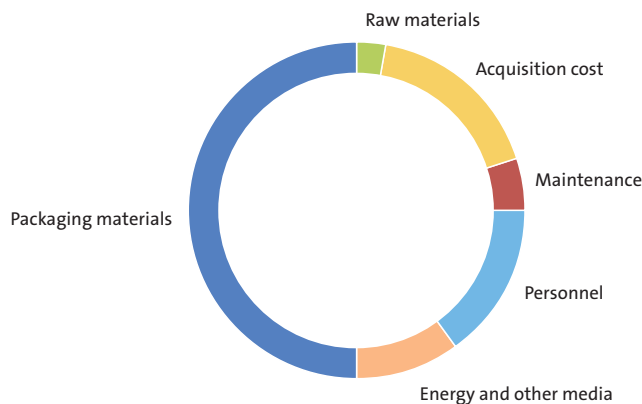


- Customers' decision-making criteria are changing
- Overhauls a primary means to lower operating costs
- Upgrades keep existing machinery up to date
- Industry 4.0 – an opportunity for our customers

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. In all three of our segments, 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



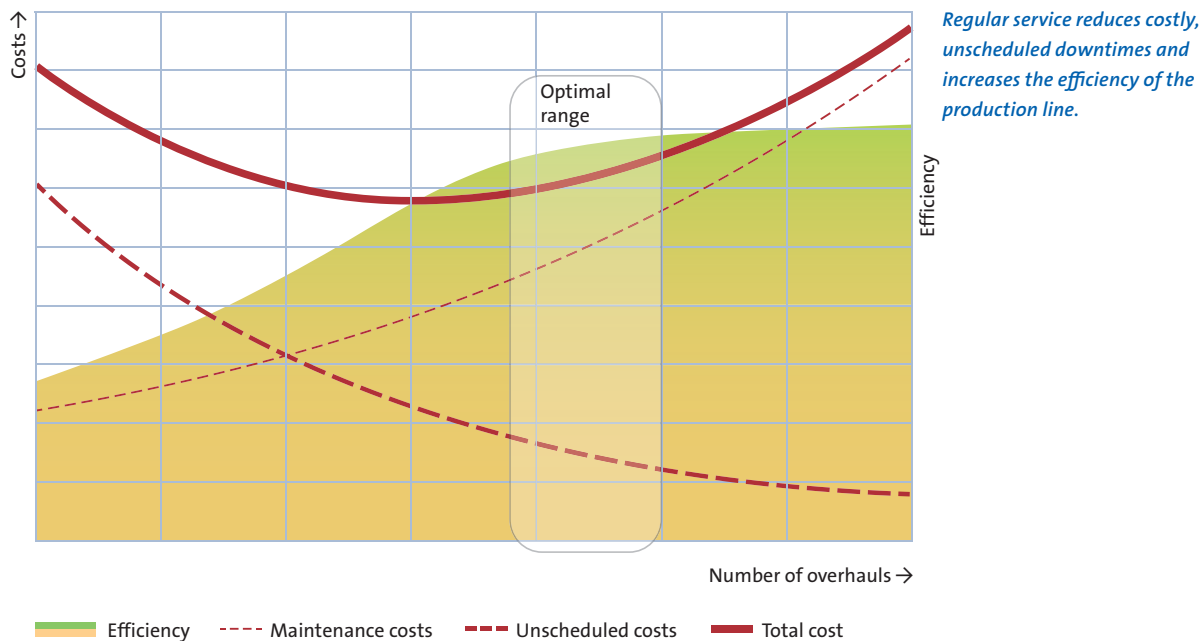
*Maintenance accounts for only a small part of TCO, the total cost of owning and operating a filling line.*

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 Contiroff 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 Contiroff's efficiency.



*KRONES' upgrade for the Contiroff 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. At 7.0%, growth in our core segment, machines and lines for product filling and decoration, outpaced the market as a whole (+4%). In process technology, beer was down slightly while demand for juice and soft drink production lines was somewhat stronger.

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, our 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, 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)



*"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*

is now within reach thanks to our strong overall performance in 2014. At 4.9%, revenue growth was slightly below our target range of 5% to 7% on average. We improved our EBT margin from 6.0% to 6.5%. At 16.4%, ROCE was within our forecast for 2014.

### 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 our core segment, machines and lines for product filling and decoration, we will further expand our regional LCS business. We made good progress here in 2014, particularly in Africa. But we intend to further “localise” more than just our LCS business. In the future, we will offer a palletiser in China with a high level of locally produced content. 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 segment 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 our second-largest segment to increase revenue and earnings again in 2015.

A major milestone in our process technology segment 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 KOSME, our segment for the low output range, 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 and further improved profitability. KRONES' 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 segment. 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.

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

Of course, any strategy is only as good as the people implementing it. Our 12,600 or so employees 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.

Christoph Klenk  
Chief Financial Officer

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## KRONES' management system

KRONES' management primarily uses the following financial performance indicators to steer the group and its three segments:

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

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 the group pays out taxes and dividends and makes investments and capital expenditures.

Profitability, measured as the **EBT margin**, is among our key targets and parameters. For the group, we calculate the target margin as the weighted average of the three segments.

**ROCE (return on capital employed)** is another important performance indicator. It is calculated as EBIT (earnings before interest and taxes) in relation to average capital employed.

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In addition to these performance indicators, we also use the development of **working capital** (inventories and trade receivables less trade payables) and free cash flow (cash flow from operating activities less cash flow from investing activities) as a guide.

Our goal for 2015 is to precisely categorise the important parameters of customer satisfaction and quality in order to establish them as non-financial indicators within the group.





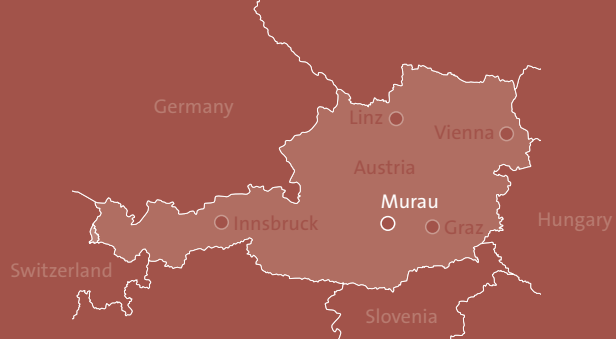
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# Murauer

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 biomass-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. Several other brass fittings and screws are visible on the copper surface. The lighting is warm, highlighting the metallic textures.

## 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, Murau's brewing process has been powered 100% by thermal energy coming from the biomass cogeneration plant operated by the municipal utility, Murauer Stadtwerke GmbH. 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 Woitschek 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 brewhouse. 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



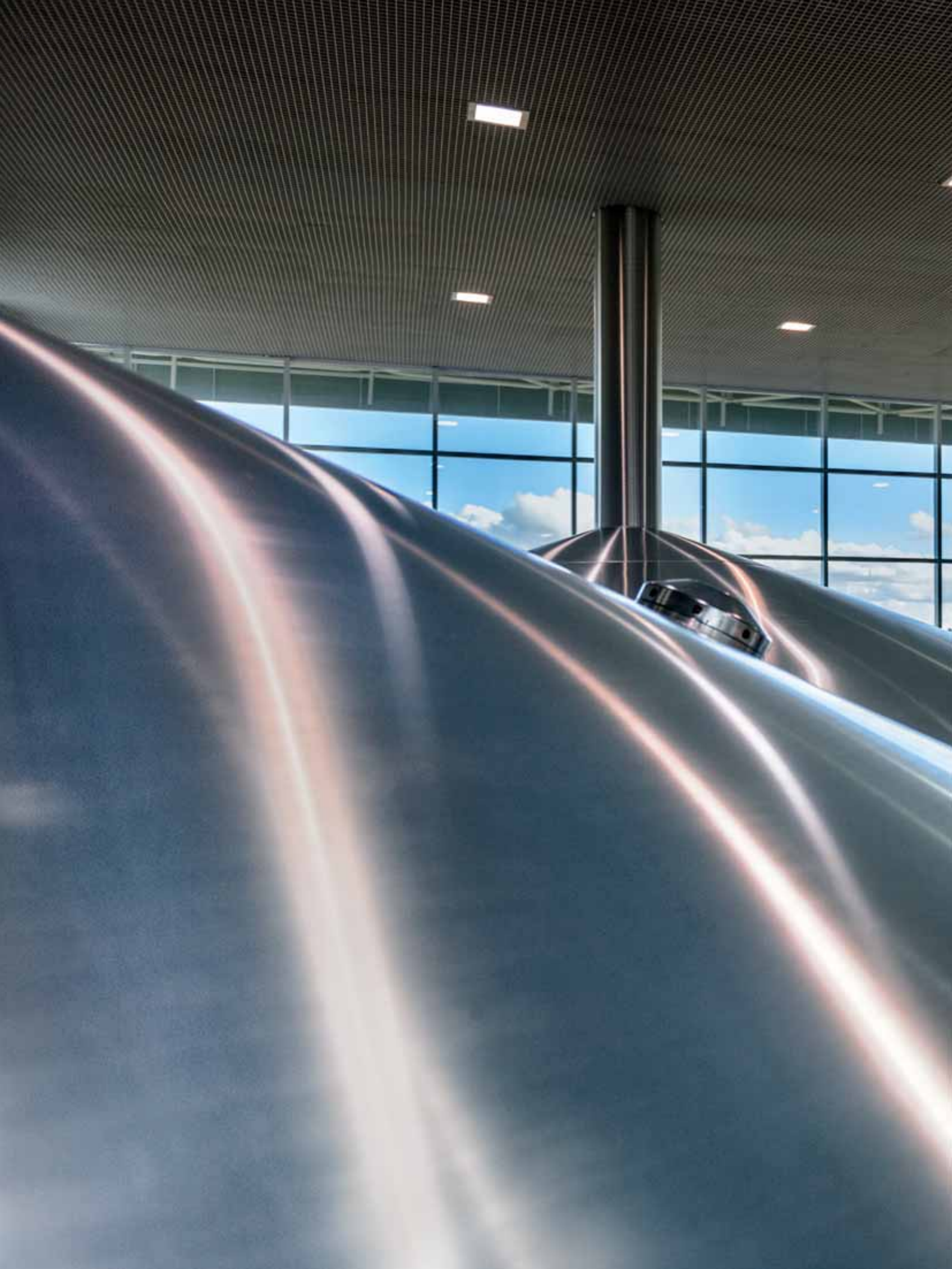
100% less  
fossil fuel



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.

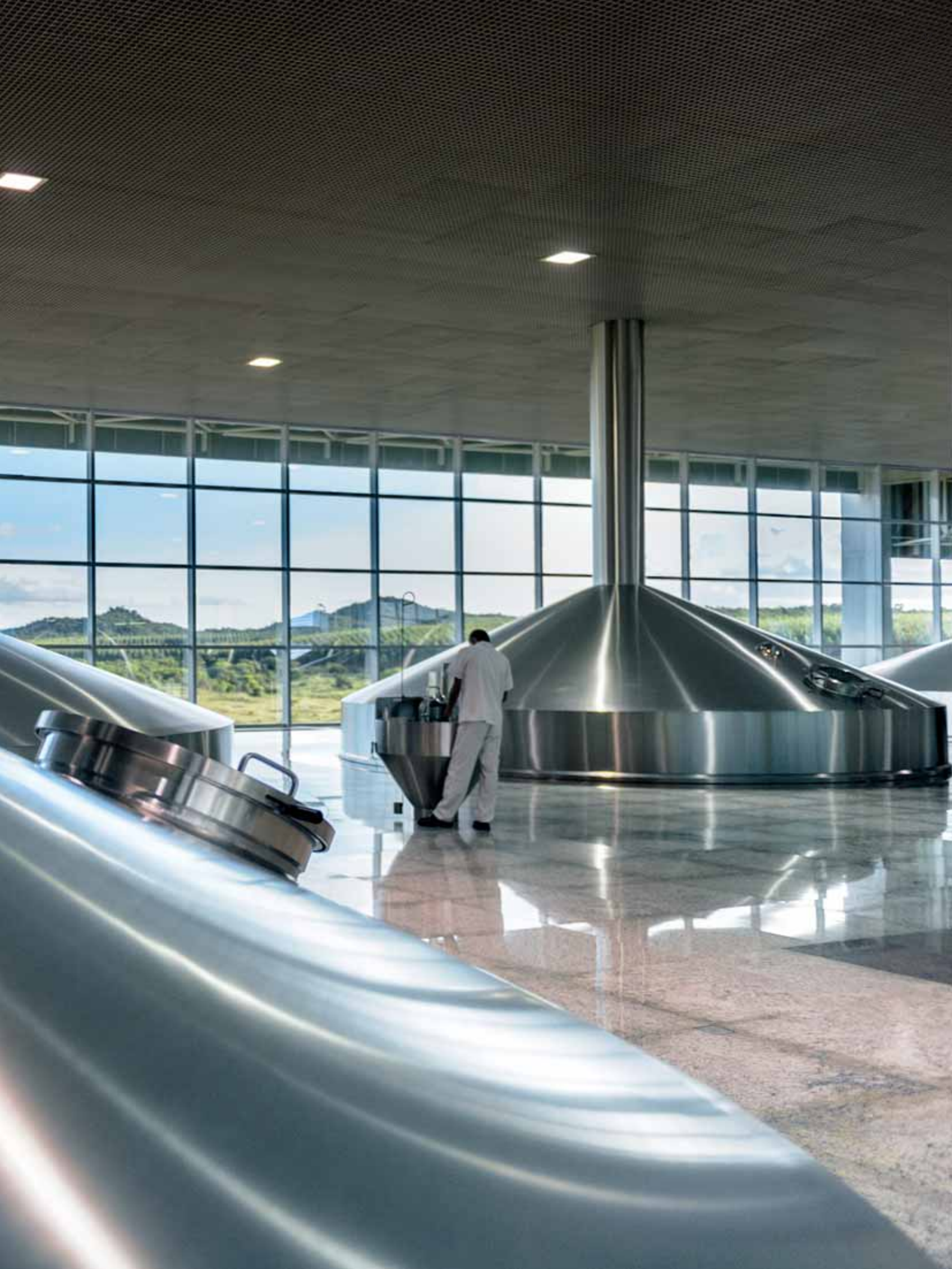




## Steady growth

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.







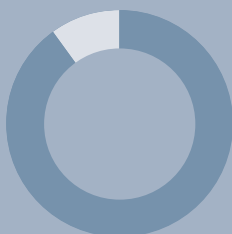
12 million  
hectolitres per year



62,000 bottles  
per hour

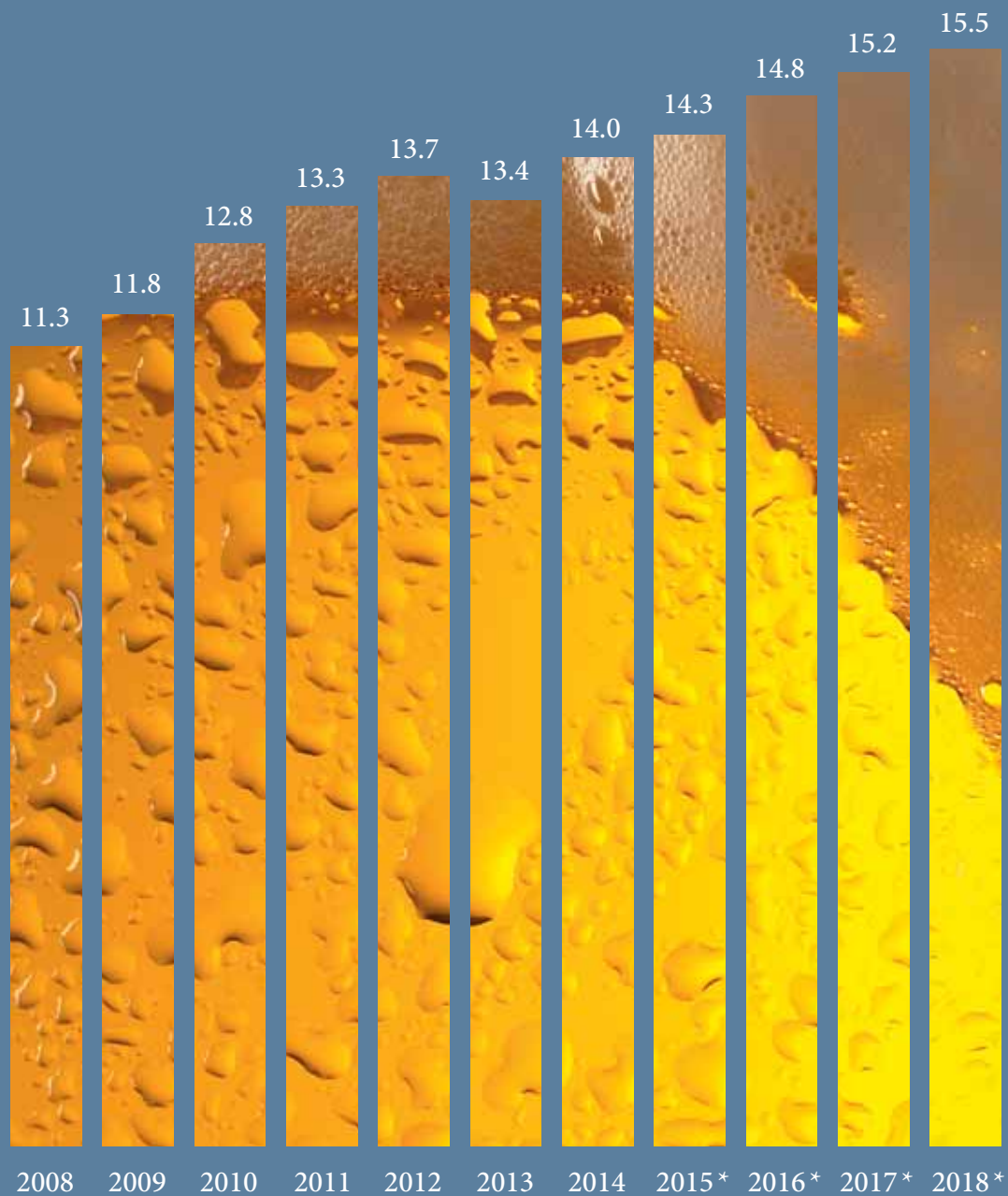


128,000 cans  
per hour



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 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.



### Hydronomic

For KRONES, beverage production starts at the water source. KRONES offers a broad range of water treatment options, with the various designs of our Hydronomic 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 Hydronomic'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.



## Report on economic position

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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.

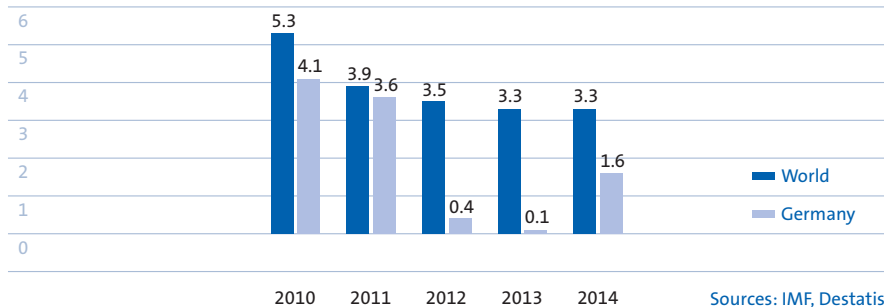
At 4.4%, growth in the emerging markets was slower than in the previous year (4.7%), drawn down by the battered economies of Russia and Brazil and weaker growth in China. At 7.4%, China's GDP did not grow as much in 2014 as it had in the previous year (7.8%).

### 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

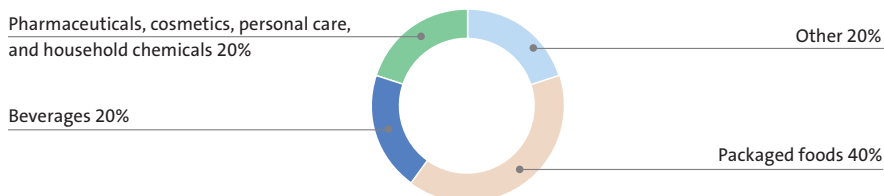
The German Engineering Federation (VDMA) started 2014 with high hopes. According to the VDMA's forecast, the industry was supposed to gather momentum and increase output by 3% over the weak previous year. But new orders were not as strong as expected in the first half of 2014. The implosion of the Russian 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

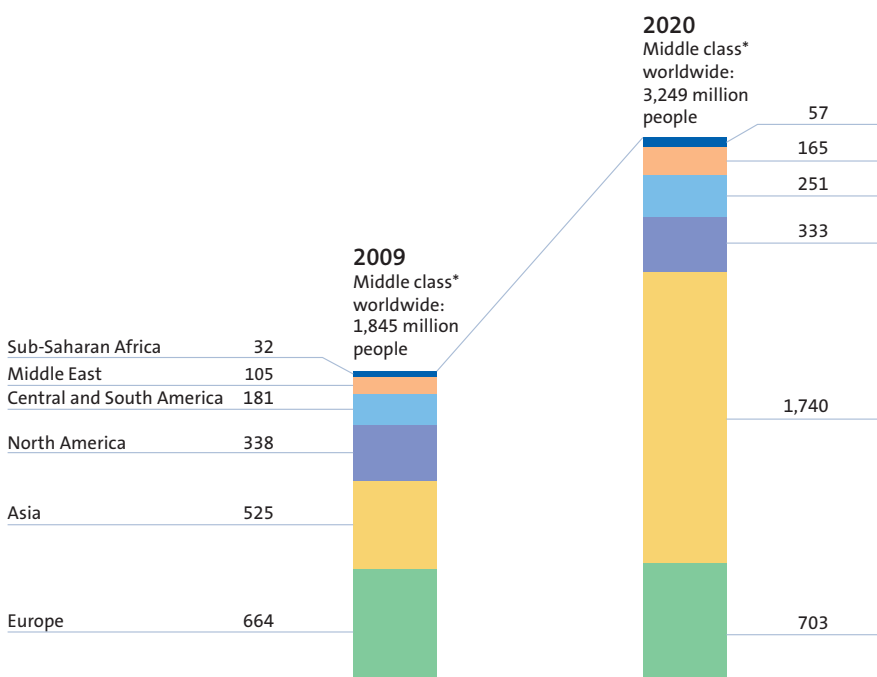
## Megatrends drive market growth

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.



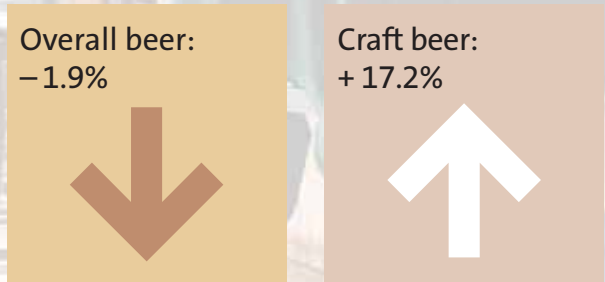


**“Craft beer” was born in the USA**

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.

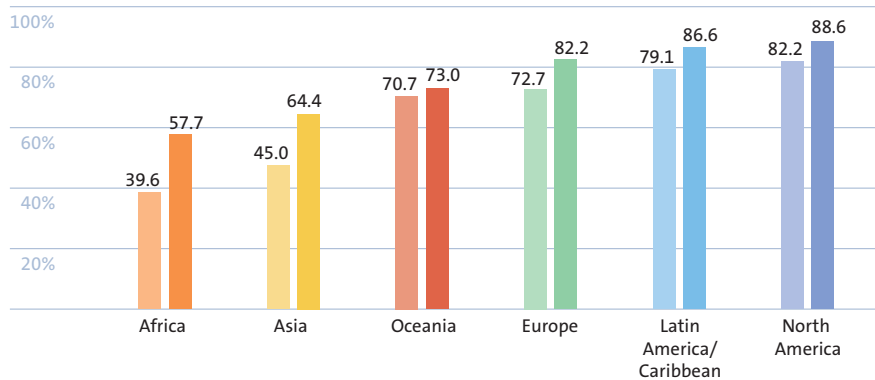
**Beer sales in the USA in 2013**



Source: [www.brewersassociation.org/category/insights/](http://www.brewersassociation.org/category/insights/)



Urban population 2011 and 2050 (% of total)

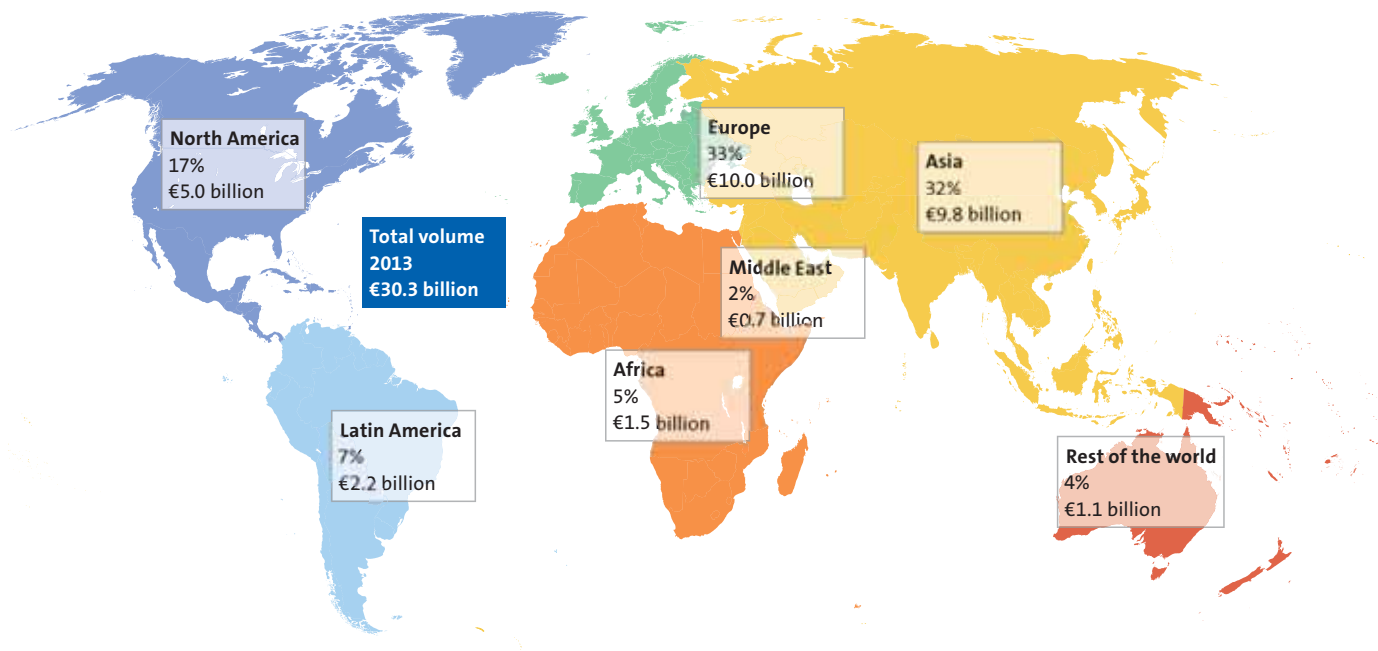


Source: The United Nations

### 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

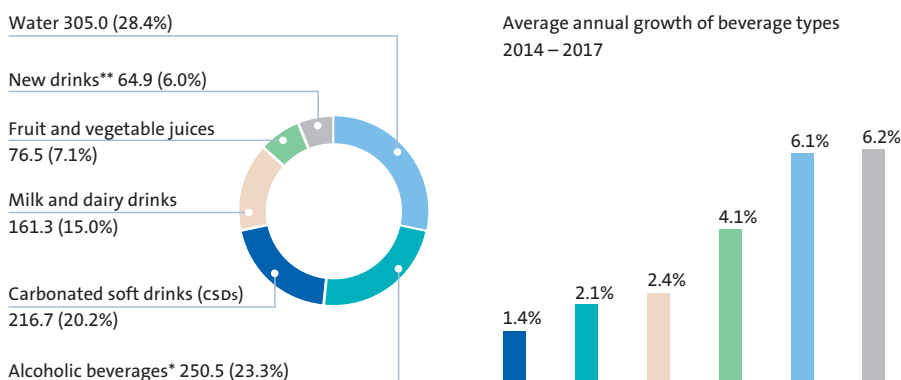


Source: vdMA estimate, September 2014

## 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.

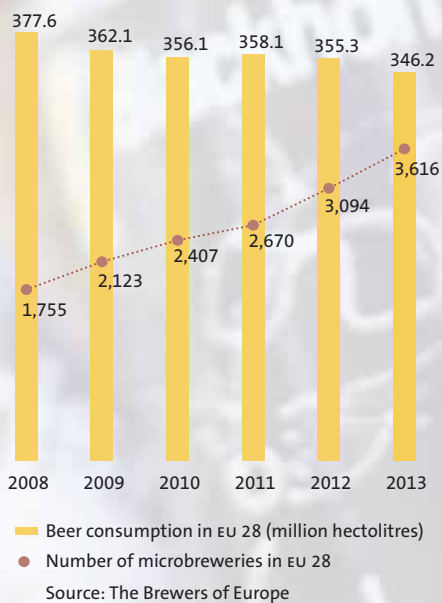
That has resulted in an increase in the volume of the water market.

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 (%) 2014–2017
	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
<b>Worldwide</b>	<b>1,074.9</b>	<b>100.0</b>	<b>1,194.2</b>	<b>100.0</b>	<b>3.6</b>

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

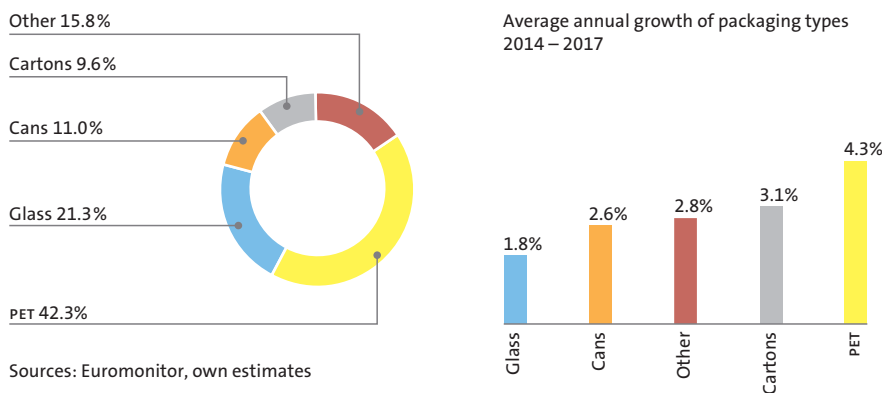
Sources: Euromonitor, own estimates

## 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.*

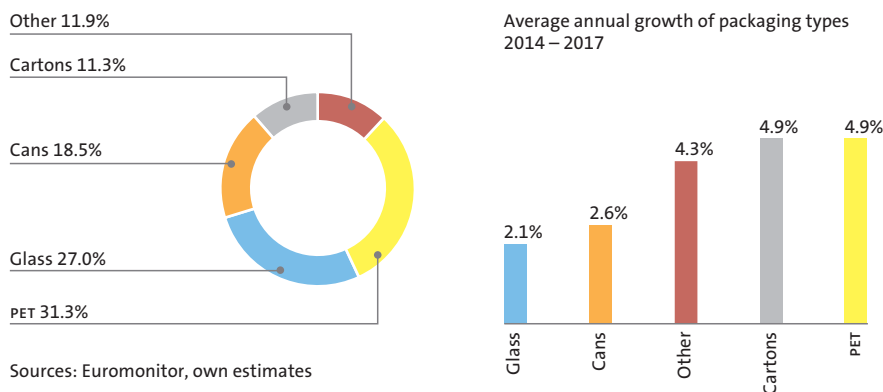
Preliminary data from Euromonitor show that 42.3% of packaged beverages worldwide went into PET containers in 2014. With that, the trend toward this lightweight, unbreakable, and versatile beverage packaging material continues. That is unlikely to change in the years ahead since the PET segment is growing 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)



*The number of beverage containers made of PET is rising fast.*

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 continues profitable growth trend
- Very sound capital and financial structure
- Shareholders to receive dividend of €1.25 per share

KRONES met or exceeded all predictions for key financial performance indicators in 2014.

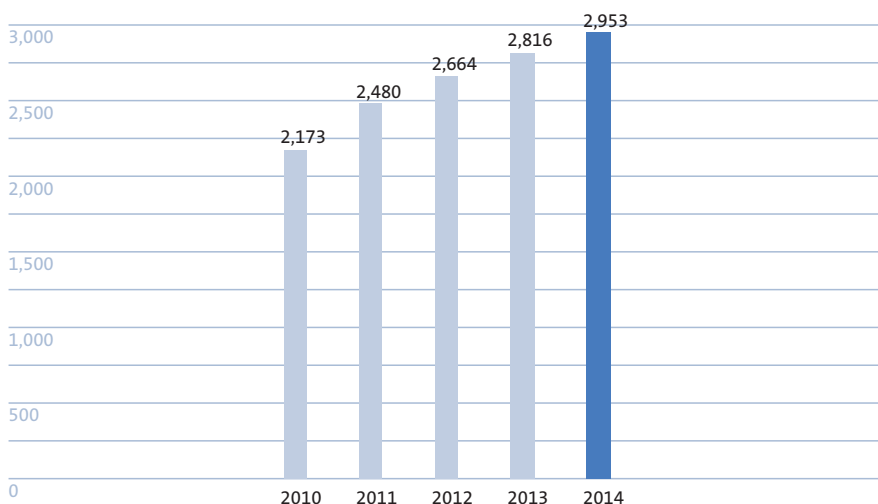
	Forecast for 2014	Actual value 2014
Revenue growth	+4%	+4.9%
EBT margin	around 6.2%	6.5%
ROCE (liabilities side)	> 16.0%	16.4%

### KRONES revenue up 4.9% in 2014

The markets in which KRONES operates grew overall in 2014. Despite the challenging macroeconomic environment, capital expenditure among customers in the beverage and food industries was satisfactory. As a provider of innovative products and services, we were able to benefit from this spending and increase revenue 4.9% year-on-year from €2,815.7 million to €2,953.4 million. Thus, KRONES exceeded its growth target of 4% for 2014.

The company's complete range of products and services and international diversification had a positive impact. They allowed us to offset temporary shifts in demand for individual products or in individual regions. Both new machinery and services business contributed to our growth in 2014. Revenue in the emerging markets improved more steeply than overall revenue at KRONES last year.

KRONES Group revenue (€ million)

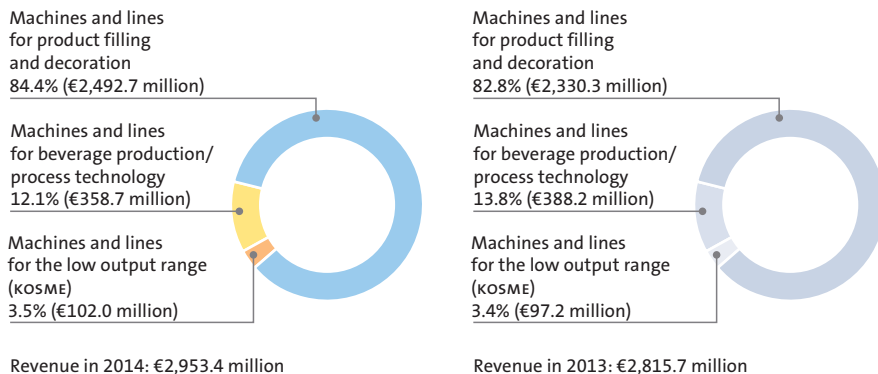


*KRONES continued to grow in 2014.*



## Revenue by segment

### Share of consolidated revenue



*Our core segment contributed 84.4% of consolidated revenue in the reporting period.*

Revenue in our core segment, “machines and lines for product filling and decoration”, rose 7.0% year-on-year to €2,492.7 million in 2014 (previous year: €2,330.3 million). With that, the segment’s share of consolidated revenue was 84.4% (previous year: 82.8%).

KRONES’ “machines and lines for beverage production/process technology” segment generated €358.7 million in revenue in the reporting period, 7.6% less than in 2013 (€388.2 million). The segment’s share of consolidated revenue decreased to 12.1% (previous year: 13.8%).

Revenue in the “machines and lines for the low output range (KOSME)” segment improved 4.9% from €97.2 million in the previous year to €102.0 million. KRONES’ smallest segment contributed 3.5% of consolidated revenue (previous year: 3.4%).

*Further information can be found in the section “Reports from the segments” beginning on page 96 and under “Segment reporting” in the notes to the consolidated financial statements on pages 146 and 147.*

## KRONES' revenue well balanced internationally

KRONES' business in Germany had increased substantially in 2013. As expected, we were unable to match the previous year's high domestic revenue in 2014. Revenue in our home market was down 3.5% year-on-year to €282.1 million. The share of consolidated revenue generated in Germany decreased from 10.4% in the previous year to 9.6%.

*KRONES generated around 60.4% of consolidated revenue in the emerging markets in 2014.*

KRONES was able to expand its business in Europe despite the challenging macro-economic situation there in 2014. Overall, revenue in Europe (excluding Germany) improved 10.4% year-on-year to €810.3 million. The highest rate of growth (+80.2%) was in Central Europe (Austria, Switzerland, and the Netherlands). Business in Eastern Europe recovered from the weak previous year. Revenue there was up 18.0%. Despite strong growth in the previous year, revenue in the large market of Western Europe was down only 1.9% in 2014. KRONES' business in the Russia/CIS sales region was hardly affected by the problems there in 2014 (revenue: -1.3%). Overall, the Europe (excluding Germany) sales region accounted for 27.4% of consolidated revenue in 2014 (previous year: 26.1%).

## KRONES Group revenue by region

Share of consolidated revenue	31 Dec 2014		31 Dec 2013		Change
	€ million	%	€ million	%	
Germany	282.1	9.6	292.4	10.4	-3.5
Central Europe (excluding Germany)	163.3	5.5	90.6	3.2	+80.2
Western Europe	450.8	15.2	459.3	16.4	-1.9
Eastern Europe	87.7	3.0	74.3	2.6	+18.0
Russia, Central Asia (CIS)	108.5	3.7	109.9	3.9	-1.3
Middle East/Africa	422.8	14.3	454.1	16.1	-6.9
Asia-Pacific	532.7	18.0	378.6	13.4	+40.7
China	258.6	8.8	246.8	8.8	+4.8
North and Central America	274.0	9.3	331.1	11.8	-17.2
South America/Mexico	372.9	12.6	378.6	13.4	-1.5
<b>Total</b>	<b>2,953.4</b>	<b>100.0</b>	<b>2,815.7</b>	<b>100.0</b>	<b>+4.9</b>

Business in the Middle East/Africa sales region picked up sharply in the fourth quarter. Nevertheless, KRONES did not quite make up for the deep revenue deficit of the first nine months of 2014 (-22.6%). In the end, revenue in the region came to €422.8 million in 2014, which is down 6.9% from the high year-earlier figure.

After a considerable decline in revenue in the previous year, business in China stabilised in 2014. Revenue improved 4.8% over 2013 to €258.6 million. KRONES achieved strong growth in the rest of the Asia-Pacific region. A portion of the 40.7% increase in revenue to €532.7 million can be attributed to strong demand in Japan.

KRONES' revenue in the Americas worsened. While the revenue decline in South America/Mexico was a mild -1.5% to €372.9 million, revenue in North and Central America collapsed 17.2% to €274.0 million. One reason for this sharp contraction 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 all, KRONES generated 60.4% of consolidated revenue in the emerging markets in 2014 (previous year: 58.2%). The mature markets (Germany, Western and Central Europe, and North and Central America) contributed 39.6% to consolidated revenue (previous year: 41.8%).

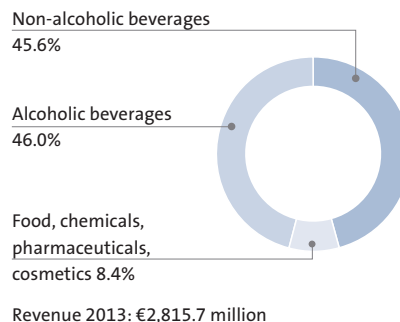
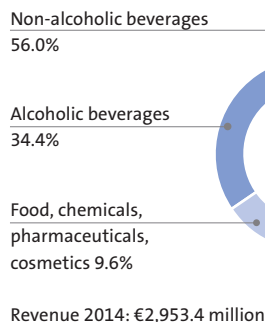
### Brewery revenue back down to typical level

Revenue generated from business with companies that produce and process non-alcoholic beverages like water, soft drinks, and juices increased steeply in 2014. Revenue from this customer group was up 28.7% from €1,284.4 million in the previous year to €1,653.2 million. Their share of consolidated revenue rose to 56.0% (previous year: 45.6%).

Revenue from producers of alcoholic beverages declined 21.5% year-on-year to €1,017.2 million in 2014. 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 generated 34.4% of consolidated revenue with producers of alcoholic beverages in the reporting period (previous year: 46.0%).

Customers in the non-beverage sectors (food, chemicals, pharmaceuticals, cosmetics) accounted for €283.0 million in revenue in 2014, 19.8% more than in the previous year. Thus, our strategy of stepping up our marketing of machines and lines to customers outside the beverage industry is bearing fruit. The non-beverage sectors accounted for 9.6% of consolidated revenue in 2014 (previous year: 8.4%).

#### KRONES Group revenue by industry



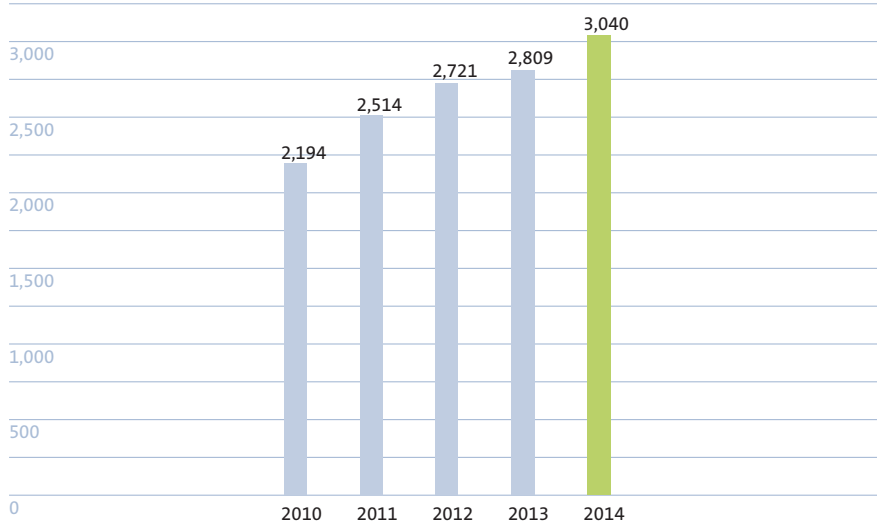
### At 8.2%, new orders growth exceeds revenue growth

Demand for KRONES products and services rose further in 2014. Very strong ordering activity in the fourth quarter pushed our new orders figure for the year as a whole up steeply. At €3,040.0 million, 2014 orders were up 8.2% on the previous year's €2,808.8 million. We had expected new orders growth to be on par with revenue growth.

Demand was up year-on-year in our core segment, "machines and lines for product filling and decoration". As expected, new orders were down in the "process technology" segment. The biggest increase in orders for the KRONES Group as a whole came from the Asia-Pacific region and Central Europe.

*New orders at KRONES passed the €3 billion mark for the first time in 2014.*

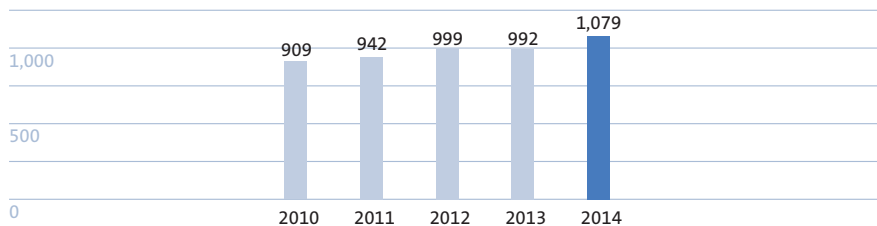
KRONES Group new orders (€ million)



### Orders backlog has grown further

At the end of December 2014, KRONES had orders on hand totalling €1,079.1 million. That is 8.7% more than the previous year (€992.4 million). The comfortable orders backlog increases planning security and serves as a solid basis for further revenue growth.

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

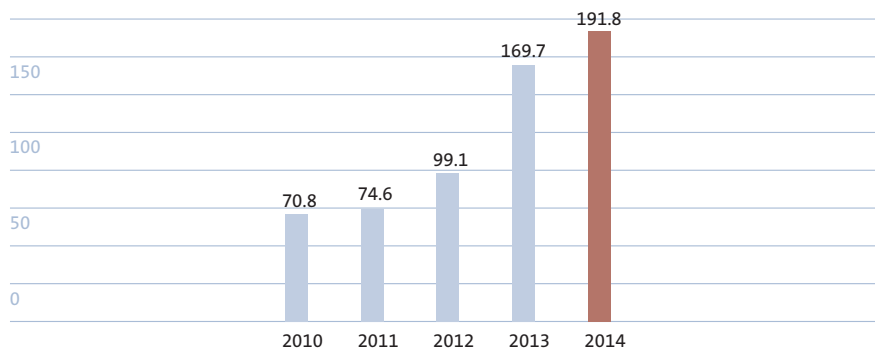




**KRONES increases profitability**

KRONES began the financial year 2014 with the goal of further increasing profitability. We achieved this aim, on highly competitive markets that offered no support from prices. Earnings before taxes (EBT) rose 13.1% year-on-year, from €169.7 million to €191.8 million. This year’s EBT contains two opposing one-off effects: On the one hand, earnings were burdened in the mid-single digit millions of euros by the restructuring of KOSME Italy. On the other, the reversal of the provision for the now-concluded legal disputes in the USA created a positive effect on earnings in roughly the same amount.

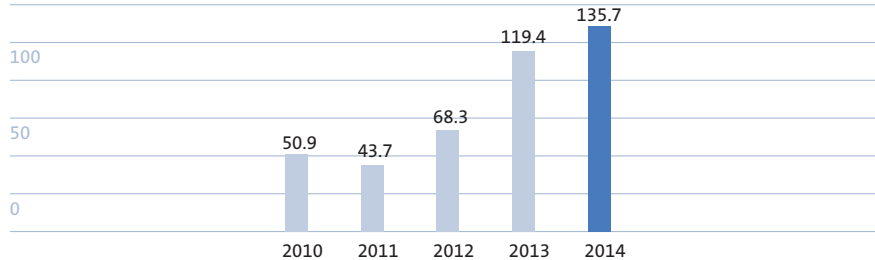
KRONES Group EBT (€ million)



*Earnings before taxes increased by 13.1% to €191.8 million in 2014.*

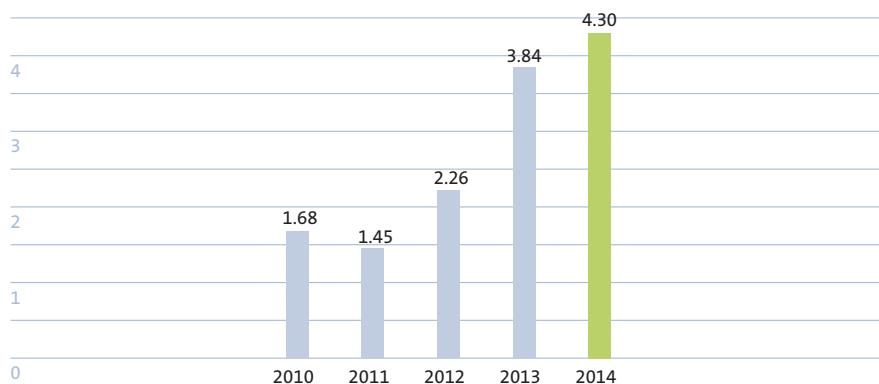
KRONES improved its EBT margin – the ratio of earnings before taxes to revenue – from 6.0% in the previous year to 6.5% in 2014. With that, we exceeded our forecast of “around 6.2%” and moved closer to our medium-term margin target of 7.0%. Key here were the measures taken under the Value strategy programme, with which we improved corporate efficiency.

KRONES Group net income (€ million)



Because KRONES’ tax rate decreased slightly to 29.3% in 2014 (previous year: 29.6%), consolidated net income (+13.6% to €135.7 million) increased a bit more steeply than earnings before taxes in the reporting period. Earnings per share were up from €3.84 in the previous year to €4.30.

KRONES Group earnings per share (€)



*Earnings per share improved from €3.84 in the previous year to €4.30 in 2014.*

### KRONES plans dividend of €1.25 per share for 2014

In order to share the company's success with shareholders, KRONES pays out 25% to 30% of consolidated profit in the form of dividends. The Executive Board and the Supervisory Board will propose to the annual shareholders' meeting a dividend of €1.25 per share for the 2014 financial year. The planned payout corresponds to 29% of consolidated net income and lies near the upper end of the target corridor.

In the previous year, shareholders received not only a regular dividend of €1.00, but also an additional special payout of €1.00 per share, with which KRONES enabled its stockholders to benefit from its sale of treasury shares. Thus, KRONES' planned increase in the regular dividend is 25% year-on-year.

### KRONES Group earnings structure

KRONES further grew its business volume year-on-year in 2014. While sales revenue rose 4.9% to €2,953.4 million, total operating performance increased 4.8% to €2,930.0 million. Profitability was also up as planned.

Goods and services purchased increased less sharply than total operating performance in the reporting period. At €1,440.8 million, KRONES spent 4.6% more for goods and services purchased in 2014 than in 2013. Therefore, the ratio of expenses for goods and services purchased to total operating performance declined slightly year-on-year from 49.3% to 49.2% in 2014.

Personnel expenses grew somewhat less than our business volume in the reporting period despite the increase in pay rates as a result of collective bargaining. Personnel expenses rose 5.3% year-on-year to €853.3 million. The ratio of personnel expenses to total operating performance increased from 29.0% in the previous year to 29.1%.

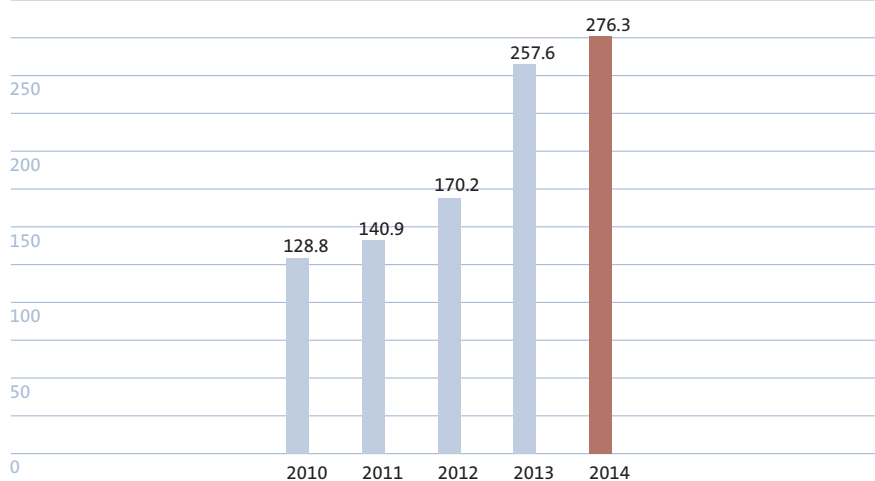
*Both goods and services purchased and personnel expenses rose at almost the same pace as total operating performance.*

€ million	2014	2013	Change
Revenue	2,953.4	2,815.7	+4.9%
Changes in inventories of finished goods and work in progress	-23.4	-18.6	+25.8%
Total operating performance	2,930.0	2,797.1	+4.8%
Goods and services purchased	-1,440.8	-1,377.8	+4.6%
Personnel expenses	-853.3	-810.7	+5.3%
Other operating income (expenses) and own work capitalised	-359.7	-351.1	+2.4%
EBITDA	276.3	257.6	+7.3%
Depreciation and amortisation on fixed assets	-91.2	-84.8	+7.5%
EBIT	185.1	172.8	+7.1%
Financial income/expense	+6.7	-3.1	-
EBT	191.8	169.7	+13.1%
Income tax	-56.2	-50.2	+11.9%
Consolidated net income	135.7	119.4	+13.6%

Depreciation and amortisation of fixed assets increased 7.5%, more steeply than business volume, to €91.2 million in 2014. This trend reflects the high level of capital spending in previous years. The ratio of depreciation and amortisation on fixed assets to revenue rose only slightly to 3.1% (previous year: 3.0%).

The net of other operating income and expenses and own work capitalised widened only slightly (2.4%) from -€351.1 million in the previous year to -€359.7 million in 2014. Besides higher other operating income, the slower increase in other operating expenses had a positive impact.

KRONES Group EBITDA (€ million)

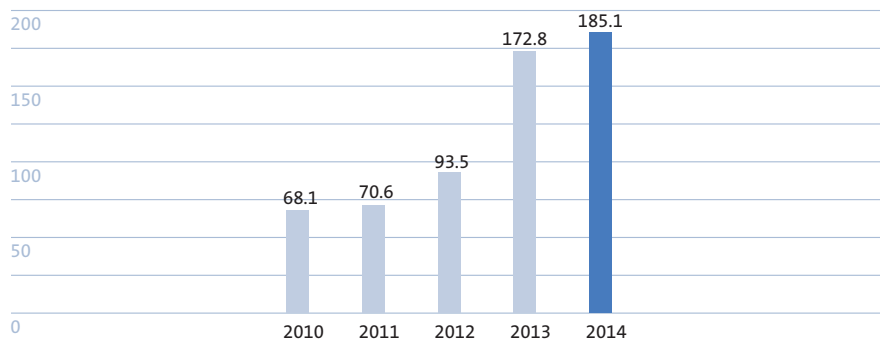


Earnings before interest and taxes (EBIT) rose from €172.8 million in the previous year to €185.1 million. Our financial result improved by €9.8 million to financial income of €6.7 million in 2014. That is due in part to far better interest income (€5.0 million, previous year: €0.2 million) and in part to the fact that we had taken a write-down of around €5 million on our investment in KLUG GmbH in the previous year. Including financial income, earnings before taxes (EBT) come to €191.8 million, which is up 13.1% from the previous year (€169.7 million). The resulting EBT margin (ratio of EBT to revenue) was 6.5% (previous year: 6.0%).

*KRONES improved all figures for operating earnings in 2014.*

The tax rate decreased slightly to 29.3% in the reporting period (previous year: 29.6%). As a result, KRONES' net income for 2014 came to €135.7 million (previous year: €119.4 million).

KRONES Group EBIT (€ million)





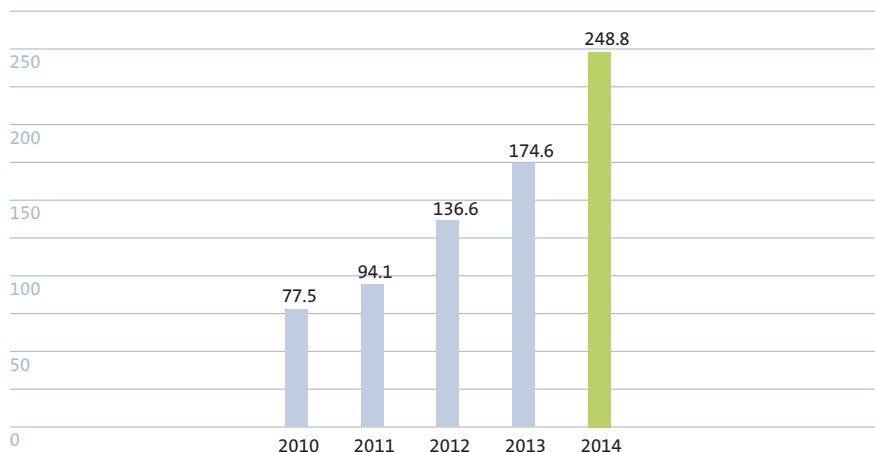
€ million	2014	2013
<b>Earnings before taxes</b>	<b>191.8</b>	169.7
Other non-cash expenses and income	+137.2	+126.4
Changes in working capital	-38.9	-85.4
Other (primarily income taxes)	-41.3	-36.1
<b>Cash flow from operating activities</b>	<b>248.8</b>	174.6
Capital expenditure for intangible assets and property, plant and equipment	-94.6	-108.1
Other	-2.1	+0.5
<b>Free cash flow</b>	<b>152.1</b>	67.0
Cash flow from financing activities	-63.2	+50.0
Change in cash and cash equivalents arising from exchange rates	+7.4	-10.0
Change in cash and cash equivalents arising from changes in the consolidated group	+0.2	0
<b>Net change in cash and cash equivalents</b>	<b>+96.5</b>	+107.0
<b>Cash and cash equivalents at the end of the period</b>	<b>336.4</b>	239.9

For more information, please refer to the complete statement of cash flows on page 144.

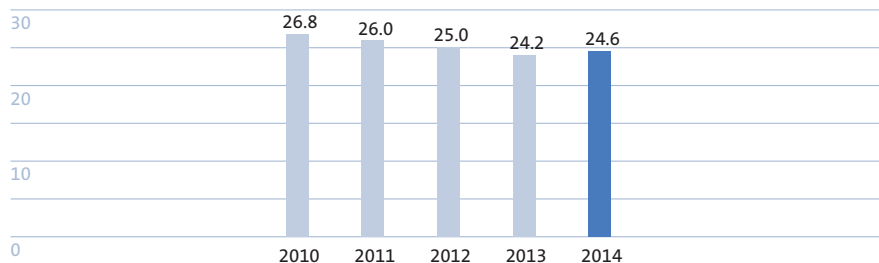
KRONES improved cash flow from operating activities from €174.6 million the previous year to €248.8 million in 2014. The steep increase can be attributed to the €22.2 million increase in earnings as well as a smaller increase in working capital. The latter reduced cash flow from operating activities by only €38.9 million in 2014 (previous year: €85.4 million). The ratio of average working capital for the past four quarters to sales revenue was up slightly, from 24.2% in the previous year to 24.6%. With that, we are close to our 24% target for this figure for 2014. We are also further strengthening the main objectives of our financial management – ensuring KRONES' strong financial footing and independence.

*KRONES increased free cash flow by €85.1 million to €152.1 million in 2014.*

KRONES Group cash flow from operating activities (€ million)



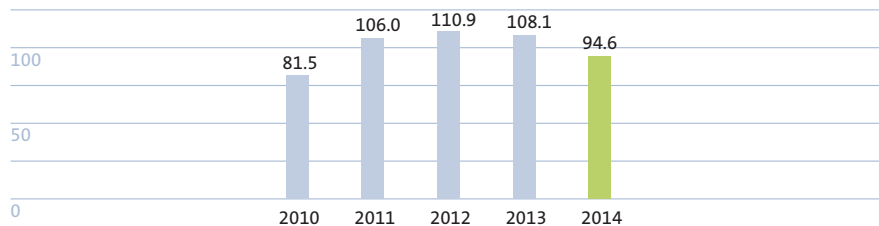
KRONES Group working capital to sales (%), average over 4 quarters



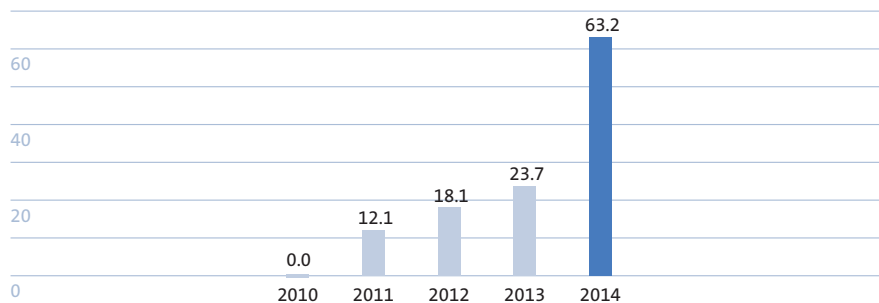
The company invested €94.6 million in property, plant and equipment and intangible assets last year (previous year: €108.1 million). Investment in both intangible assets (€40.2 million) and property, plant and equipment (€54.4 million) was down year-on-year in 2014 as planned. In the reporting period, KRONES stepped up investment in information technology and in streamlining processes. Capital spending on the part of the individual segments is discussed in the report from the segments (pages 96 to 100). Free cash flow (a measure of financial performance that represents the net cash that the company was able to generate from operating activities) improved considerably year-on-year, by €85.1 million to €152.1 million in 2014.

*The ratio of capital expenditure to depreciation and amortisation decreased from 1.3 to 1.0.*

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

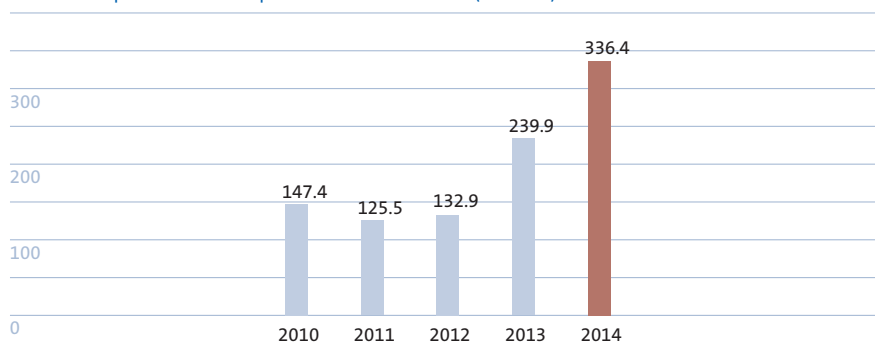


KRONES Group dividend payout (€ million)



Cash flow from financing activities was clearly affected by the exceptionally high dividend payout. The company distributed €63.2 million in dividends to its shareholders in 2014 (previous year: €23.7 million). In the end, cash flow from financing activities came to –€63.2 million after having been positive (+€50.0 million) in the previous year. In 2013, KRONES had received in €73.7 million in proceeds from the sale of treasury shares, the reason for the special dividend in 2014. Changes arising from exchange rates increased cash and cash equivalents by €7.4 million in 2014 due to developments in the exchange rates of local currencies at our subsidiaries (previous year: –€10.0 million). All told, KRONES' cash and cash equivalents increased by €96.5 million to €336.4 million in the reporting period.

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



€ million at 31 December	2014	2013	2012
Non-current assets	672	642	625
of which fixed assets	624	605	587
Current assets	1,756	1,596	1,445
of which cash and equivalents	336	240	133
Equity	989	954	798
Total debt	1,439	1,284	1,272
Non-current liabilities	275	213	193
Current liabilities	1,164	1,071	1,079
<b>Total</b>	<b>2,428</b>	<b>2,238</b>	<b>2,070</b>

For more information, please refer to the complete statement of financial position on pages 142 to 143.

At 31 December 2014, KRONES' total assets were up 8.5% from the end of 2013 to €2,427.5 million on higher business volume.

Non-current assets totalled €672.0 million (previous year: €641.8 million). Fixed assets were up 3.2% to €624.2 million (previous year: €605.1 million). Property, plant and equipment made up the largest share of fixed assets, totalling €479.2 million at 31 December 2014 (up 0.9% from the previous year). KRONES' intangible assets, which consist primarily of development costs that must be capitalised, increased by €15.1 million from €128.2 million in the previous year to €143.3 million.

At the end of 2014, the company's current assets amounted to €1,755.5 million, up 10.0% from the previous year (€1,596.3 million). The reason for the increase is that cash and cash equivalents grew by €96.6 million year-on-year to €336.4 million thanks to the increase in free cash flow in 2014. In addition, trade receivables were up by €80.7 million to €691.7 million and inventories were up €9.0 million to €650.0 million.

On the liabilities side, KRONES' non-current liabilities rose considerably to €274.9 million (31 December 2013: €213.2 million). The primary factor here was a sharp increase in provisions for pensions, from €145.9 million to €211.3 million. This was necessitated by the significant decrease in the discount rate and the associated increase in the net present value of pension obligations. KRONES had no non-current bank debt at the end of 2014.

Current liabilities increased in the reporting period from €1,070.7 million in 2013 to €1,164.1 million. This was due to higher trade payables and advances received. KRONES had no current bank debt at the end of 2014. Thus, KRONES had net cash and cash equivalents (cash and cash equivalents less bank debt) totalling €336.4 million at the reporting date for 2014 (previous year: €239.9 million). In addition, the group has around €283 million in unused lines of credit (previous year: €240 million). A backup facility of €250 million is also available.

*KRONES had a comfortable liquidity cushion and no bank debt at the end of 2014. That gives the company the financial flexibility it needs.*



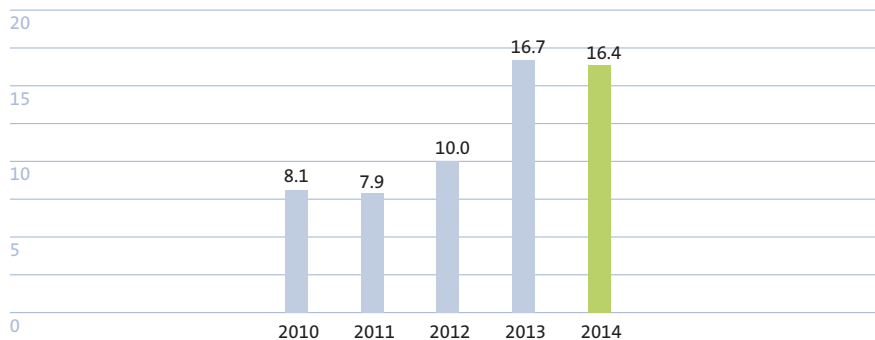
Despite the positive figure for consolidated net income, equity increased by only €34.3 million in 2014, from €135.7 million to €988.5 million. The main negative effect for this line item came from the €45.9 million in measurement changes on pension obligations that are recognised in equity. At the end of 2014, the equity ratio was 40.7% (previous year: 42.6%). Thus, KRONES continues to possess an exceptionally robust financial and capital structure.

### At 16.4%, return on capital employed (ROCE) meets target

The return on capital employed (ROCE), calculated as the ratio of EBIT to average net tied-up capital, was down slightly in 2014, from 16.7% in the previous year to 16.4%. That is nevertheless right in line with our ROCE target of “more than 16.0%” for 2014. The slight decrease in ROCE was due primarily to the fact that tied-up capital grew more than EBIT.

*With an ROCE of 16.4%, KRONES has met its target of more than 16% for 2014.*

KRONES Group ROCE (%)



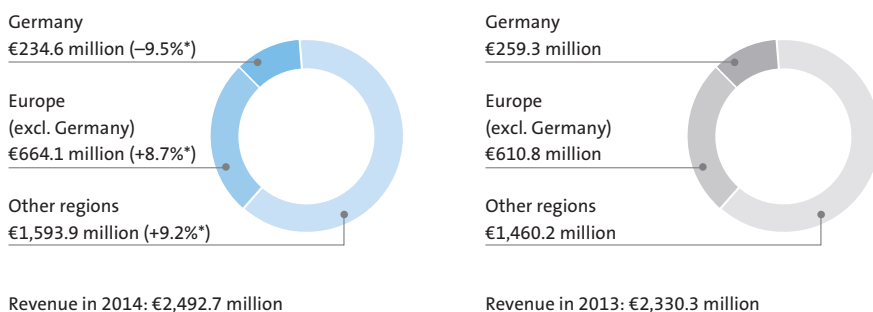
## Segment revenue

As forecast, revenue in our “machines and lines for product filling and decoration” segment rose more sharply than consolidated revenue in 2014. Segment revenue was up 7.0% from €2,330.3 million in the previous year to €2,492.7 million. This growth was driven in part by product innovations, for instance in filling and labeling, that we were able to offer our customers in the reporting period. The core segment’s share of consolidated revenue increased year-on-year from 82.8% to 84.4% in 2014.

*KRONES’ core segment contributed a large part of the group’s growth in 2014.*

*Photo right: The Contiform AseptBloc for germ-free filling of PET bottles.*

### Segment revenue (€ million)

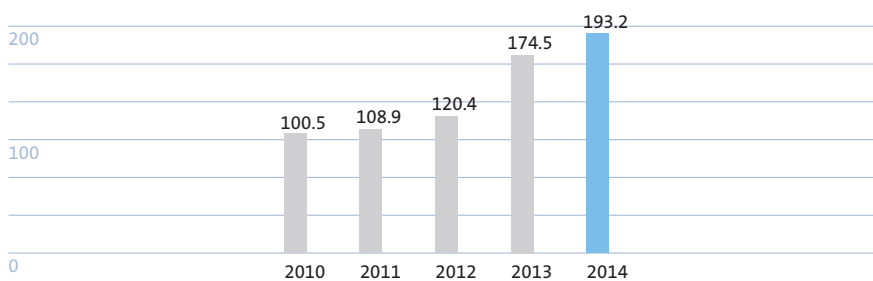


\* Percentage change on previous year

## Segment earnings

Earnings improved further in our largest segment in 2014. Earnings before taxes (EBT) climbed 10.7% from €174.5 million in the previous year to €193.2 million. EBT for in 2014 includes one-time proceeds of around €5 million from the reversal of provisions for the now-concluded legal disputes in the USA. The EBT margin, the ratio of segment earnings before taxes to segment revenue, advanced from 7.5% to 7.7% in 2014.

### Segment EBT (€ million)





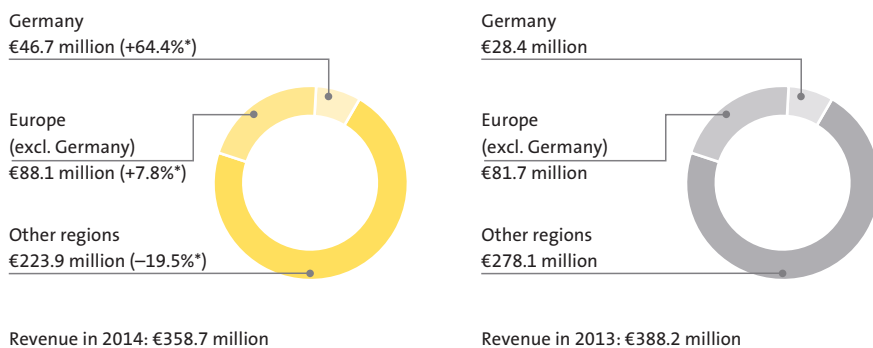
## Segment revenue

Despite a strong fourth quarter, KRONES was not able to fully make up the large deficit from the first nine months of 2014 compared with the previous year in the “machines and lines for beverage production/process technology” segment (–25.4%). For the year as a whole, segment earnings were down by 7.6% compared to 2013, from €388.2 million to €358.7 million. Thus, we did not quite achieve our goal of matching the previous year’s high level in 2014. The segment contributed 12.1% of consolidated revenue (previous year: 13.8%).

*Although process technology revenue was down in 2014 from the previous year’s high level, segment earnings improved as planned.*

*Photo right: Beer matures in KRONES storage tanks prior to filling.*

### Segment revenue (€ million)

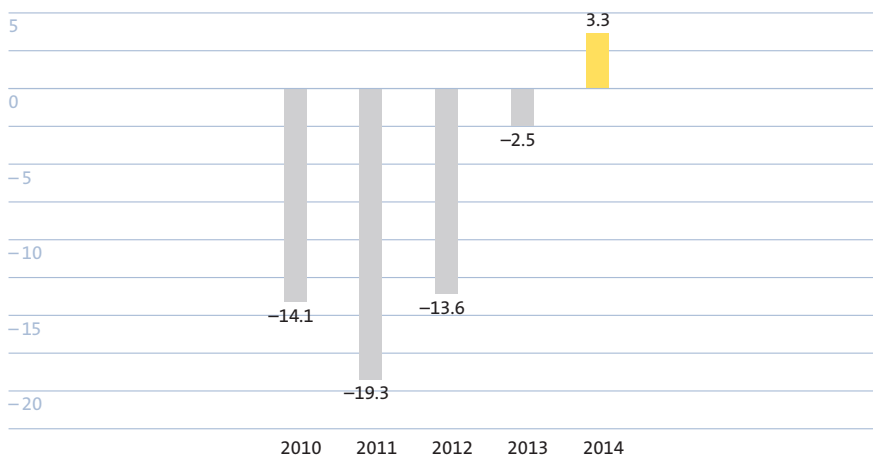


\* Percentage change on previous year

## Segment earnings

The accomplishments made under the Value strategy programme enabled us to improve profitability in the segment in 2014 despite lower revenue. Thus, KRONES generated positive earnings as planned. We improved project management in the process technology segment and further expanded our services business. Earnings before taxes were up from –€2.5 million in the previous year to +€3.3 million. The resulting EBT margin is 0.9% (previous year: –0.6%).

### Segment EBT (€ million)





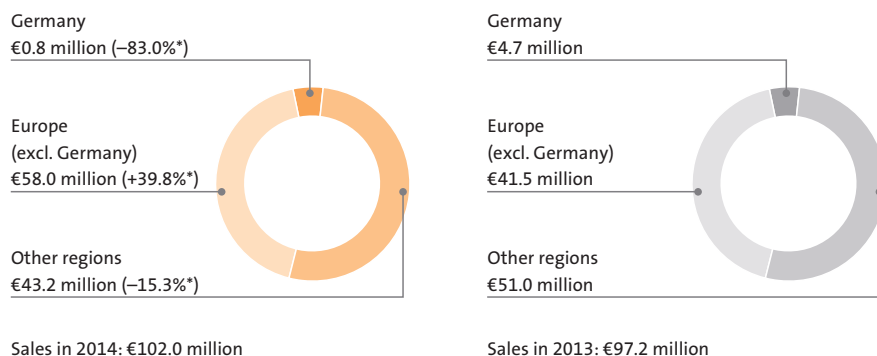


## Segment revenue

In the company's smallest segment, "machines and lines for the low output range (KOSME)", employees responded to the restructuring of our Italian site in Roverbella by striking, which resulted in lost production in 2014. Nevertheless, segment revenue increased by 4.9% in the reporting period, from €97.2 million in the previous year to €102.0 million, on higher demand. The segment's share of consolidated revenue was 3,5% (previous year: 3.4%).

*Photo right: Stretch-blow moulding machines for producing PET bottles from blanks are part of KOSME's core business.*

### Segment revenue (€ million)



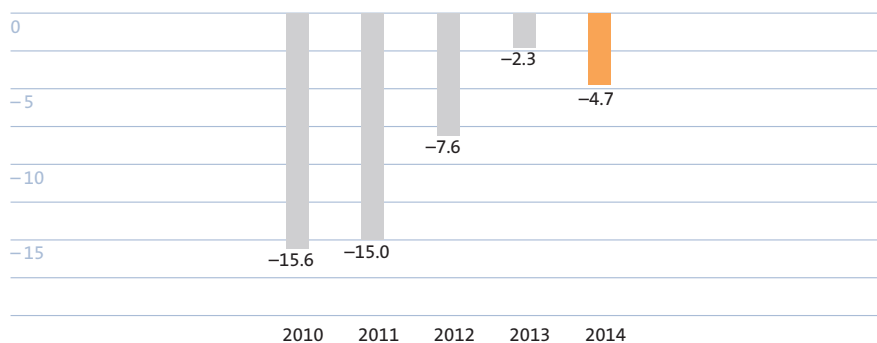
\* Percentage change on previous year

## Segment earnings

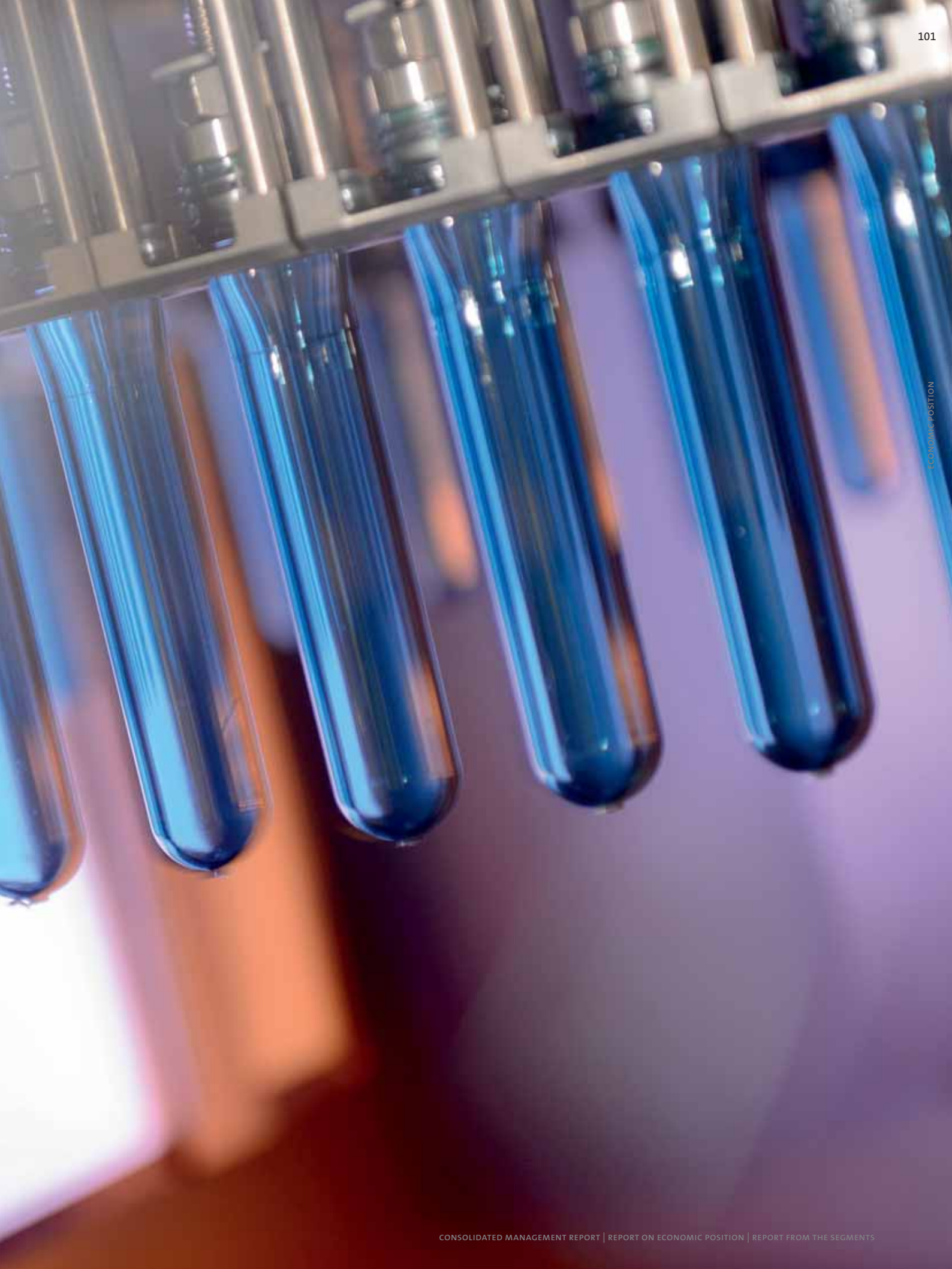
KRONES incurred expenses of around €5 million for restructuring the Roverbella site in 2014, which affected segment earnings. As a result, KOSME's earnings were negative in 2014. Earnings before taxes worsened from -€2.3 million in the previous year to -€4.7 million. However, the segment broke even as expected in terms of operating earnings – that is, without taking into account the restructuring expense.

*KOSME broke even in terms of operating earnings in 2014.*

### Segment EBT (€ million)





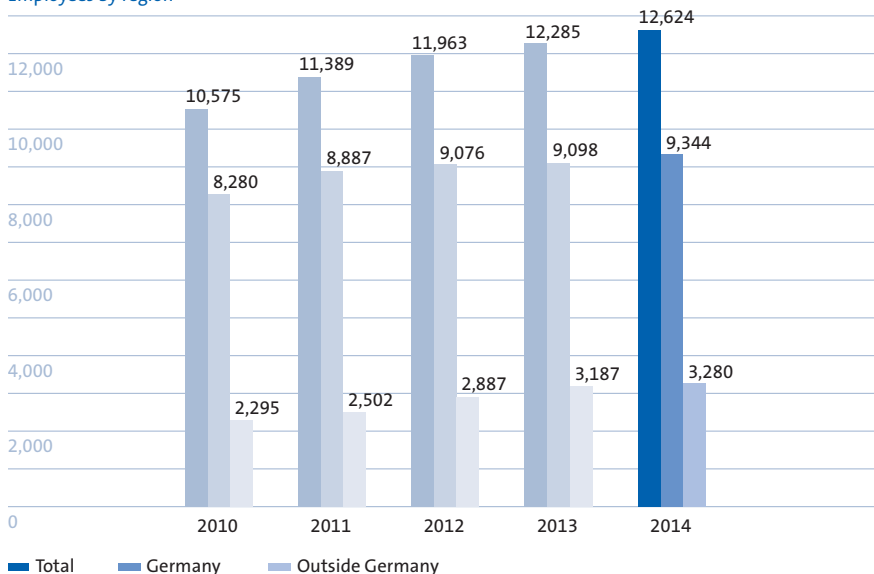


### KRONES workforce grows 2.8%

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. This will involve new hiring, most of which will take place abroad.

*KRONES expanded its workforce in the emerging markets by almost 10%. The number of employees in Germany also increased considerably as a result of acquisitions and the establishment of new companies.*

Employees by region



At the end of 2014, the company employed 12,624 people worldwide, up from 12,285 in the previous year. Since KRONES wants to have more people on the ground near our customers worldwide, growing our international workforce is a strategic goal. However, the share of employees outside Germany was up only slightly in 2014, from 25.9% to 26.0% at the end of the reporting period. The reasons for this are twofold. The workforce in Germany grew considerably as a result of the acquisition of TILL and HST and the establishment of EVOGUARD and SYSKRON. The number of KRONES employees abroad increased from 3,187 to 3,280. However, it should be borne in mind that the number of employees at KOSME Italy decreased by around 100 in 2014 due to capacity reductions.

Employees in the emerging markets 2010–2014

Year	South America	Africa	Asia	cis/ Eastern Europe	China	Total
2010	384	193	159	92	202	1,030
2011	406	225	198	109	258	1,196
2012	438	285	293	121	298	1,435
2013	485	339	400	132	325	1,681
2014	501	363	453	136	385	1,838



As part of our growth and regionalisation strategy, we added 157 new employees in the emerging markets, bringing that total up to 1,838. With that, KRONES met its targets for workforce growth for 2014.

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.

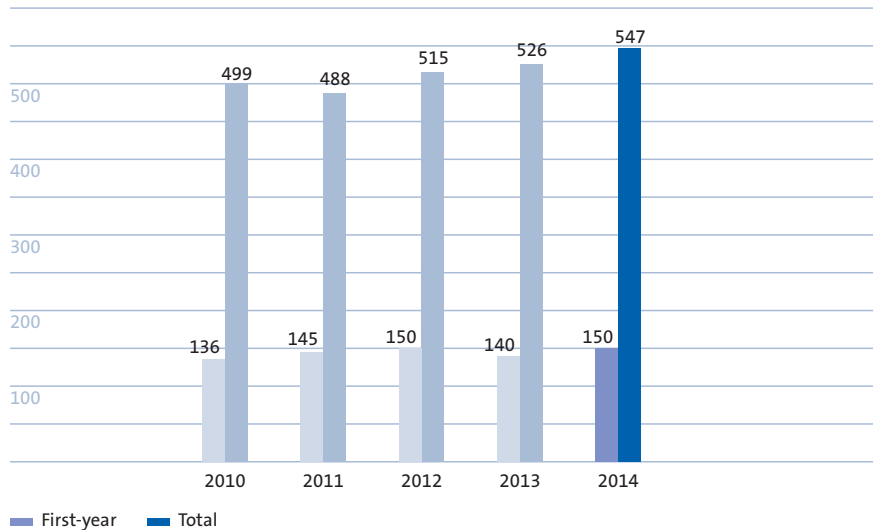
*KRONES offers attractive training options to address the shortage of skilled labour in Germany.*

### 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 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 536 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.

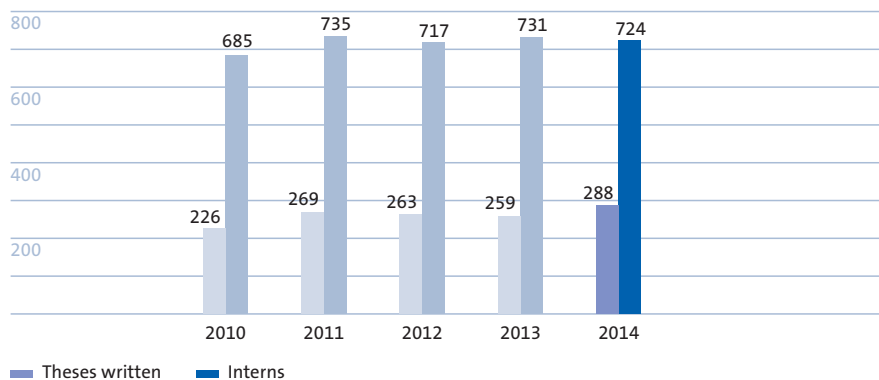
Total number of trainees and trainees starting at KRONES AG



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.

*KRONES' employees rate the company very highly and recommend KRONES as an employer.*

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 18<sup>th</sup> in Germany and 4<sup>th</sup> in the state of Bavaria.

*More information on our labour practices is in our Sustainability Report, which is available online at [www.krones.com](http://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 CO<sub>2</sub> emissions an important goal. In recent years, KRONES has significantly reduced CO<sub>2</sub> 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](http://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.

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

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. Because they share the same sales and procurement markets, the same risks and opportunities also apply to all three of the KRONES Group's operating segments.

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

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

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

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



## 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:

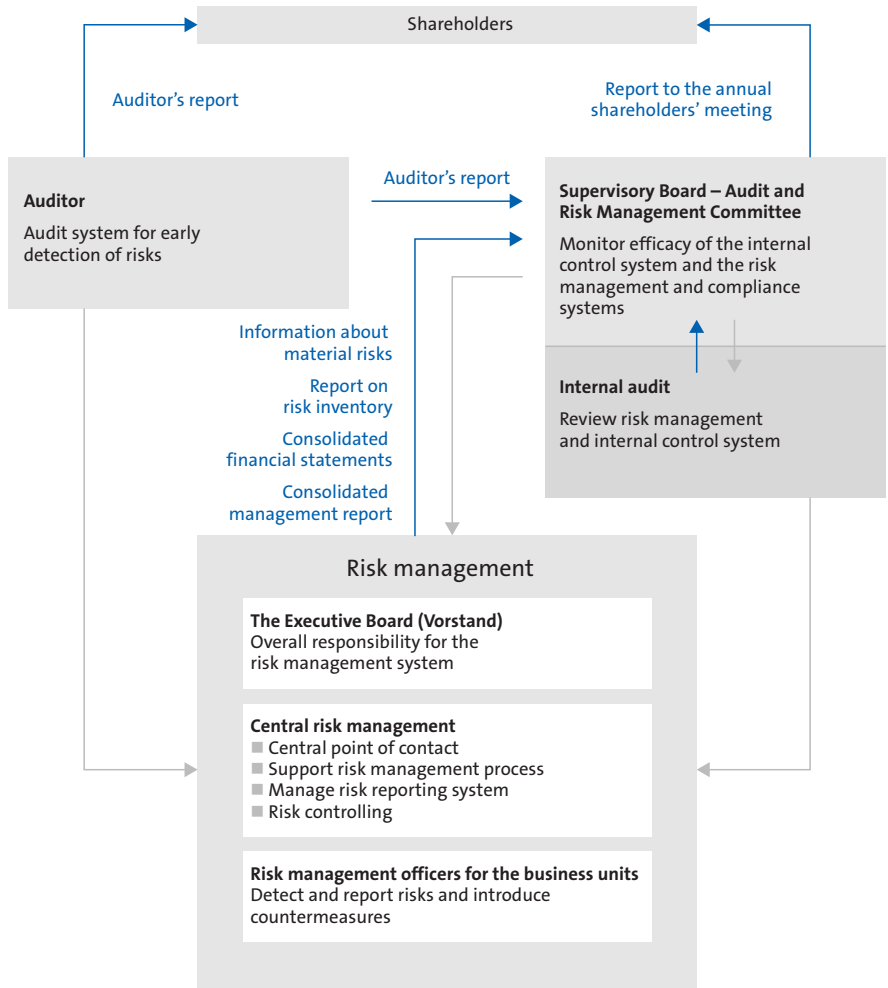
- Annual planning
- Medium-term planning
- Strategic planning
- Rolling forecasts
- Monthly and quarterly reports
- Capital expenditure planning
- Production planning
- Capacity planning
- Project controlling
- Accounts receivable management
- Exchange rate hedges
- Insurance policies

## 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:

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

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

*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
<b>General business environment and industry-specific risks</b>		
■ General economic risks	low	low
■ Industry-specific risks	low	medium
<b>Financial risks</b>		
■ Default risks	low	medium
■ Liquidity risk	low	low
■ Interest rate risk	low	low
■ Currency risk	low	low
<b>Operational risks</b>		
■ Price risk	medium	medium
■ Procurement risks	medium	low
■ Cost risk	low	medium
■ Personnel risk	medium	low
<b>Legal risks</b>	medium	medium
<b>Environmental and safety risks</b>	low	low
<b>IT risks</b>	low	low

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

## General business environment and industry-specific risks

### General economic risks

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

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

### Industry-specific risks

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



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

## Financial risks

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

### 1. Default risk

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

#### 1.1 Trade receivables

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

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

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

€ thousand	Carrying amount	Of which not overdue at the reporting date	Of which overdue by the following number of days at the reporting date			
			up to 90 days	between 90 and 180 days	between 180 and 360 days	more than 360 days
31 Dec 2014						
Trade receivables	711,719	542,315	97,716	27,242	28,510	15,936
31 Dec 2013						
Trade receivables	623,580	431,518	125,341	29,965	26,106	10,652

### 1.2 Derivative financial instruments

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

### 1.3 Other financial assets

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

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

## 2. Liquidity risk

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

KRONES generates most of its cash and cash equivalents through operating activities. These funds primarily serve to finance working capital and capital expenditures. KRONES manages its liquidity by reserving sufficient cash and cash equivalents and credit lines with banks in addition to the regular inflow of payments from operating activities. The company's liquidity management for operations consists of a cash management system, which is based in part on rolling monthly liquidity planning with a planning horizon of one year. This allows KRONES to be proactive about any possible liquidity bottlenecks. Apart from cash on hand, KRONES' cash and cash equivalents consist primarily of demand deposits. The following overview of maturities shows how the undiscounted cash flows relating to liabilities as of 31 December 2014 influence the company's liquidity situation.

€ thousand	Carrying amount at 31 Dec 2014	Cash flow for 2015		Cash flow for 2016–2019		Cash flow for 2019 or later	
		Interest	Repayment	Interest	Repayment	Interest	Repayment
Derivative financial instruments	5,860	0	5,860	0	0	0	0
Liabilities to banks	0	0	0	0	0	0	0
Liabilities from leases	523	22	252	22	271	0	0
Discounted trade bills	21,720	0	12,021	0	9,699	0	0
Other financial liabilities	12,032	0	11,303	146	729	0	0
	<b>40,135</b>	<b>22</b>	<b>29,436</b>	<b>168</b>	<b>10,699</b>	<b>0</b>	<b>0</b>

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

*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 had no bank debt at the end of the reporting period 2014.

*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.

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

€ thousand	Currency USD	Currency CAD	Currency AUD	Currency GBP
Cash and cash equivalents	496	1,878	0	0
Trade receivables	207	5,138	614	769
Other financial receivables	145	1	5	0
Derivatives at positive market values	0	0	0	0
Loans	0	0	0	0
<b>Total assets</b>	<b>848</b>	<b>7,017</b>	<b>619</b>	<b>769</b>
<b>Liabilities</b>				
Trade payables	-4,147	-263	-245	-129
Due to banks	0	0	0	0
From finance leases	0	0	0	0
Other liabilities	-10,773	-345	0	-11,353
Derivatives at negative market values	0	0	0	0
Financial liabilities at amortised cost	0	0	0	0
<b>Total liabilities</b>	<b>-14,920</b>	<b>-608</b>	<b>-245</b>	<b>-11,482</b>
<b>Balance of assets and liabilities</b>	<b>-14,072</b>	<b>6,409</b>	<b>374</b>	<b>-10,713</b>
<b>Items hedged through derivatives</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net exposure at 31 Dec 2014</b>	<b>-14,072</b>	<b>6,409</b>	<b>374</b>	<b>-10,713</b>

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

€ thousand	Currency USD	Currency CAD	Currency AUD	Currency GBP
(+) Currency translation gains/ (-) losses totalling (€ thousand)	1,279	-583	-34	1,642

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

## Operational risks

### 1. Price risk

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

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

### 2. Procurement risks

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

*Impact of procurement risks: We rate 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 and intends to step up the growth of its services business. For that, we need highly qualified employees in Germany and abroad. 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.

*Photo right:  
The Sleeveomatic labeller applies sleeves made of plastic film to containers.*

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

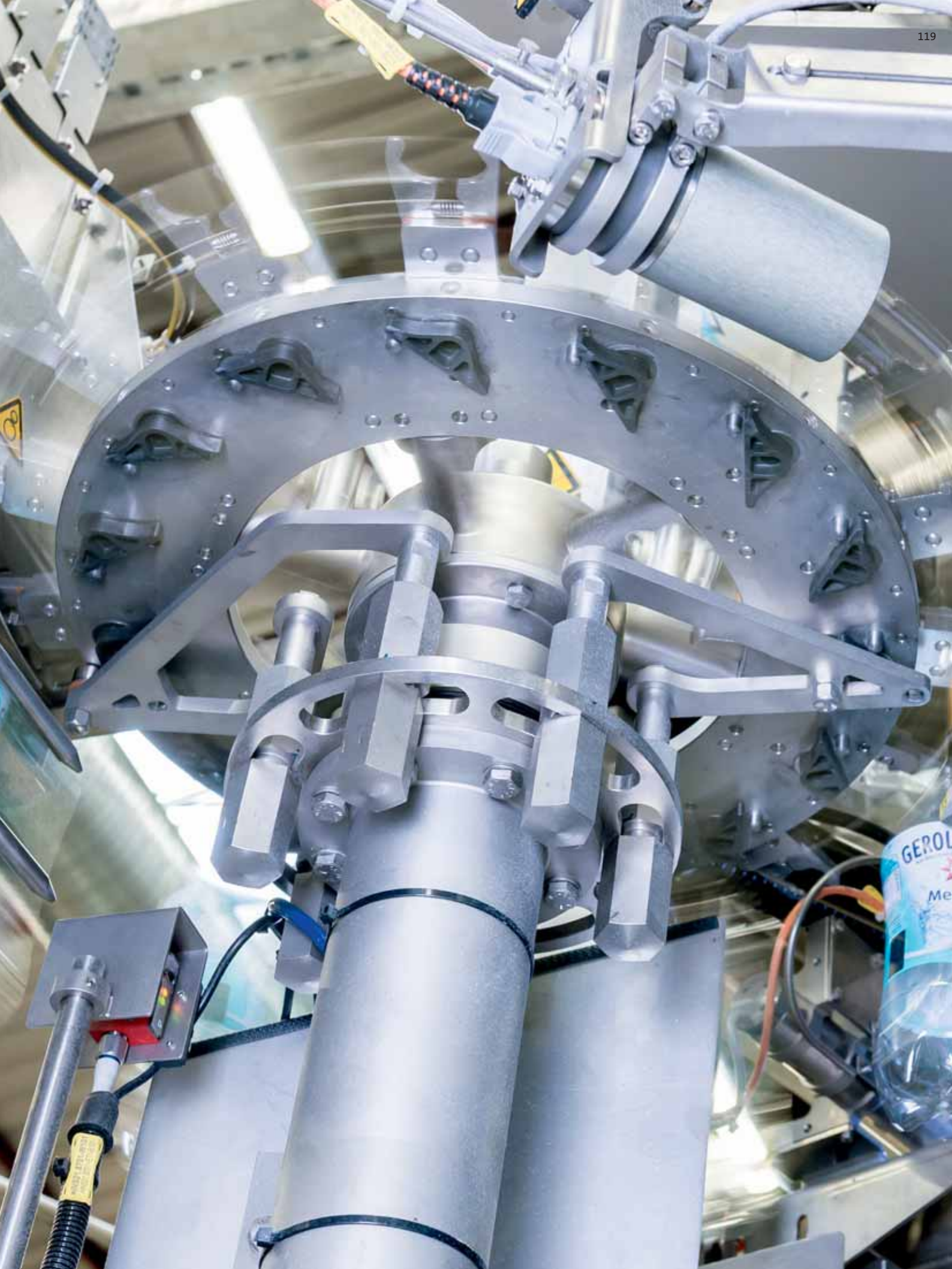
Effective 2 February 2015, SYSKRON Holding GmbH, KRONES' subsidiary for intra-logistics, bought a 100% stake in TRIACOS Consulting & Engineering GmbH. By acquiring TRIACOS, SYSKRON has added to its expertise in consulting on and implementing SAP solutions, with a focus on production and internal logistics. 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 SCHAEFER Förderanlagen- und Maschinenbau GmbH

Effective 5 March 2015, KRONES AG has acquired full ownership of SCHAEFER 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

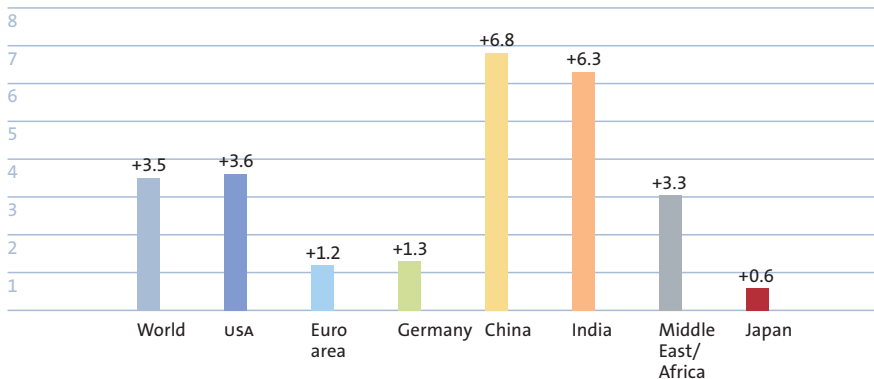
In its “World Economic Outlook” from January 2015, the International Monetary Fund (IMF) took a less optimistic view of the world economy than it has previously. That is primarily due to weaker capital spending in industrialised and newly industrialised countries. The poor economic environment in Japan 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

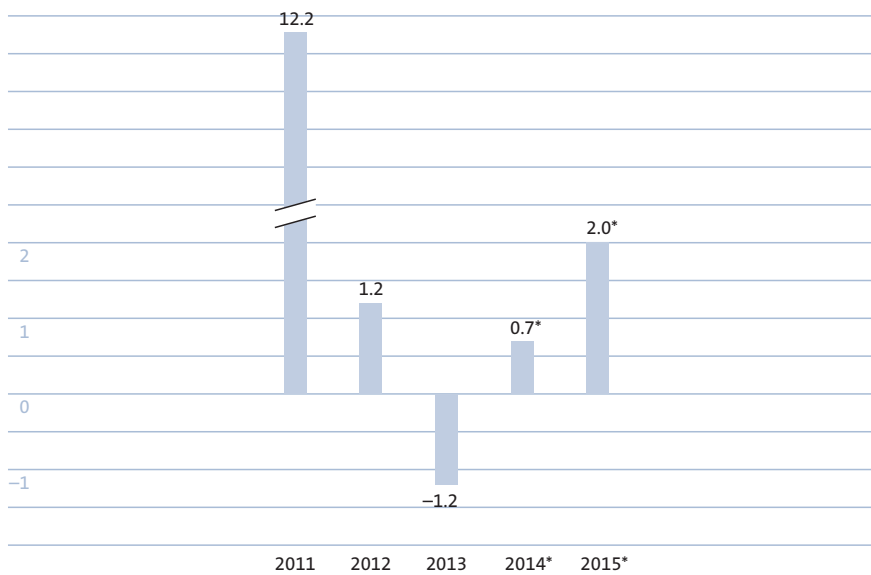
As a supplier of beverage filling and packaging equipment, KRONES is very close to consumption. Therefore, unemployment rates and inflation in the individual sales regions impact the company's business. Low unemployment has a positive effect on consumer spending and thus also on demand for packaged beverages 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 take the next step towards achieving a 7% EBT margin.

In our core segment, 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 offer more 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 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.*



KRONES is forecasting revenue growth of around 4% for its core segment in 2015, after the segment outperformed the company as a whole in terms of growth this year. Profitability is also expected to improve further towards our EBT margin target of 8%.

We intend to make progress in all product areas within our process technology segment. 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. Internal logistics are an important part of KRONES’ strategy. We intend to expand our activities in this area under SYSKRON Holding in 2015.

With revenue growth of around 7%, we expect earnings in the process technology segment to move into positive territory in 2015. We will implement additional structural measures in 2015 in order to reach our medium-term margin target of 4%. KRONES will optimise cost structures as well as the product mix to enable the segment to operate successfully in an increasingly competitive environment.

In our segment for the low output range, KOSME, we restructured the Roverbella, Italy, site in 2014. We expect the new organisation to take hold in 2015. With stable revenue and lower costs, the company’s smallest segment should generate a profit in the low single-digit millions of euros. Streamlining the segment’s portfolio, especially strengthening labelling technology operations in Roverbella, will be essential to this positive development.

Based on the current macroeconomic prospects and developments on the markets relevant to KRONES, we expect consolidated revenue to grow by 4% in 2015.

The company’s profitability is set to improve yet again this year. KRONES expects the EBT margin (earnings before taxes to revenue) to rise to 6.8% in 2015. That puts us very close to the medium-term target of 7%, which we had set when launching the Value strategy programme. We want to increase our third strategy target, ROCE, to around 17% this year. Our medium-term target is 20%.

*KRONES intends to increase revenue, earnings, and ROCE in 2015*

	Forecast for 2015	Actual value 2014
Revenue growth	+ 4%	+ 4.9%
EBT margin	6.8%	6.5%
ROCE	17%	16.4%

## Disclosures required under Section 315 (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 Section 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

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 €1,897 thousand at the end of the year (previous year: €985 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 €7,420 thousand (previous year: €5,991 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 pension provisions of €2,428 thousand (previous year: €416 thousand) were recognised.

### 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.

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

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

Neutraubling, 31 March 2015

KRONES AG

The Executive Board



Volker Kronseder  
(Chairman of the  
Executive Board)



Christoph Klenk



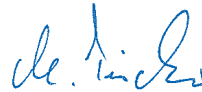
Rainulf Diepold



Ralf Goldbrunner



Thomas Ricker



Markus Tischer



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## Corporate Governance

### Statement on corporate governance

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*The statement on corporate governance is also available online at [www.krones.com](http://www.krones.com).*

### **KRONES recognises its responsibilities**

For KRONES, the German Corporate Governance Code is an integral part of governance. The following is the report from the Executive Board and the Supervisory Board on corporate governance in accordance with Item 3.10 of the German Corporate Governance Code.

The Code presents essential statutory regulations for the management and supervision (governance) of German listed companies and contains internationally and nationally recognised standards for good and responsible corporate governance. The management of KRONES takes the principles and rules of corporate governance into account in all business activities.

### **Declaration of compliance pursuant to Section 161 of the German Stock Corporation Act**

“The Executive Board and the Supervisory Board of KRONES AG declare that the recommendations of the ‘Government Commission German Corporate Governance Code’ established by the German federal government regarding the management and supervision of German listed companies as amended on 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

For the Supervisory Board



Volker Kronseder  
Chairman



Ernst Baumann  
Chairman

## Composition of the Supervisory Board

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

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

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

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

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

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

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



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

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

#### c) Age limit

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

#### d) International experience

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

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

#### e) Diversity

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

The Supervisory Board of KRONES implemented all of the objectives a) through e) in the financial year 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 six members in the financial year 2014. Each member is responsible for specific areas of the company (see pages 6–7 and 182). The Executive Board manages the company and its affairs. The members of the Executive Board meet daily. At these meetings, the Executive Board discusses current and strategic topics and makes decisions. For strategically important decisions, the Executive Board involves the Supervisory Board in the decision-making process in a timely manner.

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

The Chairman of the Supervisory Board coordinates the work of the Supervisory Board (see pages 11 and 182 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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## Separate income statement

		2014		2013	
€ thousand	Notes				
Revenue	19	2,953,405		2,815,710	
Changes in inventories of finished goods and work in progress		-23,392		-18,560	
Other own work capitalised	20	35,917		40,916	
Other operating income	21	95,319	3,061,249	82,527	2,920,593
Goods and services purchased	22				
Expenses for materials and supplies and for goods purchased		-1,172,746		-1,102,757	
Expenses for services purchased		-268,036	-1,440,782	-275,005	-1,377,762
Personnel expenses	23				
Wages and salaries		-714,603		-674,631	
Social security contributions and expenses for pension plans and for benefits		-138,680	-853,283	-136,088	-810,719
Depreciation and amortisation of intangible assets and property, plant and equipment	1/2		-91,167		-84,796
Other operating expenses	24		-490,892		-474,527
<b>EBIT</b>			<b>185,125</b>		<b>172,789</b>
Investment income	25	2,221		1,681	
Income from other securities and loans classified as non-current financial assets	25	36		10	
Other interest and similar income	25	7,914		5,201	
Write-downs on non-current financial assets	25	-508		0	
Share of profit or loss of associates accounted for using the equity method		0		-5,036	
Interest and similar expenses	25	-2,948		-4,978	
Financial income/expense			6,715		-3,122
<b>Earnings before taxes</b>			<b>191,840</b>		<b>169,667</b>
Income tax	7/26		-56,188		-50,226
<b>Consolidated net income</b>			<b>135,652</b>		<b>119,441</b>
Profit share of non-controlling interests			-228		0
Profit share of KRONES Group shareholders			135,880		119,441
Earnings per share (diluted/basic) in €	27		4.30		3.84

		2014	2013
€ thousand	Notes		
<b>Consolidated net income</b>		<b>135,652</b>	<b>119,441</b>
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Actuarial gains and losses on pensions and similar obligations	11	-45,852	-34
		-45,852	-34
<b>Items that may be reclassified subsequently to profit or loss</b>			
Exchange differences on translation		10,968	-15,133
Derivative financial instruments	11	-4,250	1,386
		6,718	-13,747
<b>Other comprehensive income</b>	8	<b>-39,134</b>	<b>-13,781</b>
<b>Total comprehensive income</b>	8	<b>96,518</b>	<b>105,660</b>
of which attributable to non-controlling interests		-228	0
of which attributable to KRONES Group shareholders		96,746	105,660

## Statement of financial position

Assets		31 Dec 2014		31 Dec 2013	
€ thousand	Notes				
Intangible assets	1	143,343		128,216	
Property, plant and equipment	2	479,208		475,078	
Non-current financial assets	3	1,686		1,828	
<b>Fixed assets</b>		<b>624,237</b>		<b>605,122</b>	
Deferred tax assets	7	22,337		17,340	
Trade receivables	5	20,016		12,653	
Income tax receivables	7	3,408		5,071	
Other assets	5	2,021		1,570	
<b>Non-current assets</b>			<b>672,019</b>		<b>641,756</b>
Inventories	4	650,021		640,989	
Trade receivables	5	691,703		610,928	
Current income tax receivables	7	3,743		7,470	
Other assets	5	73,607		97,040	
Cash and cash equivalents	6	336,444		239,880	
<b>Current assets</b>			<b>1,755,518</b>		<b>1,596,307</b>
<b>Total</b>			<b>2,427,537</b>		<b>2,283,063</b>

Equity and liabilities		31 Dec 2014		31 Dec 2013	
€ thousand	Notes				
Share capital	8	40,000		40,000	
Capital reserves	9	141,724		141,724	
Profit reserves	10	363,703		352,728	
Other reserves	11	-89,483		-39,381	
Group retained earnings		531,798		459,111	
<b>Group equity of the parent company</b>			<b>987,742</b>		<b>954,182</b>
Non-controlling interests	12	757		0	
<b>Equity</b>			<b>988,499</b>		<b>954,182</b>
Provisions for pensions	13	211,321		145,896	
Deferred tax liabilities	7	2,539		22,303	
Other provisions	14	49,774		39,069	
Liabilities to banks		0		0	
Trade payables	15	0		3,324	
Other financial liabilities	15	9,699		1,715	
Other liabilities	15	1,571		906	
<b>Non-current liabilities</b>			<b>274,904</b>		<b>213,213</b>
Other provisions	14	162,839		154,679	
Provisions for taxes	14	14,713		7,995	
Liabilities to banks		0		0	
Advances received	15	493,725		468,817	
Trade payables	15	214,855		192,005	
Current tax liabilities	7	6,466		3,653	
Other financial liabilities	15	12,021		9,505	
Other liabilities and accruals	15	259,515		234,014	
<b>Current liabilities</b>			<b>1,164,134</b>		<b>1,070,668</b>
<b>Total</b>			<b>2,427,537</b>		<b>2,238,063</b>

## Statement of cash flows

		2014	2013
€ thousand	Notes		
Earnings before taxes		191,840	169,667
Depreciation and amortisation (reversals)	1,2	91,167	84,796
Increase in provisions and accruals	14,15	48,077	51,713
Deferred tax item changes recognised in profit or loss	7	6,147	-19,886
Interest expenses and interest income	25	-4,966	-223
Gains and losses from the disposal of non-current assets	21,24	-15	242
Other non-cash expenses and income		-3,183	9,726
Increase in trade receivables and other assets not attributable to investing or financing activities		-65,002	-58,802
Increase (previous year: decrease) in inventories	4	-5,549	3,132
Increase (previous year: decrease) in trade payables and other liabilities not attributable to investing or financing activities		31,662	-29,747
<b>Cash generated from operating activities</b>		<b>290,178</b>	<b>210,618</b>
Interest paid		-1,119	-3,659
Income tax paid and refunds received		-40,218	-32,404
<b>Cash flow from operating activities</b>		<b>248,841</b>	<b>174,555</b>
Cash payments to acquire intangible assets	1	-40,198	-43,132
Proceeds from the disposal of intangible assets	1	69	908
Cash payments to acquire property, plant and equipment	2	-54,392	-64,933
Proceeds from the disposal of property, plant and equipment	2	1,541	1,162
Cash payments to acquire non-current financial assets		-128	-802
Proceeds from the disposal of non-current financial assets	25	275	1,458
Cash payments to acquire shares in affiliated companies		-10,280	-5,000
Interest received		4,188	1,087
Dividends received		2,221	1,681
<b>Cash flow from investing activities</b>		<b>-96,704</b>	<b>-107,571</b>
Cash payments to company owners		-63,186	-23,695
Sale of treasury shares		0	73,722
Cash payments to pay lease liabilities	15	0	0
<b>Cash flow from financing activities</b>		<b>-63,186</b>	<b>50,027</b>
<b>Net change in cash and cash equivalents</b>		<b>88,951</b>	<b>117,011</b>
Changes in cash and cash equivalents arising from exchange rates		7,423	-10,051
Changes in cash and cash equivalents arising from the consolidated group		190	0
Cash and cash equivalents at the beginning of the period		239,880	132,920
<b>Cash and cash equivalents at the end of the period</b>	6	<b>336,444</b>	<b>239,880</b>



€ thousand	Parent company							Non-controlling interests	Group equity
	Share capital	Capital reserves	Profit reserves	Currency differences in equity	Other reserves	Group retained earnings	Equity		
Notes	8	9	10		11			12	
<b>At 1 January 2013</b>	<b>40,000</b>	<b>66,807</b>	<b>365,217</b>	<b>3,602</b>	<b>-40,733</b>	<b>363,603</b>	<b>798,496</b>	<b>0</b>	<b>798,496</b>
Dividend payment (€0.75 per share)						-23,695	-23,695		-23,695
Consolidated net income 2013						119,441	119,441		119,441
Sale of treasury shares		74,906	-1,184				73,722		73,722
Allocation to profit reserves			226			-226	0		0
Allocation to capital reserves		11				-11	0		0
Currency differences				-15,133			-15,133		-15,133
Remeasurement of defined benefit plans					-34		-34		-34
Hedge accounting, incl. AFS					1,386		1,386		1,386
<b>At 31 December 2013</b>	<b>40,000</b>	<b>141,724</b>	<b>364,259</b>	<b>-11,531</b>	<b>-39,381</b>	<b>459,111</b>	<b>954,182</b>	<b>0</b>	<b>954,182</b>
Dividend payment (€2.00 per share)						-63,186	-63,186		-63,186
Consolidated net income 2014						135,880	135,880	-228	135,652
Allocation to profit reserves			7			-7	0		0
Currency differences				10,968			10,968		10,968
Changes in the consolidated group							0	985	985
Remeasurement of defined benefit plans					-45,852		-45,852		-45,852
Hedge accounting, incl. AFS					-4,250		-4,250		-4,250
<b>At 31 December 2014</b>	<b>40,000</b>	<b>141,724</b>	<b>364,266</b>	<b>-563</b>	<b>-89,483</b>	<b>531,798</b>	<b>987,742</b>	<b>757</b>	<b>988,499</b>

## Segment reporting

	Machines and lines for product filling and decoration		Machines and lines for beverage production/ process technology		Machines and lines for the low output range (KOSME)	
	2014	2013	2014	2013	2014	2013
€ thousand						
<b>Revenue</b>	<b>2,492,690</b>	<b>2,330,292</b>	<b>358,723</b>	<b>388,199</b>	<b>101,992</b>	<b>97,218</b>
Germany	234,622	259,287	46,718	28,394	769	4,709
Rest of Europe	664,138	610,758	88,122	81,710	58,027	41,542
Other regions	1,593,930	1,460,247	223,883	278,095	43,196	50,967
<b>Depreciation, amortisation, and write-downs</b>	<b>80,067</b>	<b>74,951</b>	<b>8,993</b>	<b>7,970</b>	<b>2,107</b>	<b>1,875</b>
of which unscheduled write-down	5,278	4,504	0	149	0	0
Interest income					39	15
Interest expense					44	78
<b>EBT</b>	<b>193,158</b>	<b>174,458</b>	<b>3,345</b>	<b>-2,515</b>	<b>-4,663</b>	<b>-2,276</b>
Other material non-cash income and expenses	3,803	-4,752	-214	-56	-406	118
Share of profit or loss of associates accounted for using the equity method			0	-5,036		
<b>Assets</b>	<b>2,081,224</b>	<b>1,878,977</b>	<b>278,109</b>	<b>289,497</b>	<b>67,051</b>	<b>73,942</b>
Germany	1,441,794	1,364,620	278,109	289,497	0	0
Rest of Europe	107,352	113,523	0	0	67,051	73,942
Other regions	532,078	400,834	0	0	0	0
<b>Liabilities</b>	<b>1,292,185</b>	<b>1,128,844</b>	<b>115,738</b>	<b>102,865</b>	<b>36,451</b>	<b>53,207</b>
<b>Capital expenditure for intangible assets and property, plant and equipment</b>	<b>82,540</b>	<b>88,870</b>	<b>9,455</b>	<b>17,347</b>	<b>2,594</b>	<b>1,847</b>
Germany	72,868	77,234	9,455	17,347	0	0
Rest of Europe	729	568	0	0	2,594	1,847
Other regions	8,944	11,069	0	0	0	0
<b>Return on sales (EBT to sales)</b>	<b>7.7%</b>	<b>7.5%</b>	<b>0.9%</b>	<b>-0.6%</b>	<b>-4.6%</b>	<b>-2.3%</b>

Total for the segments		Consolidation		Other		KRONES Group	
2014	2013	2014	2013	2014	2013	2014	2013
						<b>2,953,405</b>	<b>2,815,710</b>
						282,109	292,390
						810,287	734,010
						1,861,009	1,789,310
						<b>91,167</b>	<b>84,796</b>
						5,278	4,653
				7,875	5,186	7,914	5,201
				2,904	4,900	2,948	4,978
						<b>191,840</b>	<b>169,667</b>
						3,183	-4,690
						0	-5,036
<b>2,426,384</b>	<b>2,242,416</b>	<b>-29,054</b>	<b>-34,986</b>	<b>30,207</b>	<b>30,633</b>	<b>2,427,537</b>	<b>2,238,063</b>
1,719,903	1,654,117	-14,365	-21,737	30,207	30,633	1,735,745	1,663,013
174,403	187,465	-14,289	-12,290	0	0	160,114	175,175
532,078	400,834	-400	-959	0	0	531,678	399,875
<b>1,444,374</b>	<b>1,284,916</b>	<b>-29,054</b>	<b>-34,986</b>	<b>23,718</b>	<b>33,951</b>	<b>1,439,038</b>	<b>1,283,881</b>
						<b>94,590</b>	<b>108,065</b>
						82,323	94,581
						3,323	2,415
						8,944	11,069
						<b>6.5%</b>	<b>6.0%</b>

#### ■ Legal basis

The consolidated financial statements of KRONES AG (“KRONES Group”) for the period ended 31 December 2014 have been prepared in accordance with the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB), London, applicable at the end of the reporting period, including the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) as adopted by the European Union. No early application was made of IFRSs that had not yet entered into force or their interpretations. A list of these standards and interpretations and of standards being applied for the first time is on page 180. The Executive Board authorised these consolidated financial statements for issue on 31 March 2015.

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

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

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

#### ■ Consolidated group

Besides KRONES AG, the consolidated financial statements for the period ended 31 December 2014 include all material domestic and foreign subsidiaries over which KRONES AG has direct or indirect control.

In the financial year 2014, HST Maschinenbau GmbH of Dassow, Germany, and a 50.97% stake in TILL GmbH of Hofheim, Germany, were acquired and acquisition accounting was done to include them in the consolidated group.

Moreover, ALBATROS GmbH, Neutraubling, Germany, was established and then renamed SYSKRON Holding GmbH and its headquarters moved to Wackersdorf, Germany. In addition, SYSKRON GmbH, Wackersdorf, Germany was established. KRONES Kazakhstan TOO, Almaty, Kazakhstan was also established. Acquisition accounting was done to include the companies in the consolidated group.

The first-time consolidation of the new companies was effected at the time of acquisition or establishment.

With the acquisition of a 100% ownership interest in HST Maschinenbau GmbH, Dassow, Germany, effective 27 March 2014, KRONES has added homogenisers to its product range for process technology and further expanded its service and maintenance business in this area. Effective 31 October 2014, KRONES acquired a 50.97% stake in TILL GmbH of Hofheim, Germany. The acquisition strengthens KRONES' technology portfolio for the development of digital direct printing.

The following overview summarises the consideration transferred for the acquisitions and the fair value of the assets identified and liabilities assumed at the date of acquisition. It also shows the non-controlling interests in the acquiree at the acquisition date.

Fair value (€ thousand)	
Goodwill	7,881
Non-current assets	6,287
Current assets	2,198
(of which receivables: €1,220 thousand)	
Cash and cash equivalents	190
<b>Total assets acquired</b>	<b>16,556</b>
Liabilities	-4,623
<b>Total liabilities assumed</b>	<b>-4,623</b>
<b>Net assets acquired</b>	<b>11,933</b>
<b>Non-controlling interests</b>	<b>985</b>
Purchase prices	10,948
of which paid in cash	10,280
of which contingent consideration	668

The contingent consideration is payable within four years and linked to the positive development of the acquired business.

The acquisition-related costs amount to €220 thousand and have been recognised as expenses.

Taking into account the effects of purchase price allocation and after accounting for non-controlling interests, the acquired companies contributed a net loss of €9 thousand and revenue of €6,660 thousand to KRONES as of 31 December 2014. If the companies had been consolidated as of 1 January 2014, revenue of €7,622 thousand would have been recognised in the separate income statement for the group and the net loss would have been €589 thousand.



## ■ Consolidation principles

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

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

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

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

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

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

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

## ■ Currency translation

The functional currency for KRONES AG is the euro.

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

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

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

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

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

		Closing rate		Average rate	
		31 Dec 2014	31 Dec 2013	2014	2013
us dollar	USD	1.216	1.376	1.329	1.328
British Pound	GBP	0.779	0.836	0.806	0.849
Swiss franc	CHF	1.202	1.227	1.215	1.231
Danish krone	DKK	7.445	7.460	7.455	7.458
Canadian dollar	CAD	1.407	1.474	1.467	1.368
Japanese yen	JPY	145.030	144.750	140.406	129.633
Brazilian real	BRL	3.230	3.204	3.120	2.869
Chinese renminbi (yuan)	CNY	7.437	8.344	8.168	8.226
Mexican peso	MXN	17.864	18.000	17.664	16.950
Ukrainian hryvnia	UAH	19.226	11.190	15.835	10.829
South African rand	ZAR	14.043	14.460	14.401	12.814
Kenyan shilling	KES	110.302	118.900	116.810	114.370
Nigerian naira	NGN	222.430	215.620	219.178	211.556
Russian ruble	RUB	72.700	45.105	50.927	42.312
Thai baht	THB	39.967	45.150	43.166	40.818
Indonesian rupiah	IDR	15,053.300	16,787.000	15,736.344	13,871.618
Angolan kwanza	AOA	125.027	134.382	130.472	128.055
Turkish lira	TRY	2.829	2.940	2.905	2.531
Kazakhstan tenge	KZT	222.260	212.928	238.164	202.141

#### ■ Accounting policies

The separate financial statements of KRONES AG and its domestic and foreign subsidiaries have been prepared using uniform accounting policies, in accordance with IFRS 10.

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

#### ■ Intangible assets

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

#### ■ Research and development expenditure

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

#### ■ Goodwill

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

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

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

## ■ Property, plant and equipment

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

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

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

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

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

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

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

## ■ Leases

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

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

## ■ Financial instruments

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

Non-current financial assets

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

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

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

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

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

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

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

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

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

#### ■ Non-current financial assets

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

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

#### ■ Derivative financial instruments

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

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

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

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

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



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

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

#### ■ Receivables and other assets

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

#### ■ Inventories

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

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

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

#### ■ Construction contracts for specific customers

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

#### ■ Deferred tax items

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

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

#### ■ Provisions for pensions

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

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

#### ■ Partial retirement benefit obligations

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

#### ■ Other provisions

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

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

#### ■ Financial liabilities

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

#### ■ Revenue

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

Revenue is reported less reductions.

#### ■ Segment reporting

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

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

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

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

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

## 1 Intangible assets

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

€ thousand	Industrial property rights and similar rights and assets as well as licenses	Goodwill	Capitalised development expenditure	Advance payments made	Total
<b>1 January 2013</b>					
Cost	104,596	0	214,516	0	319,112
Accumulated amortisation	82,215	0	117,781	0	199,996
<b>Net carrying amount</b>	<b>22,381</b>	<b>0</b>	<b>96,735</b>	<b>0</b>	<b>119,116</b>
<b>Changes in 2013</b>					
<b>Cost</b>					
Additions	11,590	0	31,542	0	43,132
Disposals	1,091	0	0	0	1,091
Currency differences	-236	0	0	0	-236
<b>Amortisation</b>					
Additions	7,315	0	25,792	0	33,107
Disposals	183	0	0	0	183
Currency differences	-218	0	-1	0	-219
<b>Net carrying amount at 31 December 2013</b>	<b>25,730</b>	<b>0</b>	<b>102,486</b>	<b>0</b>	<b>128,216</b>
<b>1 January 2014</b>					
Cost	114,859	0	246,058	0	360,917
Accumulated amortisation	89,129	0	143,572	0	232,701
<b>Net carrying amount</b>	<b>25,730</b>	<b>0</b>	<b>102,486</b>	<b>0</b>	<b>128,216</b>
<b>Changes in 2014</b>					
<b>Cost</b>					
Consolidated additions	5,273	7,881	0	0	13,154
Additions	12,457	0	27,678	63	40,198
Disposals	3,450	0	0	0	3,450
Currency differences	76	0	0	0	76
<b>Amortisation</b>					
Consolidated additions	42	0	0	0	42
Additions	9,877	0	28,243	0	38,120
Disposals	3,381	0	0	0	3,381
Currency differences	70	0	0	0	70
<b>Net carrying amount at 31 December 2014</b>	<b>33,478</b>	<b>7,881</b>	<b>101,921</b>	<b>63</b>	<b>143,343</b>
<b>31 December 2014</b>					
Cost	129,215	7,881	273,736	63	410,895
Accumulated amortisation	95,737	0	171,815	0	267,552
<b>Net carrying amount</b>	<b>33,478</b>	<b>7,881</b>	<b>101,921</b>	<b>63</b>	<b>143,343</b>

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

The goodwill arose from the acquisitions of HST Maschinenbau GmbH of Dassow, Germany, (€4,258 thousand) and TILL GmbH of Hofheim, Germany (€3,623 thousand) in the financial year 2014. The goodwill is the result of expected synergies from the integration of the companies and their workforces. No impairment losses were recognised on the goodwill in 2014.

Impairment testing is done at the level of the smallest cash-generating unit (CGU) or group of cash-generating units on the basis of its value in use. For the purpose of impairment testing, the goodwill has been allocated to the acquired subsidiary, HST GmbH. Because the acquisition of TILL GmbH occurred very close to the end of the reporting period, an impairment test was not performed.

The cash flow projections underlying the impairment test are based on the revenue forecast approved for a period of five years. These forecasts are based in part on external sources of information. They also take into account price agreements based on past experience and expected efficiency improvements as well as assumptions about revenue development based on strategic management.

Moreover, average annual rates of revenue growth of 18.6% in the forecast period and 1.0% after the end of the forecast period are used. The discount rate was 6.7% post-tax. This figure is based on the interest rate on 20-year government bonds. This discount rate is adjusted for a risk premium that reflects the elevated general risk associated with equity investments and the specific risk of the CGU. Even considerable reductions in the assumed revenue development in the detailed forecast period, which is not to be expected, and in the post-tax discount rate would still yield an amount greater than the carrying amount.

The capitalised development expenditure relates to new machinery projects of KRONES AG. The development expenditure capitalised in the reporting period amounts to €27,678 thousand (previous year: €31,542 thousand). This figure includes borrowing costs totalling €33 thousand (previous year: €166 thousand). Including capitalised development expenditure, a total of €148,693 thousand was spent on research and development in 2014 (previous year: €132,438 thousand). In the reporting period, a €4,831 thousand write-down on intangible assets was recognised within the depreciation and amortisation figure (previous year: €3,991 thousand) and relates to the machines and lines for product filling and decoration segment (previous year: €3,842 thousand). The write-down is for impairments on software licenses because the licenses are no longer used and capitalised development projects to which no further benefit can be attributed.

In the reporting period, business combinations resulted in additions to net carrying amounts for intangible assets totalling €13,112 thousand, of which €7,881 thousand is goodwill.



## 2 Property, plant and equipment

For property, plant and equipment, impairment losses totalling €447 thousand (previous year: €662 thousand) were recognised under depreciation pursuant to IAS 36 in 2014. These relate to buildings that were demolished and the disassembly of a pilot plant. These write-downs are recognised in the machines and lines for product filling and decoration segment.

In 2014, the carrying amounts for property, plant and equipment included grants of €112 thousand (previous year: €162 thousand). Of the grants, €50 thousand (previous year: €50 thousand) were recognised in profit and loss by way of a reduced depreciation charge in 2014. As in the previous year, no reversals are included in the depreciation figure.

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

Property, plant and equipment includes leased assets amounting to €4,961 thousand (previous year: €1,332 thousand), which are to be attributed as the economic property of the relevant group company due to the provisions of the underlying lease (finance lease).

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

€ thousand	31 Dec 2014	31 Dec 2013
Land, land rights and buildings	4,174	749
Technical equipment and machinery	156	16
Other equipment, furniture and fixtures, and office equipment	631	567
<b>Total</b>	<b>4,961</b>	<b>1,332</b>

In the reporting period, business combinations resulted in additions to the carrying amounts for property, plant and equipment totalling €1,056 thousand (previous year: €0 thousand).

Property, plant and equipment have changed as follows:

€ thousand	Land and buildings	Technical equipment and machinery	Other equipment, furniture and fixtures, and office equipment	Construction in progress	Advance payments made	Total
<b>1 January 2013</b>						
Cost	416,498	261,890	198,778	30,919	0	908,085
Accumulated depreciation	142,127	168,294	132,779	0	0	443,200
<b>Net carrying amount</b>	<b>274,371</b>	<b>93,596</b>	<b>65,999</b>	<b>30,919</b>	<b>0</b>	<b>464,885</b>
<b>Changes in 2013</b>						
<b>Cost</b>						
Additions	12,187	27,089	19,529	6,128	0	64,933
Disposals	1,809	7,855	15,793	11	0	25,468
Transfers	16,890	10,288	1,044	-28,222	0	0
Currency differences	-1,050	-1,331	-1,740	-14	0	-4,135
<b>Depreciation</b>						
Additions	12,994	14,972	23,723	0	0	51,689
Disposals	1,305	7,482	15,277	0	0	24,064
Currency differences	-468	-844	-1,176	0	0	-2,488
<b>Net carrying amount at 31 December 2013</b>	<b>289,368</b>	<b>115,141</b>	<b>61,769</b>	<b>8,800</b>	<b>0</b>	<b>475,078</b>
<b>1 January 2014</b>						
Cost	442,716	290,081	201,818	8,800	0	943,415
Accumulated depreciation	153,348	174,940	140,049	0	0	468,337
<b>Net carrying amount</b>	<b>289,368</b>	<b>115,141</b>	<b>61,769</b>	<b>8,800</b>	<b>0</b>	<b>475,078</b>
<b>Changes in 2014</b>						
<b>Cost</b>						
Consolidated additions	672	627	747	0	0	2,046
Additions	9,967	12,701	22,105	6,391	3,228	54,392
Disposals	482	6,584	15,826	0	0	22,892
Transfers	4,030	1,264	1,323	-6,514	-103	0
Currency differences	2,899	3,585	2,422	16	0	8,922
<b>Depreciation</b>						
Consolidated additions	135	470	385	0	0	990
Additions	13,259	16,434	23,354	0	0	53,047
Disposals	476	6,462	14,428	0	0	21,366
Currency differences	1,441	2,314	1,912	0	0	5,667
<b>Net carrying amount at 31 December 2014</b>	<b>292,095</b>	<b>113,978</b>	<b>61,317</b>	<b>8,693</b>	<b>3,125</b>	<b>479,208</b>
<b>31 December 2014</b>						
Cost	459,802	301,674	212,589	8,693	3,125	985,883
Accumulated depreciation	167,707	187,696	151,272	0	0	506,675
<b>Net carrying amount</b>	<b>292,095</b>	<b>113,978</b>	<b>61,317</b>	<b>8,693</b>	<b>3,125</b>	<b>479,208</b>

### 3 Non-current financial assets

The non-current financial assets consist primarily of lendings.

### 4 Inventories

The inventories of the KRONES Group are composed as follows:

€ thousand	31 Dec 2014	31 Dec 2013
Raw materials and supplies	195,530	183,775
Work in progress	197,863	232,951
Finished goods	154,551	116,795
Goods purchased for sale	95,177	96,887
Other	6,900	10,581
<b>Total</b>	<b>650,021</b>	<b>640,989</b>

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

Write-downs of €37,192 thousand on inventories were recognised as expense in 2014 (previous year: €28,553 thousand) and are based substantially on customary net realisable values and obsolescence allowances. The amount of reversals of write-downs recognised in profit and loss due to improved market conditions was insignificant. The carrying amount of the inventories recognised at fair value less selling expenses totalled €81,019 thousand in the reporting period (previous year: €58,168 thousand).

### 5 Receivables and other assets

€ thousand	31 Dec 2014	31 Dec 2013
Trade receivables	711,719	623,581
(of which amounts are due in 1 year or later)	20,016	12,653
Other assets	75,628	98,610
(of which amounts are due in 1 year or later)	2,021	1,570

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

The allowance account developed as follows:

€ thousand	
At 1 January 2014	25,233
Change in the consolidated group and currency effects	450
Additions	6,444
Reversals	8,817
At 31 December 2014	23,310

The trade receivables at 31 December 2014 include gross amounts due from customers for contract work totalling €75,963 thousand (previous year: €76,683 thousand). These amounts relate to construction contracts in which costs incurred plus recognised profits less the sum of recognised losses exceeds progress billings and advances received. There are no gross amounts due to customers for contract work.

The other assets include primarily advances paid (€15,932 thousand; previous year: €17,983 thousand), current tax assets (€39,714 thousand; previous year: €50,332 thousand), prepaid expenses (€3,646 thousand; previous year: €3,844 thousand), and creditors with debit balances (€1,866 thousand; previous year: €1,601 thousand).

The derivative financial instruments measured at fair value, which were entered into for future payment receipts and meet the conditions for hedge accounting or which were entered into as free-standing hedge transactions, amounted to €660 thousand at the end of the reporting period (previous year: €4,900 thousand).

## 6 Cash and cash equivalents

Apart from cash on hand amounting to €262 thousand (previous year: €112 thousand), the cash and cash equivalents of €336,444 thousand (previous year: €239,880 thousand) consist primarily of demand deposits. Changes in cash and cash equivalents under IAS 7 “Statement of cash flows” are presented in the statement of cash flows on page 144.

## 7 Income tax

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

The income tax breaks down as follows:

€ thousand	2014	2013
Deferred tax expense/income (-)	-6,147	19,886
Current tax	62,335	30,340
<b>Total</b>	<b>56,188</b>	<b>50,226</b>

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

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

The deferred tax assets and liabilities at 31 December 2014 break down by items on the statement of financial position as follows:

€ thousand	Deferred tax assets		Deferred tax liabilities	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Intangible assets	23	102	28,667	28,739
Property, plant and equipment	88	58	11,916	12,660
Non-current financial assets	72	1	57	0
Other non-current assets	427	86	8,360	8,427
Inventories	2,782	4,181	871	46
Other current assets	5,596	5,343	15,865	9,203
Tax loss carryforwards	71	2,293	0	0
Provisions, non-current	13,188	10,011	83	0
Other non-current liabilities	2,499	78	755	664
Provisions, current	33,904	18,028	27,616	1,512
Other current liabilities	26,235	3,499	5,916	3,890
Deferred tax items recognised in other comprehensive income	34,008	15,937	180	1,188
Consolidation	1,191	1,749	0	0
<b>Subtotal</b>	<b>120,084</b>	<b>61,366</b>	<b>100,286</b>	<b>66,329</b>
<b>Offsetting (-)</b>	<b>-97,747</b>	<b>-44,026</b>	<b>-97,747</b>	<b>-44,026</b>
<b>Total</b>	<b>22,337</b>	<b>17,340</b>	<b>2,539</b>	<b>22,303</b>

The deferred tax assets and liabilities recognised in other comprehensive income amounted to €35,055 thousand at the end of the reporting period (previous year: €16,112 thousand). This figure includes the recognition in OCI of €33,042 thousand in actuarial gains and losses pursuant to IAS 19 (previous year: €15,831 thousand). A total of €2,013 thousand (previous year: €281 thousand) resulted from hedging activities. The deferred tax items recognised on loss carryforwards relate to KRONES AG. According to our earnings planning, positive tax results can be expected in the future. Deferred tax items were not recognised on tax loss carryforwards of €50,676 thousand (previous year: €48,417 thousand).

The tax expense of €56,188 thousand reported in 2014 is €3,815 thousand higher than the expected tax expense that would theoretically result from application of the domestic tax rate of 27.3% at the group level. The difference can be attributed to the following:

€ thousand	2014	2013
Earnings before taxes	191,840	169,667
Tax rate for the parent company KRONES AG	27.30%	27.30%
Expected (theoretical) tax expense	52,373	46,319
Adjustments due to different tax rate	2,582	975
Reductions in tax due to tax-free earnings	-7,347	-6,924
Tax loss carryforwards	230	1,321
Increases in tax expense due to non-deductible expenses	12,395	9,905
Tax income (-)/tax expense (+) for previous years	-1,834	-903
Other	-2,211	-467
<b>Taxes on income</b>	<b>56,188</b>	<b>50,226</b>



The difference between reductions in taxes and increases in taxes for 2014 yields a net increase in taxes. This is primarily attributable to non-deductible operating expenses. Penalty interest is recognised under tax expense.

## 8 Equity

KRONES AG's share capital amounted to €40,000,000.00 at 31 December 2014, unchanged on the previous year. It is divided into 31,593,072 ordinary bearer shares, each with a theoretical par value of €1.27 per share. At the end of the reporting period, 31,593,072 shares were in circulation (previous year: 31,593,072). At 31 December 2014, as in the previous year, the company held no treasury shares.

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

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

The authorisation becomes effective upon resolution by the annual shareholders' meeting and applies until the end of the day 24 June 2019. The authorisation resolved by the annual shareholders' meeting on 16 June 2010 (agenda item 6) shall expire when this new authorisation takes effect.

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

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

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

If the shares are purchased through a public tender offer or a public call for tenders, the tender price per share or the high and low ends of the price range per share (excluding incidental costs) shall not exceed by more than 10% and not fall short of by more than 20% the opening price in the XETRA trading system (or any comparable successor system) on the Frankfurt Stock Exchange on the third trading day prior to the public announcement of the public tender offer or public call for tenders (the "relevant price"). If significant deviations from the relevant price occur after the publication of an announcement of a public tender offer or a public call for tenders, the offer or invitation to tender can be adjusted. In such a case, the basis of any adjustment shall be the corresponding price on the last trading day prior to the public announcement of

any adjustment. The tender offer or call for tenders can stipulate additional conditions. If the tender offer is oversubscribed – or, in the case of a call for tenders, if there are several tenders of equal value and the total amount exceeds the total amount accepted – acceptance must be granted on a pro-rated basis. In order to avoid fractional shares, provision may be made for rounding and for preferential acceptance of small lots of up to 100 tendered shares per shareholder, with partial exclusion of any shareholder rights to tender their shares.

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

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

The shares can be sold by means other than a stock exchange or a tender offer directed at all shareholders if the shares are sold in exchange for cash payment at a price not substantially below the stock exchange price of the company's shares at the time of the sale. In this case, the total portion of share capital accounted for by shares to which subscription rights are excluded, even the sum of multiple sales, shall not exceed a total of 10% of the share capital – either at the time that the authorisation enters into effect or at the time it is exercised. In calculating this limit, the portion of the share capital shall also be included that applies to shares issued during the term of this authorisation in direct or analogous application of Section 186 (3) Sentence 4 of the German Stock Corporation Act under the exclusion of subscription rights. Moreover, the portion of the share capital that applies to shares issued to meet obligations arising from debt securities (bonds) shall also be included in calculating the 10% limit if the debt securities are issued during the term of this authorisation and under the exclusion of subscription rights pursuant to Section 221 (4) Sentence 2 and Section 186 (3) Sentence 4 of the German Stock Corporation Act.

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

The shares can be used to service warrant or conversion rights or corresponding obligations from warrants or convertible bonds that have been or will be issued by the company or one of the group companies.

In the event of a tender offer directed at all shareholders or of a capital increase with subscription rights, the holders of warrants or convertible bonds of the company or a group company can be granted subscription rights to the company's shares in the amount to which they would be entitled following exercise of the options or conversion rights or following fulfilment of the corresponding obligations.

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

The shareholders' subscription rights on these treasury shares are excluded insofar as these shares are sold in return for contributions in kind, sold by means other than the stock exchange, or used to service warrant or conversion rights or in a tender offer directed at all shareholders in accordance with the above authorisation.

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

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

The changes in equity that are not recognised in profit or loss (excluding dividends) totalled –€39,134 thousand in the reporting period (previous year: –€13,781 thousand) and consist of changes in currency differences and hedge accounting as well as the recognition of actuarial gains and losses on pensions under other reserves. In addition, changes in the consolidated group and the resulting €757 thousand in non-controlling interests contributed in an increase in equity. The sum of changes in equity that are not recognised in profit or loss and those that are recognised in profit or loss was €97,503 thousand (previous year: €105,660 thousand).

#### Disclosures about capital management

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

### 9 Capital reserves

The capital reserves total €141,724 thousand (previous year: €141,724 thousand). The capital reserves include amounts transferred under Section 272 (2) No. 4 of the German Commercial Code (HGB) and amounts transferred under Section 272 (2) No. 1 HGB totalling €37,848 thousand.

### 10 Profit reserves

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

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

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

## 11 Other reserves

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

€ thousand	Reserve for post-employment benefits	Reserve for cash flow hedges	Reserve for the fair value of securities	Total
<b>At 1 January 2013</b>	<b>-42,122</b>	<b>1,391</b>	<b>-2</b>	<b>-40,733</b>
Measurement change recognised in equity	-47	1,679	5	1,637
Tax on items taken directly to or transferred from equity	13	-251	-1	-239
Currency difference		-46		-46
<b>At 31 December 2013</b>	<b>-42,156</b>	<b>2,773</b>	<b>2</b>	<b>-39,381</b>
Measurement change recognised in equity	-63,596	-6,215	2	-69,809
Tax on items taken directly to or transferred from equity	17,744	2,089	0	19,833
Currency difference		-126		-126
<b>At 31 December 2014</b>	<b>-88,008</b>	<b>-1,479</b>	<b>4</b>	<b>-89,483</b>

## 12 Non-controlling interests

In the financial year 2014, non-controlling interests totalled €757 thousand (previous year: €0 thousand).

A detailed overview of the composition of and changes to the individual equity components for the KRONES Group in 2014 and the previous year is presented in the statement of changes in equity on page 145.

## 13 Provisions for pensions

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

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

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

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

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

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

%	Average for the group	
	2014	2013
Discount rate	2.0	3.6
Projected increases in wages and salaries	0.0	0.0
Projected increases in state pensions	2.0	2.0

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



The average residual term of post-employment benefit obligations is 20 years (previous year: 19 years).

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

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

€ thousand	31 Dec 2014	31 Dec 2013	31 Dec 2012
Present value of benefit commitments financed by provisions	189,991	130,342	124,533
Present value of benefit commitments financed through pension funds	50,869	44,206	44,751
Present value of benefit commitments (gross)	240,860	174,550	169,285
Fair value of plan assets	-29,539	-28,654	-28,239
<b>Carrying amount at 31 December (net defined benefit liability)</b>	<b>211,321</b>	<b>145,896</b>	<b>141,046</b>

The pension provisions, which amounted to €209,210 thousand at the end of the reporting period (previous year: €144,712 thousand), are primarily attributable to KRONES AG.

The costs arising from pension obligations amounted to €6,005 thousand (previous year: €9,069 thousand) and break down as follows:

€ thousand	31 Dec 2014	31 Dec 2013	31 Dec 2012
Current service cost	4,182	4,068	3,506
Interest expense	6,210	6,009	6,102
Expected return on plan assets	-1,022	-1,007	-1,183
Past service cost and plan curtailments	-3,365	0	0
<b>Costs arising from pension obligations</b>	<b>6,005</b>	<b>9,069</b>	<b>8,425</b>

The reconciliation of the present value of defined benefit obligations, which amounted to €240,860 thousand (previous year: €174,550 thousand), and the fair value of the plan assets, which amounted to €29,539 thousand (previous year: €28,654 thousand), and the net of both items break down as follows:

€ thousand	Present value of benefit commitments	Fair value of plan assets	Total
<b>At 1 January 2013</b>	<b>169,285</b>	<b>-28,239</b>	<b>141,046</b>
Current service cost	4,068		4,068
Interest expense (+)/interest income (-)	6,015	-1,007	5,008
Actuarial gains/losses	-332	285	-47
Employer contributions		-2,076	-2,076
Benefits paid	-4,201	2,269	-1,932
Currency differences	-285	114	-171
<b>At 31 December 2013</b>	<b>174,550</b>	<b>-28,654</b>	<b>145,896</b>
Current service cost	4,182		4,182
Interest expense (+)/interest income (-)	6,210	-1,022	5,188
Actuarial gains/losses	63,787	-191	63,596
Employer contributions		-1,954	-1,954
Benefits paid	-4,543	2,286	-2,257
Recognised past service cost	-3,365		-3,365
Currency differences	39	-4	35
<b>At 31 December 2014</b>	<b>240,860</b>	<b>-29,539</b>	<b>211,321</b>

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

The fair value of the plan assets was €29.5 million at 31 December 2014 (previous year: €28.7 million). Of that, €20.1 million are pension liability reinsurance policies (previous year: €18.2 million). The rest of the plan assets are attributable to KRONES Unterstützungs-Fonds e.V., headquartered in Neutraubling. The fund assets are invested in a special fund that is administered and actively managed by Allianz (AGI). The eligible instruments are specified in the investment guidelines. A defensive investment strategy is used. At 31 December 2014, the AGI fund consisted of 36.6% government bonds, 23.6% Pfandbriefe (covered bonds governed by the German Pfandbrief Act), and 20.4% investment-grade corporate bonds. The amount held as cash in hand came to 0.4%. In addition, equity funds accounted for 13.5% and bond funds for 5.5%. Interest rate risk is actively managed using interest rate futures. The duration of the investment volume is 2.99 years. Managing currency risk: No direct currency investments are made. The overall rating of the fund assets is A+. KRONES AG's plan assets are secured as follows: 68% through the pension liability reinsurance policies from Allianz and 32% through KRONES Unterstützungs-Fonds e.V.

The expected contributions into the plan assets in 2015 were €1,906 thousand. The expected pension benefit payments in 2015 that are not paid from the plan assets amount to €2,328 thousand.

In 2014, a total of €46,368 thousand (previous year: €44,744 thousand) was spent on the employer contribution to defined contribution plans (contributions to pensions insurance).

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

	Change in assumption	Effect on the obligation	
		Assumption increases	Assumption decreases
Discount rate	0.50%	12.0% decrease	12.1% increase
Change in state pensions	0.50%	7.6% increase	7.6% decrease
Changes in incomes	0.50%	0.1% increase	0.1% decrease

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

#### 14 Provisions for taxes and other provisions

Of the provisions for taxes and other provisions amounting to €227,326 thousand (previous year: €201,743 thousand), €177,552 thousand (previous year: €162,674 thousand) are due within one year. These other provisions apply to the following items:

€ thousand	1 January 2014	Con-solidated addition	Use	Reversal	Addition	Currency differences	31 December 2014	due within 1 year
Tax liabilities	9,997	34	6,053	1,043	14,492	-76	17,351	14,713
Personnel obligations	26,665		940	31	8,881	16	34,591	911
Administrative obligations	3,877	20	2,343	1,100	3,755	-25	4,184	2,628
Other remaining provisions	161,204	99	49,786	17,379	76,317	745	171,200	159,300
<b>Total</b>	<b>201,743</b>	<b>153</b>	<b>59,122</b>	<b>19,553</b>	<b>103,445</b>	<b>660</b>	<b>227,326</b>	<b>177,552</b>

The provisions for personnel obligations are primarily for non-current obligations relating to partial retirement (€23,487 thousand; previous year: €19,341 thousand). The other remaining provisions primarily consist of warranties and anticipated losses. Estimates are based on customary empirical values. The non-current provisions have been discounted using rates between 2.8% and 4.3%.

## 15 Liabilities

€ thousand	Residual term of up to 1 year	Residual term of 1 to 5 years	Residual term of over 5 years	Total at 31 Dec 2014
Liabilities to banks	0	0	0	0
Advances received	493,725	0	0	493,725
Trade payables	214,855	0	0	214,855
Other financial liabilities	12,021	9,699	0	21,720
Other liabilities	259,515	1,571	0	261,086
<b>Total</b>	<b>980,116</b>	<b>11,270</b>	<b>0</b>	<b>991,386</b>

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

The other financial liabilities are obligations on bills. Under IAS 39, these represent possible liabilities from bills sold and are also recognised as trade receivables amounting to €14,399 thousand (previous year: €10,284 thousand).

The other liabilities consist of deferred income (€10,747 thousand; previous year: €6,606 thousand) and other remaining liabilities (€250,339 thousand; previous year: €228,314 thousand).

The other remaining liabilities break down as follows:

€ thousand	Residual term of up to 1 year	Residual term of 1 to 5 years	Residual term of over 5 years	Total at 31 Dec 2014
Tax liabilities	17,562			17,562
Social security liabilities	7,133			7,133
Payroll liabilities	20,448			20,448
Debtors with credit balances	11,303			11,303
Accruals	174,363			174,363
Other	17,959	1,571		19,530
<b>Total</b>	<b>248,768</b>	<b>1,571</b>		<b>250,339</b>

Accruals, which amounted to €174,363 thousand (previous year: €163,980 thousand), have greater certainty with respect to their amount and timing than provisions have. The primary items they include are outstanding supplier invoices, obligations relating to flexible working hours, accrued vacation, and performance bonuses.

€ thousand	Residual term of up to 1 year	Residual term of 1 to 5 years	Residual term of over 5 years	Total at 31 Dec 2013
Tax liabilities	13,867			13,867
Social security liabilities	7,587			7,587
Payroll liabilities	20,626			20,626
Debtors with credit balances	7,952			7,952
Accruals	163,980			163,980
Other	13,396	906		14,302
<b>Total</b>	<b>227,408</b>	<b>906</b>		<b>228,314</b>

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

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

€ thousand	31 Dec 2014	31 Dec 2013
Future minimum lease payments		
Up to 1 year	252	525
1 to 5 years	270	462
	<b>522</b>	<b>987</b>
Interest portion of future minimum lease payments		
Up to 1 year	22	13
1 to 5 years	22	13
	<b>44</b>	<b>26</b>
Present value of future minimum lease payments		
Up to 1 year	230	512
1 to 5 years	248	449
	<b>478</b>	<b>961</b>

## 16 Contingent liabilities

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

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



## 17 Other financial liabilities

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

€ thousand	31 Dec 2014	31 Dec 2013
Future minimum lease payments		
Up to 1 year	15,237	13,751
1 to 5 years	12,687	13,794
	<b>27,924</b>	<b>27,545</b>
Future maintenance		
Up to 1 year	8,694	11,213
1 to 5 years	11,215	1,148
More than 5 years	137	0
	<b>20,046</b>	<b>12,361</b>

Payments amounting to €23,036 thousand (previous year: €21,796 thousand) were made under these rental and lease agreements in 2014.

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

## 18 Derivative financial instruments

The derivative financial instruments of the KRONES Group, with a fair value of –€5,200 thousand (previous year: €4,463 thousand) of which –€5,200 thousand are short-term (previous year: €4,163 thousand), substantially cover the currency risks relating to the US dollar, the Canadian dollar, the British pound, the Japanese yen, and the euro. The fair value includes the difference between the forward rate received from the relevant commercial bank and the rate at the end of the reporting period as well as appropriate premiums or discounts for the expected price development through maturity. These financial instruments are accounted for using the settlement date.

The derivative financial instruments are essentially composed of forward exchange contracts at a secured volume of €198.4 million (previous year: €141.0 million), of which €198.4 million are short-term (previous year: €138.5 million). This volume includes a nominal volume of €59.4 million (previous year: €64.4 million) for short-term cash flow hedges that is measured at a fair value of €59.1 million (previous year: €64.4 million). The risk of default relating to derivative financial instruments is limited to the balance of the positive fair values in the event of a contracting party's default. The cash flow hedges presented are effective.

The net gain from these financial instruments was €211 thousand in the reporting period (previous year: net loss of €81 thousand).

## 19 Revenue

The KRONES Group's revenue, which amounts to €2,953,405 thousand for the reporting period (previous year: €2,815,710 thousand), consists of deliveries and services billed to customers less reductions. In the segment reporting, sales revenue is presented in detail, divided by business area and geographic market. In 2014, revenue of €1,481,454 thousand resulted from construction contracts (previous year: €1,400,692 thousand). Costs and gains (less any reported losses) for contracts in progress came to €797,599 thousand (previous year: €1,207,102 thousand). Advances received amounted to €246,844 thousand (previous year: €208,614 thousand).

## 20 Other own work capitalised

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

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

## 21 Other operating income

Apart from income from the reversal of provisions (€15,793 thousand; previous year: €18,924 thousand), gains from disposals of non-current assets (€308 thousand; previous year: €317 thousand), and the reversal of impairments (€7,248 thousand; previous year: €3,761 thousand), which are not related to the period, the other operating income, which amounts to €95,319 thousand (previous year: €82,527 thousand), consists substantially of currency translation gains of €26,856 thousand (previous year: €44,466 thousand). This is compared with the recognition of impairment losses of €4,066 thousand (previous year: €8,450 thousand) and currency translation losses of €36,307 thousand (previous year: €28,579 thousand) under other operating expenses.

## 22 Goods and services purchased

The expenditure for goods and services purchased comprises expenses for materials and supplies and for goods purchased amounting to €1,172,746 thousand (previous year: €1,102,757 thousand) and expenses for services purchased amounting to €268,036 thousand (previous year: €275,005 thousand).

## 23 Personnel expenses

Within the KRONES Group, 12,147 people (previous year: 11,841) including trainees (532; previous year: 657) were employed on average for the year. The workforce of the KRONES Group is composed as follows (on average for the year):

	2014	2013
White-collar employees exempt from collective agreements	2,414	2,394
Employees covered by collective agreements	9,733	9,447
<b>Total</b>	<b>12,147</b>	<b>11,841</b>

## 24 Other operating expenses

Apart from the €293 thousand in losses from disposals of non-current assets (previous year: €511 thousand), which are not related to the period, the other operating expenses include additions to impairments on receivables (€4,066 thousand; previous year: €8,450 thousand), other taxes (€5,626 thousand; previous year: €7,320 thousand), freight costs (€87,284 thousand; previous year: €82,156 thousand), and rent and cleaning costs (€33,780 thousand; previous year: €33,342 thousand).

## 25 Financial income/expense

The financial income of €6,715 thousand (previous year: financial expense of €3,122 thousand) breaks down as follows:

€ thousand	2014	2013
Income from other securities and loans classified as non-current financial assets	36	10
Other interest and similar income	7,914	5,201
Interest and similar expenses	-2,948	-4,978
Interest income	4,966	223
Share of profit or loss of associates accounted for using the equity method	0	-5,036
Write-downs on non-current financial assets	-508	0
Investment income	2,221	1,681
<b>Financial income/expense</b>	<b>6,715</b>	<b>-3,122</b>

Higher interest income (€7,914 thousand; previous year: €5,201 thousand) and lower interest expense (€2,948 thousand; previous year: €4,978 thousand) had a major impact on the financial result. There was no share of profit or loss of associates accounted for using the equity method in 2014 because that company is being liquidated. Thus, there are no other effects from any non-recognised losses in the financial statements of KRONES AG.

## 26 Income tax

Income tax amounted to -€56,188 thousand in 2014 (previous year: -€50,226 thousand). More information is presented under Note 7, "Income tax" (pages 163 to 165).

## 27 Earnings per share

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

	2014	2013
Consolidated net income less profit or loss shares of non-controlling interests (€ thousand)	135,880	119,441
Weighted average number of ordinary shares in circulation (shares)	31,593,072	31,143,961
<b>Earnings per share (€)</b>	<b>4.30</b>	<b>3.84</b>

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

#### ■ Group audit fees

Expenses of €466 thousand (previous year: €468 thousand) were incurred in the financial year 2014 for the KRONES Group audit and the audit of the parent company. In addition, for the parent company, expenses totalling €66 thousand (previous year: €24 thousand) were incurred for tax consultancy services. The expense for the audit of the German subsidiaries was €44 thousand (previous year: €37 thousand). In addition, the company received other services totalling €27 thousand (previous year: €0 thousand) and other assurance services totalling €25 thousand (previous year: €0 thousand).

#### ■ Events after the reporting period

On 18 March 2015, KRONES announced that Executive Board Chairman Volker Kronseder would not be renewing his contract, which expires on 31 December 2015. Volker Kronseder's successor will be Christoph Klenk, whom the Supervisory Board has appointed Chairman of the Executive Board of KRONES AG effective 1 January 2016.

In early February 2015, KRONES acquired a 100% stake in TRIACOS Consulting & Engineering GmbH of Altenstadt an der Waldnaab, Germany. Because initial accounting of the business combination was not yet complete when the financial statements were approved for publication, the disclosures in these notes to the financial statements do not include the acquisition of TRIACOS Consulting & Engineering GmbH.

Effective 5 March 2015, KRONES AG has acquired full ownership of SCHAEFER 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.

#### ■ Related party disclosures

Within the meaning of IAS 24 "Related party disclosures", the members of the Supervisory Board and of the Executive Board of KRONES AG and the companies of the KRONES Group, including unconsolidated subsidiaries, are deemed related parties. Purchases and sales between the related companies are transacted at prices customary on the market ("at arm's length"). Sales to related companies that are not consolidated amounted to €39,110 thousand in 2014 (previous year: €24,948 thousand). Trade and other payment transactions resulted in assets of €8,081 thousand (previous year: €4,548 thousand). Contingent liabilities of €2,631 thousand (previous year: €2,350 thousand) result from guarantees.

- **Remuneration of the Executive Board and the Supervisory Board**

The remuneration report summarises the principles used to determine the remuneration paid to the Executive Board of KRONES AG and explains the amount and the structure of such income. The principles and the amount of Supervisory Board remuneration are also set out in the report. The remuneration report is on pages 126 to 128 of the 2014 Annual Report.

- **Corporate Governance**

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.

- **Risk report**

The risk report is part of the management report and is on pages 106 to 115.



### Standards and interpretations not applied early

The following standards, interpretations, and amendments to existing standards and interpretations have been issued by the IASB and adopted by the European Union; however, their application is not yet mandatory (applicable for financial years beginning on or after 17 June 2014) and KRONES AG did not apply them early:

IAS 19	“Employee benefits”
IFRIC 21	“Levies”
Improvements IFRS 2010–2012	“Changes to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, IAS 38”
Improvements IFRS 2011–2013	“Changes to IFRS 1, IFRS 3, IFRS 13, IAS 40”

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

### Standards and interpretations to be applied for the first time

Changes resulting from a new standard or a new interpretation or amendments to existing standards and interpretations (applicable for the first time for financial years beginning on or after 1 January 2014):

IFRS 10	“Consolidated financial statements”
IFRS 11	“Joint arrangements”
IFRS 12	“Disclosure of interests in other entities”
IFRS 10, IFRS 11, AND IFRS 12	“Transition guidance”
IFRS 10, IFRS 12, AND IAS 27	“Investment entities”
IAS 27	“Separate financial statements”
IAS 28	“Investments in associates and joint ventures”
IAS 32	“Offsetting financial assets and financial liabilities”
IAS 36	“Recoverable amount disclosures for non-financial assets”
IAS 39	“Novation of derivatives and continuation of hedge accounting”

These changes are not applicable to KRONES or resulted in no substantial effects in the reporting period.

Name and location of the company	Share in capital held by KRONES AG %*
neusped Neutraublinger Speditions-GmbH, Neutraubling, Germany	100.00
KIC KRONES Internationale Cooperations-Gesellschaft mbH, Neutraubling, Germany	100.00
ecomac Gebrauchtmaschinen GmbH, Neutraubling, Germany	100.00
EVOGUARD GmbH, Nittenau, Germany	100.00
MAINTEC Service GmbH, Collenberg/Main, Germany	100.00
KLUG GmbH Integrierte Systeme, Teunz, Germany	26.00
SYSKRON Holding GmbH, Wackersdorf, Germany	100.00
SYSKRON GmbH, Wackersdorf, Germany	100.00
HST Maschinenbau GmbH, Dassow, Germany	100.00
TILL GmbH, Hofheim, Germany	50.97
S.A. KRONES N.V., Louvain-la-Neuve, Belgium	100.00
MAINTEC Service eood, Sofia, Bulgaria	100.00
KRONES Nordic ApS, Holte, Denmark	100.00
KRONES S.A.R.L., Lyon, France	100.00
KRONES UK Ltd., Bolton, UK	100.00
KRONES S.R.L., Garda (VR), Italy	100.00
KOSME S.R.L., Roverbella, Italy	100.00
KRONES Kazakhstan too, Almaty, Kazakhstan	100.00
KRONES Nederland B.V., Bodegraven, Netherlands	100.00
KOSME Gesellschaft mbH, Sollenau, Austria	100.00
KRONES Spółka z.o.o., Warsaw, Poland	100.00
KRONES Portugal Equipamentos Industriais Lda., Barcarena, Portugal	100.00
KRONES o.o.o., Moscow, Russian Federation	100.00
KRONES Romania Prod. S.R.L., Bucharest, Romania	100.00
KRONES AG, Buttwil, Switzerland	100.00
KRONES Iberica, S.A., Barcelona, Spain	100.00
KRONES S.R.O., Prague, Czech Republic	100.00
KONPLAN S.R.O., Pilsen, Czech Republic	100.00
KRONES Makina Sanayi ve Tikaret Ltd. Sirketi, Istanbul, Turkey	100.00
KRONES Ukraine LLC, Kiev, Ukraine	100.00
KRONES Angola – Representacoes, Comercio e Industria, Lda., Luanda, Angola	100.00
KRONES Surlatina S.A., Buenos Aires, Argentina	100.00
KRONES do Brazil Ltda., São Paulo, Brazil	100.00
KRONES S.A., São Paulo, Brazil	100.00
KRONES Machinery (Taicang) Co. Ltd., Taicang, China	100.00
KRONES Trading (Taicang) Co. Ltd., Taicang, China	100.00
KRONES Asia Ltd., Hong Kong, China	100.00
KRONES India Pvt. Ltd., Bangalore, India	100.00
PT. KRONES Machinery Indonesia, Jakarta, Indonesia	100.00
KRONES Japan Co. Ltd., Tokyo, Japan	100.00
KRONES Machinery Co. Ltd., Mississauga, Ontario, Canada	100.00
KRONES LCS Center East Africa Limited, Nairobi, Kenya	100.00
KRONES Andina Ltda., Bogotá, Columbia	100.00
KRONES Korea Ltd., Seoul, Korea	100.00
KRONES Mex S.A. DE C.V., Mexico D.F., Mexico	100.00
KRONES LCS Center West Africa Limited, Lagos, Nigeria	100.00
KRONES Southern Africa (Prop.) Ltd., Johannesburg, South Africa	100.00
KRONES (Thailand) Co. Ltd., Bangkok, Thailand	100.00
KRONES, Inc., Franklin, Wisconsin, USA	100.00
Maquinarias KRONES de Venezuela S.A., Caracas, Venezuela	100.00

\* Direct and indirect shareholdings.

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 FUTTERSAATBAU GMBH

#### Philipp Graf

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

#### Dr. Alexander Nerz

Attorney

#### Dr. Verena Di Pasquale\*\*

Deputy Chairperson of DGB Bayern (the German Trade Union Confederation in Bavaria)  
(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\*\*

1<sup>st</sup> 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 Section 125 (1) Sentence 5 of the German Stock Corporation Act

\*\* Elected by the employees

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

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 per share	39,491,340.00
Amount brought 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







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We have audited the consolidated financial statements prepared by KRONES Aktiengesellschaft, Neutraubling, comprising the separate income statement, the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and the notes to the consolidated financial statements, together with the group management report for the financial year from 1 January to 31 December 2014. The preparation of the consolidated financial statements and the group management report in accordance with IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. [paragraph] 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Regensburg, 31 March 2015

KPMG Bayerische Treuhandgesellschaft  
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Braun  
Wirtschaftsprüfer  
(German Public Auditor)

Herr  
Wirtschaftsprüfer  
(German Public Auditor)

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).
IFRSs	International Financial Reporting Standards. Accounting standards issued by the International Accounting Standards Board (IASB) that are harmonised and applied internationally.
Market capitalisation	The value of a company based on the market price of issued and outstanding ordinary shares. Calculated by multiplying the share price by the number of shares.
MDAX	Index that contains the 50 biggest German and non-German companies (based on market capitalisation and trading volume) in the traditional sectors after those included in the DAX.
Net cash and equivalents	Cash and highly liquid securities under current assets less liabilities to banks.
Return on equity before taxes	Ratio of earnings before taxes to average equity.
ROCE (assets side)	Ratio of EBIT to the average sum of fixed assets and working capital.
ROCE (liabilities side)	Ratio of EBIT to average capital employed (total assets less interest-free liabilities and interest-free other provisions).
Statement of cash flows	Statement of inflows and outflows of cash that shows the sources and uses of funds within the financial year.
Total Cost of Ownership (TCO)	The total cost associated with an investment over its entire useful life.
Total debt	Combined term for the provisions, liabilities, and deferred income stated on the liabilities side of the balance sheet.
Total operating performance	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.

<b>Aseptic beverage filling</b>	Germ-free filling of beverages at ambient temperature.
<b>Bloc solutions</b>	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.
<b>Brewhouse</b>	In the brewhouse, the raw materials malt, hops, and water are processed in several stages to produce beer.
<b>Craft brewer/Craft beer</b>	Smaller, independent breweries (craft brewers) that produce handcrafted specialty beers (craft beer).
<b>Digital printing</b>	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.
<b>Efficiency</b>	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).
<b>Energy drink</b>	A beverage that acts as a stimulant. The main ingredients used for this are sugar and caffeine.
<b>enviro</b>	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.
<b>Filler</b>	Machines and systems with which a finished product is dosed into a container.
<b>Inspector</b>	Machine that checks empty or full bottles and other containers for damage or contamination.
<b>Intralogistics</b>	The internal flow of materials and goods within a company, including warehouse, order-picking, and conveyance systems.
<b>Line</b>	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.
<b>Pasteurisation</b>	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.
<b>PET</b>	Polyethylene terephthalate, a thermoplastic material from the polyester family used for producing beverage bottles.
<b>Preforms</b>	Blanks made of PET plastic, similar in shape and size to test tubes. Preforms are made into PET bottles in a stretch blow-moulder.
<b>Sleeve</b>	Labels made of plastic film that are either stretched over containers or heat-shrunk to fit.
<b>Stretch blow-moulder</b>	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.



This English language report is a translation of the original German KRONES Konzern Geschäftsbericht 2014. 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](http://krones.com).

The production of and the paper used for the KRONES Group's 2014 Annual Report have been certified in accordance with the criteria of the Forest Stewardship Council (FSC). The FSC prescribes strict standards for forest management, thus helping to prevent uncontrolled deforestation, human rights violations, and environmental damage. Because products bearing the FSC label are handled by various enterprises along the trading and processing chain, the companies that process the paper, such as printers, are also certified under FSC rules.

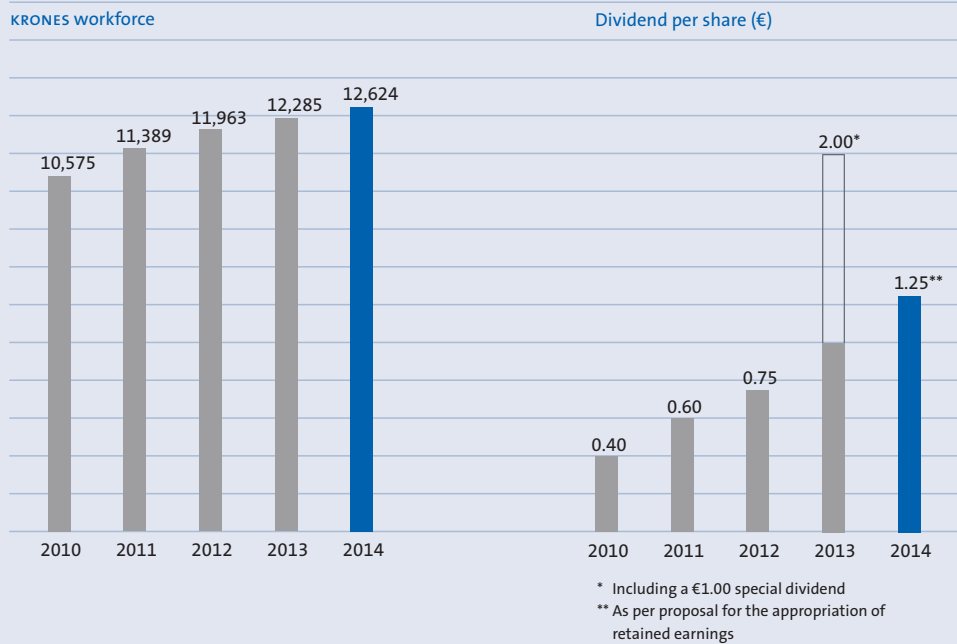
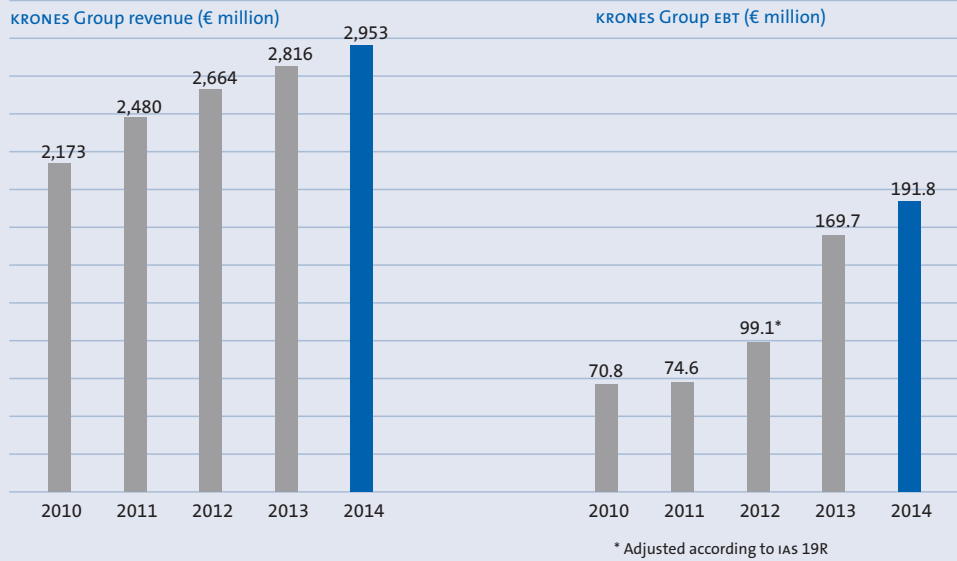


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At a glance: revenue, earnings, employees, dividends



## Key figures for the KRONES Group 2010 – 2014

		2014	2013	2012*	2011*	2010
<b>Revenue</b>						
Sales revenue	€ million	2,953	2,816	2,664	2,480	2,173
Germany	€ million	284	292	224	253	234
Outside Germany	€ million	2,669	2,524	2,440	2,227	1,939
Export share	%	90	90	92	90	89
<b>Earnings</b>						
Earnings before taxes	€ million	192	170	99	75	71
Net income	€ million	136	119	68	44	51
Earnings per share	€	4.30	3.84	2.26	1.45	1.68
<b>Assets and capital structure</b>						
Non-current assets	€ million	672	642	625	603	569
of which fixed assets	€ million	624	605	587	555	519
Current assets	€ million	1,756	1,596	1,445	1,443	1,317
of which cash and equivalents	€ million	336	240	133	125	147
Equity	€ million	989	954	798	763	759
Total debt	€ million	1,438	1,284	1,272	1,283	1,127
Non-current liabilities	€ million	275	213	193	162	125
Current liabilities	€ million	1,163	1,071	1,079	1,121	1,002
Total assets	€ million	2,428	2,238	2,070	2,046	1,886
<b>Cash flow/capital expenditure</b>						
Free cash flow	€ million	152.1	67	31	-7	3
Capital expenditure for PP&E and intangible assets	€ million	95	108	111	106	82
Depreciation, amortisation, and write-downs	€ million	91	85	77	70	61
Net cash position (cash and cash equivalents less debt)	€ million	336	240	133	125	147
<b>Profitability ratios</b>						
EBT margin	%	6.5	6.0	3.7	3.0	3.3
Return on equity before taxes	%	19.7	19.4	12.2	9.8	9.7
ROCE (liabilities side)	%	16.4	16.7	10.0	7.9	8.1
ROCE (assets side)	%	14.1	13.8	7.8	6.2	6.5
<b>Employees (at 31 December)</b>						
Germany		9,344	9,098	9,076	8,887	8,280
Outside Germany		3,280	3,187	2,887	2,502	2,295
<b>Dividend</b>						
Dividend per share	in €	1.25**	2.00***	0.75	0.60	0.40

\* Adjusted according to IAS 19R \*\* As per proposal for appropriation of retained earnings \*\*\* Including a €1.00 special dividend

## KRONES Group segments and product divisions

Machines and lines  
for product filling  
and decoration

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

Machines and lines  
for beverage production/  
process technology

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

Machines and lines  
for the low output range  
(KOSME)

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

## Contact

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Germany

## Financial calendar

30 April 2015	Annual report for 2014 Interim report for the period ended 31 March 2015 Financial press conference
17 June 2015	Annual shareholders' meeting
23 July 2015	Interim report for the period ended 30 June 2015
22 October 2015	Interim report for the period ended 30 September 2015