

Success is a team effort

Annual Report
for KRONES AG 2015

 **KRONES**

2015 highlights

- KRONES achieved its targets for 2015.
- Revenue rose 4.4% to €2.51 billion.
- Dividend for 2015 to increase from €1.25 per share in the previous year to €1.45.

		2015	2014	Change %
Revenue	€ million	2,513.2	2,407.2	+4.4
New orders	€ million	2,658.2	2,480.4	+7.2
Orders on hand at 31 December	€ million	1,539.0	1,394.0	+10.4
EBITDA				
	€ million	137.4	130.3	+5.4
EBIT				
	€ million	86.8	78.5	+10.6
EBT				
	€ million	79.1	72.9	+8.5
Net income for the year	€ million	59.0	42.9	+37.5
Earnings per share (KRONES Group, IFRS)	€	4.98	4.30	+15.8
Dividend per share	€	1.45*	1.25	+16.0
Capital expenditure for PP&E and intangible assets				
	€ million	53.0	51.3	+3.3
Cash flow				
	€ million	109.6	111.8	-2.0
Net cash and cash equivalents** at 31 December				
	€ million	125.7	165.5	-23.7
Employees at 31 December				
		9,283	9,088	+2.1

*As per proposal for the appropriation of retained earnings ** Cash and cash equivalents less debt

One of KRONES' aims is to grow profitably. And, in 2015, we did. But for us, success means more than increasing revenue and profits. We once again offered many innovative products and services with added value last year. That is how we ensure our customers' success for the long term.

The KRONES team strives to continuously increase our customers' satisfaction. Every one of our employees contributes. That is why we are entitling this year's annual report "*Success is a team effort.*"



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Dear shareholders and friends of KRONES,

Our long-time Executive Board Chairman, Volker Kronseder, retired from the Executive Board at the end of 2015. Those familiar with Volker Kronseder know that he does not wish to be the centre of much attention. Nevertheless, we would like to offer a brief look back on his service to the company (pages 10 to 13). Volker Kronseder joined the Executive Board in 1989 and became Chairman in 1996. Since then, KRONES has thrived, thanks in large part to Volker Kronseder. My colleagues on the Executive Board and I are pleased that Mr. Kronseder wishes to continue his stewardship of the company and will be standing for election to the Supervisory Board at the next annual shareholders' meeting.

Continuity is assured

I assumed the post of Executive Board Chairman (CEO) on 1 January 2016. In answer to the question of whether the changes in executive management will mean a shift in the company's fundamental strategy: Absolutely not. There is no reason to change course. We have a strong business model that has proved itself even in difficult economic times. Our business also benefits from long-standing relationships with our customers. Our customers have always been – and will continue to be – the focus of all we do at KRONES.

KRONES had a good year overall in 2015. The group's consolidated revenue rose 7.5% to €3.17 billion despite the challenging economic environment. Consolidated earnings before taxes (EBT) improved by 16.4% to €223.3 million. Thus, we have achieved the EBT margin target of 7.0% that we had set as part of our Value strategy programme. Quality and innovation are crucial pillars of the Value programme. They reflect our desire to continuously increase our customers' satisfaction.

As in the past, this will only be possible if our entire staff work together as a team. It makes sense, then, that the theme of this year's annual report should be "Success is a team effort." The KRONES team welcomed its new Chief Financial Officer, Michael Andersen, to the company on 1 January 2016. My colleagues on the Executive Board and I look forward to working with Mr. Andersen. We are certain that he will help us master whatever challenges the future brings. And of those there will be many, as competition is stiff and the economic environment remains volatile.

Only sustainable success counts

In 2015, we made a number of critical decisions to ensure our future success. We drove the international growth of our core segment, machines and lines for product filling and decoration. The increasing presence of modular machines in our portfolio has helped us to lower costs in our core segment. We were also once again able to offer numerous innovative products that deliver real added value to our bottling and packaging equipment customers, such as our highly versatile Varioline packaging line. Despite intense competition from many sides, including China, we intend to maintain our core segment's strong market position. In our process technology segment, we launched an action package aimed at improving competitiveness and profitability for the long term. We discuss this in more detail in the strategy report beginning on page 32.



"The changes in executive management will not affect the company's fundamental strategy."

Christoph Klenk
CEO

We made considerable progress with respect to KOSME in 2015. This KRONES subsidiary forms the core of our smallest segment, machines and lines for the compact class. We restructured KOSME's Italian site and streamlined its portfolio. These efforts have paid off. The segment posted a profit in 2015 and, from today's perspective, we can say that the earnings turnaround is sustainable.

That is important because we always strive to achieve more than short-term gains. Our goal is to create sustained value – for our customers and our company. For this reason, KRONES itself continues to evolve in the same way that we are continually improving our products and services. Perseverance is an important factor for KRONES' success. Instead of taking rash action in pursuit of short-term goals, we always take a long view and act accordingly. Our enviro sustainability programme is an excellent example of this. Machines and lines that bear the enviro label are highly efficient in their use of energy and other resources. We have steadily increased our portfolio of enviro machines over the years.

Internationalisation secures jobs

In the past several years, we have invested heavily in our workforce and information technology abroad in order to expand KRONES' international presence. And that is why we now hold a leading position in the emerging markets. This and positive development in the mature markets have ensured that the company's revenue is very well balanced internationally. We will continue to drive the company's international growth in order to be closer to customers. We are also increasingly offering services billed in the local currency as well as locally produced products that are developed specifically for those markets. This strategy also entails building up manpower at our sites abroad. The share of the group's total workforce employed outside Germany grew in 2015 and this trend will continue in the years ahead. However, that does not mean that our German jobs are at risk. Internationalisation and the attendant success in markets far from Germany also help secure jobs here at home. We will also continue to invest heavily in our German sites. One such example is our subsidiary SYSKRON Holding, into which we have bundled all of our intralogistics activities and all aspects relating to digitalisation. The intelligent integration of data enables us to further improve our customers' production processes and is becoming a critical part of our business.

In closing, and on behalf of everyone on the Executive Board, I would like to thank the entire KRONES team for their dedication and exceptional level of commitment in 2015. Every member of the KRONES Group's 13,346-strong team contributed to our company's success. I firmly believe that we will continue to write this success story together. At KRONES, success is and always will be a team effort.



Christoph Klensk
CEO

Rainulf Diepold
Sales and Marketing

Michael Andersen
CFO
Finance, Controlling,
Strategic Purchasing

Christoph Klenk
CEO
Human Resources, Communication,
Quality, Information Management



Markus Tischer
International Operations
and Services

Thomas Ricker
Bottling and Packaging
Equipment

Ralf Goldbrunner
Plants and Components





Neutraubling, December 2015

Dear shareholders, business partners, and friends of KRONES AG,

As 2015 draws to a close, the time has come for me to retire from the Executive Board of KRONES AG. Our internal policies establish an age cap for Executive Board members and I am respecting that limit. After two decades chairing the Executive Board, I am passing responsibility for the company to younger hands.

The transition will be smooth. Responsibility for operations goes to a familiar team with a proven track record. They work – pardon the pun – like a well-oiled machine. My successor, Christoph Klenk, has been demonstrating his exceptional capabilities within KRONES for 20 years and has helped shape our company's philosophy. Thus, the very special culture we have at KRONES will remain intact. I have complete confidence in our Executive Board team and in our entire workforce. And I am certain that KRONES' success story will continue long into the future.

Of course, I will not withdraw completely from involvement in the company. I intend to continue to bear responsibility and remain a part of the motivated KRONES team. At the annual shareholders' meeting in June 2016, I will stand for election to the Supervisory Board of KRONES AG.

As majority shareholders, my family and I remain closely bound to the company, even without a Kronseder on the Executive Board. That lends the company additional stability.

Now, as outgoing Chairman of the Executive Board, I would like to thank everyone who has supported KRONES and contributed to the company's successful development during my tenure – our customers, suppliers, shareholders, and most importantly our employees.

I can promise you all this: KRONES will remain the partner you have all come to rely on and appreciate.



Yours truly,
Volker Kronseder

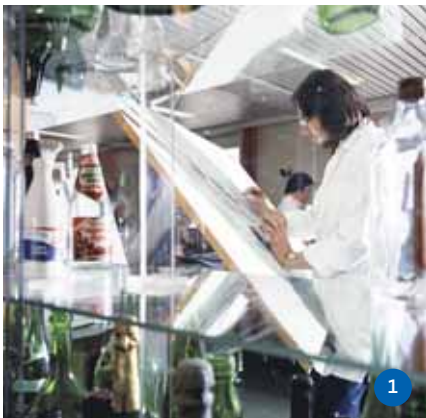
Chairman of the
Supervisory Board:
Ernst Baumann

Executive Board: Volker Kronseder
(Chair)
Christoph Klenk
Rainulf Diepold
Thomas Ricker
Markus Tischer
Ralf Goldbrunner

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1 1973 Starting out – Volker Kronseder learned the business from the ground up, starting out at KRONES as a drafter, preparing technical drawings and plans.

2 1976 First Bloc – Volker Kronseder standing in front of the first KRONES Bloc (individual machines linked as a single system). Bloc solutions have been an important part of KRONES' success ever since.



3 1984 Japan connection – Japan was already one of KRONES' first markets abroad in the 1960s. In 1984, a delegation from the Japanese embassy on a visit to Neutraubling saw for themselves the quality of KRONES machines.

4 1987 "Klonsedel" – Volker Kronseder has a soft spot for China. A visit from Chinese customers in 1987 was followed by many successful sales to China.

5 1987 The unifying power of sports – Company sports are important at KRONES. Volker Kronseder liked to be the one to hand over trophies to the season's winners.

6 1988 Pfaff likes what he sees – Jean-Marie Pfaff, one of the world's best football goalies of the 1980s, visited KRONES as a brand ambassador for the Belgian brewery Alken Maes. Pfaff was impressed by the state-of-the-art production facilities.

7 1989 Labelling technology earns kudos – Mobil Oil awarded its OPPACK Award to KRONES for the Controll labeller, citing its excellent handling of Mobil Oil films.

8 1984 Well-rounded – Volker Kronseder celebrates his father's 60th birthday on 3 October 1984.

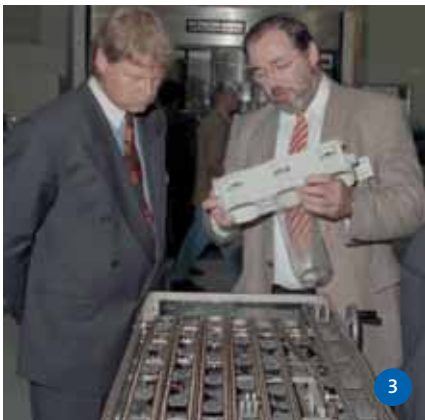




1 1990 – East-West interest – A delegation from the Russian economic ministry listens carefully as Volker Kronseder explains.



2 1991 Ready for the islands – To celebrate the dedication of the company's new site in England, employees gave Volker Kronseder a KRONES machine in miniature.



3 1993 Attention to detail – At the drinktec Interbrau trade fair, Volker Kronseder explained the workings of the Spiragrip bottle washer to an interested fair visitor.

4 1994 5,000 strong – Volker Kronseder personally greeted the company's 5,000th employee, Monika Adlhoch. A direct connection to employees was always important to him.



5 1995 TÜV-certified – KRONES has been DIN iso 9001 certified since 1995. Volker Kronseder and his father, Hermann Kronseder, proudly accepted the TÜV certificate.



6 1996 5,000th Academy participant – The KRONES Academy, which trains customers in the operation and maintenance of our machines and lines, has become its own success story. Since Volker Kronseder greeted the 5,000th Academy graduate in 1996, the Academy now trains and educates 15,000 participants each year in management and technical courses.



7 1996 Chairman of the Executive Board – Volker Kronseder took over the helm of the Executive Board from his father 20 years ago. He explained the company's strategy going forward to employees at the all-employee meeting.

8 1999 Top performance – In 1999, the Leikeim Brewery in Altenkunstadt, Germany, placed an order with KRONES for the fastest filling line for swing-stoppered bottles available at the time. Volker Kronseder celebrated the order with the management of the family-owned brewery.





1

1 2000 Cheers all around – After a hard day's work, Volker Kronseder enjoyed a cold one with KRONES employees at the company picnic.

2 2001 KRONES turns 50 – Volker Kronseder and his wife Caroline celebrated the company's golden anniversary with the KRONES team and live music from the 1970s cult band Middle of the Road. Chirpy Chirpy Cheep Cheep!

3 2002 Looking good – At the financial press conference and subsequent analyst conference for 2002, Executive Board Chairman Volker Kronseder and Deputy Chairman Hans-Jürgen Thaus presented record earnings for the third consecutive year. And it wouldn't be the last.

4 2002 Beer honours – Andreas Stöttner of the Private Breweries of Bavaria Federation presented Volker Kronseder with the Bavarian Beer Award at the Brau trade fair in 2002 for his accomplishments with respect to Bavarian beer.

5 2005 Eastward ho! – Volker Kronseder and friends set out on a motorcycle journey to China in 2005.

6 2006 Growth market China – Volker Kronseder and Chinese customers celebrate a contract signing in Neutraubling. KRONES now generates around 10% of revenue in China.

7 2009 Perfectly matched – Caroline Kronseder and husband Volker put the Varioline packaging line in a good light at the 2009 drinktec. Today, the Varioline is especially popular among craft brewers.

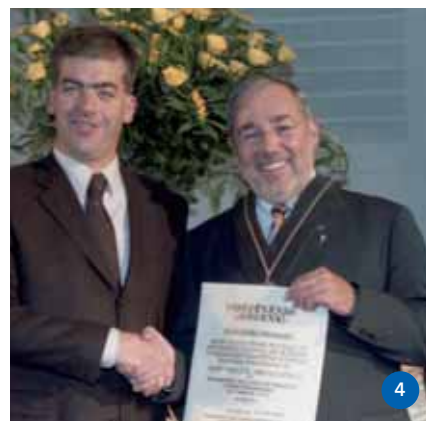
8 Kronseder family – Volker Kronseder with his parents and siblings. Father Hermann Kronseder died in 2010 at the age of 85.



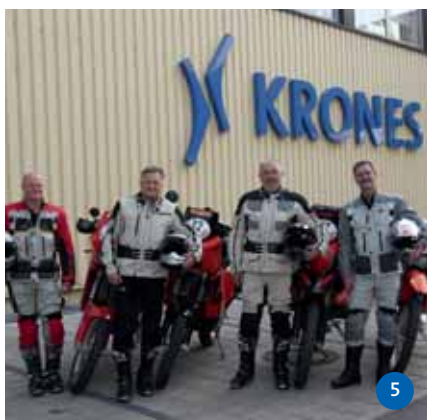
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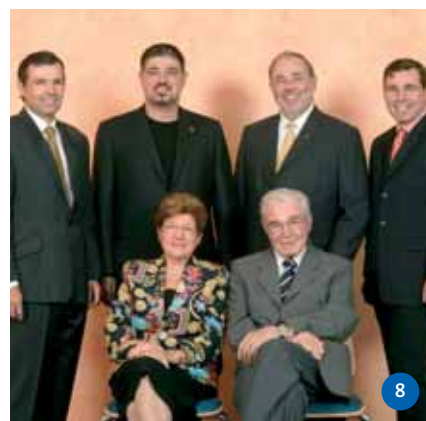
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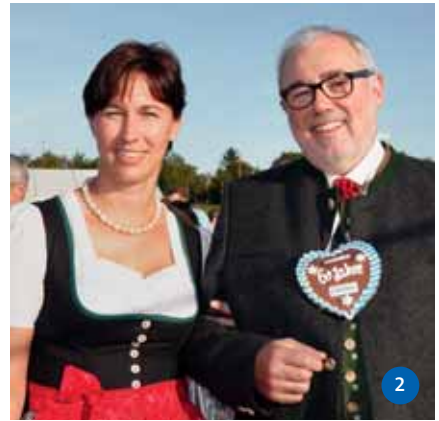
1 2010 Cogeneration plant goes online – KRONES banks on renewable energy. KRONES has been drawing power and heat from the cogeneration plant in Neutraubling since 2010.



3

2 2011 Celebrate good times – KRONES company parties are an annual highlight at all sites. Here, Volker Kronseder enjoys the party with his long-time assistant Christina Resch.

3 2012 Self-reliance – On a long motorcycle tour to the far north, the Harley Davidson started having technical problems. Volker Kronseder headed over to KRONES' plant in Flensburg, located the tools he needed, and repaired the problem himself.



2

4 2013 Annual shareholders' meeting – The mood at KRONES' shareholder meetings is always positive. Volker Kronseder and his successor Christoph Klenk usually had only good news to report.



4

5 2014 Close to employees – Being in touch with employees and our technology has always been important to Volker Kronseder. He had a lot of fun on his almost-daily tours of the plant.



5

6 2014 On tour – Volker Kronseder clearly felt right at home in our production halls. He was able to explain all production steps in detail to visitors and left no question unanswered.



6

7 2015 A strong team – Current and some former Executive Board members gathered for a group photo to see Volker Kronseder off. Afterward, they shared stories and laughs about Executive Board meetings gone by.



7

Ladies and Gentlemen,

In 2015, the Supervisory Board made several important personnel decisions and made arrangements for the new Executive Board line-up early on. That ensured that KRONES retains an excellent management team after the retirement of long-time Chairman Volker Kronseder. On behalf of the entire Supervisory Board, I would like to thank Mr. Kronseder for his successful work on the Executive Board.

In addition to key personnel decisions, the Supervisory Board also delved into the company's strategy in 2015. One such topic was the process technology segment's restructuring. The Supervisory Board will continue to work in close, trusting collaboration with the Executive Board and do its part to ensure the continuation of KRONES' success story.

Advising and oversight

In 2015, the Supervisory Board of KRONES AG continuously oversaw and advised the company's Executive Board as prescribed by the law and the articles of association. Four regular meetings and one extraordinary meeting of the Supervisory Board 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 convened an extraordinary session on 29 January to discuss possible Executive Board changes. Executive Board Chairman Volker Kronseder had informed the Supervisory Board that he did not intend to renew his employment contract and therefore would be retiring from the Executive Board at the end of the day 31 December 2015 if a suitable solution was found for his succession. The Supervisory Board examined the options and determined that Christoph Klenk, KRONES AG's Executive Board Member for Finance, Controlling, and Information Management should take over as Chairman of the Executive Board effective 1 January 2016 if Mr. Kronseder did not renew his contract. At the same time, the Supervisory Board planned to appoint Michael Andersen to succeed Mr. Klenk as Finance chief. Because Mr. Andersen was still employed by another company at the time of the Supervisory Board meeting, he was given until the end of the day 18 March 2015 to consider the offer.

The first regular meeting of the Supervisory Board was held on 17 and 18 March. The meeting was scheduled over two days because 17 March was dedicated to a detailed discussion of KRONES' strategy going forward. First, the Executive Board discussed market trends and the competitive environment in the years ahead. The Executive Board then used this information to elaborate what it all means for KRONES and what actions KRONES might take. After a detailed discussion, the Supervisory Board approved the Executive Board's strategy. Topics relating to the Executive Board were first up on the agenda for 18 March. Executive Board Chairman Volker Kronseder had informed the Supervisory Board that he would not renew his employment contract and therefore would be retiring from the Executive Board at the end of the day 31 December 2015. Thus, the appointment of Christoph Klenk as Chairman of the Executive Board as of



Ernst Baumann
Chairman of the Supervisory Board

1 January 2016 became effective. Moreover, Michael Andersen informed the Supervisory Board that he accepted his appointment to the Executive Board as Chief Financial Officer.

Because Germany's lower house of Parliament (Bundestag) passed legislation requiring a minimum ratio of women on company boards on 6 March 2015, the Supervisory Board discussed the topic in this meeting. The Executive Board then presented the preliminary consolidated financial statements for 2014 to the Supervisory Board, including all of the group's key financial performance indicators. In addition, the Executive Board and the Supervisory Board resolved to propose to the annual shareholders' meeting a dividend of € 1.25 per share.

Representatives from KRONES' auditing firm were present for a portion of the Supervisory Board meeting on 29 April 2015. The auditors explained to the Supervisory Board their audit mandate and the areas on which their review of the 2014 annual financial statements focused and provided a detailed overview of the audit. The Chairman of the Audit and Risk Management Committee, Graf Philipp von und zu Lerchenfeld, reported to the Board that the auditor's report had been examined in detail in the Committee's 28 April 2015 meeting and that the Committee recommends to the Supervisory Board that the annual financial statements and the consolidated financial statements together with the management reports for KRONES AG and the KRONES Group for the financial year 2014 be ratified and approved. The Supervisory Board did as recommended. A further topic of the meeting was the Executive Board's report on economic position. The individual members of the Executive Board informed the Supervisory Board about business development in the first quarter of 2015, capacity utilisation in the individual divisions, and the company's product innovations. The Supervisory Board and Executive Board then set the agenda for the annual shareholders' meeting of KRONES AG, which would be held on 17 June 2015.

The third regular meeting of the Supervisory Board for 2015 took place on 30 September in KRONES' offices in Brussels. Following his opening remarks, Supervisory Board Chairman Ernst Baumann informed the board about the topic "Women in the workforce and gender quotas at KRONES". Germany's new law requires that 30% of Supervisory Board seats be allotted to women. The rule applies for Supervisory Board elections from 2016 onward. In addition, the Supervisory Board must establish a target for women's representation on the company's Executive Board. A suitable female candidate has not yet been found for KRONES' Executive Board. That is likely to remain difficult in the near future. For this reason, the Supervisory Board resolved, unanimously, to set the target for female representation on the Executive Board at 0%. The Executive Board then reported on the current development of business. Besides the half-yearly figures for 2015, the report on economic position focused on KOSME and process technology. The Executive Board also presented the key points of its annual planning for 2016 to the Supervisory Board.

On 18 November, the Board met for its fourth and final meeting of the 2015 financial year. KRONES' risk management system was the main focus of this Supervisory Board meeting. Graf von und zu Lerchenfeld, Chairman of the Supervisory Board's Audit and Risk Management Committee, explained the ten greatest individual risks to the company. Graf Lerchenfeld concluded that, overall, the KRONES' risk profile had not

changed significantly from the previous year. Other topics discussed at the meeting included the Executive Board's reports on trade fair presentations and the company's current business development. In addition, the Supervisory Board approved the annual planning for 2016.

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 Supervisory Board members: Norman Kronseder, Graf Philipp von und zu Lerchenfeld, Josef Weitzer, and Johann Robold. Chairman of the committee is Graf Philipp 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 Supervisory Board resolutions. The Committee also prepares the Supervisory Board's review of the annual financial statements, the management report, and the auditor's report for the single-entity 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 met twice in 2015. On 28 April, ahead of the Supervisory Board meeting held to ratify the financial statements on 29 April 2015, the Committee prepared the Supervisory Board's review of the annual financial statements, the management report, and the auditor's report on the single-entity and consolidated financial statements for 2014. In this meeting, the Committee discussed in detail the auditor's report on the single-entity and consolidated financial statements for the period ended 31 December 2014. In the meeting held on 17 November 2015, the Committee prepared the report for the fourth regular Supervisory Board meeting on the basis of reports on the Internal Control System, Internal Audit, and Compliance Management.

The work of the Standing Committee

The Standing Committee consists of Werner Schrödl, Norman Kronseder, Josef Weitzer, and Ernst Baumann. Chairman of the Standing Committee is Ernst Baumann. The Committee deals with all other topics that fall outside the scope of the Audit and Risk Management Committee. For example, the Standing Committee prepared the Supervisory Board resolutions regarding Executive Board succession.

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 2015 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 2015 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 27 April 2016. 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 ratified and 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 members of the Supervisory Board would like to thank the Executive Board and all of the company's employees for their excellent work in 2015.

Neutraubling, April 2016

The Supervisory Board

Ernst Baumann
Chairman of the Supervisory Board

Composition 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.

<p>Ernst Baumann Chairman of the Supervisory Board * ZF FRIEDRICHSHAFEN AG</p>	<p>Graf Philipp von und zu Lerchenfeld Member of the German Bundestag, Dipl.-Ing. agr., auditor and tax consultant</p>	<p>Jürgen Scholz** 1st authorised representative and treasurer of the IG METALL administrative office in Regensburg * INFINEON TECHNOLOGIES AG</p>
<p>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</p>	<p>Dr. Alexander Nerz Attorney</p> <p>Dr. Verena Di Pasquale** Deputy Chairperson of DGB Bayern (the German Trade Union Confederation in Bavaria)</p>	<p>Hans-Jürgen Thaus Former deputy chairman of KRONES AG * HAWE HYDRAULIK SE (since 1 July 2015) * MASCHINENFABRIK REINHAUSEN GMBH * KURTZ HOLDING GMBH & BETEILIGUNGS KG * SCHULER AG</p>
<p>Klaus Gerlach** Head of Central International Operations and Services</p>	<p>Johann Robold** Member of the Works Council</p>	<p>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</p>
<p>Norman Kronseder Farmer and forester * BAYERISCHE FUTTERSaatBAU GMBH</p>	<p>Petra Schadeberg-Herrmann Managing partner at KROMBACHER FINANCE GMBH, SCHAWEI GMBH, DIVERSUM HOLDING GMBH & CO. KG * CHOCOLADEFABRIKEN LINDT & SPRÜNGLI AG * COMMERZBANK AG (until 30 April 2015)</p>	

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

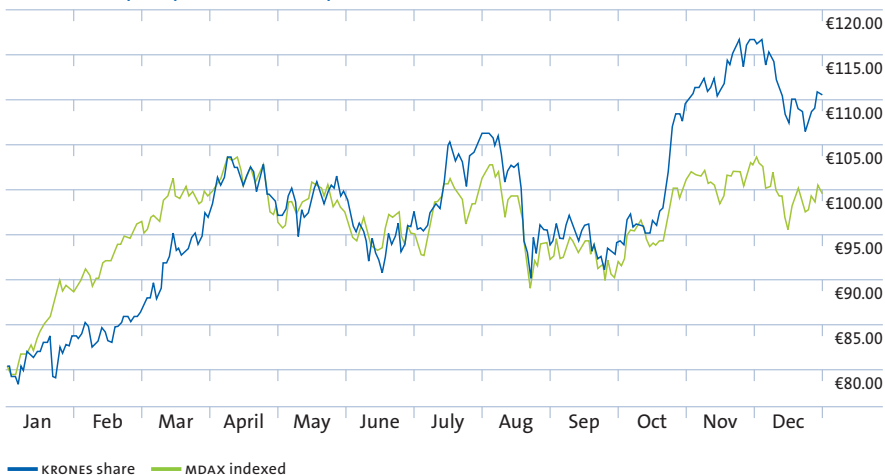
- Global stock markets highly volatile in 2015
- KRONES share posts higher-than-average gain of 36.6%
- Dividend of €1.45 per share planned for 2015

KRONES shareholders can be very satisfied with their share's development in 2015. Our share price climbed 36.6% over the course of the year, to €110.30, gaining considerably more than both of Germany's major share indexes, the DAX and the MDAX. KRONES advanced further upwards within the MDAX rankings, strengthening its position as a member of the index.

Stock markets' performance was positive overall in 2015

After some sharp ups and downs, most of the world's stock markets ended the year in positive territory. Most kicked off the year 2015 with considerable gains. The explosive rally at the start of the year was driven by loose monetary policy on the part of many central banks. The European Central Bank's (ECB) decision to launch a large-scale bond buying programme also helped boost share prices, primarily in Europe. The markets then trended sideways, with some fluctuations, until mid-August. Then began a two-week sell-off that dragged down almost every index worldwide. The main reason for the sell-off was a spate of bad news from China. Share prices there collapsed, swiftly losing about half of their value after having rallied since the start of the year. Increasing concerns about the Chinese economy caused the speculative bubble to burst. Rising fears of a change in interest rates policy in the USA also contributed downward momentum. After the heavy losses of the third quarter, further monetary easing in Europe in the fourth quarter helped bolster shares towards the end of the year, enabling most of the world's stock markets to close the year with a slight gain.

KRONES share price performance compared with the MDAX 2015



"KRONES' share outperformed the MDAX by a wide margin again in 2015, further strengthening our position within the MDAX."

*Olaf Scholz
Head of Investor Relations*

After getting the year off to a slow start, the KRONES share pulled ahead of the MDAX in the second quarter and continued to increase its lead through the end of the year.

Germany's DAX index closed 2015 up 9.6%, at 10,743 points after having hit a record high of almost 12,400 points in mid-April. The Euro-Stoxx-50, which covers the euro area's blue-chip shares, posted a gain of 4.2%. In the USA, fears of rising interest rates negatively impacted stock market performance. The leading US index, the Dow Jones, closed 2015 down 3.1%, at 17,425 points. Japan's Nikkei index climbed 9.1% in 2015, fuelled by the country's extremely loose monetary policy.

KRONES share once again outperforms the MDAX

Germany's mid-cap index, the MDAX, gained 22.7% in 2015, faring considerably better than its "big brother" the DAX and closing the trading year at 20,775 points. The top performers within the MDAX, of which KRONES is also a member, were the advertising firm Stroer (+131%) and the defense technology group Rheinmetall (+69%). The automotive suppliers Leoni and ElringKlinger were among the year's biggest losers.

With its gain of 36.6%, the KRONES share outperformed the MDAX by a wide margin. Including the dividend of €1.25 per share, the share's performance for 2015 comes to 38.4%. 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 16% last year.

The KRONES share got the year off to a slow start, hitting its low for the year, €78.44, on 22 January. It then climbed 20% by the end of the first quarter, fuelled by the release of the company's 2014 results and dividend proposal. From the second quarter onward, our share was relatively stable compared with the MDAX, steadily expanding its advantage in terms of performance through the end of the year. Our share did not escape the effects of the downturns on the world's stock markets in the third quarter. But it came back with a strong rally supported by good 9-month figures and the affirmation of our outlook for the year to close the year at €110.30. The KRONES share had hit its high for the year, €117.10, on 3 December.

The KRONES share benefited as we matched the 2015 forecasts we had made at the start of the year despite economic challenges.

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

At 31 December		2015	2014	2013
Number of shares	million	31.59	31.59	31.59
Free cash flow per share	€	2.04	4.82	2.12
Equity per share	€	35.19	31.29	30.20
Earnings per share	€	4.98	4.30	3.84
Price/earnings (P/E) ratio based on closing price for the year		22.1	18.8	16.3
Dividend per share	€	1.45*	1.25	2.00**
High	€	117.10	81.99	67.58
Low	€	78.44	56.43	45.02
Year's closing price	€	110.30	80.76	62.43

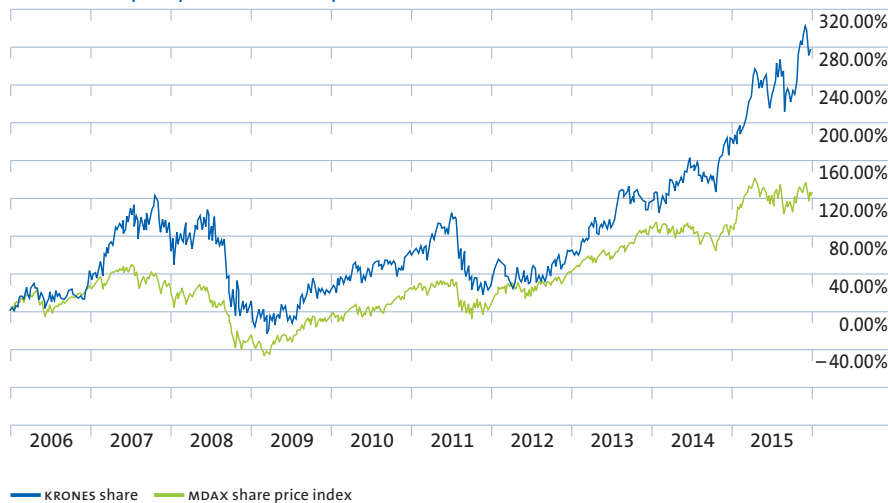
* As per proposal for the appropriation of retained earnings

** Including a €1.00 special dividend

KRONES share offers long-term high returns

The KRONES share has developed very well over the long term. KRONES' share price has increased 288% in the past ten years. The KRONES share's average annual price gain in this period comes to 14.5%, considerably more than the MDAX price index's gain of 8.5% (that is, the MDAX excluding dividends). Including dividends, and assuming that the dividends were reinvested in KRONES shares, the average annual return for the last ten years comes to 16.1%. The comparable MDAX performance index gained 11.0% annually.

KRONES share price performance compared with the MDAX, 2006 – 2015



Position within MDAX strengthened

Our share has been listed and available for trading since 29 October 1984. It 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 the index's 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 to determine the composition of the MDAX, which includes the shares of 50 companies, KRONES' share climbed to 31st for market capitalisation thanks to its strong share price growth (previous year: 39th).

In terms of trading volume, we improved to 44th (previous year: 50th) since daily trading volume in XETRA trading and on the Frankfurt stock exchange averaged around 53,000 shares in total (previous year: around 42,000 shares) in 2015 as a whole. Thus, our share's trading volume on the official stock exchanges grew further even though institutional investors are increasingly trading on off-exchange platforms.

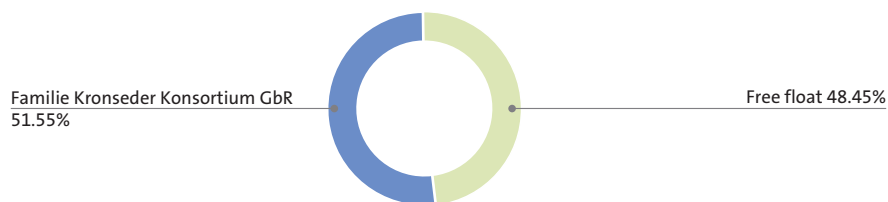
Key data for the KRONES share

Number of shares	31,593,072
German securities identification number	633500
ISIN	DE0006335003
XETRA ticker symbol	KRN

Shareholder structure

There were almost no changes to KRONES' shareholder base in the reporting period. The Kronseder family consortium remains a stable majority shareholder of KRONES AG, with a 51.55% stake. That allows the company to operate sustainably and for the long term. The free float (those shares not held by the family) comes to 48.45%.

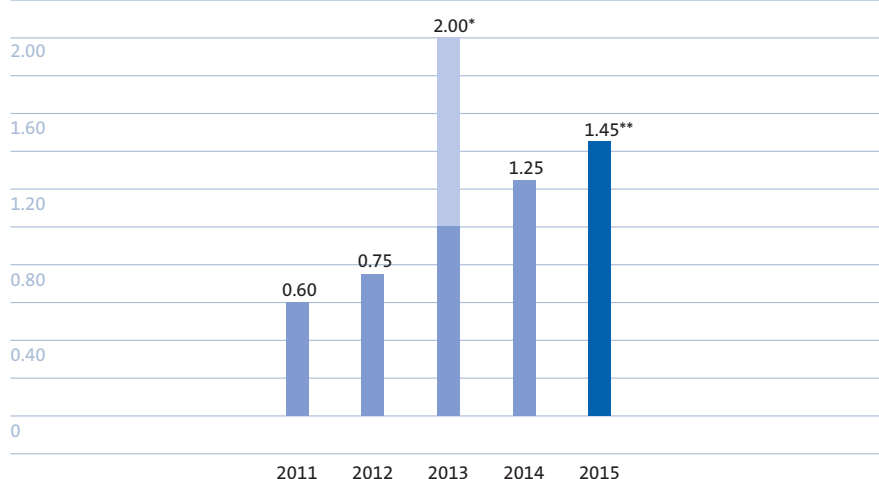
Shareholder structure as of 31 December 2015



KRONES intends to pay out a dividend of €1.45 for 2015

Given the company's strong earnings performance in the reporting period, the Executive Board and the Supervisory Board will propose to the annual shareholders' meeting on 15 June 2016 that a dividend of €1.45 per share be paid out for the financial year 2015. That is 16% more than the previous year's dividend. The company's long-term dividend policy is to pay out 25% to 30% of consolidated net income to shareholders. The dividend for 2015 corresponds to 29.1% of consolidated net income.

Dividend per share (€)



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

Intensive communication with investors

As a member of the MDAX share index, KRONES is closely watched by many international capital markets experts. These analysts and investors need meaningful, transparent information about our company in order to make sound investment decisions. The Investor Relations page of our website is an important resource for all interested parties, providing access to all important data on the KRONES share.

In addition, KRONES once again held a Conference Call after the release of quarterly and annual results in 2015, using a presentation to explain the figures to analysts and investors. These presentations are freely available to all shareholders on our website. Chief Financial Officer Christoph Klenk and Head of KRONES Investor Relations Olaf Scholz also shared information with investors and analysts on a number of roadshows to international financial centres.

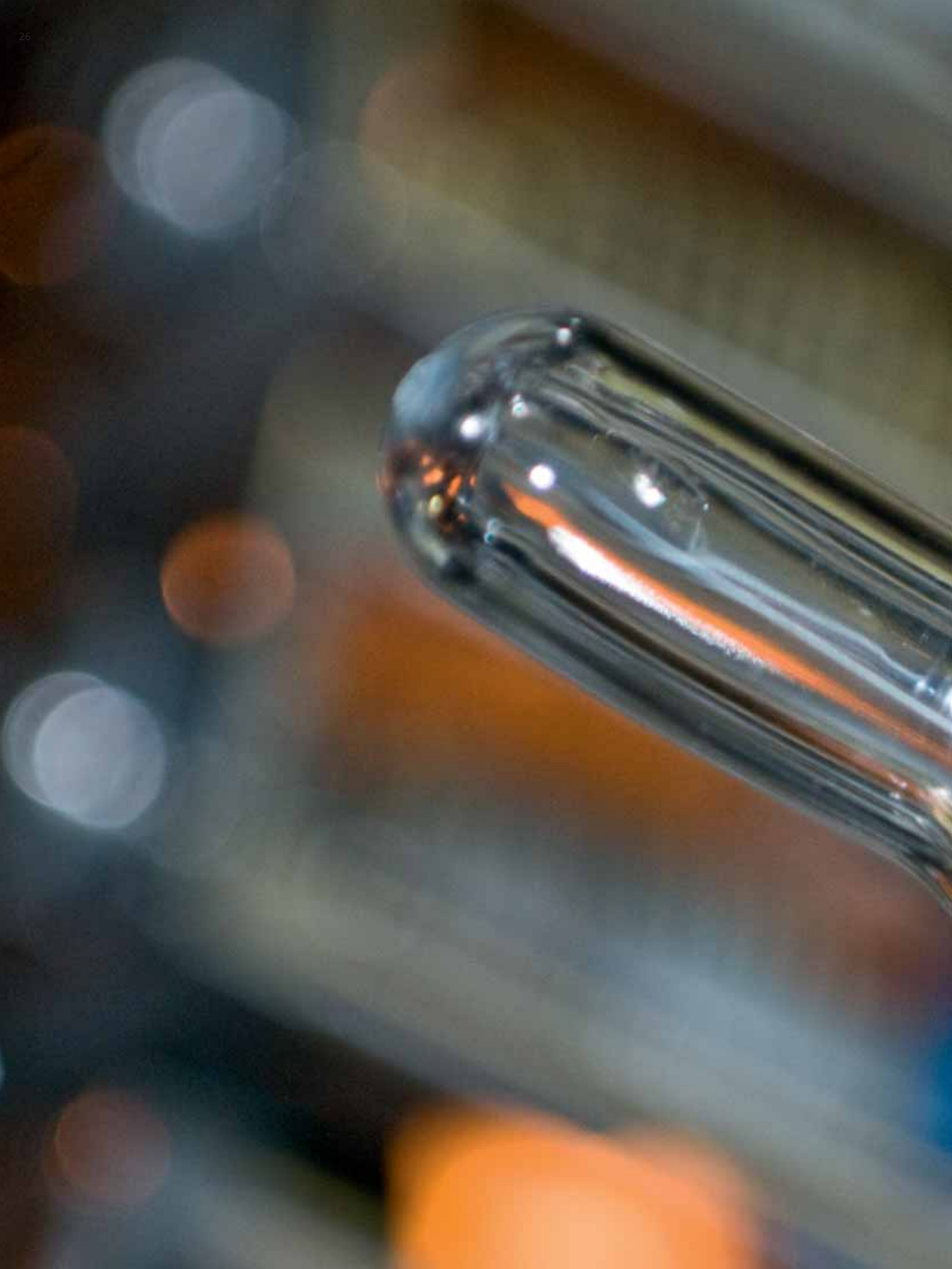
On 25 November 2015, KRONES hosted an analyst meeting in the main plant of Augustiner Brewery, Munich's oldest brewery. Some 20 financial market experts attended the meeting. The main topic was the future alignment of the process technology segment. Two members of KRONES' Executive Board, Christoph Klenk and Ralf Goldbrunner, explained KRONES' strategy and positioning going forward. The theory portion of the event concluded with a detailed question and answer session. The brewery tour that followed gave analysts an in-depth look into the art of brewing and enabled them to see KRONES products in action at a well-known customer's plant.

At an analyst meeting in the historic Augustiner Brewery's plant, financial market experts were able to see KRONES' products for beverage production and bottling in their daily operation.

Positive sentiment at the 2015 annual shareholders' meeting

KRONES held its 35th annual shareholders' meeting in Neutraubling on 17 June 2015. Representation of the company's share capital at the meeting was strong, at 83% (previous year: 82%). The roughly 200 shareholders present approved all of the resolutions proposed for voting by a large majority. The dividend proposal was the source of considerable good cheer. KRONES paid its shareholders a dividend of €1.25 per share for the financial year 2014. The payout corresponds to 29% of consolidated net income for 2014. Thus, the dividend payout ratio lies at the upper end of the target corridor of 25% to 30% under KRONES' long-term dividend policy.

This meeting marked Volker Kronseder's last annual shareholders' meeting as Chief Executive of KRONES. Chairman of the Supervisory Board Ernst Baumann thanked Volker Kronseder on behalf of the entire Supervisory Board for his many, extremely successful years at the company's helm. The shareholders in attendance affirmed these words of gratitude with thunderous applause.





Management report for KRONES AG

Fundamental information about KRONES AG

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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, dairy, chemicals, pharmaceuticals, and cosmetics).

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

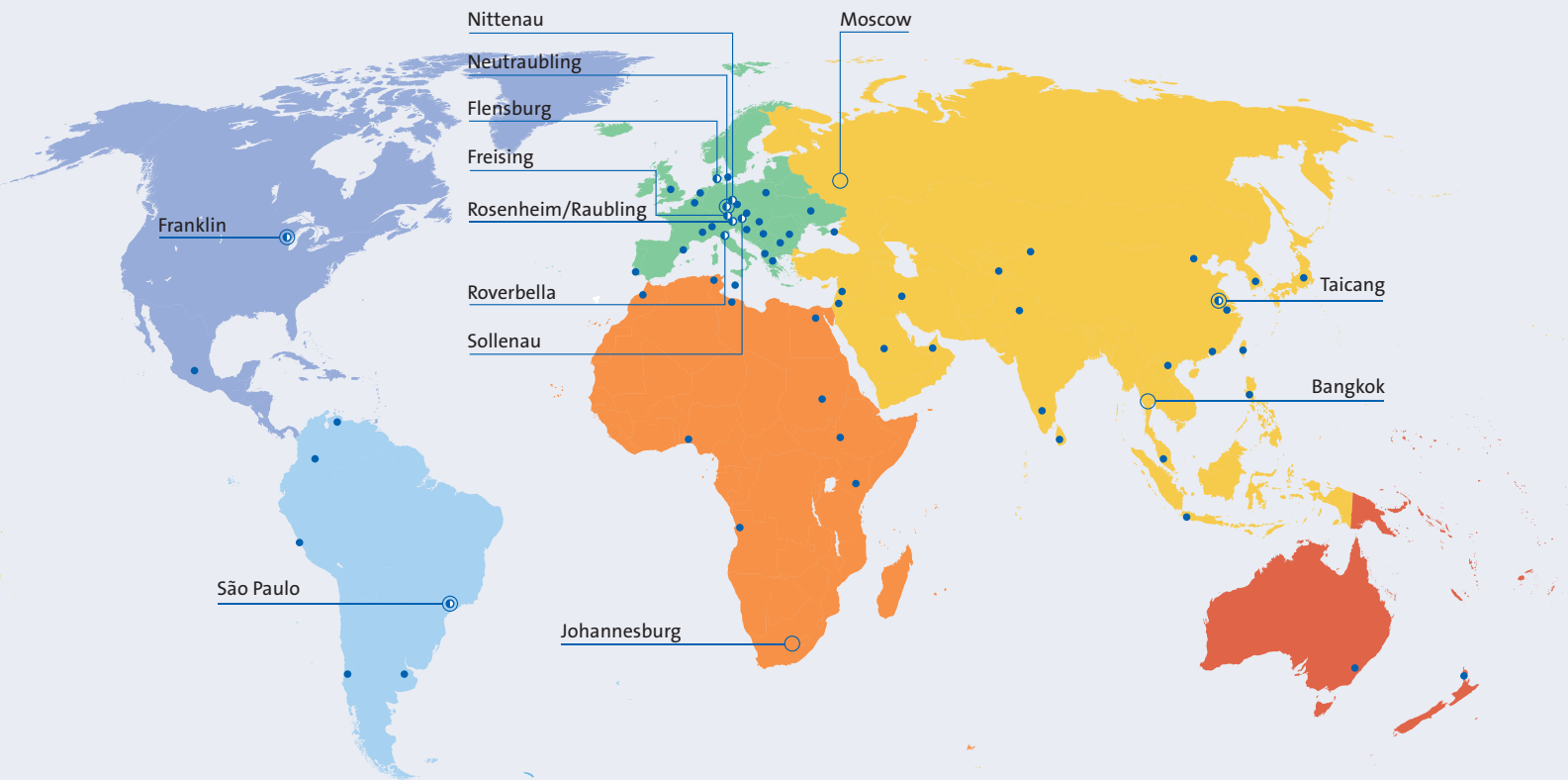
balanced overall. KRONES generates around 45% of its revenue in mature industrialised countries and around 55% in the rapidly growing emerging markets.

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.



KRONES delivers complete plants from a single source to customers in the beverage industry. Our unique mix of expertise enables us to keep our customers' investment and operating costs low. Of equal importance, we ensure that our customers can reliably produce their products at the highest level of quality.

We deliver not only all of the machines and lines necessary for producing, filling, and packaging beverages. We also provide complete logistics systems, supply and disposal systems, and state-of-the-art IT solutions that manage and document all production processes. We always strive to ensure that all buildings are customised to optimally meet our customers' specific production criteria.

The model of a complete beverage plant below provides a brief overlook of our offerings.

KRONES offers everything that is needed for beverage production. The brewhouse **1**, is the heart of a brewery. This is where beer is brewed in several stages from the basic ingredients water, hops, and malt. The brewhouse consists of various systems such as the malt silo, mash tun, lauter tun, wort kettle, whirlpool, and wort chiller. Beer also passes through fermentation and conditioning tanks **2** from KRONES to finalize the brewing process.

For soft drink producers, KRONES offers systems ranging from water treatment to the syrup room to mixers and carbonators.

All KRONES storage and production tanks **3** are precision manufactured and fit perfectly into the production line.

KRONES incorporates a comprehensive project planning phase in which we not only design the ideal layout of the production halls but also tailor buildings such as administration **4** and laboratories **5** to the customer's specific requirements.

The bottling hall **6** contains many powerful machines and lines from KRONES. Examples include stretch blow-moulders, which form PET preforms into bottles, fillers that handle glass and plastic bottles as well as cans, and labellers, inspectors, and bottle washers.



The filled containers are collated into packs on KRONES packing and palletising machines **7** and packaged according to the customer's specifications. KRONES offers products ranging from stand-alone palletising robots to complete packaging lines.

KRONES' subsidiary SYSKRON delivers fully automated high-bay warehouses **8** that ensure highly efficient material flows. Every unnecessary logistics step costs time and money.

In some cases, a semi-automated or even a manual warehousing **9** system may be the best solution. SYSKRON is the perfect partner for these needs as well.

In the beverage industry, the diversity of products is growing and volumes per item are shrinking. Order-picking and distribution **10** have to accommodate. KRONES offers solutions that are precisely tailored to these needs.

We create a suitable concept for the supply of heating, cooling, compressed air, and power, and calculate optimum capacities for each individual factory **11**.

KRONES configures all disposal systems **12** – for instance, for waste and waste water – to suit and helps ensure that all environmental standards are met.



KRONES is positioned as a full-service supplier to the liquid food market. Demand for packaged beverages will continue to increase, driven by megatrends like rising standards of living in the emerging markets, urbanisation, and the fact that packaging is taking on a growing range of shapes and sizes. Thus, the market in which KRONES operates is growing at a relatively stable rate of between 4% and 5% each year. We want to be a one-stop shop for our customers, covering everything from beverage production to filling to distribution – from simple installations to the most complex.

In 2011, we launched our Value strategy programme, whose four pillars of innovation, growth, profitability, and quality are crucial to our success. Our aim: to utilize the opportunities our market offers. In 2015, we made further considerable progress in the implementation of Value. For example, we were able to raise our profit forecast over the course of the year and achieved our medium-term target for the group of a 7% EBT margin – the ratio of earnings before taxes to revenue – for the year 2015 as a whole. The turnaround at the subsidiary KOSME in Italy was a positive force here. Conversely, we are less satisfied with the development of our second-largest segment, process technology. At the end of 2015, we defined an action package for strengthening the segment's profitability for the long term.

Despite the achievements made under our Value strategy programme, we still have a lot of work to do. Just as we see many opportunities, there are as many challenges to overcome. The volatile global economy and, at times, acute crises in individual countries and regions are becoming almost standard. The number of competitors in our attractive market is not shrinking but our customer base is – as individual customers (beverage producers) become larger by way of mergers and acquisitions. For this reason, we do not expect prices to improve in the short term. Moreover, the increasing digitalisation and integration of our customers' production will forever change our market and its business models. As a result, we must become more flexible, faster, and more regionally focussed. The Value strategy programme and our new corporate structure, which is almost fully rolled out companywide, will support this effort.

7/7/20 remains our target for the group

The KRONES team accepts these challenges and intends to seize the opportunities the market presents. Thus, we are maintaining 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)

We achieved our EBT margin target of 7.0% in 2015. At 7.5%, revenue growth surpassed our target range of 5% to 7% percent on average. At 17.7%, ROCE exceeded our forecast for 2015 but we still have plenty of work to do in order to achieve our target of 20% (All figures refer to the KRONES Group.)



"The Value strategy programme continues to bear fruit. In order to remain successful in the future, we will be closer to our customers in every respect."

*Christoph Klenk
CEO*

Internationalisation yields growth

Being close to customers is an important factor for KRONES' success. That is why KRONES is strengthening its international service team, to serve its markets with machines, lines, and services more directly, more quickly, and more cost-effectively. High-quality service is key to strong new machinery and after-sales business. To provide the rapidly growing emerging markets with qualified service, we need well-trained people there. Providing training and continuing education for employees on-site is a crucial factor for our growth. Our continuing education centres in China and Africa and our new training centre in Brazil are instrumental here as they enable us to build skills and expertise within our global value chain. This close proximity helps us to better understand our customers, market, trends, and developments and ultimately increases customer satisfaction.

Building a qualified workforce in the regions is a critical factor for KRONES' growth.

Our innovation strategy is based heavily on creating benefits for our customers. Our solutions must yield added value for our customers. That is why we develop not only new machines and systems but also innovative upgrades and services to further support our customers. We are also striving to significantly reduce the time it takes for us to get ideas to market. The faster we can get our innovations to customers, the better – for everyone.

All three group segments have work to do

In order to grow profitably in the medium term, we have to work hard on increasing earnings and revenue and further implementing actions under the Value programme in all three of the group's segments.

In our core segment, machines and lines for product filling and decoration, we will continue to make costs more flexible, shorten lead times, and reduce material and quality-related costs. Increasing modularisation and reducing the complexity of our machines will be part of this process. We will also significantly grow our service team in the regions, in part to increase our share of the service performed on our own machines.

In process technology, we are introducing a raft of measures aimed at significantly strengthening profitability. Our goal is to offer regionally-specific products at competitive prices. To achieve this, we are improving important processes such as quote preparation, order processing, and project management. KRONES is also considerably reducing the depth of value creation, relying instead on an international supplier network. We also intend to establish international "hubs" that put us closer to customers and enable us to respond more quickly and cost-effectively to their needs. The international hubs can also serve as bases from which to expand our after-sales business and implement smaller-scale projects such as expanding or upgrading existing lines. The measures will be completed by 2017. The first steps were already introduced at the end of 2015. By 2017, we want to be achieving an EBT margin of at least 4% in the group's process technology segment.

We will continue to expand our components business, which is also part of the process technology segment. Our EVOGUARD valves have already become established on the market. In 2016, we will be pushing our range of pumps, which is still fairly new.

The digitalisation of production processes, also known as the Industrial Internet or Industry 4.0, holds great potential. KRONES must – and will – position itself early and appropriately. Expertise in material and data flows within production operations will be crucial to our ability to sell machines and lines in the future. To this end, KRONES will develop business models based on IT solutions in order to offer customers added value from data acquisition and analysis. For this reason, we will continue to build and expand our own in-house software expertise. The subsidiary SYSKRON Holding, which bundles our entire intralogistics business, will play an important role here.

In the third quarter of 2015, we renamed the group's smallest segment from "machines and lines for the low output range (KOSME)" to "machines and lines for the compact class". The new name reflects the fact that we are no longer reporting only KOSME results but also the results of the acquired company GERNEP under this segment. After the restructuring of KOSME Italy at the end of 2014, we were already back on track in 2015. In 2016, our focus will be on further expanding the segment's sales structures. We firmly believe that the compact class segment will grow by around 5% and achieve an EBT margin of 5%.

Extremely robust financial and capital structure lends flexibility

After a successful 2015, KRONES remains in an excellent financial position. Cash and cash equivalents exceeded €360 million for the group and the company has no bank debt. That gives us great flexibility for making fast investment decisions. But we will not allow ourselves to spend that money hastily or without discipline. On the contrary, every investment must generate a specified return on capital employed.

We will apply some of our cash to internal investments and some to making acquisitions. We are continually watching the market. Additions in the areas of process technology, intralogistics, and information technology remain of interest for KRONES. Acquisitions in other business areas could also make sense. All acquisitions are also subject to strict quality criteria and we do not undertake any unnecessary risks. For this reason, apart from fitting logically into our business strategy, potential acquisitions are also analysed with respect to price and the cost of integrating the new company. KRONES will continue to distribute 25% to 30% of consolidated profits to shareholders in the form of dividends.

Employees are KRONES' lifeblood

KRONES' success is a team effort. That is why we will continue to invest in our people, increasing their qualifications and motivation so that they can continue to carry our company forward. But the competition for the best and brightest is stiff. In order to win recruits and retain their loyalty, KRONES is positioning itself as a highly attractive employer in Germany and abroad. Our goal is to have streamlined structures that put the right people in the right place. We are confident that KRONES' workforce will continue to grow together as a team despite increased internationalisation. At the end of the day, the team is what wins the game.

KRONES is positioned as a highly attractive employer brand in Germany and abroad.

Christoph Klenk
CEO

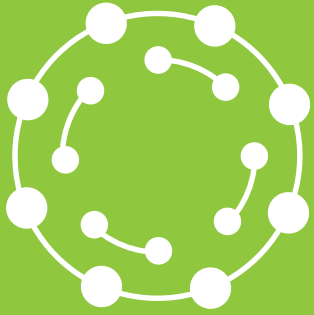
KRONES AG'S management system

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

- Revenue growth
- Earnings before taxes (EBT)

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

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



TEAM SPIRIT

Although KRONES has grown into a large group of companies with more than 13,000 employees, we still maintain the atmosphere of a family-run company. The sense of cohesion among our workforce is very strong. Everyone is pulling in the same direction. Each individual enriches our team and deserves to be valued. Our workforce repays our appreciation every day with their dedication and hard work. That has always been a hallmark of KRONES. *The team makes the win.*







SERVICE TEAM

Our customers want their production lines to operate dependably. Perfect service is crucial to keeping downtimes as low as possible. KRONES employs 3,000 highly qualified service technicians worldwide and has service centres and offices around the globe. *That ensures that the right people and parts are always close at hand for our customers.*





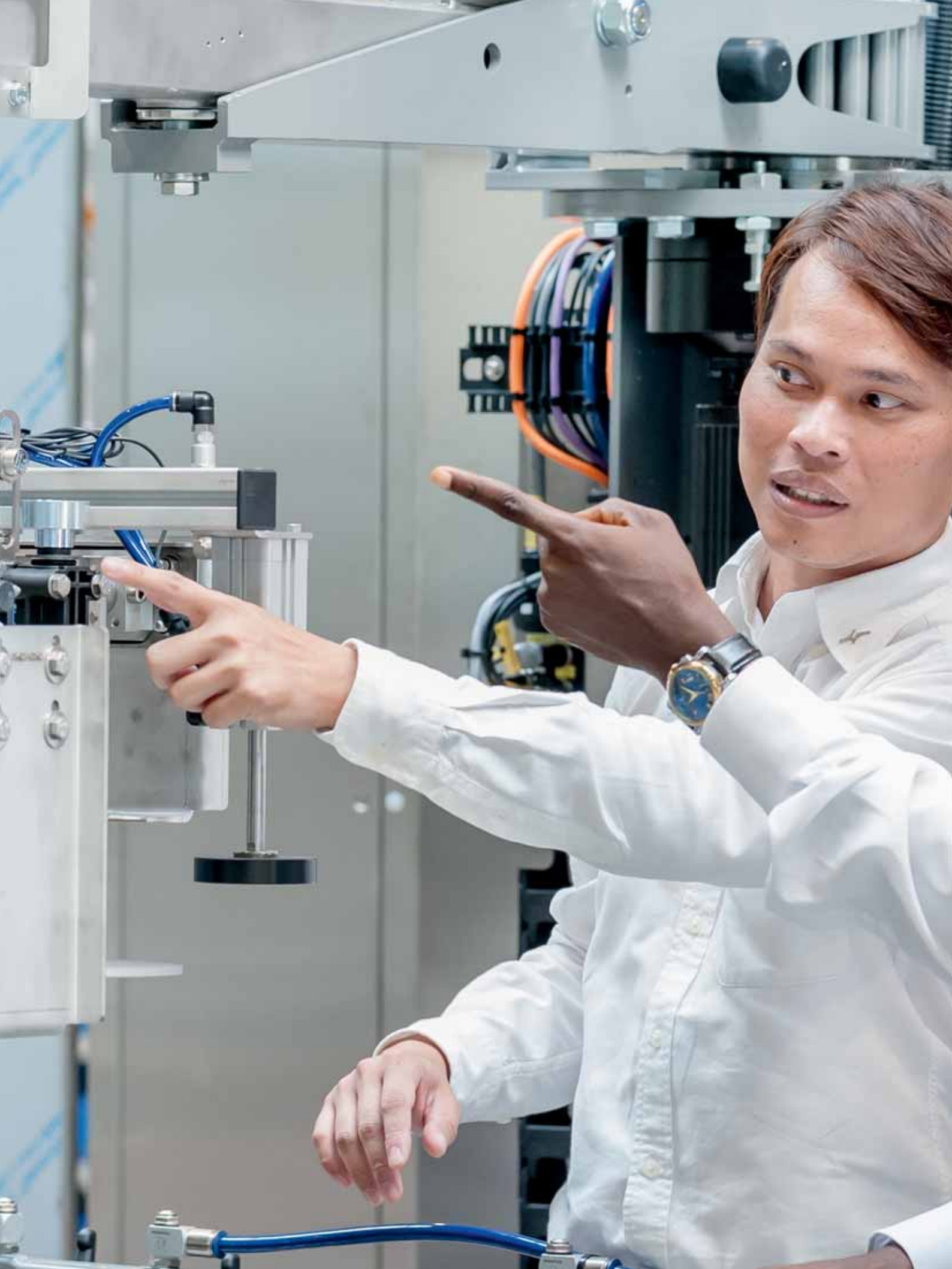
E. K. Jones

JONES Services



INTERNATIONAL TEAM

At KRONES, more than 13,000 people from 54 nations work at 36 offices and sites around the world. Our employees may not all speak the same language but they do have the same goal: *To always provide customers with the best products and services and to contribute to KRONES' success.*







SALES TEAM

Our sales team uses state-of-the-art communications and IT solutions and shares experiences and knowledge team-wide to provide our customers with the best possible service. KRONES sales staff listen closely to what our customers have to say, address their individual needs, and advise them on which products and services will deliver sustained added value. *That is true from the smallest spare part all the way up to complete factories.*







DEVELOPMENT TEAM

KRONES' roots were laid down by innovators who sought continually to bring better products to market. This obsession with improvement is deeply embedded in our company's DNA. Today, our engineers are constantly working on machines and systems that set new industry standards and inspire customers. A single individual can't do much in this regard. *It takes a strong, cohesive team of outstanding specialists, clear thinkers, and cool calculators to succeed.*







MANAGEMENT TEAM

Many shoulders have to share responsibility and authority. Likewise, success is not the purview of the Executive Board alone. Instead, it results from the good, trusting collaboration of a team. *Subject-matter expertise and outstanding collaboration are hallmarks of KRONES' leadership team.*





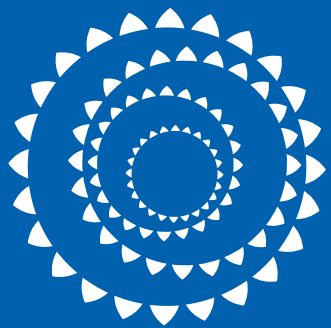


FINANCE TEAM

Sound finances are crucial to long-term success. To have the freedom necessary to operate a successful enterprise, a company must have sufficient capital and be independent of creditors. Our finance team is traditionally very conservative with money, avoiding major risks. Our risk management system and strict internal controls are the basis of their prudent money management. This excellent system has proven itself: *KRONES stands on an excellent, strong financial footing.*

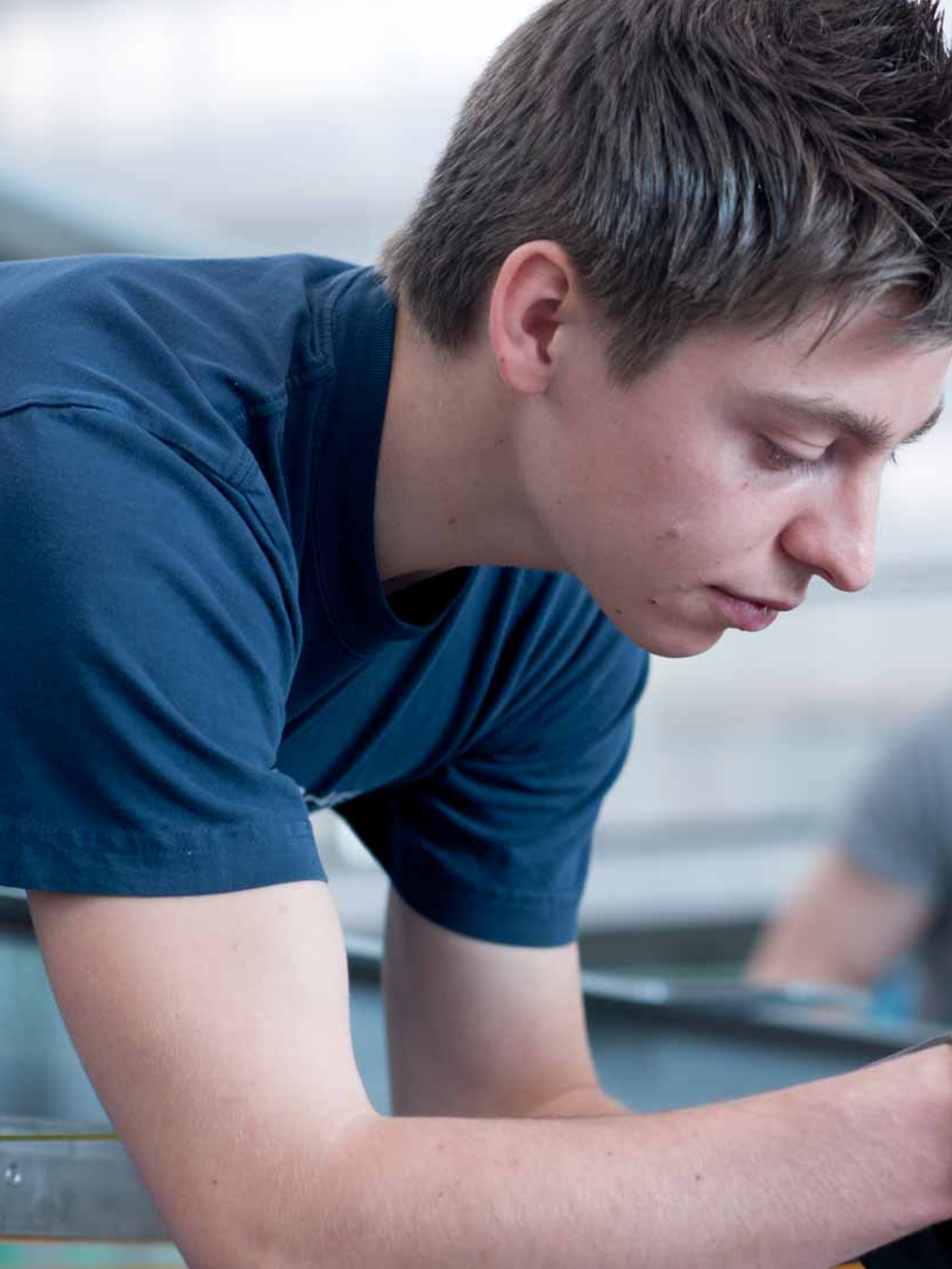






PRODUCTION TEAM

KRONES products have an excellent reputation in our industry. Our customers can count on us to deliver top quality. That is as true of our machines and lines “made in Germany” as it is of KRONES products manufactured locally in the regions. Ensuring this quality is our production team – well-qualified, dedicated people from purchasing through to final inspection on site. *Wherever they are in the world, they put their minds and their hearts into their work.*





- Innovation is an important pillar of the Value strategy programme
- Focus on digitalisation and sustainability
- Innovations always give customers added value

Our innovative power and our ability to identify and utilise global trends of the future are essential to sustainable, profitable growth. That is why innovation is one of the four pillars of KRONES' Value strategy. Our machines and lines have to work ever faster, be more flexible, and offer a growing variety of functionalities. It is the only way we can strengthen our position as the market and technology leader.

Focus on customer benefits

The fundamental goal underlying our research and development work is to improve the benefit to customers. All new developments must meet high standards.

They must:

- Reduce the total cost of ownership for customers
- Increase uptime
- Allow for fast changeover and start-up times
- Be easy to operate
- Ensure the utmost in production reliability

Our customers expect flexible, modular systems that can be easily expanded in order to respond quickly to changing consumer behaviours.

Some 2,100 people work continuously to develop new machines, systems, and services that meet the demands of customers and the market. We are in constant contact with customers to ensure that we know how we can best support them. Our closeness to customers also increases the speed with which we can bring innovations to market.

KRONES has for years invested around 5 percent of consolidated revenue in research and development.

Expertise is an important factor for KRONES' success. That is why we secure our innovations with patents. At 31 December 2015, we held 4,450 patents and utility models, nearly 20% more than in the previous year. That puts KRONES at the top of the German machinery sector.

Regionalisation, digitalisation, and sustainability remain important topics

To address the needs of customers in the emerging and developing markets, another aspect of our development work focuses on adapting our successful machines and systems to provide regionally appropriate starter models. To benefit from the increasing digitalisation of production processes (the Industrial Internet of Things), we are stepping up our efforts to develop new IT-based business models. Our goal here is to give customers added value through integrated information. In addition, all new developments must meet the strict criteria of our enviro sustainability programme. Lower energy and media consumption saves our customers valuable resources and operating costs and makes an important contribution to protecting our environment.

DecoType digital direct printing system passes the test

Following an intensive test phase, a leading manufacturer of flavourings and concentrates has completed final acceptance of KRONES' first installed digital direct printing system for bottles. With the DecoType C, our customer is now directly printing bottles made of glass and PET with customised images and text that are sent straight from the marketing department to the machine. With the DecoType, our customer can make each bottle a unique, individually designed container.

Selected innovations

Craftmate

We developed the Craftmate as an inexpensive can filler for low output applications. It is specifically designed to meet the needs and expectations of smaller breweries and is therefore also ideally suited for the booming craft beer market. The machine handles between 6,000 and 18,000 cans per hour depending on container size and beverage. The Craftmate has 24 filling valves and is intentionally designed to be simpler in certain points than KRONES' high-speed can fillers. The Craftmate is highly versatile. The machine can not only fill cans of different sizes and shapes, it can also fill both beer and carbonated drinks. In terms of reliability and filling quality, the Craftmate matches the performance of KRONES' higher-speed can fillers.



DosaFlex

DosaFlex revolutionises aseptic dosing. This innovation from our process technology segment doses solid components such as fruit bits, fibres, or grains into liquid beverages in a process that is gentle, precise, and affordable. Until now, these sensitive particles have been heated in the UHT unit along with the liquid part of the beverage. DosaFlex adds the solids, which have been produced under aseptic conditions, to the juice flow just before filling, thus sparing them thermal stress. That reduces damage to the particles and increases product quality. The system's highly accurate dosing also reduces costs. Until now, it was customary to overdose the expensive solids to ensure desired concentrations in the bottled product. DosaFlex eliminates the need for overdosing.





Contiform 3 Pro

KRONES has further improved its stretch blow-moulder, which produces plastic (PET) bottles by inflating PET blanks. To reflect the changes, we have added “Pro” to the Contiform 3 name, making it Contiform 3 Pro. “Pro” stands for progress – as in energy cost savings of up to 8%. With the Contiform 3 Pro, the base reflectors in the heating unit can be adjusted to match the length of the preforms, reducing the space to be heated and, consequently, reducing energy consumption. The machine’s automated blowing process assistant ensures that the blowing module uses only as much compressed air as is absolutely necessary. That cuts compressed air consumption by as much as 30%. The machine’s output has increased to as many as 2,300 containers per hour per blowing station. Other benefits that the Contiform 3 Pro offers customers include faster blow-mould changeovers, easier operation, and simplified cleaning.



One2Brew

One2Brew is a turnkey compact brewery with which customers can make their first brew just eleven months after the kick-off meeting. A comparable project with a standard project plan would take 18 months to implement. The brewery’s process areas are divided into functional units, which are delivered pre-assembled and connected to build a complete plant on-site in a “plug-and-play” process. All systems and components as well as the brewery layout are standardised, considerably reducing the costly, time-consuming processes of engineering, manufacturing, and assembly. In addition, the compact brewery, which can produce 300,000 hectolitres per year, has a small footprint. The real kicker: Plug-and-play operation means that the entire brewery can easily be dismantled, shipped, and reassembled at a different location.



LavaClassic Plus

The LavaClassic Plus bottle washer removes coarser dirt and impurities from heavily soiled bottles at an early stage. This is particularly useful in the emerging markets, where returnable containers often come back to the plant very heavily soiled. The “Plus” version of the LavaClassic has an additional, powerful pretreatment zone to handle every type of soiling. Light dirt particles are removed by way of a belt while heavier particles that sink to the bottom of the machine are removed by way of a “dirt lock”. Sand is separated from the liquids and removed in a separate module. The benefits for customers: The main section of the bottle washer is protected, prolonging its useful life, and manual cleaning requirements are reduced.



LinaFlex Pro

We developed the LinaFlex Pro CLEAR (cleaning, long-life, efficient, automated, and regenerative) system to enable fully automatic cleaning of our LinaFlex tunnel pasteuriser while the machine is in operation. The system saves customers downtimes as well as resources and energy. No biocides are used and recirculation reduces water consumption. Similarly, the energy-intensive process of boiling out the machine, standard procedure until now, can be dispensed with. Because the system removes foreign particles and glass fragments from the process water, wear parts last longer. The LinaFlex Pro CLEAR system reduces ongoing operating costs while ensuring the highest quality pasteurisation.



- 10 years of KRONES LCS
- New service concept “Partner for Performance”
- Digitalisation driving innovation

Ten years ago, KRONES bundled its entire range of after-sales activities into a single business unit, LCS (Lifecycle Service). Since then, LCS has stood for innovative solutions that focus on providing the greatest benefit to customers. To ensure our continued ability to deliver the best possible support to our customers, KRONES developed the “Partner for Performance” service concept, which we presented for the first time at the BrauBeviale trade fair in November 2015.

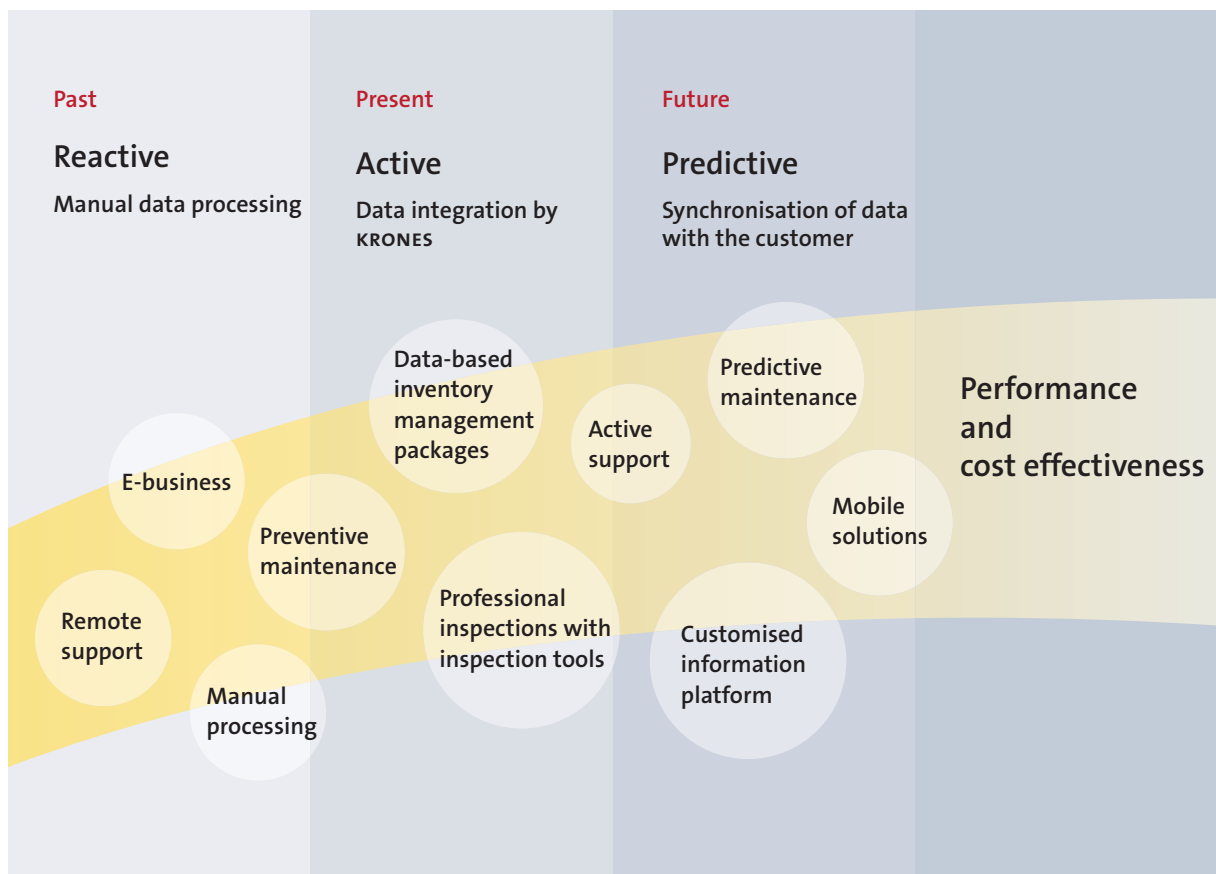
Partner for Performance stands for KRONES’ intention to help each of our customers achieve their goals. The concept includes various aspects to address our customers’ different needs: **Profitable** Performance, **Tailor-made** Performance, **Efficient** Performance, **Cost-saving** Performance, and **Secure** Performance. We employ the broad LCS product range to ensure the high performance of KRONES machines and lines.



Digitalisation is driving innovation in Lifecycle Service

Highly available systems that conserve resources and minimise downtimes help our customers establish an advantage over the competition. The methods and tools used until now will not be enough to meet the growing demands on machine and line availability. The digitisation of industry is opening up a wide range of opportunities and strategies for KRONES to even better support customers. **“Industry 4.0”, “the Industrial Internet”, “Connectivity”, “Internet of Things”** – this trend goes by many names.

KRONES has long been working on intelligently integrating data to benefit our customers. Our LCS Portfolio already includes many products and tools that offer deep data integration and generate significant advantages in the day-to-day operation of KRONES machines and lines. LCS continues to further develop existing products and create completely new solutions for our customers.



LCS solutions now and in the future – How KRONES is evolving its LCS offerings

eShop Customised information platform

KRONES already offers customers a comprehensive online shop. The platform has all the functionality of a modern shopping platform, from the usual payment options and personalised search capability to views of past quotes and orders. It also enables customers to search for spare parts based on their own machinery inventory and includes an international portal for used machinery and a broad range of parts that are essential to the day-to-day operation of our machines and lines. Rounding out the eShop is a selection of used parts which, because they are available for immediate shipment, have solved many an urgent issue for our customers. KRONES makes all of these capabilities available to customers through country-specific eShops.

In keeping with the general trend toward digitisation, today's eShop will evolve into a customised information platform. Customers will then no longer need to actively search for items. Instead, they will automatically be shown suitable products that will appeal to them. For example, we are already planning an individualised information platform for parts and upgrades. In the future, most of KRONES' subsidiaries will also be connected to the eShop.

Inspection tool (osAT) Mobile maintenance device

Maintenance strategy has a significant influence on the cost of operating a KRONES line. Condition-based maintenance (CBM) achieves the best balance between system availability and cost. Professional inspection is the first step in achieving a high-quality overhaul. With osAT (On Site Assessment Tool), KRONES has developed a tool that enables a high-quality technical inspection and successful overhaul, including documentation of the work done. The customer receives an inspection report and a report on the overhaul, which document the machine's condition as well as the concrete actions taken during the maintenance work.

We are currently developing this tool further into a mobile application. With it, the technician on site can plug inspection and overhaul results into the KRONES system directly, online, for further processing. The result is a much faster process for customers. In addition, by processing the data in a single system, we are able to increase the quality of inspection and overhaul work and, thus, improve our customers' performance.



KRONES eShop offers our customers the convenience of a modern shopping platform.



Mobile service applications make for faster processes for our customers.

Preventive maintenance Predictive maintenance

A well-planned machine or system overhaul is essential to keeping line efficiency high for the long term. KRONES supports its customers with corresponding tools for perfect maintenance planning. In addition to maintenance planning software, KRONES delivers the corresponding machine-specific data that enable our customers to plan ahead to replace just the right part at just the right time. That ensures reliable line performance.

As digitalisation advances, we will also be taking the next step: Continuous collection of machine data on site and algorithm-based analysis will enable us to detect and resolve many issues before they cause an unscheduled downtime. Such predictive maintenance, combined with other LCS products like training and parts inventory packages, significantly reduce downtimes between scheduled maintenance work. That, in turn, increases the performance of our customers' lines.



KRONES already optimises customers' spare parts inventories in order to reduce downtimes. In the future, predictive maintenance will also contribute to increasing line efficiency.

Upgrades Automated upgrade recommendations

KRONES delivers new machines at the highest level of technology to customers. However, technology continues to advance and new solutions are developed over the life of these systems. Many of these innovations can be integrated into existing lines as upgrades. KRONES already offers its customers an extensive range of upgrades.

As data integration increases, KRONES will be able to take an even more active, targeted approach to informing customers about possible upgrades. For example, we will then be able to automatically offer technical innovations when we do scheduled overhauls. That saves customers the added expense of a separate installation and puts them at the latest state of the art once the overhaul is complete. We will also be able to inform customers about suitable upgrades through our eShop in the future. Our goal, as always, is to increase the performance of our customers' lines.



The digitalisation of our service business is advancing rapidly. But that doesn't change the fact that our dedicated employees are still essential to our success.



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Economic environment

- World economic growth of 3.1% in 2015
- German economy stimulated by strong consumption
- Rising global demand for packaging technology

World economy losing growth momentum

According to data released by the International Monetary Fund (IMF) in January 2016, the world economy grew 3.1% year-on-year in 2015. The pace thus slowed, from 3.4% in 2014. The main reason is that growth in the emerging and developing countries was significantly weaker in 2015 due to low commodity prices and waning momentum in China. Economic growth there slowed from 7.3% in the previous year to 6.9% in 2015.

At 3.1%, world economic growth was generally weaker than expected in 2015.

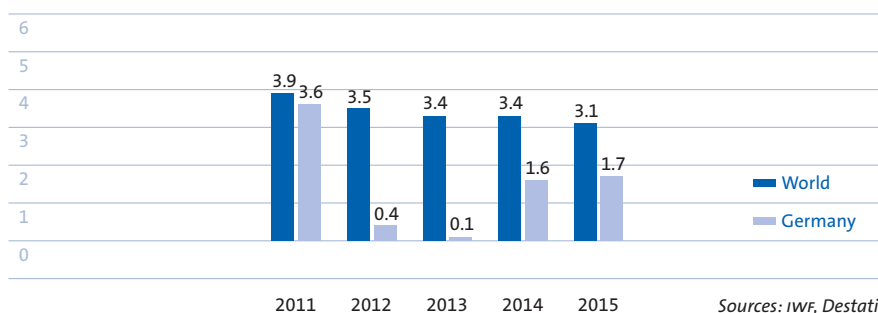
Altogether, gross domestic product (GDP) in the emerging and developing countries grew 4.0% in 2015 (2014: +4.6%). Unlike in China, the pace of GDP growth remained high in India at 7.3% year-on-year. The economies of the Middle East/North Africa region exhibited relatively stable development (2015 GDP: +2.5%). On the other hand, GDP slumped in Russia (-3.7%) and Brazil (-3.8%) in 2015.

Overall, economic growth in the industrialised countries amounted to 1.9% in 2015 (previous year: +1.8%). The positive trend was supported by continuing low interest rates. GDP improved more strongly in the USA, with a gain of 2.5%. Japan only achieved comparatively modest growth of 0.6%. The pace of growth in the euro zone increased significantly. The common currency area's GDP rose 1.5% in 2015 (previous year: +0.9%).

German economic growth accelerating slightly

Economic growth was stronger in Germany than in the euro zone in 2015 according to preliminary data from the country's Federal Statistical Office. They show a 1.7% year-on-year increase of German GDP, following a rate of 1.6% in 2014. Spending in the state and private sectors drove the German economy in 2015. High employment, rising wages, and low interest rates encouraged consumer spending.

Change in gross domestic product (%)



Output in German machinery sector stagnant overall

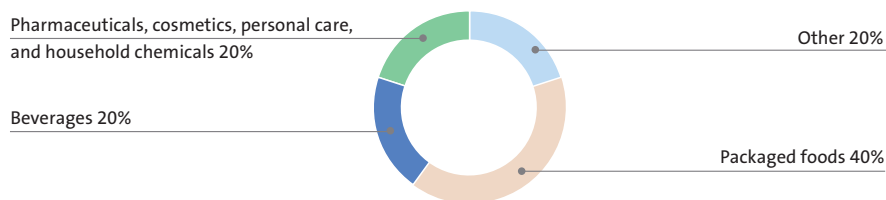
The German machinery industry had to struggle with increasingly difficult conditions in 2015. Many German machinery and equipment manufacturers suffered from China's waning growth momentum in addition to the Russian crisis. According to preliminary data, the German Engineering Federation (VDMA) estimates that the value of domestic machinery and equipment production in 2015 stagnated overall on the previous year at €199 billion. The industry thus missed its original 2015 growth target of +2%.

The food processing and packaging machinery subsector relevant for KRONES developed better than the industry as a whole. This segment is generally less affected by political and economic crises than the overall machinery sector. The VDMA estimates that sales of food processing and packaging machinery rose about 5% year-on-year in 2015.

World market for packaging machinery growing

The global market for packaging machinery had a volume of €31.3 billion in 2014 (2013: €30.3 billion) according to the VDMA. Figures for 2015 were not yet available when this report went to press, but worldwide demand for packaging machinery is likely to have continued growing according to VDMA forecasts. 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 20% of total packaging machinery sales and KRONES generated around 90% of its revenue in business with it in 2015.

The global market for packaging machinery by application



Source: VDMA estimate for 2014

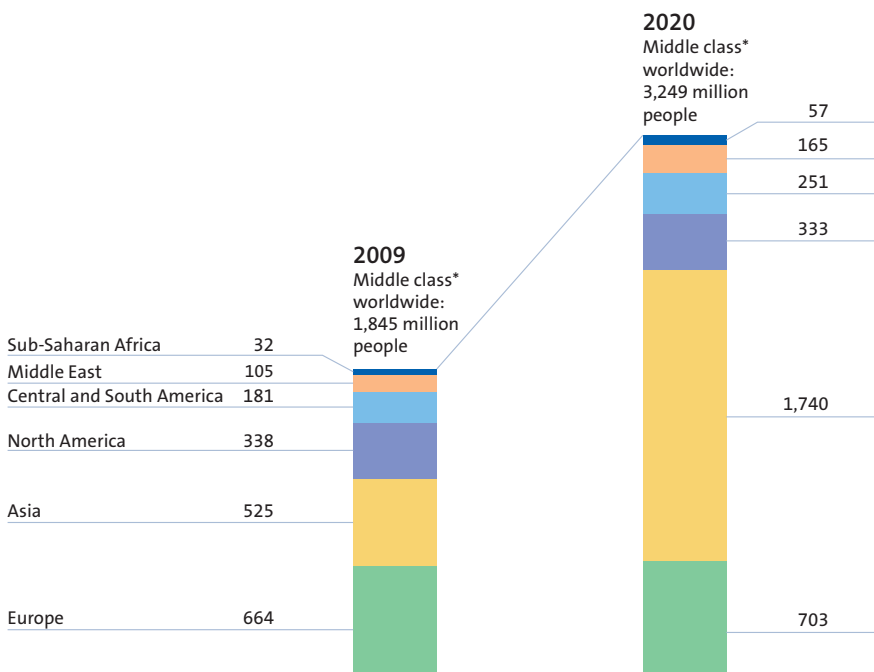
Megatrends ensure stable market growth

KRONES operates in a market exhibiting stable long-term growth. The average annual growth rate is higher than the world economy's average growth. Several megatrends ensure that demand for food and beverage packaging machinery is rising faster.

For one thing, the world's population will increase in the coming years and decades. In particular, the populations of Africa and Asia are growing strongly. All those people must eat and drink. For another, more and more people in the emerging and developing countries are escaping poverty. The United Nations forecasts that the middle class will increase by about 1.2 billion persons in the Asia-Pacific region alone from 2009 to 2020. Worldwide, the middle class is likely to grow by 1.4 billion persons in that period. This population group's consumption will increase in line with its rising income.

The market for packaging machinery is attractive. Supported by megatrends, growth of demand is stable.

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



Many will ascend to the middle class in the coming years, especially in Asia.

* 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 rural areas to the cities, also promotes demand for packaged food and beverages. That is because city-dwellers generally consume more packaged products than people who live in the countryside. While many people already live in cities in Europe and the Americas, urbanisation is advancing on a large scale in Africa and Asia.



ErgoBloc L – from an idea to 100 machines sold

Producing, labelling, and filling PET containers on a single machine – with the ErgoBloc L, KRONES amazed the international beverage industry at the 2009 drinktec trade fair. At the time, there was no telling whether the market would buy into the idea. Now, it is clear that combining a blow-moulder, labeller, and filler – in other words, the entire wet section of the line – into a single machine (bloc) is definitely a success story. KRONES sold its 100th ErgoBloc L in 2015. The machine is versatile and highly cost-effective thanks to fast changeovers and low media consumption. It produces and fills between 27,000 and 82,000 containers per hour depending on bottle size and beverage. The ErgoBloc L's footprint is around 30% smaller than comparable systems – and that's no small matter. KRONES is not resting on the laurels achieved with the ErgoBloc L. Instead, we are working continually to improve the machine even further, with a focus on conserving customer resources for the long term.



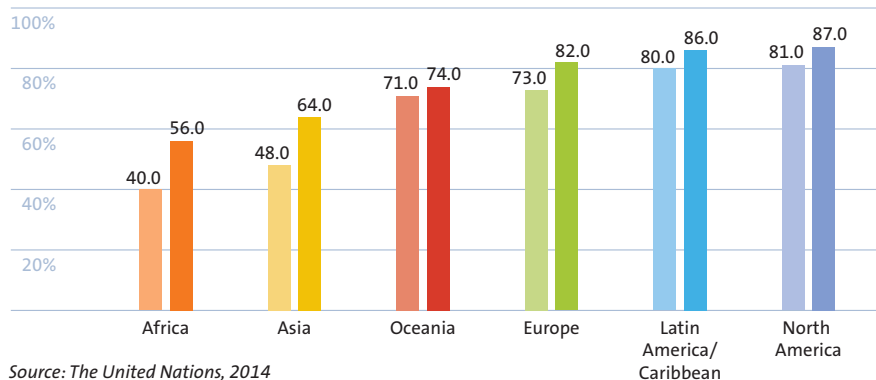
Here's to simplicity

KRONES has developed a smart packaging concept that serves as a complete solution for disposable kegs made of PET plastic. We call it BEVkeg. The biggest advantages are that the single-use PET kegs require no compressed gas for tapping and eliminate hygiene issues in the beer line. The simple system is the result of collaboration between KRONES and the tapping systems specialists at Micro Matic.

BEVkeg ensures high beverage quality from container production all the way to the beer glass. It protects beverages from temperature fluctuations and CO₂ loss. Guests always get a cool, fresh, perfectly tapped beer. That is a treat to beer fans and an inspiration for the industry. The German Packaging Institute (DVI) awarded BEVkeg the German Packaging Prize in 2015.



Urban population 2014 and 2050 (% of total)

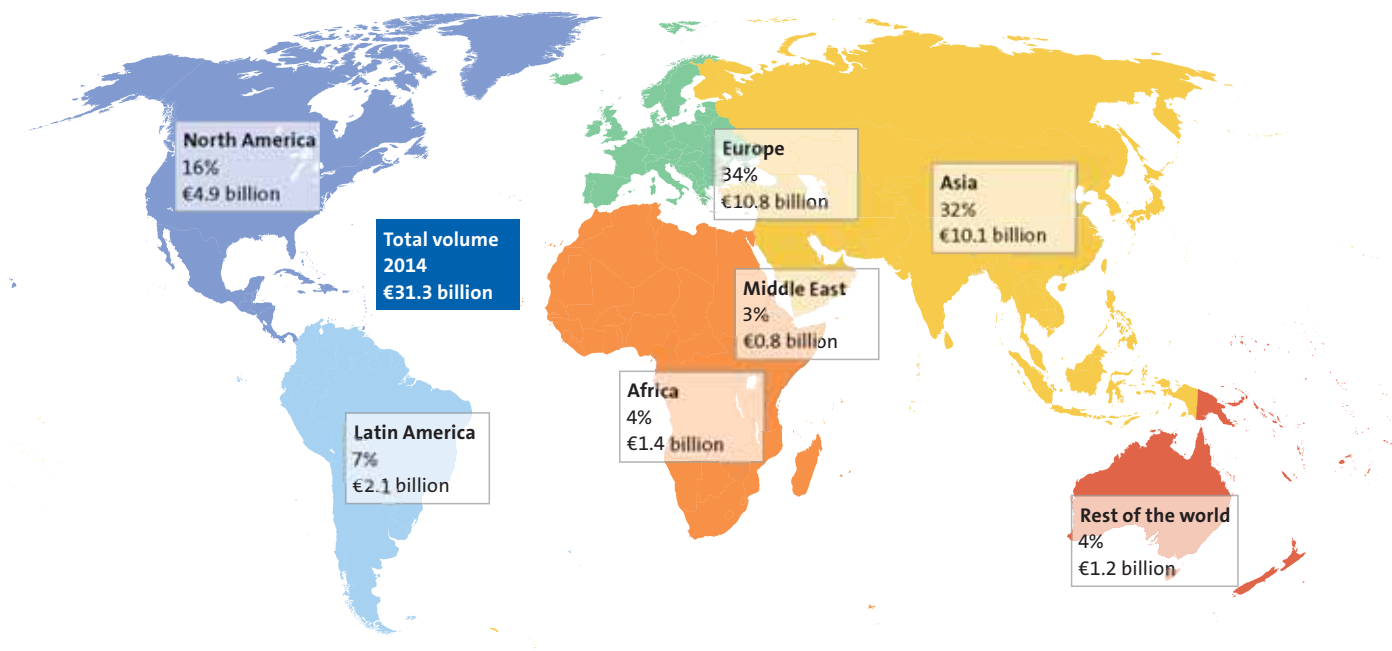


Source: The United Nations, 2014

Global distribution of demand for packaging machinery

Demand for packaging machinery has grown strongly in the past years in the emerging and developing countries. Europe is the largest single market regionally.

The global market for packaging machinery in 2014 – by region

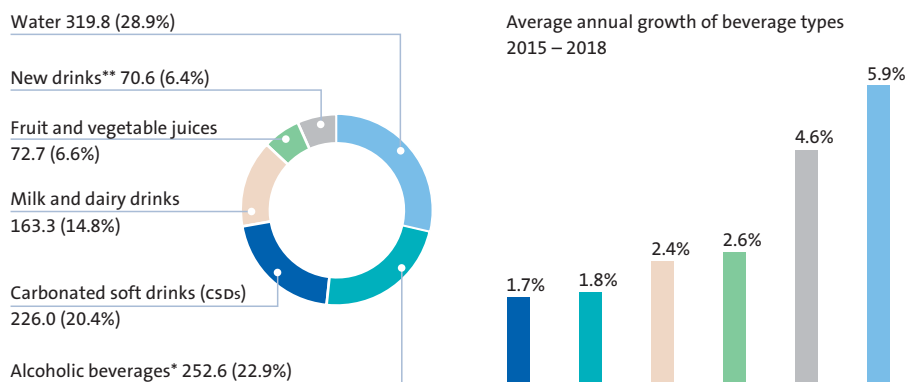


Sources: National statistics and VDMA estimates, November 2015

World's population increasingly quenching its thirst with packaged beverages

Worldwide demand for packaged beverages has been growing steadily for years. People consumed 1,105 billion litres of packaged beverages worldwide in 2015 according to preliminary data from Euromonitor, a market research institute. Demand increased 2.8% year-on-year. The stable growth trend is likely to continue in the future. Euromonitor expects global consumption of packaged beverages to increase at annual rates averaging 3.3% to 1,219.2 billion litres in the period from 2015 to 2018.

Global consumption of packaged beverages in 2015 (billion litres)



2015: 1,105.0 billion litres

Sources: Euromonitor, own estimates

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

Demand is growing the fastest for packaged water, the global beverage market's largest segment with a share of 28.9% in 2015. Consumers around the world drank almost 320 billion litres of packaged water in 2015. Consumption thus increased about 5% year-on-year. Demand for water should also continue growing faster than the overall beverage market in the years ahead. Euromonitor expects an average demand increase of 5.9% per year from 2015 to 2018. This strong growth is mainly driven by a rising need for clean, packaged drinking water in the emerging markets. The continuing trend towards healthy eating supports demand for water products in the industrialised countries.

The world's population drank about 253 billion litres of alcoholic beverages in 2015. This beverage category includes mainly beer (80%), but also wine and spirits. While beer is becoming more popular in China, the beer market in most industrialised countries is saturated. That is why the second-largest segment in terms of volume (share of total beverage consumption in 2015: 22.9%) is not growing as fast as the overall market for packaged beverages. Market researchers expect rates of increase averaging 1.8% for the coming three years.



It pays to travel light

Packaging materials account for a considerable share of costs in beverage production. So, the lighter the bottle, the more money beverage producers save. KRONES' lightweighting team specialises in developing lightweight PET bottles. The "PET lite 9.9 carbonated" bottle is an excellent example. The 0.5-litre bottle is suitable for carbonated beverages. Weighing in at just 9.9 grams, the bottle is 30 to 45 percent lighter than comparable PET containers.

How did KRONES accomplish this enormous reduction in weight and, therefore, cost? Our experts fine-tuned the thickness of the bottle wall – and therefore the amount of PET used – to each functional area of the bottle. The most PET material is used where the bottle is held and opened. Only half as much plastic goes into the other areas of the bottle.

Digital revolution in labelling

KRONES' DecoType digital direct printing system opens up a whole new world of possibilities for beverage producers to decorate their containers. Direct printing is just that – the printhead applies ink (text or images) directly onto containers. The system is extremely versatile. In fact, it is possible to print every single bottle (plastic or glass) differently, individually, without a single changeover. As a result, smaller batches – even as few as just a single bottle – can be produced inexpensively. Digital printing is especially well suited for marketing campaigns and product launches with short lead times.

KRONES' digital direct printing system also offers other advantages. For example, DecoType can print uneven product surfaces that existing labelling technology cannot accommodate. And, of course, digital direct printing eliminates the need for labels and adhesives.



Euromonitor expects even lower growth rates for consumption of carbonated soft drinks (CSDs) like colas and sodas. People consumed 226 billion litres of such drinks in the past year (share of total beverage consumption: 20.4%). Demand for CSDs is dwindling due to the growing health consciousness of consumers, who are avoiding sugar-sweetened beverages of this type. Consumption of soft drinks is therefore likely to increase only 1.7% per year on average from 2015 to 2018.

Development was very mixed in the milk and dairy drinks segment. Overall, about 163 billion litres were consumed in 2015 (share of total beverage consumption: 14.8%). Plain milk accounted for the largest part by far, about 80%, but the various mixed dairy drinks have shown the highest growth rates for years. Euromonitor does not expect that to change in the future. While demand for milk is likely to increase only 1.7% per year on average from 2015 to 2018, the expected growth rates for fruit-flavoured dairy drinks and yoghurt smoothies are 4.4% and 6.6%, respectively. Altogether, Euromonitor expects an average annual growth rate of 2.4% for milk and dairy drinks from 2015 to 2018.

Fruit and vegetable juices (share of total beverage consumption in 2015: 6.6%) and “new drinks” (share: 6.4%) are the two relatively small segments of the global beverage market. The new drinks category includes ready-to-drink tea and coffee as well as sports and energy drinks. Consumption of new drinks is expected to increase 4.6% per year on average to about 81 billion litres by 2018. The strong rise of demand for packaged, ready-to-drink tea in Asia is contributing strongly to growth. In general, consumption of new drinks should soon be higher than that of fruit and vegetable juices. Market researchers expect annual growth rates for fruit and vegetable juice consumption to average only 2.6% through 2018.

Strong demand for packaged beverages in emerging countries

Since the megatrends – growing world population and middle class as well as increasing urbanisation – are mainly playing out in the emerging and developing countries, demand for packaged beverages is rising more sharply in those regions. KRONES is well positioned in the fast-growing regions.

Worldwide consumption of packaged beverages

	2015		2018		Annual average growth (%) 2015–2018
	Billion litres	%*	Billion litres	%*	
North America/Central America	190.8	17.3	194.2	15.9	0.6
China	188.5	17.1	221.3	18.2	5.5
Asia-Pacific	178.1	16.1	209.5	17.2	5.6
South America	158.9	14.4	170.8	14.0	2.4
Western Europe	138.7	12.5	141.7	11.6	0.7
Africa/Middle East	113.3	10.2	141.3	11.6	7.6
Russia/cis/Eastern Europe	83.6	7.6	88.0	7.2	1.7
Central Europe	53.1	4.8	52.4	4.3	–0.4
Worldwide	1,105.0	100.0	1,219.2	100.0	3.3

*Share of global consumption

Sources: Euromonitor, own estimates

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

Putting top performance on the line

Our Varioline product illustrates how KRONES is making already good equipment even better. We launched the packaging line at the drinktec trade fair in 2009 and have added new functions to it since then.

The Varioline allows our customers to combine all kinds of primary and secondary packaging. For example, glass bottles, PET containers, or cans may be packaged at the primary level in six-packs in folding cardboard boxes. Subsequently, several six-packs are packaged at the secondary level in plastic crates or cartons. It all happens very fast and is completely automatic.

The Varioline is unsurpassed in flexibility. Its modular design allows the customer to choose any type of packaging. Another advantage is that this compact machine has a significantly smaller footprint than comparable equipment.

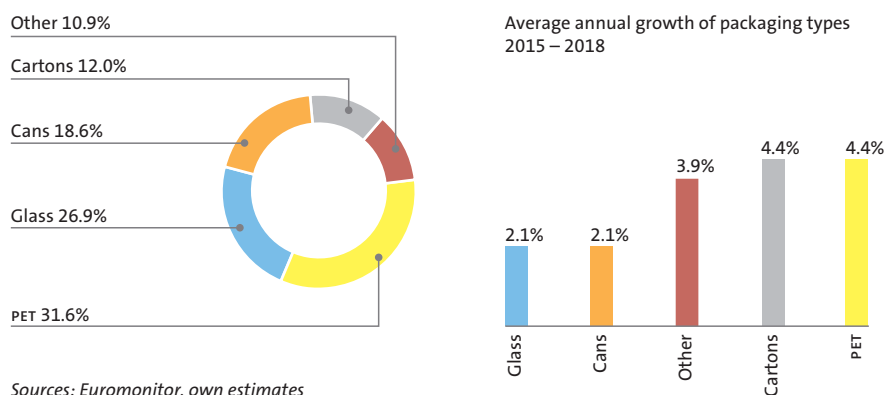


The regional shares of packaged beverages in global consumption have shifted away from mature industrialised countries in favour of China and the Asia-Pacific and Africa/Middle East regions in the past years. For example, in 2015, China consumed almost as many packaged beverages as North and Central America, long the largest single market by far. By 2018, more packaged beverages are likely to be sold in China as well as in the Asia-Pacific region than in North and Central America.

PET remains the preferred packaging material for beverages

According to Euromonitor, 1,600 billion containers will be filled with beverages worldwide in 2015. The number is expected to increase by 3.3% per year on average to 1,766 billion by 2018. However, not all packaging materials will benefit from this growth to the same extent.

Global beverage market by packaging material in 2015 (Based on beverage volume)



Sources: Euromonitor, own estimates

Almost one-third of all beverage packaging worldwide is made of PET. Demand for PET containers is likely to continue growing strongly.

The share of beverage packaging made of the plastic PET (polyethylene terephthalate) is likely to continue growing. That is mainly due to the strong rise of demand for water, which is usually filled in PET bottles. In 2015, 31.6% of all beverage containers were made of PET. The share is expected to increase to 32.6% by 2018. That corresponds to an average annual growth rate of 4.4%.

Growth expectations are significantly lower for beverage containers made of glass, the second most often-used packaging material. Glass containers were used to package 26.9% of beverages worldwide in the past year. Beer and other alcoholic beverages were the main application for glass packaging, and overall demand for those beverages is growing more slowly. The average annual growth rate for glass beverage packaging is therefore likely to be only 2.1% in the period from 2015 to 2018.

The expected growth rate for metal cans, the third most often-used type of packaging, is the same. Cans accounted for 18.6% of all beverage packaging in 2015. Beer and soft drinks are the main application.

Cartons are the fourth major type of beverage packaging (share in 2015: 12.0%). They are mainly used to package milk and dairy drinks and fruit and vegetable juices. The number of cartons used as beverage containers is likely to increase 4.4% per year on average through 2018.

- KRONES AG revenue up 4.4% to €2,513.2 million
- Operating performance up 8.1% year-on-year
- Profitability improved
- Shareholders to receive a dividend of €1.45 per share for 2015 (previous year: €1.25).

A comparison of the forecasts we made in our 2014 annual report for KRONES AG (page 109) with the figures actually attained in 2015 reveals the following:

Revenue growth exceeded our forecast (forecast: 3%, actual growth: 4.4%).

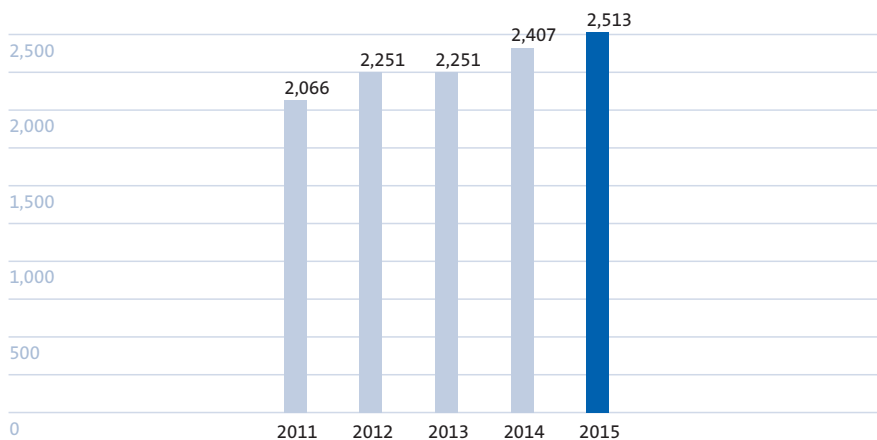
With EBT at €79.1 million, we almost reached the forecast range (€80 to €90 million).

KRONES AG held steady on its growth course in 2015

Revenue increased 4.4% to €2,513.2 million (previous year: €2,407.2 million). At €2,617.0 million, operating performance grew even more strongly (+8.1%).

As previously, our global approach, broadly balanced range of products and services, outstanding solutions expertise, and customer focus contributed to the improvement. Despite many regional trouble spots, our business environment remains predictable overall.

KRONES AG revenue (€ million)



KRONES AG's revenue increased 4.4% to €2,513.2 million (previous year: €2,407.2 million).

Revenue by region

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

After the sharp increase in revenue in Germany in 2014, we were able to improve revenue by a small margin again last year. Sales in Germany rose from €317.8 million to €324.3 million. Thus, KRONES AG generated 12.9% of its revenue in Germany (previous year: 13.2%).

We booked particularly strong growth in Western Europe. Revenue here increased 21.9% from €423.9 million to €517.0 million. In the Eastern Europe/CIS sales region, political

circumstances, dropping oil prices, and the weak ruble made business difficult. Thus, revenue in the region declined 29.2% to €148.2 million. By contrast, the remaining countries of Central Europe posted strong growth and contributed €111.9 million in revenue (+54.1%). All told, the European sales regions (excluding Germany) accounted for €777.1 million, or 30.9% of total revenue (previous year: 29.3%).

In general, KRONES benefits from global population growth and from increasing urbanisation in the emerging economies. Sales regions outside Europe accounted for 56.2% of revenue in 2015 (previous year: 57.5%).

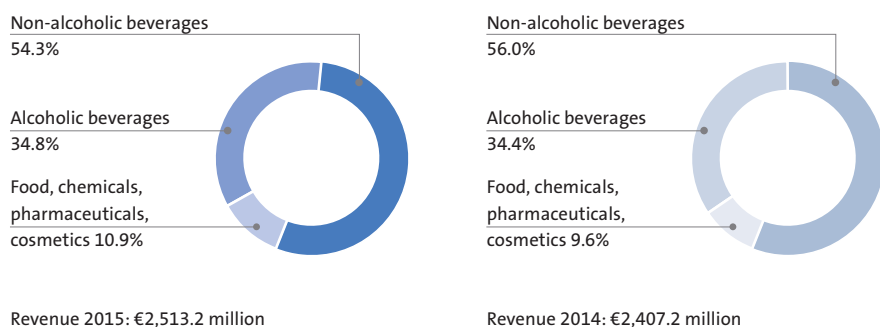
The Middle East/Africa sales region has been one of our most important markets for several years now. After a somewhat quieter phase in 2014 (€294.1 million in revenue), sales picked up 35.1% to €397.3 million in the important oil price-dependent countries of Africa despite weak currencies.

Revenue in the crucial Chinese market decreased 12.9% year-on-year, from €209.4 million to €182.3 million. On the other hand, we were able to match the strong year-earlier figure in the rest of the Asia-Pacific region. Revenue there was virtually unchanged (-0.1%) at €427.9 million.

We were able to increase revenue in the mature North American market as forecast. After €171.3 in the previous year, revenue there rose by one-third (+33.4%) to €228.5 million in 2015. Orders from craft breweries were a factor invigorating sales there. In South America, major markets like Brazil suffered from economic woes. As a result, revenue in the region decreased 37.4% from €280.7 million to just €175.7 million.

Revenue by industry

KRONES AG revenue by industry



Sales of equipment for processing alcoholic and non-alcoholic beverages changed little in 2015 while the non-beverage sectors' share of revenue increased significantly.

Sales of equipment for processing alcoholic beverages rose 5.5%, from €829.0 million to €874.3 million. The sector's share of revenue was 34.8% in 2015 (previous year: 34.4%).

Revenue from business with producers of non-alcoholic beverages increased only slightly, from €1,347.6 million to €1,365.0 million, in 2015 after having increased sharply in 2014. The revenue share changed from 56.0% to 54.3%.

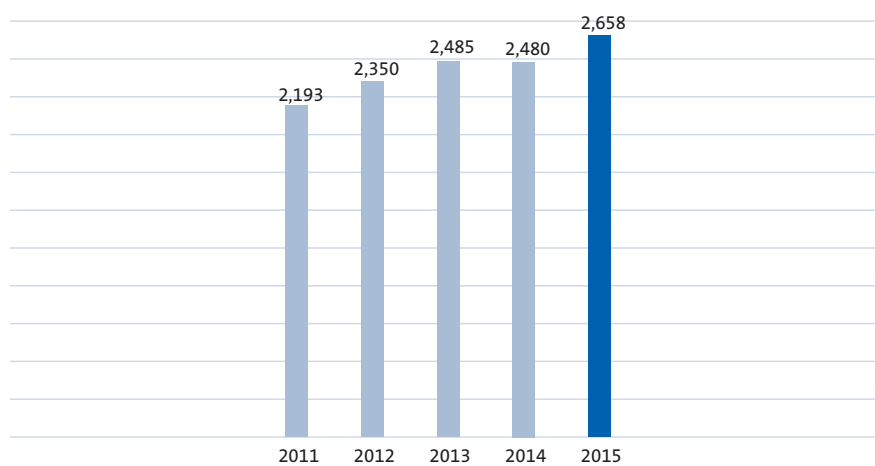
The revenue share of non-beverage sectors (milk, food, pharmaceuticals, and cosmetics) once again increased considerably. Revenue grew 18.8% from €230.6 million to €273.9 million, to account for 10.9% of total revenue (previous year: 9.6%).

New orders at KRONES AG up 7.2%

In all, capital spending among our customers was at a good level in 2015. KRONES profited from its global business and its broadly diversified portfolio of products and services as well as its strong focus on its customers. Our close link with the non-cyclical food and drink sector also helped. At €2,658.2 million in 2015, new orders at KRONES AG exceeded the year-earlier figure (€2,480.4 million) by 7.2%.

We generated the highest percentage increase in new orders in China, followed by the North and Central America, Asia-Pacific, and Central Europe regions. Business remains challenging in the Eastern Europe/CIS region.

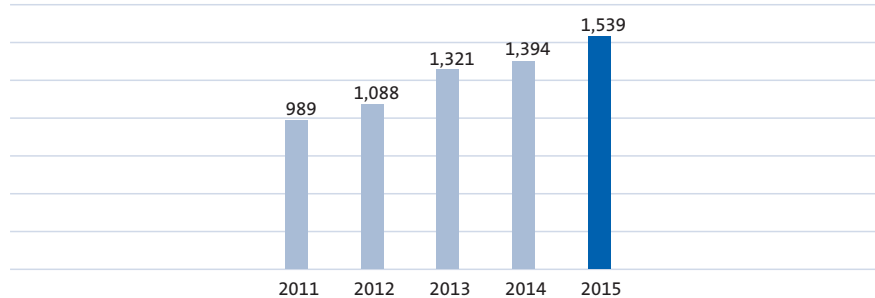
KRONES AG new orders (€ million)



Orders backlog has grown further

At the end of 2015, KRONES AG had an orders backlog of €1,539.0 million on the books (previous year: €1,394.0 million). The large orders cushion provides a solid basis for consistent capacity utilisation in the months ahead and for achieving the company's growth target for 2016.

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



KRONES AG earnings grow

Despite continued price pressures, KRONES AG improved profitability in 2015. The improvement was due in large part to the fact that operating performance increased sharply (+8.1%) while personnel expenses rose just 3.6%.

At €79.1 million, earnings before taxes at KRONES AG were up 8.5% in 2015 over the previous year (€72.9 million).

Earnings before taxes rose 8.5% from €72.9 million to €79.1 million.

The Executive Board and the Supervisory Board will propose to the annual shareholders' meeting that a dividend of €1.45 per share be paid for the financial year 2015 (previous year: €1.25 per share). If the annual shareholder's meeting approves the dividend proposal from the Executive Board and the Supervisory Board, the dividend payout ratio for 2015, based on consolidated net income, will be 29.1%.

KRONES AG earnings structure

€ million	2015	2014	Change
Revenue	2,513.2	2,407.2	+4.4%
Changes in inventories of finished goods and work in progress	+103.8	+12.7	–
Total operating performance	2,617.0	2,419.9	+8.1%
Goods and services purchased	–1,484.9	–1,343.1	+10.6%
Personnel expenses	–695.9	–671.5	+3.6%
Other operating income (expenses) and own work capitalised	–298.8	–275.0	+8.7%
EBITDA	137.4	130.3	+5.4%
Depreciation and amortisation on fixed assets	–50.6	–51.8	–2.3%
EBIT	86.8	78.5	+10.6%
Financial income/expense	–7.7	–5.6	–
EBT	79.1	72.9	+8.5%
Income tax	–19.0	–27.2	–
Other taxes	–1.1	–2.8	–
Net income for the year	59.0	42.9	+37.5%

KRONES grew its business volume considerably year-on-year in 2015. At €2,513.2 million, revenue increased somewhat more sharply than forecast in 2015, exceeding the previous year's €2,407.2 million by 4.4%. Total operating performance (revenue + changes in inventories) rose 8.1% to €2,617.0 million. That laid the foundations for exceeding the previous year's earnings as well.

Goods and services purchased increased somewhat more sharply than total operating performance in the reporting period. At €1,484.9 million, KRONES spent 10.6% more for goods and services purchased in the reporting period than in 2014 (€1,343.1 million). Therefore, the ratio of expenses for goods and services purchased to total operating performance increased year-on-year, from 55.5% to 56.7%. That was due to a number of factors such as the product mix and the intensely competitive environment.

Personnel expenses also grew less than our total operating performance in the reporting period, rising 3.6% year-on-year to €695.9 million. The increase in personnel expenses was due to the expansion of our workforce and the increase in pay rates as a result of collective bargaining. The ratio of personnel expenses to total operating performance decreased from 27.7% in the previous year to 26.6%.

Personnel expenses rose less than total operating performance in the reporting period, by 3.6% to €695.9 million (previous year: €671.5 million).

Depreciation and amortisation of fixed assets decreased slightly, from €51.8 million to €50.6 million. The ratio of depreciation and amortisation on fixed assets to total operating performance came to 1.9%.

The net of other operating income and expenses and own work capitalised rose from –€275.0 million in the previous year to –€298.8 million in 2015 (+8.7%). The other operating expenses include several operating items (e.g. outgoing freights and travel expenses), which increased similarly to total operating performance.

The financial result consists largely of earnings from investees and interest income and, on the expense side, of discounting expenses from the application of legally prescribed discount rates on provisions for pensions. The drop in the discount rate (average for the last seven years) resulted in a considerable, non-operating charge against earnings before taxes (€15.9 million). The financial result came to –€7.7 million.

After income taxes (€19.0 million at a tax rate of 24.1%) and other taxes (€1.1 million), KRONES AG had net income of €59.0 million for 2015 (previous year: €42.9 million). That is up 37.5%.

As in the previous years, KRONES AG had no bank debt at 31 December 2015. Cash and cash equivalents at the end of the reporting period came to €125.7 million. The increase in working capital as a result of business growth was offset by the further improvement of receivables management.

Existing lines of credit totalling €263 million may be used as cash credit or surety credit. In addition, the company also has at its disposal extensive pure surety lines.

Moreover, a syndicated loan agreement with our core banks for €250 million through 23 October 2020 (with an option for a one-year extension), which was signed in October 2014, is available as a back-up facility for financing working capital, including the financing of equity investments.

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

Cash flow (net income or loss for the year plus depreciation, amortisation, and write-downs) amounted to €109.6 million in 2015 (2014: €111.8 million).

KRONES AG's cash flow is as follows:

€ million	2015	2014
Cash and cash equivalents at 1 January	165.5	113.1
Cash flow from operating activities	45.0	166.8
Cash flow from investing activities	-48.4	-60.8
Cash flow from financing activities	-36.4	-53.6
Cash and cash equivalents at 31 December	125.7	165.5

Asset and capital structure of KRONES AG

(€ million at 31 December)	2015	2014	2013
Fixed assets	514.1	501.7	487.6
Current assets and prepaid expenses	1,006.6	919.2	901.0
of which cash and cash equivalents	125.7	165.5	113.1
Equity	636.9	617.5	637.8
Total debt	883.8	803.4	750.8
Provisions	488.4	477.0	452.2
Liabilities	395.4	326.4	298.6
Total	1,520.7	1,420.9	1,388.6

For more information, please refer to the detailed balance sheet on page 140.

At 31 December 2015, KRONES AG's total assets were up by around €100 million or 7.0% from the previous year, from €1,420.9 million to €1,520.7 million. That means total assets increased less than total operating performance (+8.1%).

Fixed assets were up 2.5% to €514.1 million (previous year: €501.7 million). Tangible fixed assets account for the largest part of fixed assets and came to €348.4 million at 31 December 2015, which is down 1.7% year-on-year (previous year: €354.3 million). Capital expenditure went primarily into machinery and equipment, the purchase of standard software, and land and building activities in Neutraubling. Long-term financial assets were up from €119.4 million to €136.1 million. The increase resulted primarily from the acquisition of companies in Germany.

Current assets, including prepaid expenses, came to €1,006.6 million at 31 December 2015, up 9.5% on the previous year (€919.2 million). Trade receivables were down 12.4% to €335.6 million despite the increase in revenue. This can be attributed to additional receivables management activities. On the other hand, receivables from affiliated companies and other receivables were up. Inventories increased considerably, from €212.0 million to €299.9 million. That was due to the increase in operating performance. As a result of acquisitions and expanded business activities, cash and cash equivalents were down from €165.5 million to €125.7 million at the end of the reporting period.

On the liabilities side, KRONES AG's provisions were up to €488.4 million at the end of 2015 (31 December 2014: €477.0 million). Besides provisions for pensions (+€15.9 million as a result of adjustments to the discount rate), other provisions also increased. We were able to reduce provisions relating to operations and projects slightly.

Liabilities were up from €326.4 million in 2014 to €395.4 million in the reporting period. This was due in part to higher liabilities to affiliated companies. As in the previous years, KRONES had no bank debt at the end of 2015. Thus, KRONES AG's net cash and cash equivalents (cash and cash equivalents less bank debt) amounted to €125.7 million at the end of the 2015 reporting period (previous year: €165.5 million).

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

KRONES AG's equity at 31 December 2015 came to €636.9 million, which is €19.4 million more than the previous year (€617.5 million). Equity was reduced by the dividend payout in June 2015 (€39.5 million). Net income for 2015 increased equity by €59.0 million. At the end of 2015, the equity ratio was 41.9%, down from the year-earlier figure of 43.5%.

KRONES AG still has an extremely robust financial and capital structure overall.

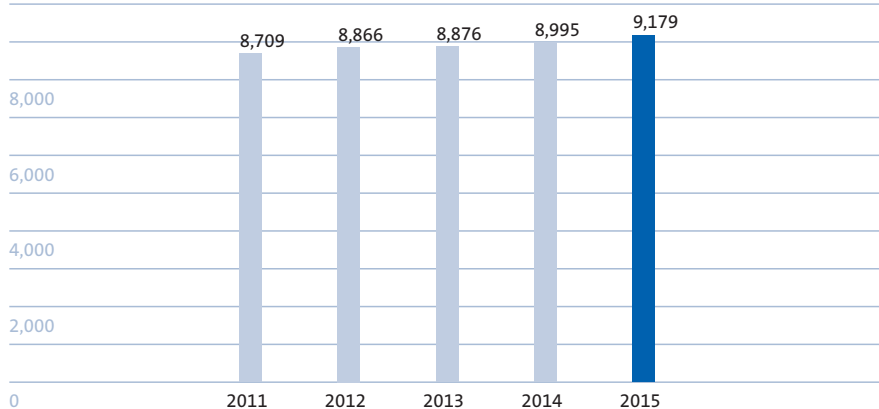


KRONES workforce grows further – in Germany, too

Our company needs qualified, highly motivated people to meet its targets under the Value strategy programme. For this reason, KRONES invests heavily in training and continuing education for service personnel worldwide. In order to leverage our markets' potential for growth, we must further increase our manpower internationally, in our customers' locales. Ensuring that we hire the right people in the right places will be essential to KRONES' long-term success.

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

KRONES AG employees at 31 December in Germany



The workforce in Germany also grew further. The number of employees at KRONES AG in Germany increased from 8,995 in the previous year to 9,179 in 2015. We also added 104 people to our representative offices worldwide.

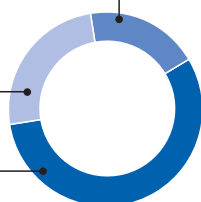
As the technology leader, KRONES depends on the skills and knowledge of its people. Almost all of our employees in Germany possess recognised professional or vocational qualifications. One-quarter of our workforce are commercial specialists, technicians, or master craftsmen. University graduates make up 19.0% of our workforce, after 17.7% in the previous year. We offer our employees a comprehensive array of training and continuing education opportunities in order to keep their knowledge in all relevant areas up to date.

Employee qualifications in Germany

19.0% University degree

25.0% Commercial specialists/technicians/master craftsmen

56.0% Qualified professional training

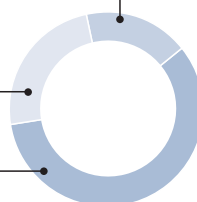


2015

17.7% University degree

24.2% Commercial specialists/technicians/master craftsmen

58.1% Qualified professional training

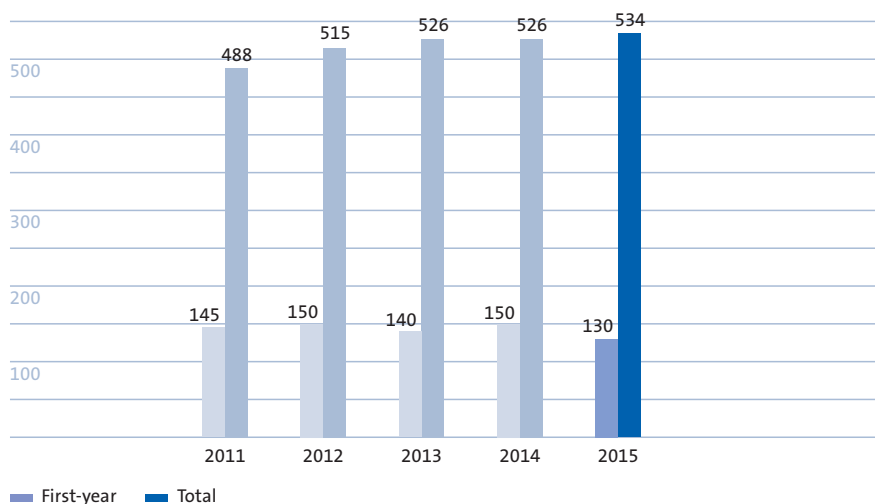


2014

KRONES grows its own talent

Recruiting qualified young people is one of the most important tasks of KRONES' human resources policy. For this, KRONES relies on its strong in-house training programme and excellent collaboration with colleges and universities.

Total number of trainees and trainees starting at KRONES AG

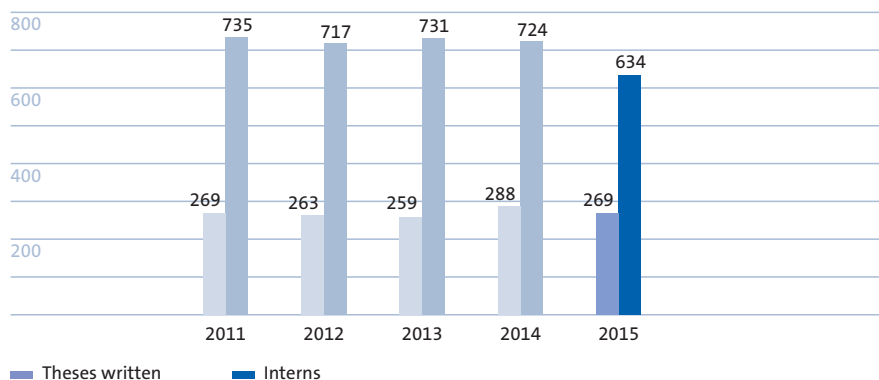


In the fall of 2015, 130 young people began training with KRONES, 20 fewer than last year. KRONES strives to replace retiring employees in Germany with our own home-grown talent. Because age-related retirement rates are very low, we have adjusted the size of our training and apprenticeship programmes. In all, KRONES was training 534 young people in Germany at the end of 2015. Of these, 76 were completing a dual course of vocational training and university study and 92 were training under our “Profil 21” programme, under which they earn both a trade proficiency certificate (“Facharbeiterbrief”) and a title of state-certified service technician.

KRONES works closely with colleges and universities in order to ensure a supply of graduates as future employees. KRONES offers students in a wide range of disciplines opportunities to gain practical experience through internships or to write their theses at KRONES. In the reporting period, 634 students completed internships and 269 wrote their Master’s or Bachelor’s theses at KRONES.

In Germany, KRONES intends to replace retiring employees with our own home-grown talent.

Interns and theses at KRONES



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

Assuming responsibility and taking the long view have always been part of KRONES' business philosophy and strategy. The fundamental principles that guide our company are firmly anchored in our mission statement, code of conduct, and numerous other codes and policies.

We have been a member of the UN Global Compact since 2012 and follow the ten internationally recognised principles of sustainability both internally and externally. We intend to fulfil our responsibility as a company with respect to all of our stakeholders. To accomplish this, we engage in active dialogue with our employees, customers, suppliers, shareholders, policymakers, and other stakeholder groups. We look at our sustainability efforts in terms of the following categories: economic, environmental, labour practices and decent work, and society.

Important sustainability milestones reached in 2015

In the reporting period, we set a target for CO₂ emissions, reaching an important milestone in terms of environmental sustainability. Our aim is to reduce our CO₂ emissions per million euros of revenue by 30% to 40% compared with the base year 2010 by the year 2020. We have developed a detailed action package for achieving this goal. Moreover, beginning in the reporting period we now also collect data on emissions arising from freight forwarding. In order to embed a sustainable mindset even more firmly in the company and fully utilise our employees' expertise, we conducted a number of workshops on the topics of labour practices and decent work, environment, and society in 2015.

In 2015, we set a target for CO₂ emissions. We aim to reduce our CO₂ emissions by 30% to 40% by 2020.

We once again made great progress with our enviro sustainability programme in the reporting period. With enviro, we are reducing our machines' energy and media consumption and helping our customers conserve resources in production. Besides certifying additional machines, we also sold a complete enviro-certified line (as opposed to individual machines) for the first time in 2015.

KRONES retains "Prime" status

KRONES' sustainability performance is regularly reviewed by oekom Research, one of the world's leading sustainability rating agencies. In 2015, KRONES earned a "Prime" rating for the third year in a row. That means that KRONES continues to outperform the average of its industry peers when it comes to corporate social responsibility (CSR).

In 2016, we intend to further improve our sustainability performance and carry the CSR topics into our international sites in the medium term. More information on the topic of sustainability as well as our concrete goals and actions is in our Sustainability Report, which is available online at www.krones.com.

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

KRONES' risk management system

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

In essence, risks are defined as possible negative deviation from our earnings forecast for the 2016 financial year. Opportunities are possible positive deviations from our earnings forecast for the 2016 financial year.

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

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

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

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

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

Multi-stage risk management system

We are continually improving our risk management system on the basis of practical experience. The system consists of the following modules: risk analysis, risk monitoring, and risk planning and control.

Risk analysis

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

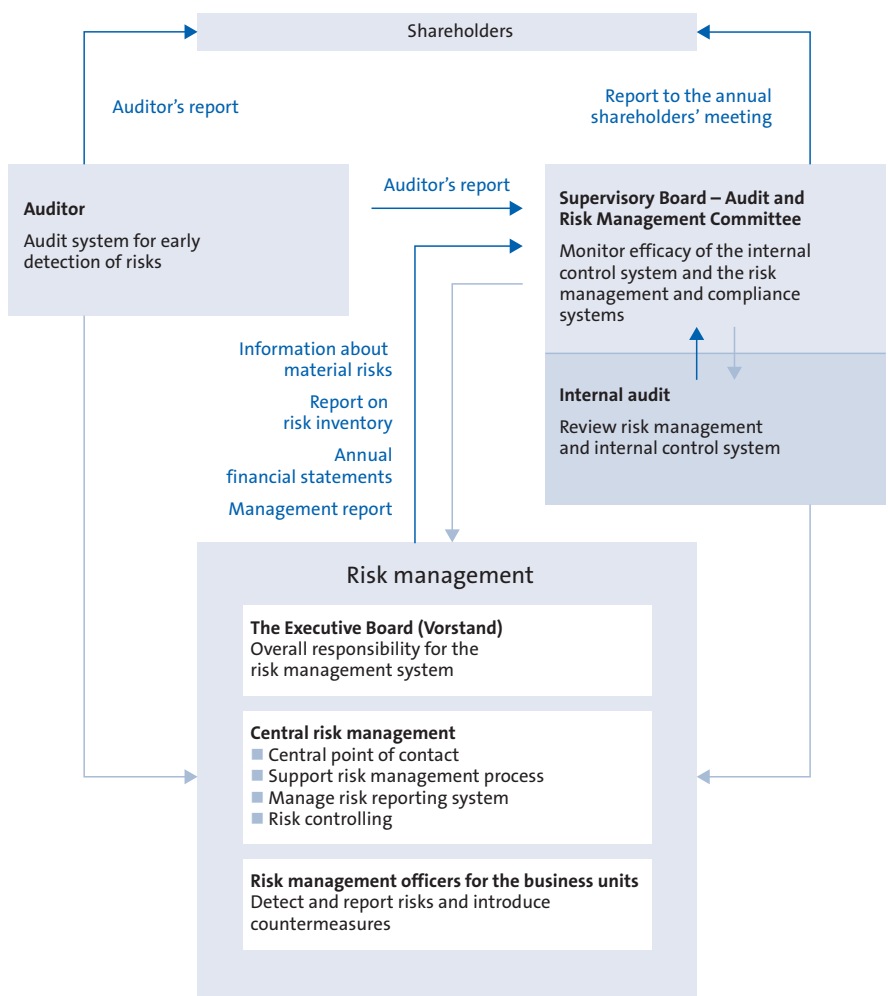
- Annual planning
- Medium-term planning
- Strategic planning
- Rolling forecasts
- Monthly and quarterly reports
- Capital expenditure planning
- Production planning
- Capacity planning
- Project controlling
- Accounts receivable management
- Exchange rate hedges
- Insurance policies

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 accounting and financial reporting can be described as follows:

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

- The duties of the units that are materially involved in accounting and financial reporting processes are explicitly segregated and responsibilities are clearly assigned.
- Regular reviews and audits are conducted within the various units, primarily by Controlling.
- Standard software is used for accounting and financial reporting as far as possible.
- Special security precautions protect the software and IT systems used for accounting and financial reporting against unauthorised access.
- Sufficient binding policies (e.g. for payments and travel expenses) are in place and updated on an ongoing basis.
- All of the departments involved in the accounting and financial reporting process have suitably qualified staff.
- Regular spot checks are used to continuously verify the completeness and accuracy of our accounting data.
- The software used 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	Potential financial impact
General business environment and industry-specific risks		
■ General economic risks	low	low
■ Industry-specific risks	low	medium
Financial risks		
■ Default risks	low	medium
■ Liquidity risk	low	low
■ Interest rate risk	low	low
■ Currency risk	low	low
Operational risks		
■ Price risk	medium	medium
■ Procurement risks	low	low
■ Cost risk	medium	medium
■ Personnel risk	low	low
Legal risks	medium	medium
Environmental and safety risks	low	low
IT risks	low	low

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

General business environment and industry-specific risks

General economic risks

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

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

Industry-specific risks

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

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

Financial risks

The financial risks to which KRONES is exposed are default risks, liquidity risks, interest rate risks, and currency risks. Because of regional and customer-related diversification, there is no material concentration of risk.

1. Default risk

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

1.1 Trade receivables

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

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

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

1.2 Derivative financial instruments

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

1.3 Other financial assets

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

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

2. Liquidity risk

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

KRONES generates most of its cash and cash equivalents through operating activities. These funds primarily serve to finance working capital and capital expenditures. KRONES manages its liquidity by reserving sufficient cash and cash equivalents and credit lines with banks in addition to the regular inflow of payments from operating activities. The company's liquidity management for operations consists of a cash management system, which is based in part on rolling monthly liquidity planning with a planning horizon of one year. This allows KRONES to be proactive about any possible liquidity bottlenecks.

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 2015.

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

4. Currency risk

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

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

Operational risks

1. Price risk

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

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

2. Procurement risks

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

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

3. Cost risk

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

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

4. Personnel risk

KRONES plans 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 both the likelihood of an event and the financial impact as low.

Legal risks

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

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

Environmental and safety risks

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

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

IT risks

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

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

Material opportunities

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

General economic opportunities

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

Industry-specific opportunities

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 enable KRONES to seize opportunities for external growth. Within the scope of our strategy program, we are keeping a purposeful eye out for suitable acquisitions. Acquisitions are not included in our earnings forecasts. 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.

Supervisory Board resolution on shareholders' proposal

The Supervisory Board of KRONES Aktiengesellschaft (KRONES AG) resolved in its meeting on 16 March 2016 that it supports the proposal made by shareholders, whose combined holdings exceed 25% of voting rights in KRONES AG, and will thus nominate former Chairman of the Executive Board Volker Kronseder for election to the Supervisory Board by the 2016 annual shareholders' meeting. If he is elected to the Supervisory Board, Volker Kronseder intends to run for the chairmanship and the Supervisory Board intends to support his candidacy. The annual shareholders' meeting is scheduled to take place 15 June 2016.

- IMF has revised 2016 growth forecasts slightly downward
- Market for beverage filling and packaging lines remains stable
- KRONES intends to further improve revenue and earnings in 2016

World economy expected to grow 3.4% in 2016

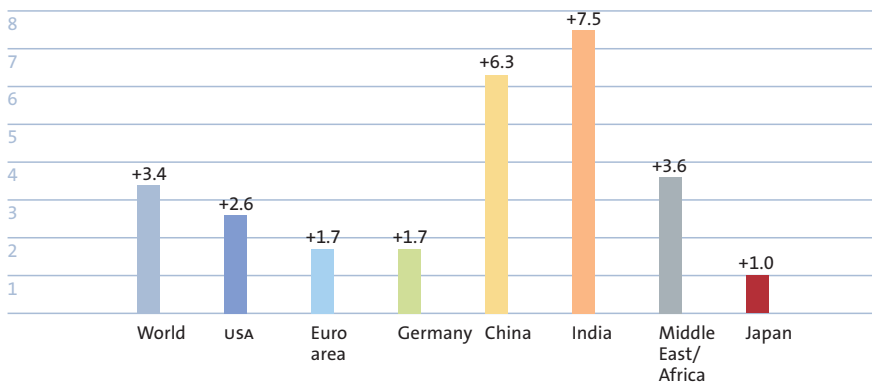
In January 2016, the International Monetary Fund (IMF) lowered its forecast for 2016 slightly. The IMF now expects the world economy to grow by 3.4% in 2016. In October 2015, the forecast was for 3.6% growth. The reason for the downgrade is that economic activity in the emerging markets is likely to recover more slowly than expected, particularly in oil-exporting countries and regions like Brazil, Russia, and the Middle East. The IMF experts cited possible interest rate increases in the USA, low commodity and energy prices, and China's uncertain economy as additional risks for the global economy.

The IMF remains optimistic about the advanced economies. After picking up 1.9% last year, GDP in the industrialised countries is expected to grow 2.1% in 2016. The US economy is expected to exhibit the most growth among the advanced economies, 2.6% (previous year: 2.5%), fuelled by strong labour and real estate markets. Europe continues to benefit from continuing monetary easing and low oil and energy prices, which support consumer spending. Overall, GDP growth in the euro area is expected to be 1.7% (previous year: 1.5%), the same as in Germany. The IMF is projecting 1.0% economic growth for Japan (previous year: 0.6%), likewise supported by very loose monetary policy and low commodity prices.

In the emerging and developing countries, 2016 growth is expected to come to 4.3% after 4.0% in 2015. The IMF expects China's economy to slow from 6.9% to 6.3%. The rebalancing of China's economy away from investment towards consumption will take some time and, in the meantime, slow growth, says the IMF. India is the IMF's pick for the highest growth rates worldwide. GDP there is expected to increase 7.5% this year (previous year: 7.3%). The economists' projection for the Middle East/Africa region is GDP growth of 3.6% (previous year: 2.5%).

Among the industrialised countries, the IMF expects the USA to post the highest GDP growth in 2016.

GDP growth in 2016 (% forecast)



Source: IMF

Low unemployment and inflation rates strengthen purchasing power and consumer spending

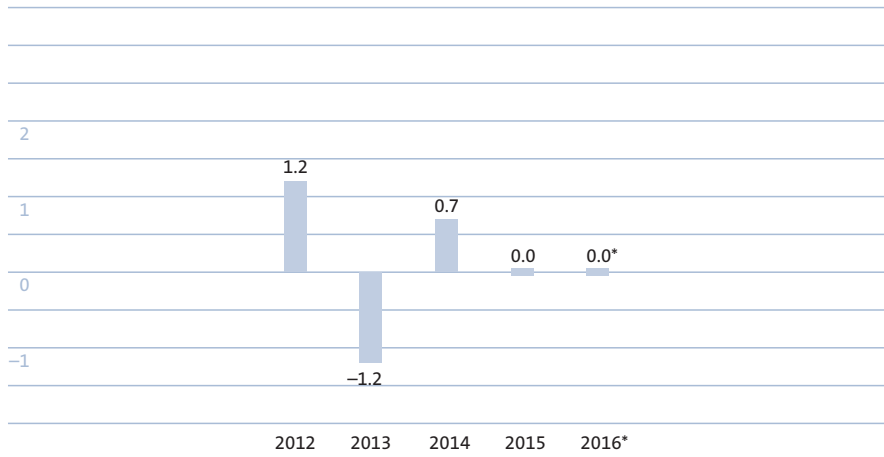
Consumer spending is a key factor determining the propensity of KRONES customers to invest and, consequently, demand for beverage filling and packaging equipment. Low unemployment and low inflation rates have a positive effect on consumer's buying power and therefore support demand for packaged food and beverages. Thus, unemployment and inflation rates indirectly impact demand for KRONES' products. We do not expect either of these factors to have any negative effects on business at KRONES in 2016.

Stable demand for food processing and packaging equipment

In light of the many economic and political crises worldwide, the German Engineering Federation (VDMA) is no longer as optimistic as it has been in previous years. For 2016, the VDMA is projecting zero growth, after already having had to lower its estimate for 2015 to zero growth. The industry is hampered by the Russia crisis as well as the slowdown in China. However, stable business in Europe and North America could offset these declines.

Some subsectors will perform very differently from the overall forecast for the German machinery sector. Demand in the food processing and packaging machinery subsector, which is relevant to KRONES, is expected to grow 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

KRONES is cautiously optimistic about the outlook for 2016

KRONES is cautiously optimistic about the 2016 financial year despite many economic and political uncertainties. The reason for our cautious optimism is that the market for packaging machinery is exhibiting stronger, more stable growth than the world economy. Driving this growth are megatrends that are almost independent of economic cycles such as the steady growth of the middle class and increasing urbanisation in the emerging economies. Both of these trends are resulting in rising demand for industrially 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 2016 are good overall.

The regional distribution of revenue in 2016 is likely to be little changed from the previous year. We expect continued good business in North and Central America. Ageing machinery pools and the increasing variety of new beverage types are driving demand there. Europe is also expected to develop positively again. Here, too, existing lines are being updated with a clear focus on lowering total cost of ownership. Growth in Asia and Africa will be driven by population growth and new beverage types. We expect stable development in the Chinese market. We expect business in Brazil and Russia to stabilise at a low level.

KRONES intends to improve earnings in 2016

KRONES expects no support from prices in 2016. Therefore, reducing costs, launching new products and services, and further improving quality remain important topics under our Value programme in order to grow further and increase earnings before taxes in 2016.

In the core segment, machines and lines for product filling and decoration, we will expand our international service structures and LCS Centres in 2016. To this end, KRONES will grow its pool of qualified specialists in the regions in 2016. In the current financial year, the company will also offer even more local products and do more purchasing, manufacturing, and assembly locally. For example, the company is expanding capacities in China considerably for this purpose. We also must further increase efficiency in order to counteract rising costs for materials and personnel. We will tap into new revenue potential with innovative products and services.

In process technology, the focus in 2016 will be on implementing the action package that was adopted at the end of 2015. The measures are aimed at strengthening the segment's profitability for the long term. That can only succeed if we are able to offer regionally-specific products at competitive prices. The action package (see the Strategy section of this report) is to be implemented by 2017, although a large part should already be completed in 2016.

Based on the current macroeconomic prospects and expected development of the markets relevant to KRONES, we are targeting revenue growth of 4% at KRONES AG in 2016.

The company's profitability is set to improve yet again this year.

	Forecast for 2016	Actual value 2015
Revenue	+ 4%	€2,513.2 million
EBT	€90 to 100 million	€79.1 million

KRONES AG intends to increase revenue and earnings in 2016.

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

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

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

Pursuant to Section 18 (1) of the articles of association, only those shareholders who register with the company in writing in German or English and provide proof of their shareholding prior to the annual shareholders' meeting are entitled to participate and vote in the annual shareholders' meeting. Special verification of the shareholding in text form, issued in German or English by the institution with which the account is held, shall constitute sufficient evidence of the shareholding. The evidence of shareholding must refer to the start of the twenty-first day prior to the annual shareholders' meeting.

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

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

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

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

Name of shareholder	Total share of voting rights	Of which attributable indirect voting rights pursuant to Section 22 (2) of the Securities Trading Act
Familie Kronseder Konsortium GbR, Neutraubling, Deutschland	51.55%	51.55%

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

Changes to the shareholdings listed above that are not required to be reported to the company may have occurred since March 2016. 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.

The remuneration report presents the basic features, structure, and amounts of Executive Board and Supervisory Board remuneration at KRONES AG. In the interest of clarity and transparency, the disclosures on individual remuneration and the description of the basic features of the remuneration system have been combined in the following remuneration report, which forms part of the management report. As such, it covers the disclosures required under Sections 314 (1) No. 6a and 315 (2) No. 4 of the German Commercial Code (HGB).

Executive Board remuneration

Basic features of Executive Board remuneration

Determining the total remuneration of the individual Executive Board members is the purview of the Supervisory Board's plenary meetings. The Standing Committee prepares the Supervisory Board resolutions relating to remuneration and makes recommendations.

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 expected development of the enterprise, taking into account its peer companies.

The Supervisory Board reviews the appropriateness of the system on a regular basis using external benchmarks and comparisons with senior management and the entire workforce.

The current remuneration system for the Executive Board was last revised in 2013. The new system was approved by the annual shareholders' meeting on 25 June 2014.

Remuneration components

The system for Executive Board remuneration consists of the following components:

- Fixed components (base salary and fringe benefits)
- Variable components that are payable annually and based on business performance (short-term incentives) and thus contain risk factors
- Variable components that serve as medium-term incentives containing risk factors, with a measurement period of 3 years
- Variable components that serve as long-term incentives containing risk factors, with a measurement period of 5 years
- Post-employment benefits

In all, the remuneration structure breaks down as follows: 59% fixed remuneration and 41% variable remuneration. In sum, the remuneration system is designed to create an incentive for successful long-term management. Thus, the medium and long-term components of variable remuneration account for 64% of the total variable remuneration. Moreover, the variable remuneration is subject to caps and requirements that must be met for payment to occur.

Fixed components (base salary and fringe benefits)

The fixed amount is the base salary stipulated in the members' contracts and is paid out in equal monthly amounts. It is reviewed on a regular basis. For the financial year 2015, the base salaries of the six members of the Executive Board who were active in 2015 totalled €2,890 thousand (previous year: €3,028 thousand).

In addition, the members received fringe benefits which are essentially the cost or non-cash benefit of customary insurance premiums and the use of a company car. These benefits are taxed in accordance with the applicable tax rules. For the 2015 financial year, the members of the Executive Board received fringe benefits totalling €125 thousand (previous year: €85 thousand).

Variable components

The variable remuneration contains risk elements and is thus not guaranteed remuneration. The incentive package for the Executive Board consists of the following since 2015:

- 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

STI payment for the financial year 2015 amounts to €1,085 thousand in 2016 (previous year: €892 thousand). In addition, the Supervisory Board can, at its equitable discretion, pay out a special bonus if extraordinary events or special performance warrant it. A special bonus of €100 thousand was paid out for the 2015 financial year.

- Mid-term incentive (MTI, measurement period: 3 years)
 - Awarded annually (on a revolving basis)
 - Target bonus: 3 months' salary per annum (=100% of STI 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

The provision for the mid-term incentive amounted to €1,246 thousand at the end of the financial year (previous year: €1,480 thousand). Of that, €617 thousand apply to the year 2015 as remuneration.

- Long-term incentive (LTI, measurement period: 5 years)
 - Awarded every 5 years (sequentially)
 - Theoretical bonus = 1/5 of base salary per annum if 100% of performance target is attained
 - 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%

The provision for the long-term incentive amounted to €2,847 thousand at the end of the year (previous year: €1,754 thousand). The earliest point at which payment from the LTI can occur is the end of the financial year 2018 – provided that the reference figures have been achieved or exceeded. If an Executive Board member leaves before the end of the measurement period, payment is pro-rated.

Total Executive Board remuneration amounted to €5,573 thousand (previous year: €4,957 thousand).

There are and have been no stock-option plans or comparable share-based long-term incentive components of remuneration for Executive Board members at KRONES AG.

Post-employment benefits

The company has made post-employment benefit commitments to members of the Executive Board.

For Executive Board members who joined the board in 2012 or later, the post-employment benefits are contribution-based. Annual contributions in the amount of 40% of the respective member's annual base salary are paid into an external pension liability reinsurance policy in which the benefits are pledged to the beneficiary. There, they accrue annual interest until the benefits fall due, at the rate guaranteed when the policy was established plus any annual investment returns. Post-employment pension benefits are granted when the member reaches the age of 62 and only after the member leaves the Executive Board. Executive Board members can choose to receive a lump-sum payout of the post-employment benefits instead of annuity-based payments. Executive Board members' entitlements to post-employment benefits based on contributions from KRONES AG become vested immediately. Executive Board members may elect to receive supplemental monthly benefits for permanent disability and/or a monthly widow(er)'s pension.

Members of the Executive Board who entered the board before 2012 received benefit commitments under a defined benefit plan. The benefit commitment equals 30% of the last base salary received (average of the last 12 months of employment). The commitments include post-employment, permanent disability, and surviving dependent benefits. Here, too, post-employment benefits are granted after the member reaches the age of 62 and leaves the Executive Board. If a member of the Executive Board leaves the company before reaching the age of 62 for reasons of permanent disability or because the employment contract is terminated or not renewed, the amount of the pension entitlement in relation to the company is reduced by a certain percentage for each calendar year up to age 62; the percentage is determined in

the individual's contract. If an Executive Board member dies, the member's spouse receives the full amount of the annuity that would have been owed to the Executive Board member for the first 6 months following the member's death. Thereafter, the widow(er)'s annuity is reduced to 70% of that benefit amount. Vesting of benefits is determined based on the provisions of the laws applicable at the time each contract was entered into.

In the case of both contribution-based plans and defined benefit plans, the individual employment contracts contain provisions that govern discontinuation, reduction, or cancellation of benefits (including widow(er)'s benefits if provided for) in the event of particularly substantial changes in accordance with the provisions of the German Stock Corporation Act.

Pension provisions of €1,352 thousand (previous year: €1,024 thousand) were recognised for active members of the Executive Board. In addition, €652 thousand was paid into defined contribution plans in 2015 (previous year: €561 thousand). At the end of 2015, the corresponding net present values were as follows: for Mr. Kronseder €8,527 thousand, for Mr. Klenk €1,424 thousand, for Mr. Diepold €3,751 thousand, for Mr. Ricker €23 thousand, for Mr. Tischer €25 thousand, and for Mr. Goldbrunner €16 thousand. In 2015, pension-related expenditure, including contributions into the post-employment benefits plan (bAV) amounted to the following: for Mr. Kronseder €244 thousand, for Mr. Klenk €220 thousand, for Mr. Diepold €143 thousand, for Mr. Ricker €160 thousand, for Mr. Tischer €136 thousand, and for Mr. Goldbrunner €136 thousand.

Additional benefits in the event of termination of employment

The members' employment contracts contain a non-compete clause that includes a suitable compensation to be paid for the non-compete period. Further benefits for the event of termination have not been agreed.

Advances and loans

No loans or advances were provided to members of the Executive Board in 2015.

Benefits paid to former members of the Executive Board

For former members of the Executive Board and their surviving dependents, payments amounting to €988 thousand (previous year: €820 thousand) were made and provisions for pensions totalling €238 thousand were recognised (previous year: €779 thousand excess of plan assets over pension liability).

Total remuneration paid to members of the Executive Board in 2015

2015 remuneration in accordance with GAS 17 (German accounting standard 17)

Remuneration pursuant to GAS 17 (€ thousand)

Name	Position		Base salary	Fringe benefits	Total	Short-term incentive	Mid-term incentive	Long-term incentive	Total remuneration
Volker Kronseder	Chairman of the Executive Board	since 1989	660	16	676	248	184	755	1,863
Christoph Klenk	Finance, Controlling and Information Management	since 2003	550	27	577	306	154	0	1,037
Rainulf Diepold	Sales and Marketing	since 1996	600	28	628	225	168	0	1,021
Thomas Ricker	Bottling and Packaging Equipment	since 2012	400	20	420	150	112	0	682
Markus Tischer	International Operations and Services	since 2014	340	15	355	128	0	0	483
Ralf Goldbrunner	Plants and Components	since 2014	340	19	359	128	0	0	487

Supervisory Board remuneration

Remuneration of the members of the Supervisory Board is governed by Section 15 of the articles of association and resolved by the annual shareholders' meeting. For the financial year 2015, the articles of association as amended by the annual shareholders' meeting of 25 June 2014 apply.

The members of the Supervisory Board receive remuneration that reasonably reflects their responsibilities and the company's position. In keeping with the recommendations of the German Corporate Governance Code, the Chairman and Deputy Chairman of the Supervisory Board as well as the Chairman and members of the Committees receive additional compensation.

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 for the financial year 2015 amounted to €642 thousand (previous year: €628 thousand) and is shown in the table below with individualised disclosure.

Name	Position	Base compensation	Additional compensation for committee work	Meeting attendance fee	Total remuneration in 2015
Ernst Baumann	Chairman	87,500	7,000	13,500	108,000
Werner Schrödl*	Deputy Chairman	52,500	7,000	13,500	73,000
Klaus Gerlach*	Regular member	35,000		7,500	42,500
Norman Kronseder	Regular member	35,000	7,000	12,000	54,000
Graf Philipp von und zu Lerchenfeld	Regular member	35,000	7,000	9,000	51,000
Dr. Alexander Nerz	Regular member	35,000		6,000	41,000
Dr. phil. Verena Di Pasquale*	Regular member	35,000		7,500	42,500
Johann Robold*	Regular member	35,000	7,000	6,000	48,000
Petra Schadeberg-Herrmann	Regular member	35,000		6,000	41,000
Jürgen Scholz*	Regular member	35,000		7,500	42,500
Hans-Jürgen Thaus	Regular member	35,000		7,500	42,500
Josef Weitzer*	Regular member	35,000	7,000	13,500	55,500

* Employee representative

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 5 May 2015 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.

- The remuneration report shall present certain information about Executive Board remuneration in prescribed model tables. (Item 4.2.5 Sentences 5 and 6 of the Code)

Some aspects of the layout are unclear and, moreover, it is doubtful that the additional use of the sample tables would serve to make the remuneration report more clear and generally understandable, as the company aims to do in its compliance with financial reporting requirements (see Item 4.2.5 Sentence 3 of the 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. (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 shareholdings of members of the Executive Board and the Supervisory Board of KRONES AG are not disclosed. (Item 6.2 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, 16 March 2016

For the Executive Board

For the Supervisory Board

Christoph Klenk
CEO

Ernst Baumann
Chairman

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

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

Neutraubling, 22 March 2016

KRONES AG

The Executive Board



Christoph Klenk
CEO



Michael Andersen
CFO



Rainulf Diepold



Thomas Ricker



Markus Tischer



Ralf Goldbrunner



KRONES



Corporate Governance

Statement on corporate governance

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

KRONES recognises its responsibilities

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

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, the number of independent Supervisory Board members within the meaning of Item 5.4.2, an age limit to be specified for Supervisory Board members, a regular limit on the length of membership to be specified for the members of the Supervisory Board, and diversity.

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) Limit on duration of membership

The Supervisory Board has not set a limit (cap) on the duration of Supervisory Board membership. We believe that such a cap does not make sense because the expertise of experienced Supervisory Board members should be available to the company. The Supervisory Board of KRONES will continue to examine the suitability of Supervisory Board members on an individual basis, regardless of how long members have already been on the board. Because we have not set a term limit, we also have nothing to report on the status of implementation.

e) 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.

f) Diversity

The Supervisory Board of KRONES AG shall take diversity into account. Under Germany's Law on Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector, which entered into force on 1 May 2015, at least 30 percent of Supervisory Board seats at KRONES must be held by women. The law applies to Supervisory Board elections starting in 2016. Employee and shareholder representatives on the Supervisory Board of KRONES AG have both decided to each meet the

gender quota separately. In accordance with the law and the articles of association, the Supervisory Board of KRONES AG comprises six shareholder representatives and six employee representatives. Thus, in the future, the Supervisory Board should have two female employee representatives and two female shareholder representatives.

The Supervisory Board of KRONES implemented all of the above objectives in the financial year 2015.

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 2015. Each member is responsible for specific areas of the company (see pages 8 to 9 and 163). 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 19 and 163 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 Supervisory Board members: Norman Kronseder, Graf Philipp von und zu Lerchenfeld, Josef Weitzer, and Johann Robold. Chairman of the committee is Graf Philipp 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.

Determinations pursuant to Sections 76 (4) and 111 (5) of the German Stock Corporation Act

Under Section 76 (4) of the German Stock Corporation Act, the Executive Board is required to determine targets for the participation of women in the two levels of management below the Executive Board. It must also set deadlines for compliance with the targets. The Executive Board of KRONES AG has established a target of 10% participation of women in the first two levels of management below the Executive Board by the end of the day 30 June 2017. At the end of the financial year 2015, the percentage of women in each of these two levels of management came to 8.5%.

Under Section 111 (5) of the German Stock Corporation Act, the Supervisory Board must set a target for the participation of women on the Executive Board. It must also set a deadline for compliance with the target. To date, the Supervisory Board has been unable to find a suitable female candidate for the Executive Board. The Supervisory Board expects this to remain difficult in the near future. For this reason, the Supervisory Board has established a target of 0% participation of women on the Executive Board. Therefore, there is no need to set a deadline for implementation.



Annual financial statements and notes to the annual financial statements of KRONES AG

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		2015	2014
€ thousand	Notes		
1. Revenue	13	2,513,223	2,407,163
2. Changes in finished goods inventories and work in progress		103,813	12,702
3. Other own work capitalised		5,814	7,848
4. Other operating income	14	93,246	79,222
		2,716,096	2,506,935
5. Goods and services purchased			
a) Cost of raw materials, consumables and supplies, and of purchased merchandise		-1,166,802	-1,056,427
b) Cost of purchased services		-318,141	-286,629
		-1,484,943	-1,343,057
6. Personnel expenses	15		
a) Wages and salaries		-592,094	-568,083
b) Social security, post-employment and other employee benefit costs		-103,863	-103,392
		-695,957	-671,475
7. Depreciation and amortisation of tangible and intangible fixed assets	16	-50,597	-51,818
8. Other operating expenses	17	-397,833	-362,113
9. Income from long-term equity investments	18	14,181	14,851
10. Income from other securities and long-term loans	18	581	452
11. Other interest and similar income	18	3,247	5,669
12. Write-downs of long-term financial assets	18	0	-17,108
13. Interest and similar expenses	18	-25,706	-9,447
		-2,637,027	-2,434,045
14. Result from ordinary activities		79,069	72,890
15. Taxes on income	19	-19,028	-27,204
16. Other taxes	19	-1,069	-2,799
17. Net income for the year		58,972	42,887
18. Retained profits brought forward		46,485	43,090
19. Retained earnings		105,457	85,977

Balance sheet

Assets		31 Dec 2015	31 Dec 2014
€ thousand	Notes		
A. Fixed assets			
I. Intangible fixed assets	1		
Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets		29,609	27,927
II. Tangible fixed assets	2		
1. Land, including buildings on third-party land		236,278	235,570
2. Technical equipment and machinery		57,535	62,751
3. Other equipment, operating and office equipment		45,512	45,257
4. Prepayments and assets under construction		9,111	10,731
		348,436	354,309
III. Long-term financial assets	3		
1. Shares in affiliated companies		111,843	95,957
2. Loans to affiliated companies		23,689	22,815
3. Other loans		519	657
		136,051	119,429
		514,096	501,665
B. Current assets			
I. Inventories	4		
1. Raw materials, consumables and supplies		135,384	163,679
2. Work in progress		240,537	180,198
3. Finished goods and merchandise		487,936	410,671
4. Prepayments		12,563	7,929
5. Payments received on account of orders		-576,535	-550,511
		299,885	211,965
II. Receivables and other assets	5		
1. Trade receivables		335,575	383,127
2. Receivables from affiliated companies		174,928	113,573
3. Other assets		68,348	43,178
		578,851	539,878
III. Cash-in-hand, bank balances, and cheques	6		
		125,725	165,516
		1,004,461	917,359
C. Prepaid expenses			
		2,182	1,917
Total assets		1,520,739	1,420,941

Equity and liabilities		31 Dec 2015		31 Dec 2014	
€ thousand	Notes				
A. Equity					
I. Subscribed capital	7				
Ordinary shares			40,000		40,000
II. Capital reserves			141,551		141,551
III. Revenue reserves					
1. Legal reserve		51		51	
2. Other revenue reserves		349,888		349,888	
			349,939		349,939
IV. Retained profits brought forward	8		46,485		43,090
V. Net income for the year	8		58,972		42,887
			636,947		617,467
B. Provisions					
1. Provisions for pensions and similar obligations		128,229		112,376	
2. Provisions for taxes		4,636		10,288	
3. Other provisions		355,527		354,386	
			488,392		477,050
C. Liabilities					
1. Trade payables	10	182,145		155,430	
2. Liabilities to affiliated companies		154,617		126,396	
3. Liabilities to other long-term investees and investors		810		1,576	
4. Other liabilities		57,803		42,994	
			395,375		326,396
D. Deferred income					
			25		28
Total equity and liabilities					
			1,520,739		1,420,941

Statement of changes in fixed assets

T€	Cost				Depreciation, amortisation, and write- downs	Carrying amounts	
	At 1 Jan 2015	(T) Transfers Additions	(T) Transfers Disposals	At 31 Dec 2015		At 31 Dec 2015	At 31 Dec 2015
€ thousand							
Intangible fixed assets							
Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets	118,437	11,369	9,098	120,708	91,099	29,609	27,927
Tangible fixed assets							
1. Land, including building on third-party land	379,362	(T) 910 10,285	634	389,923	153,645	236,278	235,570
2. Technical equipment and machinery	246,651	(T) 826 7,882	4,025	250,334	192,799	57,535	62,751
3. Other equipment, operating and office equipment	166,228	(T) 6,316 17,011	22,602	166,953	121,441	45,512	45,257
4. Prepayments and assets under construction	10,731	6,432	(T) 8,052 0	9,111	0	9,111	10,731
	801,972	(T) 8,052 41,610	(T) 8,052 27,261	816,321	467,885	348,436	354,309
Long-term financial assets							
1. Shares in affiliated companies	197,266	(T) 1,925 13,961	0	213,152	101,309	111,843	95,957
2. Loans to affiliated companies	22,815	9,650	(T) 1,925 6,851	23,689	0	23,689	22,815
3. Other long-term equity investments	5,036	0	0	5,036	5,036	0	0
4. Loans to other long-term investees and investors	508	0	0	508	508	0	0
5. Other loans	657	2	140	519	0	519	657
	226,282	(T) 1,925 23,613	(T) 1,925 6,991	242,904	106,853	136,051	119,429
	1,146,691	(T) 9,977 76,592	(T) 9,977 43,350	1,179,933	665,837	514,096	501,665

General disclosures

■ Legal basis

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

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

■ Currency translation

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

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

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

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

Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

Equity and liabilities

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

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

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

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

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

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

Assets

■ Fixed assets

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

1 Intangible fixed assets

The addition relates primarily to software licenses (€11,369 thousand).

2 Tangible fixed assets

The addition to land and buildings results primarily from the expansion of the Neutraubling (€3,596 thousand), Rosenheim (€630 thousand), and Raubling (€493 thousand) sites and the merger of GERNEP Immobilien GmbH und Co. KG (€5,377 thousand). Capital expenditure for the remaining tangible fixed assets amounting to €31,325 thousand relates primarily to capacity expansion and updating at the production sites.

3 Long-term financial assets

The additions to long-term financial assets relate primarily to the acquisition of GERNEP Etikettiertechnik GmbH, Barbing, the acquisition of SCHAEFFER Förderanlagen- und Maschinenbau GmbH, Rosenheim, the increase in the carrying amount of the investments in SYSKRON Holding GmbH, Wackersdorf, TILL GmbH, Hofheim, and TOO KRONES Kazakhstan, s. Raiymbek, Kazakhstan, and loans to SYSKRON Holding GmbH, Wackersdorf, TILL GmbH, Hofheim, HST Maschinenbau GmbH, Dassow, and TOO KRONES Kazakhstan, s. Raiymbek, Kazakhstan.

The disposals among the long-term financial assets result from the partial repayment of loans to EVOGUARD GmbH, Nittenau, KRONES West Africa Ltd, Lagos, Nigeria, and KRONES East Africa Ltd., Nairobi, Kenya. A complete presentation of shareholdings is made public through the electronic Federal Gazette (elektronischer Bundesanzeiger).

4 Inventories

The carrying amount of inventories is up 14.9% compared with the previous year. Around 65.8% of inventories were financed up front through prepayments from customers.

5 Receivables and other assets

€ thousand	Amounts due in 1 year or earlier		Amounts due in 1 year or earlier	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Trade receivables	335,575	7,712	383,127	10,381
Receivables from affiliated companies	174,928		113,573	
Other assets	68,348	2,130	43,178	3,641
	578,851	9,842	539,878	14,022

Of the trade receivables, 21.2% are due from customers in Germany and 78.8% are due from customers outside Germany. The general credit risk is sufficiently accounted for by way of a global valuation allowance of 1% of the risky receivables. Delinquent accounts and non-interest-bearing items with longer terms are discounted at a rate of 2.16%.

The receivables from affiliated companies result from deliveries effected or services rendered between group companies (€186,895 thousand) and from other settlements (–€11,967 thousand).

6 Cash-in-hand, bank balances

€ thousand	31 Dec 2015	31 Dec 2014
Cash-in-hand	5	9
Bank balances	125,720	165,507
	125,725	165,516

7 Subscribed capital

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

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

By resolution of the annual shareholders' meeting of 15 June 2011, a stock of authorised capital was established. With this authorised capital, the Executive Board may, with approval of the Supervisory Board, increase the share capital by a total of up to €10,000,000.00 through the issuance once or repeatedly of ordinary bearer shares against cash contributions up to and including 15 June 2016. Shareholders must be granted subscription rights to these shares.

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

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

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

If the shares are purchased through a public tender offer or a public call for tenders, the tender price per share or the high and low ends of the price range per share shall not exceed by more than 10% and not fall short of by more than 20% the opening price in the XETRA trading system

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

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

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

8 Retained earnings

€ thousand	31 Dec 2015	31 Dec 2014
Retained profits brought forward	46,485	43,090
Net income for the year	58,972	42,887
	105,457	85,977

The €85,977 thousand in retained earnings from 2014 was carried forward to new account.

9 Provisions

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

	2015	2014
Standard of measurement	Projected unit credit method	Projected Unit Credit Method
Basis of calculation	"2005G actuarial tables" from Klaus Heubeck	"2005G actuarial tables", from Klaus Heubeck
Discount rate	3.89%	4.53%
Projected increases in wages and salaries general pension plan	0.00%	0.00%
Projected increase in wages and salaries individual commitments	3.00%	3.00%
Projected increase in state pensions	2.00%	2.00%
Employee turnover rate	2.00% p. a.	2.00% p. a.

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

The settlement amount of the pension liabilities that was netted against the plan assets was €149,757 thousand. The fair value of the plan assets, which serve exclusively to cover post-employment benefit obligations and are exempt from attachment by all other creditors, was €21,528 thousand; the cost of the plan assets was €20,003 thousand. The difference between the fair value and cost of the plan assets (€1,525 thousand) is not available for distribution to shareholders pursuant to Section 268 (8) HGB. The net of these expenses and income was €21,274 thousand.

Direct pension obligations that are not covered by the assets of KRONES Unterstützungsfonds e.V. amount to €9,044 thousand.

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

The other provisions cover all identifiable risks and other uncertain obligations. The long-term provisions were discounted at rates between 2.16% and 3.89% corresponding to their remaining maturity.

The provisions for anniversary bonuses were discounted at a rate of 3.89%.

The other provisions are essentially provisions for personnel obligations, including partial retirement (€111,179 thousand), and order-specific provisions (€224,468 thousand) that include, in particular, installation work not yet performed, warranties, claims for damages, anticipated losses, and outstanding supplier invoices.

10 Liabilities

€ thousand	31 Dec 2015	Amounts due in 1 year or earlier	31 Dec 2014	Amounts due in 1 year or earlier
Trade payables	182,145	182,145	155,430	155,430
Liabilities to affiliated companies	154,617	154,617	126,396	126,396
Liabilities to other long-term investees and investors	810	810	1,576	1,576
Other liabilities	57,803	57,003	42,994	42,265
	395,375	394,575	326,396	325,667

Of the liabilities to affiliated companies, €11,598 thousand resulted from deliveries effected or services rendered between group companies.

The other liabilities contain tax liabilities amounting to €20,578 thousand (previous year: €14,415 thousand) and social security liabilities totalling €3,519 thousand (previous year: €3,133 thousand).

11 Contingent liabilities

€ thousand	31 Dec 2015	31 Dec 2014
Contingent liabilities from bill guarantees	33,394	15,366
Contingent liabilities from guarantees and warranties	11,775	11,631
Reverse repurchase agreement (repo)	30,290	0
Total	75,459	26,997

The contingent liabilities from bill guarantees result from the issuance and transfer of trade bills. The risks relating to guarantees and warranties, of which €11,775 thousand relate to affiliated companies, stem from binding letters of comfort (Patronatserklärungen) in the amount of €2,000 thousand and guarantees in the amount of €9,775 thousand.

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

12 Other financial liabilities

€ thousand	31 Dec 2015	Amounts due in years 2 – 5	Amounts due after year 5	31 Dec 2014	Amounts due in years 2 – 5	Amounts due after year 5
Rental and lease agreements	26,970	13,244	0	23,930	10,583	0
Maintenance contracts	18,626	7,611	0	19,206	10,665	0
Total	45,596	20,855	0	43,136	21,248	0

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

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

13 Revenue

Breakdown by sales region	2015	2014
Germany	12.9%	13.2%
Rest of Central Europe	4.5%	3.0%
Western Europe	20.6%	17.6%
Eastern Europe/cis	5.9%	8.7%
Asia-Pacific	17.0%	17.8%
South America	7.0%	11.7%
North and Central America	9.1%	7.1%
China	7.2%	8.7%
Middle East/Africa	15.8%	12.2%

14 Other operating income

€ thousand	2015	2014
Income from currency translation	21,459	10,869
Prior-period income	21,790	18,655
Income from disposal of fixed assets	196	967
Income from reversal of provisions	14,153	11,551
Income from reduction in specific and global valuation allowances on receivables	5,394	5,084
Income from derecognition of liabilities	1,869	306
Income from reversals of write-downs and costs subsequently added to the carrying amounts of assets	0	170
Other prior-period income	178	577

15 Personnel expenses

€ thousand	2015	2014
Wages and salaries	592,094	568,083
Social security, post-employment and other employee benefit costs	103,863	103,392
of which for post-employment benefits	5,312	9,589
Total	695,957	671,475

In the reporting period, the change in the discount rate (€21,839 thousand) is recognised in financial income (expense). In the previous year, interest expense of €5.848 thousand was recognised in financial income (expense) and the €5,402 thousand increase in the provision for pensions and similar obligations was recognised in personnel expenses.

Average number of employees for the year (excluding trainees)	2015	2014
Employees covered by collective agreements	6,536	6,342
White-collar employees exempt from collective agreements	2,086	2,112
Total	8,622	8,454

The company employed 497 trainees on average in 2015 (previous year: 509 trainees).

16 Depreciation, amortisation, and write-downs

Scheduled amortisation of intangible fixed assets amounting to €9,625 thousand was taken on purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets.

Scheduled depreciation of tangible fixed assets totalling €40,909 thousand was taken on land and buildings (€9,852 thousand), technical equipment and machinery (€13,909 thousand), and other equipment, operating and office equipment (€17,148 thousand). Unscheduled write-downs totalled €63 thousand on intangible fixed assets.

17 Other operating expenses

€ thousand	2015	2014
Operating costs	107,184	108,640
Administrative expenses	58,051	45,135
of which losses from currency translation	26,902	13,981
Selling expenses	227,831	206,935
Prior-period expenses	4,767	1,403

18 Financial income (expense)

€ thousand	2015	2014
Income from long-term equity investments		
Income from long-term equity investments in affiliated companies	14,181	14,851
Interest income (expense)		
Income from other securities and long-term loans	581	453
Other interest and similar income		
from affiliated companies	49	19
from other companies	2,536	5,142
from discounting	662	508
Interest and similar expenses		
to affiliated companies	-644	-926
to other companies	-1,048	-1,426
from discounting	-24,014	-7,095
Net interest income (expense)	-21,878	-3,325
Write-downs of long-term financial assets	0	-17,108
Net financial income (expense)	-7,697	-5,582

The interest income arising from the discounting of long-term provisions results primarily from the discounting of pledged pension liability reinsurance policies (€565 thousand).

The interest expense arising from the discounting of long-term provisions results primarily from the discounting of provisions for pensions and similar obligations (€21,839 thousand), the discounting of provisions for partial retirement (€881 thousand), the discounting of provisions for anniversary bonuses (€487 thousand), and the discounting of provisions for warranties (€595 thousand).

In the reporting period, the change in the discount rate for the provisions for pensions and similar obligations is recognised in full in financial income (expense). In the previous year, interest expense of €5.848 thousand was recognised in financial income (expense) and the €5,402 thousand increase in the provision for pensions and similar obligations was recognised in personnel expenses.

19 Income taxes and other taxes

The item “taxes on income” includes tax charges for the financial year. The income tax expense includes prior-period tax income of €2,244 thousand and prior-period tax expenses of €6,649 thousand.

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

20 Deferred taxes

The annual financial statements of KRONES AG would show deferred tax assets totalling €28,201 thousand at 31 December 2015.

Temporary measurement differences on assets, liabilities, and items of prepaid expenses and deferred income resulted in deferred tax assets of €28,201 thousand. These relate to differences in “land and buildings”, “raw materials, consumables and supplies”, “provisions for pensions and similar obligations”, and “other provisions”.

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

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

21 Corporate Governance Code

Shareholders can view the declaration of the Executive Board and the Supervisory Board from 16 March 2016 pursuant to Section 161 of the German Stock Corporation Act [AktG] concerning the Corporate Governance Code as amended on 5 May 2015 at KRONES AG's website. The exceptions are also listed there.

22 Notifications of shareholdings in KRONES AG

Name of shareholder	Total share of voting rights	Of which attributable indirect voting rights pursuant to Section 22 (2) of the Securities Trading Act
Familie Kronseder Konsortium GbR, Neutraubling, Deutschland	51.55%	51.55%

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

Related parties:

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

23 Audit fees

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

24 Derivative financial instruments

KRONES AG uses derivative financial instruments solely for the purpose of hedging currency risks in operations and therefore practices micro-hedging. Changes in the value of the hedged items and the hedging instrument largely offset each other over the term of the hedge since material details of the contract, such as term and amount, are largely identical for the hedged item and the hedging instrument. KRONES AG does not use derivative financial instruments for speculative purposes. The derivative financial instruments, with a fair value of –€113 thousand (previous year: €134 thousand), essentially cover the currency risks relating to the British pound, the Canadian dollar, the Japanese yen, and the US dollar. The fair value includes the difference between the forward rate received from the relevant commercial bank and the rate at the end of the reporting period as well as appropriate premiums or discounts for the expected price development through maturity. The financial instruments are essentially composed of forward exchange contracts at a secured volume of €178,283 thousand (previous year: €89,867 thousand).

The remuneration report presents the basic features, structure, and amounts of Executive Board and Supervisory Board remuneration at KRONES AG. In the interest of clarity and transparency, the disclosures on individual remuneration and the description of the basic features of the remuneration system have been combined in the following remuneration report. As such, it covers the disclosures required under Sections 314 (1) No. 6a and 315 (2) No. 4 of the German Commercial Code (HGB).

Executive Board remuneration

Basic features of Executive Board remuneration

Determining the total remuneration of the individual Executive Board members is the purview of the Supervisory Board's plenary meetings. The Standing Committee prepares the Supervisory Board resolutions relating to remuneration and makes recommendations.

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 expected development of the enterprise, taking into account its peer companies.

The Supervisory Board reviews the appropriateness of the system on a regular basis using external benchmarks and comparisons with senior management and the entire workforce.

The current remuneration system for the Executive Board was last revised in 2013. The new system was approved by the annual shareholders' meeting on 25 June 2014.

Remuneration components

The system for Executive Board remuneration consists of the following components:

- Fixed components (base salary and fringe benefits)
- Variable components that are payable annually and based on business performance (short-term incentives) and thus contain risk factors
- Variable components that serve as medium-term incentives containing risk factors, with a measurement period of 3 years
- Variable components that serve as long-term incentives containing risk factors, with a measurement period of 5 years
- Post-employment benefits

In all, the remuneration structure breaks down as follows: 59% fixed remuneration and 41% variable remuneration. In sum, the remuneration system is designed to create an incentive for successful long-term management. Thus, the medium and long-term components of variable remuneration account for 64% of the total variable remuneration. Moreover, the variable remuneration is subject to caps and requirements that must be met for payment to occur.

Fixed components (base salary and fringe benefits)

The fixed amount is the base salary stipulated in the members' contracts and is paid out in equal monthly amounts. It is reviewed on a regular basis. For the financial year 2015, the base salaries of the six members of the Executive Board who were active in 2015 totalled €2,890 thousand (previous year: €3,028 thousand).

In addition, the members received fringe benefits which are essentially the cost or non-cash benefit of customary insurance premiums and the use of a company car. These benefits are taxed in accordance with the applicable tax rules. For the 2015 financial year, the members of the Executive Board received fringe benefits totalling €125 thousand (previous year: €85 thousand).

Variable components

The variable remuneration contains risk elements and is thus not guaranteed remuneration. The incentive package for the Executive Board consists of the following since 2015:

- 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

STI payment for the financial year 2015 amounts to €1,085 thousand in 2016 (previous year: €892 thousand). In addition, the Supervisory Board can, at its equitable discretion, pay out a special bonus if extraordinary events or special performance warrant it. A special bonus of €100 thousand was paid out for the 2015 financial year.

- Mid-term incentive (MTI, measurement period: 3 years)
 - Awarded annually (on a revolving basis)
 - Target bonus: 3 months' salary per annum (=100% of STI 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

The provision for the mid-term incentive amounted to €1,246 thousand at the end of the financial year (previous year: €1,480 thousand). Of that, €617 thousand apply to the year 2015 as remuneration.

- Long-term incentive (LTI, measurement period: 5 years)
 - Awarded every 5 years (sequentially)
 - Theoretical bonus = 1/5 of base salary per annum if 100% of performance target is attained
 - 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%

The provision for the long-term incentive amounted to €2,847 thousand at the end of the year (previous year: €1,754 thousand). The earliest point at which payment from the LTI can occur is the end of the financial year 2018 – provided that the reference figures have been achieved or exceeded. If an Executive Board member leaves before the end of the measurement period, payment is pro-rated.

Total Executive Board remuneration amounted to €5,573 thousand (previous year: €4,957 thousand).

There are and have been no stock-option plans or comparable share-based long-term incentive components of remuneration for Executive Board members at KRONES AG.

Post-employment benefits

The company has made post-employment benefit commitments to members of the Executive Board.

For Executive Board members who joined the board in 2012 or later, the post-employment benefits are contribution-based. Annual contributions in the amount of 40% of the respective member's annual base salary are paid into an external pension liability reinsurance policy in which the benefits are pledged to the beneficiary. There, they accrue annual interest until the benefits fall due, at the rate guaranteed when the policy was established plus any annual investment returns. Post-employment pension benefits are granted when the member reaches the age of 62 and only after the member leaves the Executive Board. Executive Board members can choose to receive a lump-sum payout of the post-employment benefits instead of annuity-based payments. Executive Board members' entitlements to post-employment benefits based on contributions from KRONES AG become vested immediately. Executive Board members may elect to receive supplemental monthly benefits for permanent disability and/or a monthly widow(er)'s pension.

Members of the Executive Board who entered the board before 2012 received benefit commitments under a defined benefit plan. The benefit commitment equals 30% of the last base salary received (average of the last 12 months of employment). The commitments include post-employment, permanent disability, and surviving dependent benefits. Here, too, post-employment benefits are granted after the member reaches the age of 62 and leaves the Executive Board. If a member of the Executive Board leaves the company before reaching the age of 62 for reasons of permanent disability or because the employment contract is terminated or not renewed, the amount of the pension entitlement in relation to the company is reduced by a certain percentage for each calendar year up to age 62; the percentage is determined in the individual's contract. If an Executive Board member dies, the member's spouse receives the full amount of the annuity that would have been owed to the Executive Board member for the first 6 months following the member's death. Thereafter, the widow(er)'s annuity is reduced to 70% of that benefit amount. Vesting of benefits is determined based on the provisions of the laws applicable at the time each contract was entered into.

In the case of both contribution-based plans and defined benefit plans, the individual employment contracts contain provisions that govern discontinuation, reduction, or cancellation of benefits (including widow(er)'s benefits if provided for) in the event of particularly substantial changes in accordance with the provisions of the German Stock Corporation Act.

Pension provisions of €1,352 thousand (previous year: €1,024 thousand) were recognised for active members of the Executive Board. In addition, €652 thousand was paid into defined contribution plans in 2015 (previous year: €561 thousand). At the end of 2015, the corresponding net present values were as follows: for Mr. Kronseder €8,527 thousand, for Mr. Klenk €1,424 thousand, for Mr. Diepold €3,751 thousand, for Mr. Ricker €23 thousand, for Mr. Tischer €25 thousand, and for Mr. Goldbrunner €16 thousand. In 2015, pension-related expenditure, including contributions into the post-employment benefits plan (bAV) amounted to the following: for Mr. Kronseder €244 thousand, for Mr. Klenk €220 thousand, for Mr. Diepold €143 thousand, for Mr. Ricker €160 thousand, for Mr. Tischer €136 thousand, and for Mr. Goldbrunner €136 thousand.

Additional benefits in the event of termination of employment

The members' employment contracts contain a non-compete clause that includes a suitable compensation to be paid for the non-compete period. Further benefits for the event of termination have not been agreed.

Advances and loans

No loans or advances were provided to members of the Executive Board in 2015.

Benefits paid to former members of the Executive Board

For former members of the Executive Board and their surviving dependents, payments amounting to €988 thousand (previous year: €820 thousand) were made and provisions for pensions totalling €238 thousand were recognised (previous year: €779 thousand excess of plan assets over pension liability).

Total remuneration paid to members of the Executive Board in 2015

2015 remuneration in accordance with GAS 17 (German accounting standard 17)

Remuneration pursuant to GAS 17 (€ thousand)

Name	Position		Base salary	Fringe benefits	Total	Short-term incentive	Mid-term incentive	Long-term incentive	Total remuneration
Volker Kronseder	Chairman of the Executive Board	since 1989	660	16	676	248	184	755	1,863
Christoph Klenk	Finance, Controlling and Information Management	since 2003	550	27	577	306	154	0	1,037
Rainulf Diepold	Sales and Marketing	since 1996	600	28	628	225	168	0	1,021
Thomas Ricker	Bottling and Packaging Equipment	since 2012	400	20	420	150	112	0	682
Markus Tischer	International Operations and Services	since 2014	340	15	355	128	0	0	483
Ralf Goldbrunner	Plants and Components	since 2014	340	19	359	128	0	0	487

Supervisory Board remuneration

Remuneration of the members of the Supervisory Board is governed by Section 15 of the articles of association and resolved by the annual shareholders' meeting. For the financial year 2015, the articles of association as amended by the annual shareholders' meeting of 25 June 2014 apply.

The members of the Supervisory Board receive remuneration that reasonably reflects their responsibilities and the company's position. In keeping with the recommendations of the German Corporate Governance Code, the Chairman and Deputy Chairman of the Supervisory Board as well as the Chairman and members of the Committees receive additional compensation.

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 for the financial year 2015 amounted to €642 thousand (previous year: €628 thousand) and is shown in the table below with individualised disclosure.

Name	Position	Base compensation	Additional compensation for committee work	Meeting attendance fee	Total remuneration in 2015
Ernst Baumann	Chairman	87,500	7,000	13,500	108,000
Werner Schrödl*	Deputy Chairman	52,500	7,000	13,500	73,000
Klaus Gerlach*	Regular member	35,000		7,500	42,500
Norman Kronseder	Regular member	35,000	7,000	12,000	54,000
Graf Philipp von und zu Lerchenfeld	Regular member	35,000	7,000	9,000	51,000
Dr. Alexander Nerz	Regular member	35,000		6,000	41,000
Dr. phil. Verena Di Pasquale*	Regular member	35,000		7,500	42,500
Johann Robold*	Regular member	35,000	7,000	6,000	48,000
Petra Schadeberg-Herrmann	Regular member	35,000		6,000	41,000
Jürgen Scholz*	Regular member	35,000		7,500	42,500
Hans-Jürgen Thaus	Regular member	35,000		7,500	42,500
Josef Weitzer*	Regular member	35,000	7,000	13,500	55,500

* Employee representative

Proposal for the appropriation of retained earnings of KRONES AG

KRONES AG had retained earnings of €105,457,679.58 at 31 December 2015. We propose to the annual shareholders' meeting on 15 June 2016 that this amount be used as follows:

Proposal for the appropriation of retained earnings	€
Dividend of €1.45 for 31,593,072 ordinary shares	45,809,954.40
Amount carried forward to new account	59,647,725.18

Neutraubling 24 March 2016

KRONES AG

The Executive Board



Christoph Klenk
CEO



Michael Andersen
CFO



Rainulf Diepold



Thomas Ricker



Markus Tischer



Ralf Goldbrunner

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

Norman Kronseder

Farmer and forester
* BAYERISCHE FUTTERSAATBAU GMBH

Graf Philipp von und zu Lerchenfeld

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

Dr. Alexander Nerz

Rechtsanwalt

Dr. Verena Di Pasquale**

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

Johann Robold**

Member of the Works Council

Petra Schadeberg-Herrmann

Managing partner at KROMBACHER FINANCE GMBH, SCHAWEI GMBH, DIVERSUM HOLDING GMBH & CO. KG
* CHOCOLADEFABRIKEN LINDT & SPRÜNGLI AG
* COMMERZBANK AG (until 30 April 2015)

Jürgen Scholz**

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

Hans-Jürgen Thaus

Former deputy chairman of KRONES AG
* HAWE HYDRAULIK SE (since 1 Juli 2015)
* MASCHINENFABRIK REINHAUSEN 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

Christoph Klenk

CEO
Human Resources, Communication, Quality, Information Management

Volker Kronseder

CEO
Human Resources, Communications and Quality (until 31 December 2015)

Michael Andersen

CFO
Finance, Controlling, Strategic Purchasing (since 1 January 2016)

Rainulf Diepold

Sales and Marketing

Thomas Ricker

Bottling and Packaging Equipment

Markus Tischer

International Operations and Services

Ralf Goldbrunner

Plants and Components

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

** Elected by the employees

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





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We have audited the annual financial statements, comprising the balance sheet, the income statement, and the notes to the financial statements, together with the accounting records and the management report of KRONES Aktiengesellschaft, Neutraubling, for the financial year from 1 January to 31 December 2015. The accounting records and the preparation of the annual financial statements and the management report in accordance with German commercial law are the responsibility of the company's management. Our responsibility is to express an opinion on the annual financial statements together with the accounting records and on the management report based on our audit.

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

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the requirements of the law and give a true and fair view of the net assets, financial position and results of operations of the company in accordance with German generally accepted accounting principles. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the company's position and suitably presents the opportunities and risks of future development.

Regensburg, 24 March 2015

KPMG Bayerische Treuhandgesellschaft
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Braun
(German Public Auditor)

Herr
(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.
EBITDA	Earnings before interest, taxes, depreciation and amortisation.
EBIT	Earnings before interest and taxes.
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.
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.
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 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 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)

Aseptic beverage filling	Germ-free filling of beverages at ambient temperature.
Brewhouse	In the brewhouse, the raw materials malt, hops, and water are processed in several stages to produce beer.
Craft brewer/craft beer	Smaller, independent breweries (craft brewers) that produce handcrafted specialty beers (craft beer).
Digital printing	Printing process in which data are transferred directly from a computer onto the object, without a print template first being generated. Digital printing is far more flexible and significantly more cost-effective on smaller print runs (batches) than conventional printing and labelling processes.
Efficiency	A measure of effectiveness that shows the ratio of input to output and is generally presented as a percentage (0 to 100%). In machinery and equipment manufacturing, this figure is used to show the relationship between actual output to nominal (rated or theoretical) output. For example: A filling line has a nominal output of 50,000 bottles per hour. However, due to downtimes and fluctuations, it averages only 45,000 bottles per hour. It's efficiency is 90% (45,000/50,000).
Energy drink	A beverage that acts as a stimulant. The main ingredients used for this are sugar and caffeine.
Enviro	KRONES' sustainability programme. enviro was certified by TÜV SÜD in 2009. This independent certification enables KRONES to award the enviro seal for efficient use of energy and media and environmental friendliness for its machines and lines. All new developments at KRONES are aligned with the criteria of our enviro sustainability programme.
Internal logistics/intralogistics	The internal flow of materials and goods within a company, including warehouse, order-picking, and conveyance systems.
Pasteurisation	Brief heating of liquid foods to temperatures up to 100 degrees Celsius. In this way, micro-organisms are killed off, giving beverages such as milk and fruit and vegetable juices a longer shelf life.
PET	Polyethylene terephthalate, a thermoplastic material from the polyester family used for producing beverage bottles.
Predictive maintenance	IT-based process in which technical issues can be identified before they result in a problem on the machine or line. Predictive maintenance helps prevent long downtimes.
Preforms	Blanks made of PET plastic, similar in shape and size to test tubes. Preforms are made into PET bottles in a stretch blow-moulder.
Stretch blow-moulder	A stretch blow-moulder produces containers made of PET plastic (polyethylene terephthalate). The PET preforms are heated and then fed into a blow mould where compressed air is used to blow and mould them into finished containers.

This English language report is a translation of the original German KRONES AG Geschäftsbericht 2015. 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.

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 **KRONES**