

Success is
a team effort.

Highlights 2015

- KRONES achieved its targets for 2015.
- Revenue rose 7.5% to €3.17 billion.
- EBT margin improved from 6.5% to 7.0%.
- Dividend for 2015 to increase to €1.45 per share (previous year: €1.25 per share)

		2015	2014	Change
Revenue	€ million	3,173.5	2,953.4	+7.5%
New orders	€ million	3,189.0	3,040.0	+4.9%
Orders on hand at 31 December	€ million	1,094.6	1,079.1	+1.4%
EBITDA	€ million	305.3	276.3	+10.5%
EBIT	€ million	216.9	185.1	+17.2%
EBT	€ million	223.3	191.8	+16.4%
EBT margin	%	7.0	6.5	–
Consolidated net income	€ million	156.3	135.7	+15.2%
Earnings per share	€	4.98	4.30	+15.8%
Dividend per share	€	1.45*	1.25	+16.0%
Capital expenditure for PP&E and intangible assets	€ million	102.6	94.6	€ million +8.0
Free cash flow	€ million	70.7	152.1	€ million –81.4
Net cash and cash equivalents** at 31 December	€ million	364.6	336.4	€ million +28.2
Employees at 31 December				
Worldwide		13,346	12,624	+722
Germany		9,767	9,344	+423
Outside Germany		3,579	3,280	+299

* 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. Revenue rose 7.5% to €3.17 billion despite the challenging economic environment. 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

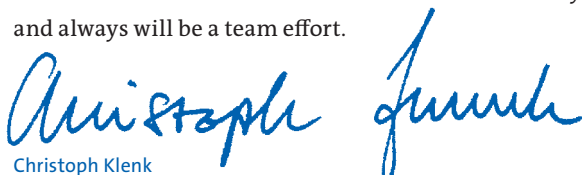
We made considerable progress with respect to KOSME in 2015. This KRONES subsidiary forms the core of our smallest segment, machines and lines for the compact class. We restructured KOSME's Italian site and streamlined its portfolio. These efforts have paid off. The segment posted a profit in 2015 and, 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 our 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 our 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 Klenk
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.

A handwritten signature in blue ink, appearing to read 'V. Kronseder', is written over a thin blue line that extends from the left margin towards the signature.

Yours truly,
Volker Kronseder

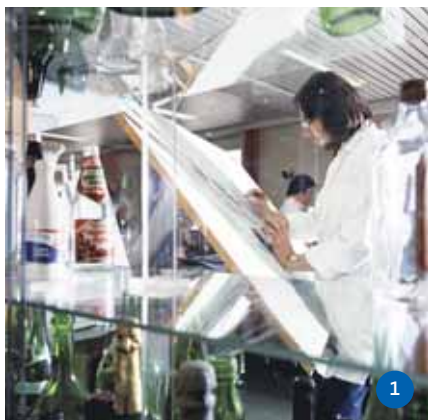
Chairman of the
Supervisory Board:
Ernst Baumann

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

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1

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.



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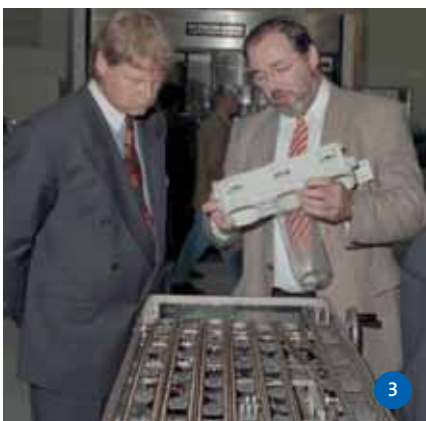
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1 1990 – East-West interest – A delegation from the Russian economic ministry listens carefully as Volker Kronseder explains.



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.





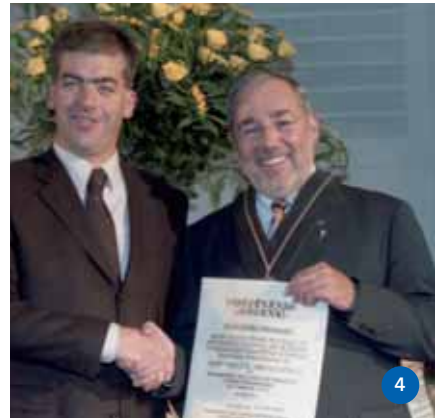
1 2000 Cheers all around – After a hard day's work, Volker Kronseder enjoyed a cold one with KRONES employees at the company picnic.

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.



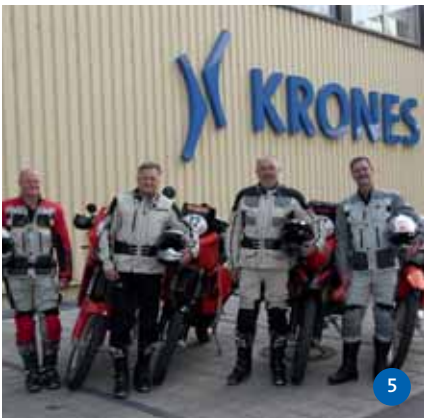
5 2005 Eastward ho! – Volker Kronseder and friends set out on a motorcycle journey to China in 2005.

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.

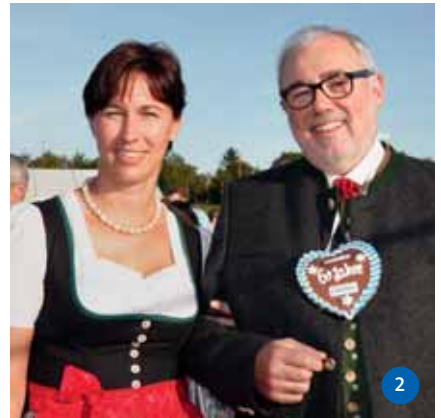
8 Kronseder family – Volker Kronseder with his parents and siblings. Father Hermann Kronseder died in 2010 at the age of 85.





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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.



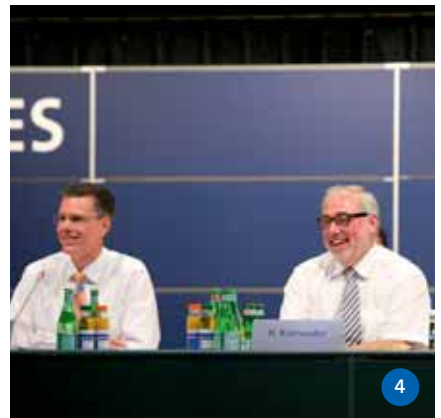
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2 2011 Celebrate good times – KRONES company parties are an annual highlight at all sites. Here, Volker Kronseder enjoys the party with his long-time assistant Christina Resch.



3

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.



4

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.



5

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.



6

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.

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 Philipp 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 group's 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 separate and consolidated financial statements and makes recommendations. In addition, the Audit and Risk Management Committee monitors the effectiveness of the internal control system, the risk management system, and the compliance system.

The Audit and Risk Management Committee 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 separate and consolidated financial statements for 2014. In this meeting, the Committee discussed in detail the auditor's report on the annual 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

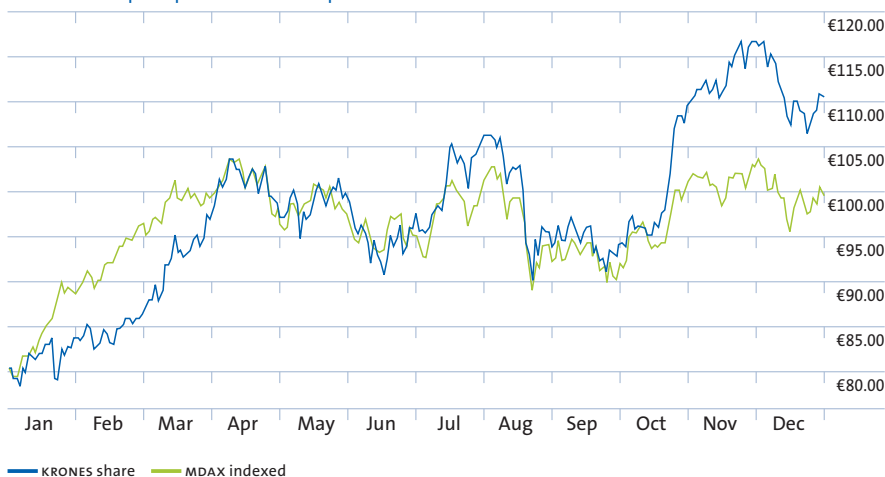
After some sharp ups and downs, most of the world's stock markets ended the year in positive territory. Most kicked off the year 2015 with considerable gains. The explosive rally at the start of the year was driven by loose monetary policy on the part of many central banks. The European Central Bank's (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 outperformed the MDAX by a wide margin again in 2015, further strengthening our position within the MDAX."

*Olaf Scholz
Head of Investor Relations*

KRONES share price performance compared with the MDAX 2015



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

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.

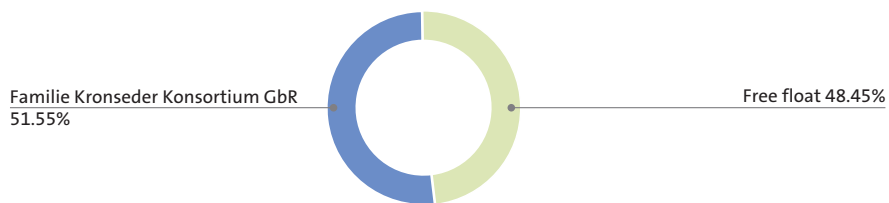
Key data for the KRONES share

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%.

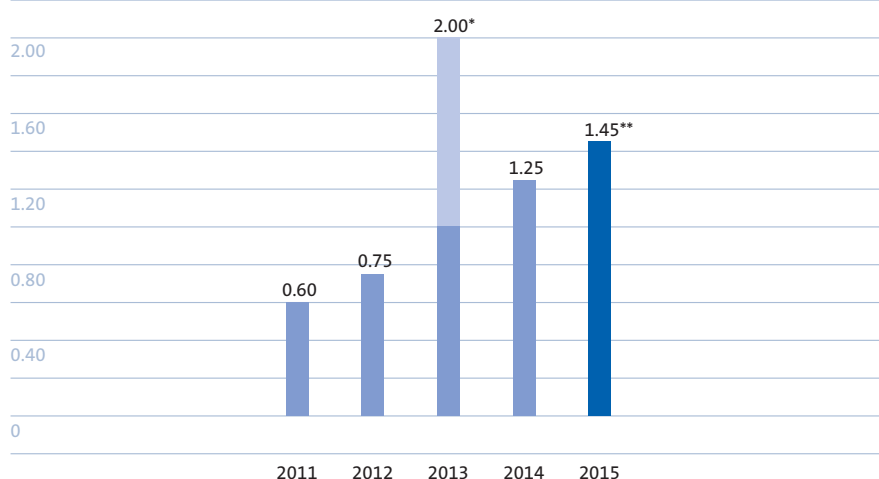
Shareholder structure as of December 2015



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.

Q1

New orders: €787.0 million



Revenue: €738.9 million



Earnings before taxes: €50.2 million



Share price at 31 March 2015: €96.93 million



In the first quarter, we enhanced our portfolio of products and services by way of two smaller acquisitions. We acquired TRIACOS GmbH through SYSKRON Holding GmbH, KRONES' subsidiary for intralogistics. TRIACOS' main expertise is in consulting on and implementing SAP solutions, with a focus on production and internal logistics. KRONES strengthened its palletising technology operations by acquiring SCHAEFER Förderanlagen- und Maschinenbau GmbH.

In March, KRONES announced that long-time Executive Board Chairman Volker Kronseder would not be renewing his contract, which expires on 31 December 2015. The Supervisory Board appointed Christoph Klenk, KRONES' Chief Financial Officer, as Volker Kronseder's successor.

The KRONES share climbed sharply in the period from January to March. The positive trend was supported by our preliminary revenue and earnings figures for the 2014 financial year. The share closed the quarter at €96.93, up 20.0% in the first three months of 2015.

Business at KRONES was also good in the first quarter of 2015. Revenue increased 5.1% year-on-year to €738.9 million and new orders rose 6.5% to €787.0 million. At €50.2 million, earnings before taxes were up 16.5% on the year-earlier period.

Q2

New orders: €737.1 million



Revenue: €764.8 million



Earnings before taxes: €53.9 million



Share price at 30 June 2015: €93.76 million



In April, KRONES acquired GERNEP, a company based in Barbing, Germany, which delivers labeling machinery internationally for the low and medium output ranges. Besides the beverage industry, GERNEP's principal markets are food, cosmetics, and pharmaceuticals.

The annual shareholders' meeting was held on 17 June in Neutraubling. It was Volker Kronseder's last 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. KRONES paid out a dividend of €1.25 per share for the financial year 2014.

KRONES continued to grow profitably in the second quarter. Revenue was up 4.4% year-on-year to €764.8 million. Earnings before taxes improved even more dramatically, by 16.4%. Overall, first-half earnings exceeded our expectations. Thus, when we presented our results, we also raised our EBT margin forecast for the year 2015 as a whole from 6.8% to 7.0%. At the end of June 2015, the KRONES share was up 16.1% from the start of the year to €93.76.

Q3

New orders: €787.2 million



Revenue: €767.0 million



Earnings before taxes: €52.0 million



Share price at 30 September 2015: €94.10 million



Despite the increasingly difficult economic environment, KRONES stayed on track for success in the third quarter of 2015. In the period from July to September, revenue was up 5.2% year-on-year to €767.0 million. Earnings before taxes improved by 9.9%. After the first nine months, we were able to confirm our targets for the year 2015 as a whole.

At the end of July 2015, KRONES announced that Michael Andersen would succeed Christoph Klenk as the company's Chief Financial Officer. Andersen has many years of experience in the packaging industry and most recently served as the member of the management board responsible for the areas Finance, IT, and Purchasing at GEA Heat Exchangers.

The stock markets were very turbulent in the third quarter. Negative economic news from China and uncertainty about the Fed's interest rate policy in the US pushed share prices downward. So, it is all the more remarkable that KRONES' share price rose slightly in the third quarter. At the end of September, it was up 16.5% from the start of the year to €94.10. Including the dividend of €1.25 per share, the share's performance actually came to 18.1%.

Q4

New orders: €877.7 million



Revenue: €902.8 million



Earnings before taxes: €67.2 million



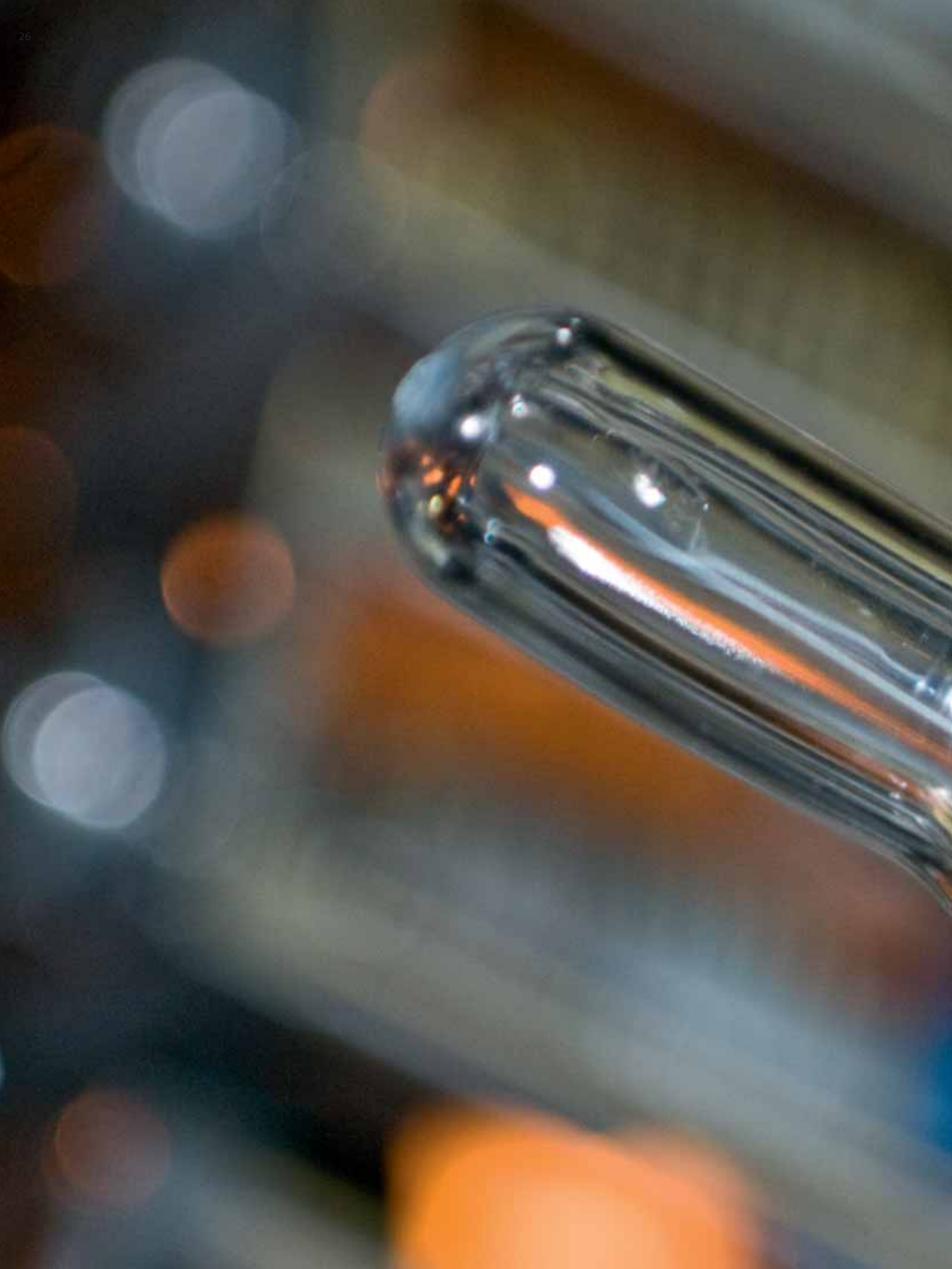
Share price at 31 December 2015: €110.30 million



KRONES presented its innovative range of products and services at a number of international trade fairs in the fourth quarter. For example, we participated in Gulfood Manufacturing, the most important trade fair in the Arab world, in Dubai from 27 to 29 October. The Brau Beviiale took place from 10 to 12 November in Nuremberg, Germany. At this capital goods fair for the beverage industry, we officially unveiled our Craftmate can filler for the compact class.

KRONES hosted an analyst conference on 25 November. The main focus of the meeting was process technology. To ensure the event's practical relevance, we held the meeting at Augustiner Brewery in Munich. In a tour of Munich's oldest brewery, the 20 or so analysts in attendance learned about all aspects of beer brewing and got to see KRONES products in action.

The fourth quarter marked the last quarter in which the "old" Executive Board managed the company's business. Revenue rose 14.4% year-on-year and EBT increased 21.9%. The KRONES share hit €117.10 on 3 December, its high for the year. The share closed the year at €110.30, having gained 36.6% in 2015.





Consolidated management report

Fundamental information about the group

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Business model, business areas, and organisational structure

KRONES offers machinery and systems for filling and packaging and for beverage production. KRONES' customers include breweries, beverage producers, and companies from the food, chemical, pharmaceutical, and cosmetic industries. Services are an important part of KRONES' business model. The company maintains service centres and offices around the world.

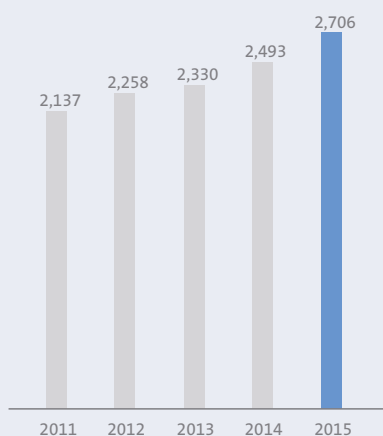
KRONES reports on its three segments: "machines and lines for product filling and decoration", "machines and lines for beverage production/process technology", and "machines and lines for the compact class".

Machines and lines for product filling and decoration

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

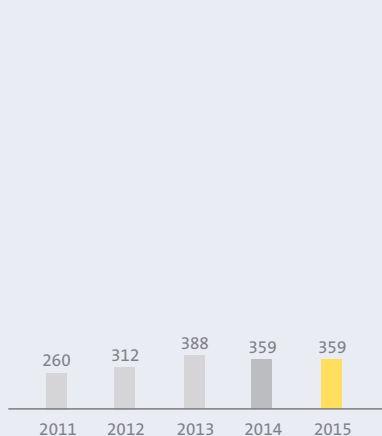
	2015	2014
EBT (€ million)	220.5	193.2
EBT margin (%)	8.1	7.7
Employees*	11,502	11,148

*Consolidated group

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

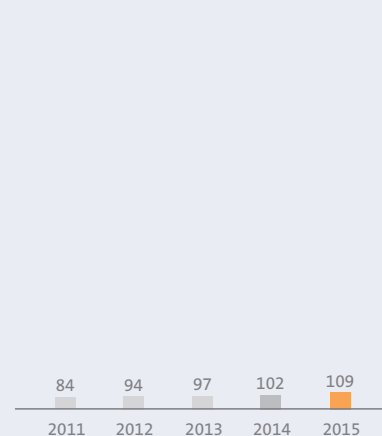
This segment includes brewhouse and cellar systems (i.e. products for breweries). Equipment used for treating sensitive beverages such as milk and for producing dairy drinks and fruit juices also falls within this KRONES segment. Our components business, that is, EVOGUARD brand valves and pumps, is also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

	2015	2014
EBT (€ million)	-2.1	3.3
EBT margin (%)	-0.6	0.9
Employees*	944	822

Revenue (€ million)**Machines and lines for the Compact Class**

In the Compact Class segment, KRONES subsidiaries KOSME and GERNEP offer a product range of filling and labelling technology similar to that of our "machines and lines for product filling and decoration" segment, but for the lower output range. With KOSME and GERNEP, we are able to serve smaller and mid-sized companies that do not need high-speed machines but are nevertheless committed to quality.

	2015	2014
EBT (€ million)	4.9	-4.7
EBT margin (%)	4.5	-4.6
Employees*	495	400

Revenue (€ million)

Major markets and competitive position

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

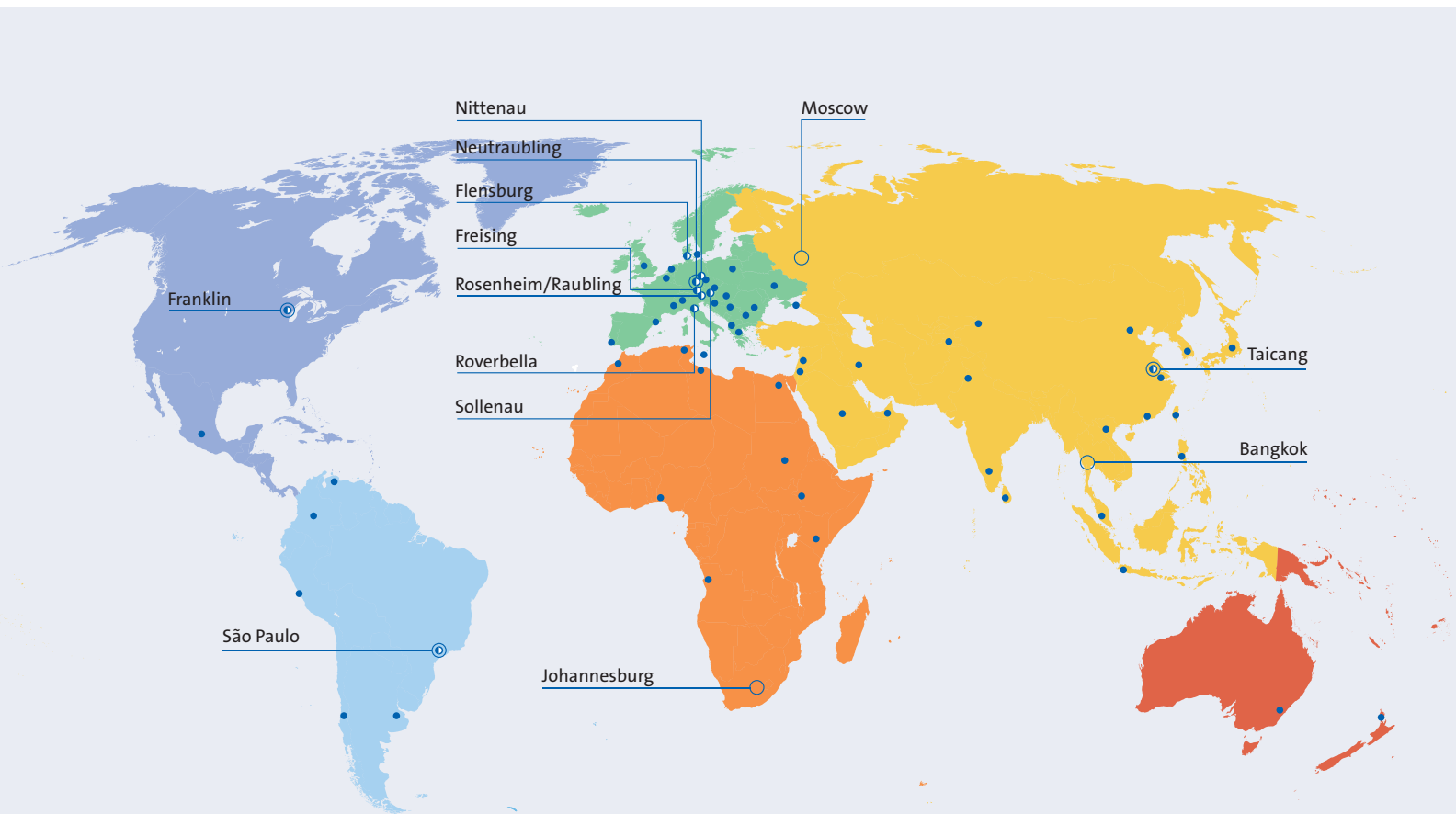
KRONES is heavily export-oriented, generating around 90% of consolidated revenue outside Germany. The regional breakdown of revenue is well balanced overall. KRONES generates

around 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 system **9** 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 of a 7% EBT margin – the ratio of earnings before taxes to revenue – for the year 2015 as a whole. The turnaround at KOSME in Italy after the site's restructuring in 2014 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

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%.



"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 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 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 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. SYSKRON Holding, which bundles our entire intralogistics business, will play an important role here.

In the third quarter of 2015, we renamed our 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 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 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' management system

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

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

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

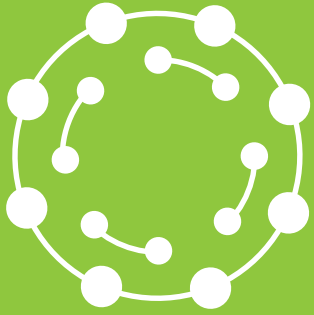
Earnings before taxes (EBT) are an important earnings indicator. It is from EBT that the group pays out taxes and dividends and makes investments and capital expenditures.

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

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

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

In 2015, we established benchmarks for customer satisfaction and quality as important parameters. They will be used as non-financial performance indicators within the group beginning in 2016.



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.*

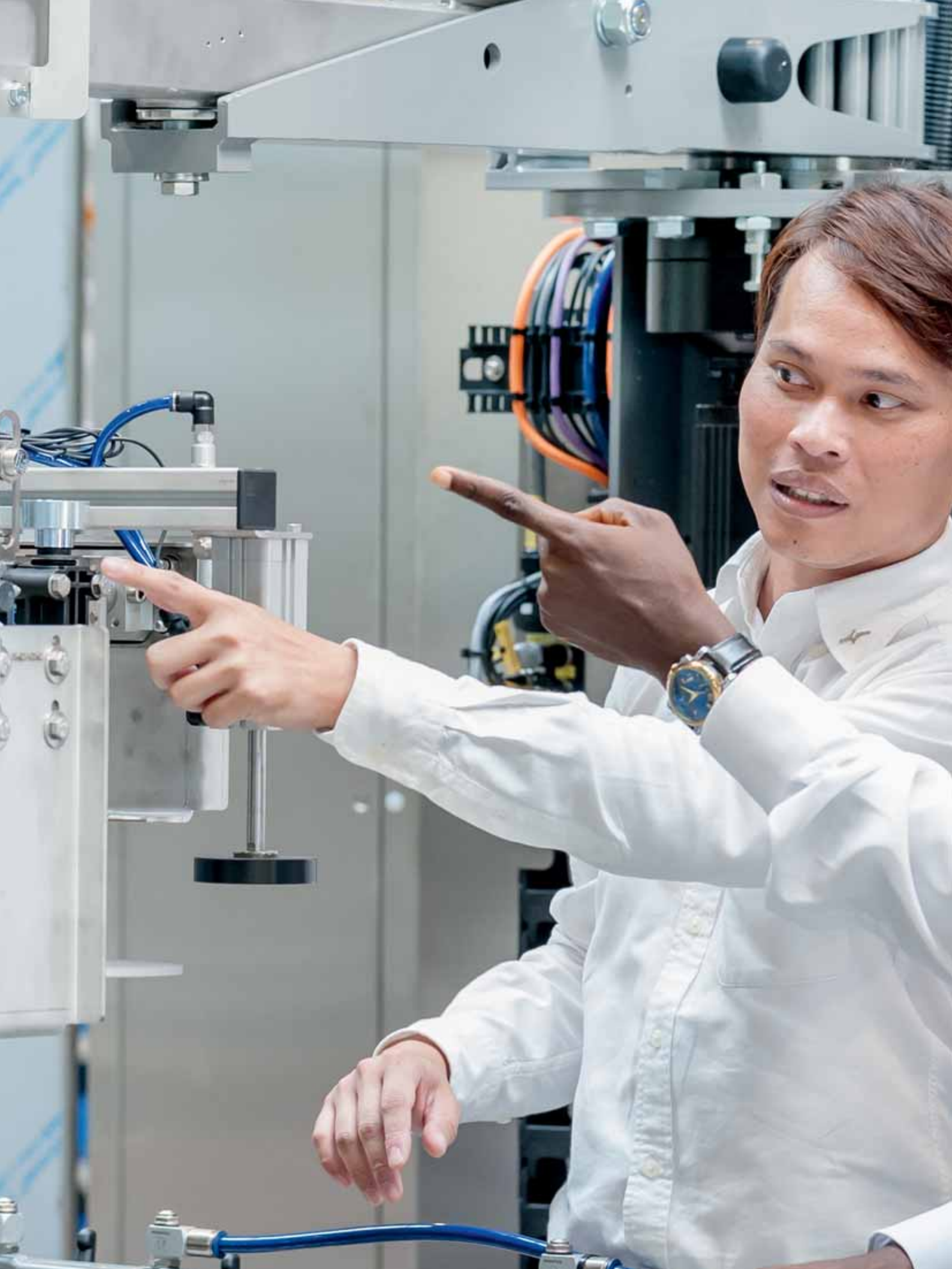






INTERNATIONAL TEAM

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.*





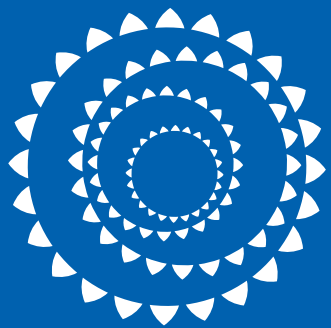


FINANCE TEAM

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.*

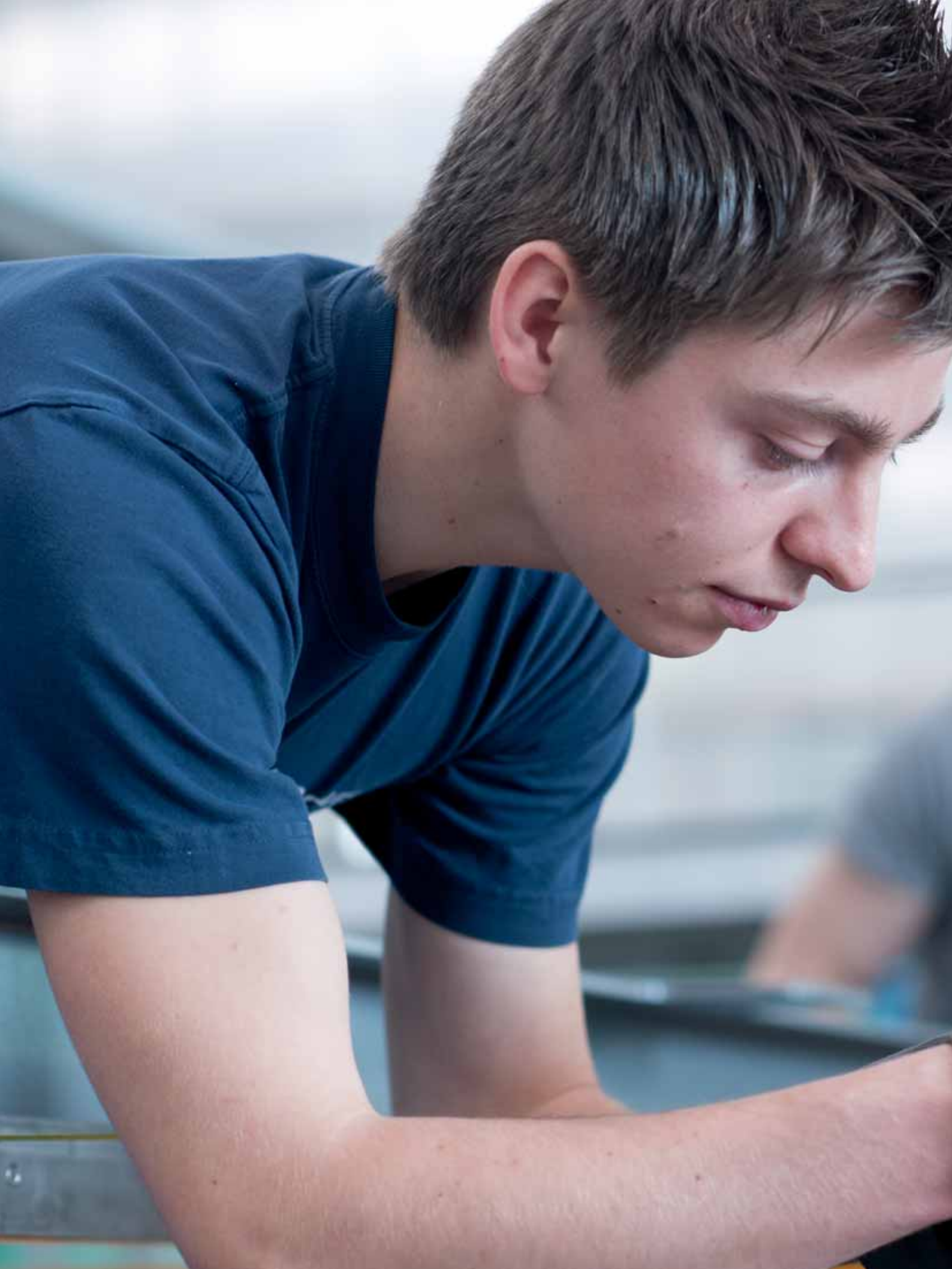






PRODUCTION TEAM

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

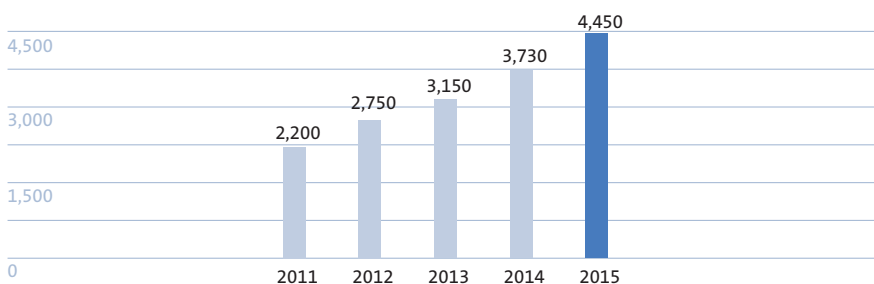
Our customers expect flexible, modular systems that can be easily expanded in order to respond quickly to changing consumer behaviours.

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. Including capitalised development expenditure, KRONES spent €164 million on research and development in 2015 (previous year: €149 million).

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.

Registered patents and utility models – KRONES Group



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.

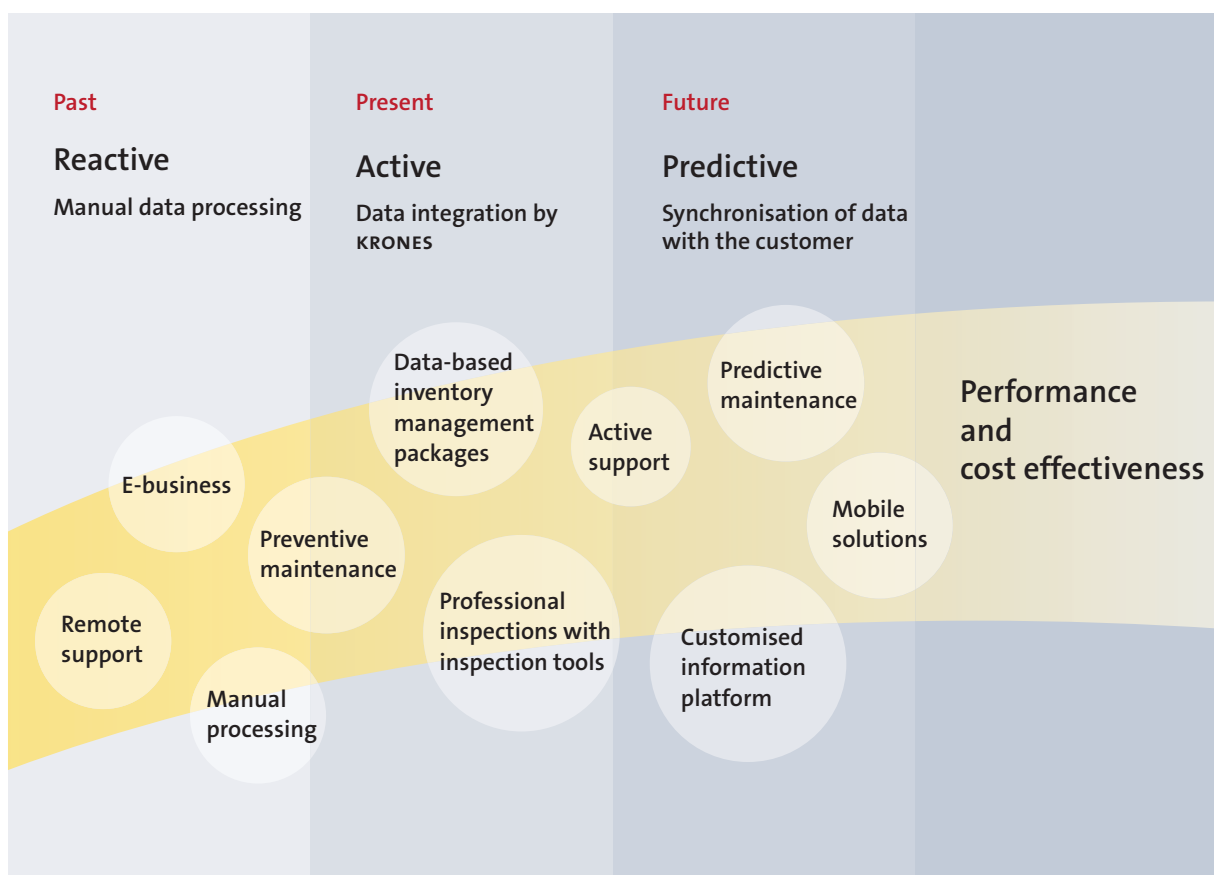
Partner for Performance stands for KRONES’ intention to help each of our customers achieve their goals. The concept includes various aspects to address our customers’ different needs: **Profitable** Performance, **Tailor-made** Performance, **Efficient** Performance, **Cost-saving** Performance, and **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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- 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.

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.

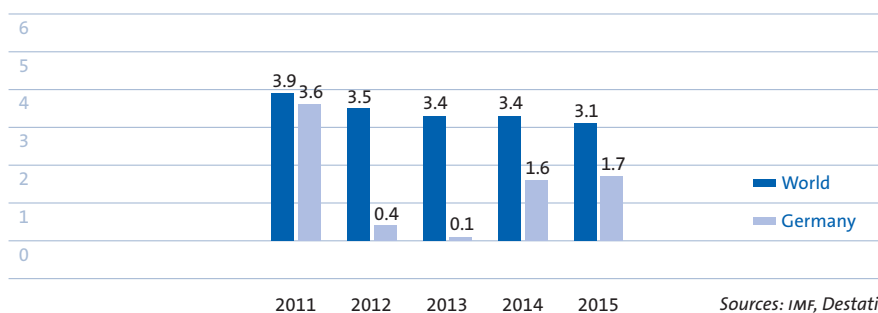
Overall, economic growth in the industrialised countries amounted to 1.9% in 2015 (previous year: +1.8%). The positive trend was supported by continuing low interest rates. GDP improved more strongly in the USA, with a gain of 2.5%. Japan only achieved comparatively modest growth of 0.6%. The pace of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

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

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

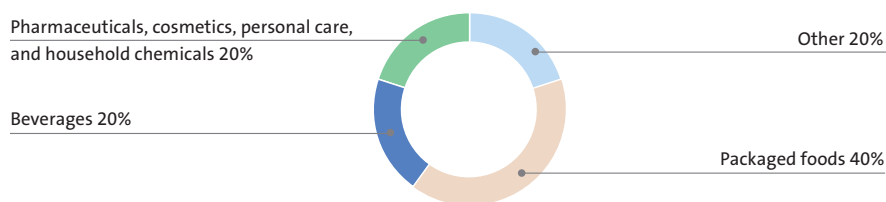
The German machinery industry had to struggle with increasingly difficult conditions in 2015. Many German machinery and equipment manufacturers suffered from China's waning growth momentum in addition to the Russian crisis. According to preliminary data, the German Engineering Federation (VDMA) estimates 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 89.1% of its consolidated revenue in business with it in 2015.

The global market for packaging machinery by application



Source: VDMA estimate for 2014

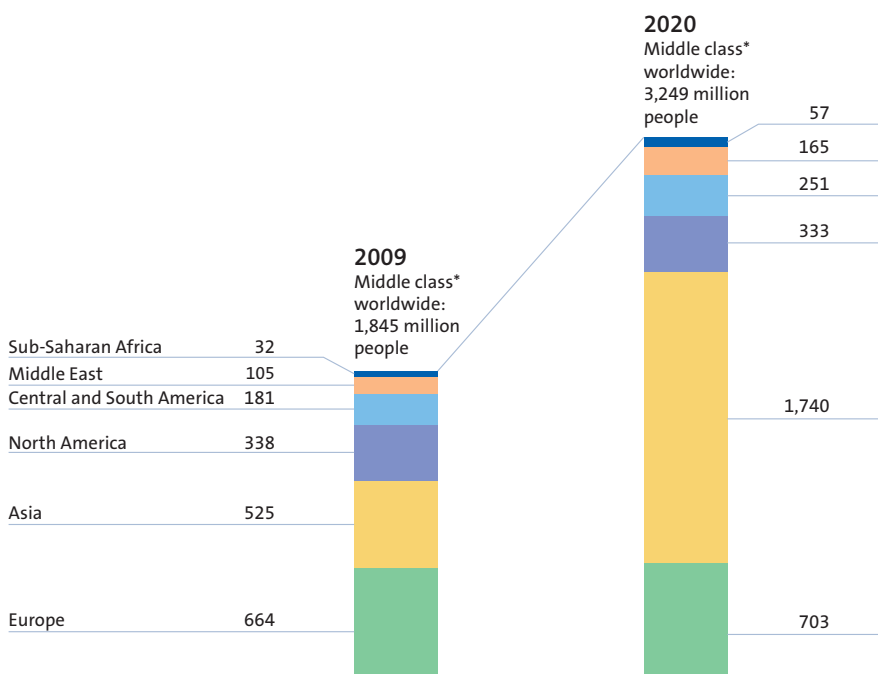
Megatrends ensure stable market growth

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.



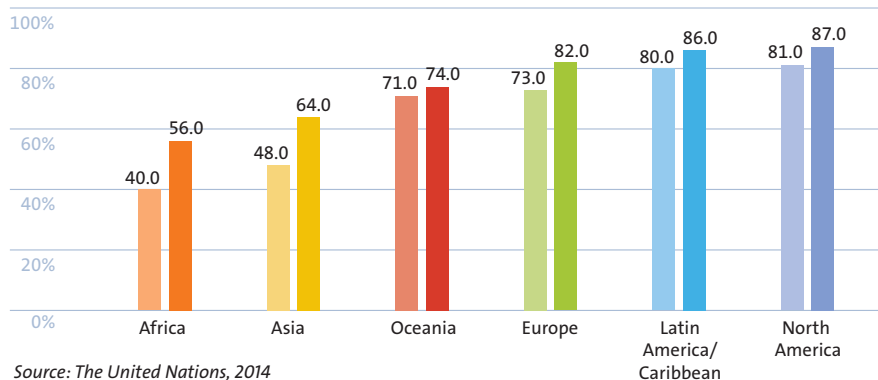
Here's to simplicity

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.



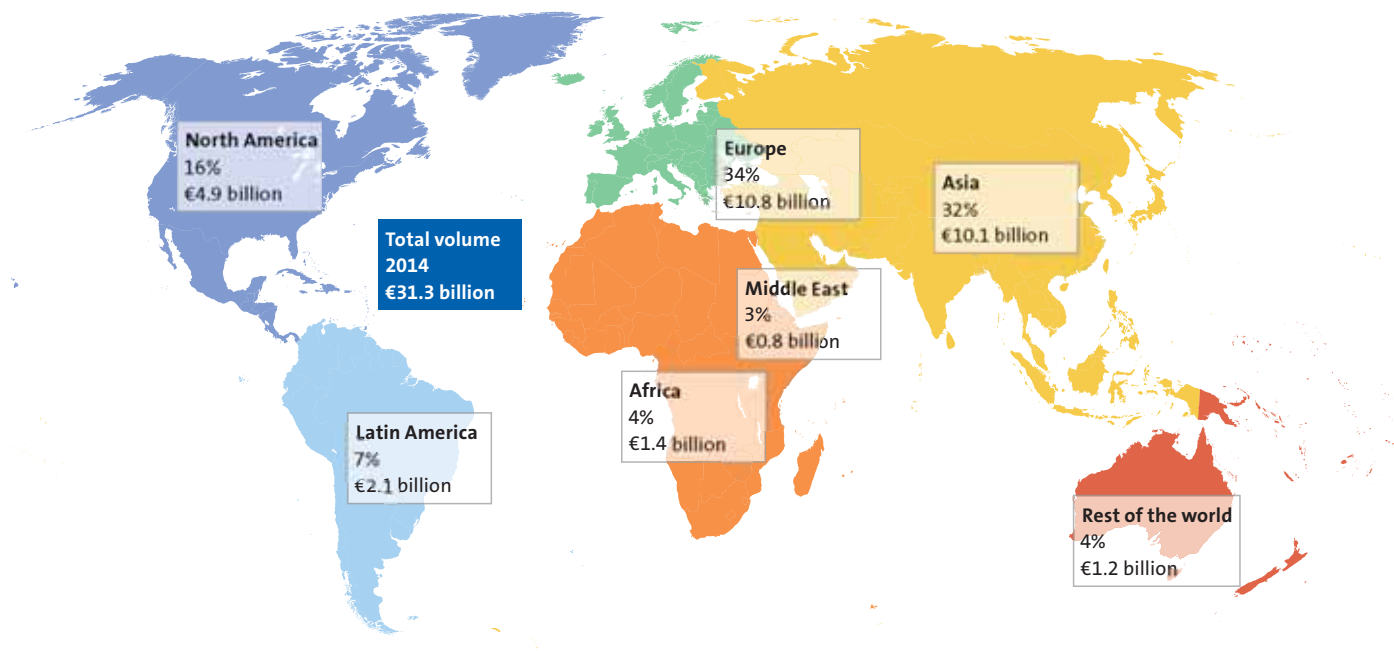
Urban population 2014 and 2050 (% of total)



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

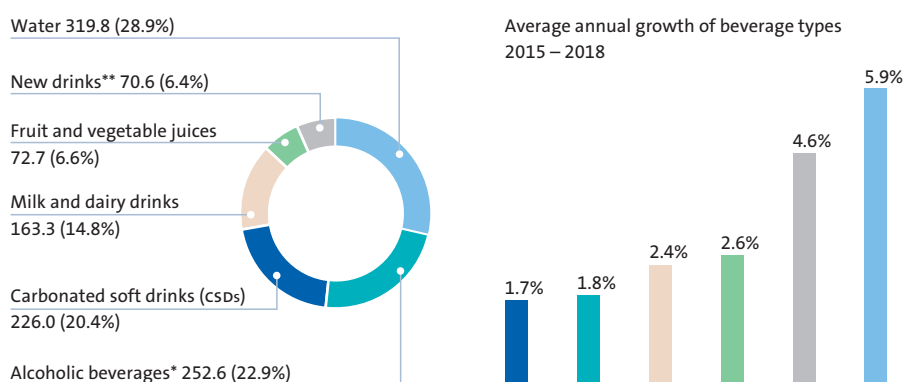


Sources: National statistics and VDMA estimates, November 2015

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.

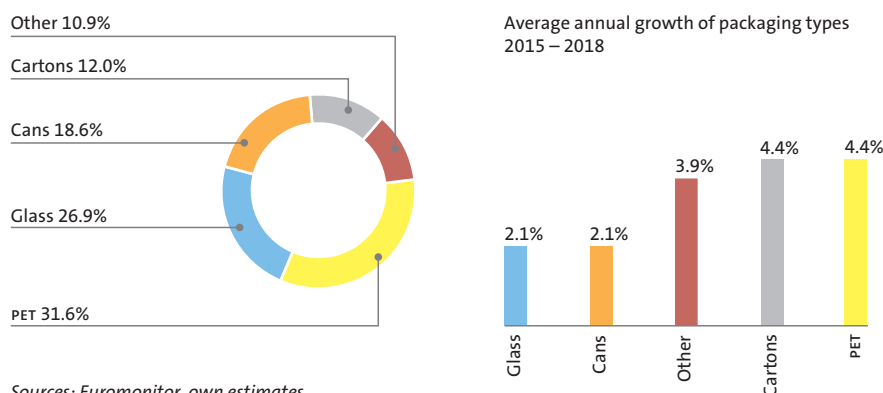


The regional shares of packaged beverages in global consumption have shifted away from mature industrialised countries in favour of China and the Asia-Pacific and Africa/Middle East regions in the past years. For example, in 2015, China consumed almost as many packaged beverages as North and Central 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 continues profitable growth in 2015
- Value strategy programme is working, earnings up as forecast
- Dividend per share to increase to €1.45 (previous year: €1.25)

KRONES met or exceeded all targets for key financial performance indicators in 2015

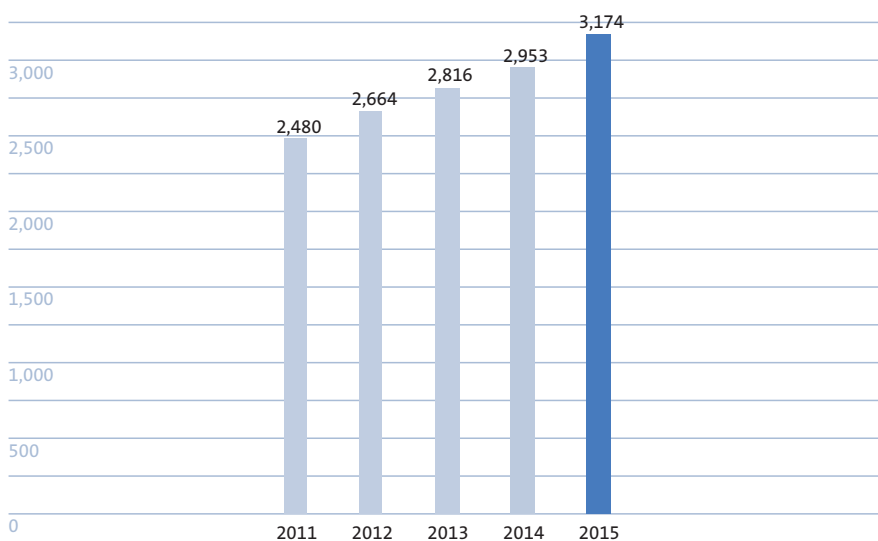
	Original forecast April 2015	Updated forecast July 2015	Actual value 2015
Revenue growth	+4%	+4%	+7.5%
EBT margin	6.8%	7.0%	7.0%
ROCE (liabilities side)	17%	17%	17.7%

KRONES' revenue up 7.5% to €3,173.5 million

In general, KRONES operates in markets with stable growth that are not much affected by economic cycles. The company was able to take advantage of the positive market environment and considerably expand its business in 2015 thanks to its broad range of products and services and strong presence worldwide. As a result, revenue increased 7.5% year-on-year from €2,953.4 million to €3,173.5 million. With that, we exceeded our growth target of 4% for 2015.

The increase in revenue came across much of our range of products and services. Sales of individual machines and complete filling and packaging lines alike were improved year-on-year in 2015. KRONES' services business continued its steady growth, fuelled in part by the progressive expansion of our LCS business worldwide in the reporting period. Consolidated revenue in North and Central America, Western Europe, and China increased more than overall revenue. Business contracted in Russia and South America as expected due to the regions' very weak economies.

KRONES Group revenue (€ million)



KRONES' revenue passed the €3 billion mark in 2015.

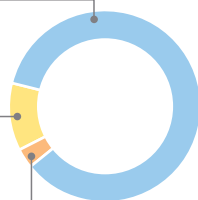
Revenue by segment

Share of consolidated revenue

Machines and lines
for product filling
and decoration
85.3% (€2,705.9 million)

Machines and lines
for beverage production/
process technology
11.3% (€358.7 million)

Machines and lines
for the compact class
3.4% (€108.9 million)

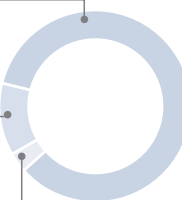


Revenue in 2015: €3,173.5 million

Machines and lines
for product filling
and decoration
84.4% (€2,492.7 million)

Machines and lines
for beverage production/
process technology
12.1% (€358.7 million)

Machines and lines
for the compact class
3.5% (€102.0 million)



Revenue in 2014: €2,953.4 million

Our core segment contributed 85.3% of consolidated revenue in the reporting period.

Our core segment, machines and lines for product filling and decoration, posted the highest revenue growth in 2015. Revenue was up 8.6% on the previous year, to €2,705.9 million. The segment contributed 85.3% of consolidated revenue (previous year: 84.4%).

Revenue was flat in the machines and lines for beverage production/process technology segment and did not meet our expectations in the reporting period. The segment contributed €358.7 million (previous year: €358.7 million), or 11.3% (previous year: 12.1%) to consolidated revenue.

In our smallest segment, machines and lines for the compact class, which includes KOSME as well as the acquired company GERNEP, revenue rose 6.8% from €102.0 million in the previous year to €108.9 million. This segment's share of total sales held more or less steady at 3.4% (previous year: 3.5%).

Further information can be found in the section "Reports from the segments" beginning on page 104 and under "Segment reporting" in the notes to the consolidated financial statements on pages 160 and 161.

KRONES' revenue is very well balanced internationally

Capital spending among German beverage and food producers was high in 2015. KRONES benefited from the trend because the company was able to deliver the right products and services. Revenue generated in the company's home market was up 35.6% year-on-year to €382.3 million in 2015. Business in Germany accounted for 12.0% of consolidated revenue, up from 9.6% the previous year.

KRONES' revenue was more or less evenly split between the emerging markets and the mature markets in 2015.

In Europe (excluding Germany), revenue developed well in 2015 despite the expected weak business trend in the Russia/CIS sales region (where revenue was down 24.2%). In all, KRONES' revenue in Europe (excluding Germany) increased 3.5% year-on-year in 2015 to €838.8 million. Western Europe contributed the biggest share of revenue growth. Revenue in this sales region improved 13.9% over 2014 to €513.3 million. We also increased revenue in Eastern Europe in 2015. Revenue there rose 3.2% year-on-year to €90.5 million. Business in Central Europe (Austria, Switzerland, and the Netherlands) was somewhat calmer in 2015 after intense growth in the previous year. Revenue there was down 6.4% to €152.8 million. Overall, the share of consolidated revenue generated in Europe (excluding Germany) decreased from 27.4% in the previous year to 26.5% in 2015.

KRONES Group revenue by region

Share of consolidated revenue	2015		2014		Change
	€ million	%	€ million	%	
Germany	382.3	12.0	282.1	9.6	+35.6
Central Europe (excluding Germany)	152.8	4.8	163.3	5.5	-6.4
Western Europe	513.3	16.2	450.8	15.2	+13.9
Eastern Europe	90.5	2.9	87.7	3.0	+3.2
Russia, Central Asia (CIS)	82.2	2.6	108.5	3.7	-24.2
Middle East/Africa	431.8	13.6	422.8	14.3	+2.1
Asia-Pacific	489.9	15.4	532.7	18.0	-8.1
China	289.1	9.1	258.6	8.8	+11.8
North and Central America	437.5	13.8	274.0	9.3	+59.7
South America/Mexico	304.1	9.6	372.9	12.6	-18.4
Total	3,173.5	100.0	2,953.4	100.0	+7.5

As forecast, KRONES' revenue in the Middle East/Africa sales region improved slightly in 2015. Revenue there picked up 2.1% to €431.8 million in the reporting period. The Middle East and Africa will remain an important growth region for KRONES. The same is true for China, regardless of any short-term volatility. Thanks to strong business at the end of the year, revenue in China was up 11.8% year-on-year to €289.1 million in 2015. Revenue in the rest of the Asia-Pacific region was down, 8.1% to €489.9 million in 2015, as expected since large-scale orders had resulted in a very high year-earlier figure.

KRONES' business in North and Central America was up sharply in 2015. Our customers in this region had been very reluctant to make capital investments in previous years. The mood now seems to have shifted. At 437.5 million, revenue in North and Central America improved 59.7% year-on-year. Business in our South America/Mexico sales region was hampered by macroeconomic problems in Brazil and other South American countries. Revenue in the region was down 18.4% year-on-year to €304.1 million in 2015. Despite the region's poor performance overall, some countries there saw relatively good revenue development.

Overall, KRONES' revenue remains very well balanced internationally. We generated 53.2% of consolidated revenue in the emerging markets in the reporting period (previous year: 60.4%). The mature markets (Germany, Western and Central Europe, and North and Central America) contributed 46.8% to consolidated revenue in 2015 (previous year: 39.6%).

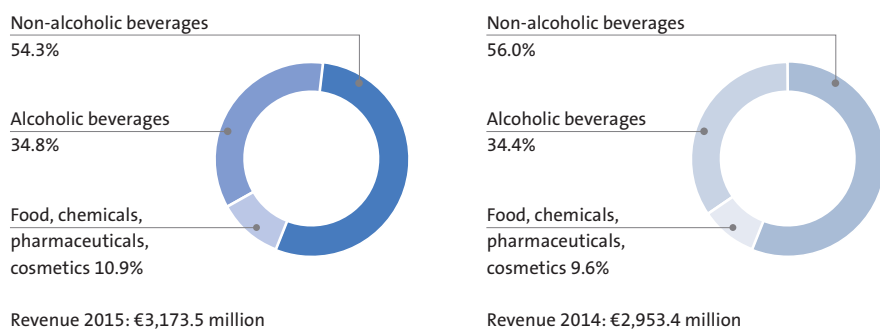
KRONES increased revenue among all customer groups

After rising steeply in the previous year, revenue from business with producers of non-alcoholic beverages like water, soft drinks, and juices grew more slowly than overall revenue in 2015. Revenue from this customer group was up 4.3% from €1,653.2 million in the previous year to €1,723.6 million. The sector's share of consolidated revenue decreased slightly to 54.3% (previous year: 56.0%).

Revenue from business with producers of alcoholic beverages was up 8.5% year-on-year from €1,017.2 million to €1,104.1 million in 2015. Alcoholic beverages accounted for 34.8% of consolidated revenue in the reporting period (previous year: 34.4%).

The share of revenue generated with customers from the non-beverage sector (dairy, food, chemicals, pharmaceuticals, and cosmetics) increased further in 2015. Revenue from this customer group was up 22.2% compared with 2014, to €345.8 million. Thus, we have made good progress with our strategy of increasingly marketing our machines and lines to customers outside the beverage industry. The non-beverage sector's share of consolidated revenue increased to 10.9% (previous year: 9.6%).

KRONES Group revenue by industry



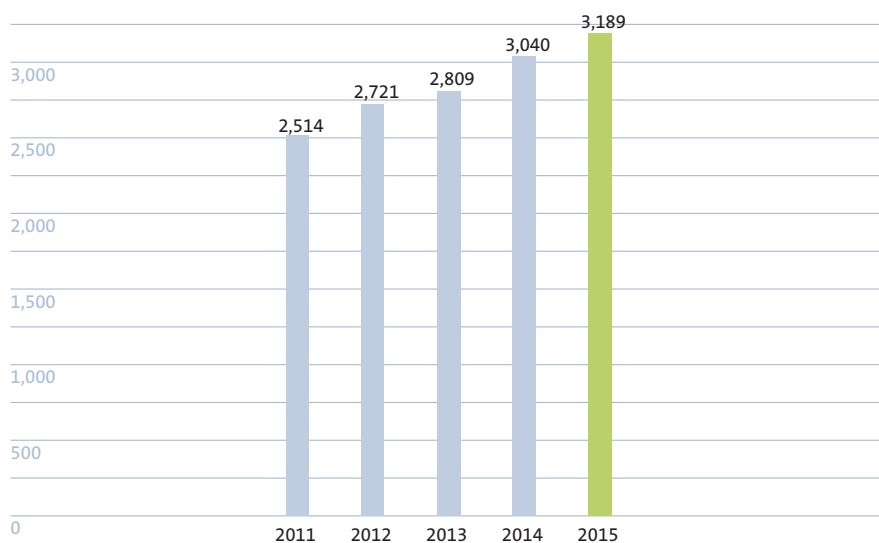
KRONES products and services in high demand

New orders at KRONES were up despite the increasingly unfavourable economic environment overall. Capital spending among our customers was at a good level all year. In all, new orders were up 4.9% year-on-year, from €3,040.0 million to €3,189.0 million in 2015.

New orders were up 4.9% year-on-year in 2015.

The main reason for the increase was that we were able to more than offset the weak orders situation in crisis regions such as Russia/CIS and parts of South America with strong new business in North and Central America, Western Europe, and the Middle East and Africa.

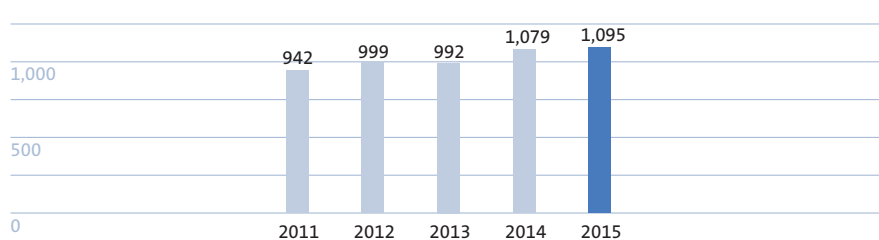
KRONES Group new orders (€ million)



KRONES heads into 2016 with a large orders backlog

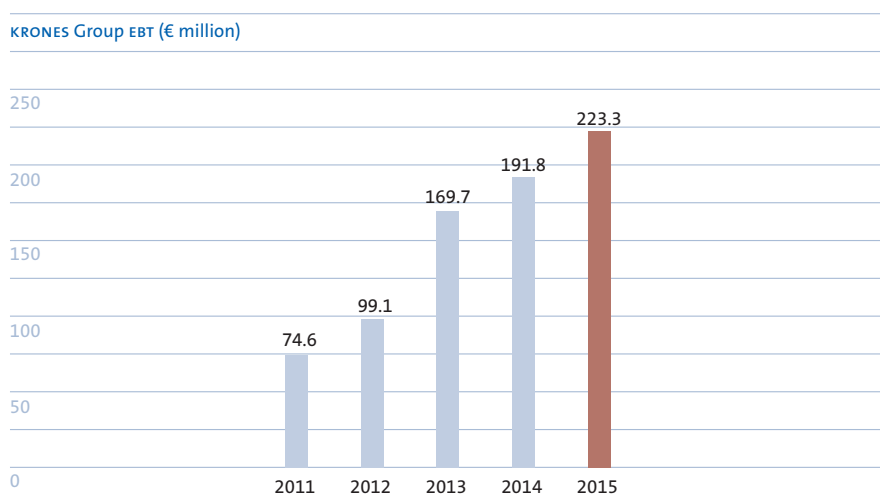
At the end of 2015, KRONES had an orders backlog of €1,094.6 million. That is up 1.4% on the high year-earlier figure. The comfortable orders cushion increases planning security and is a good basis for achieving our growth target in 2016.

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



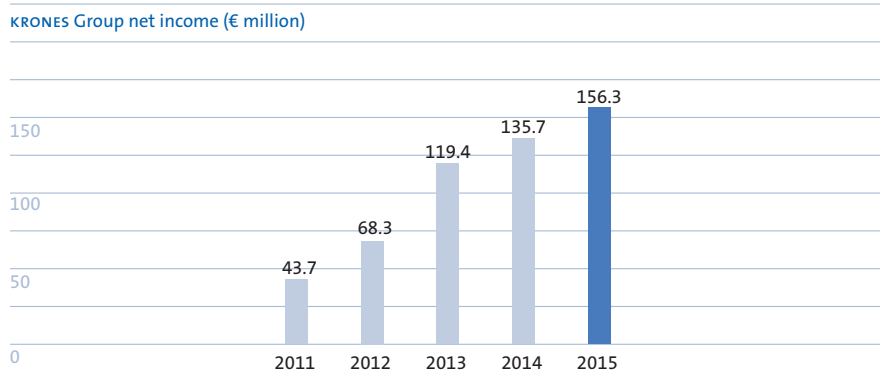
KRONES improved profitability

KRONES continued its earnings growth in 2015. At €223.3 million, earnings before taxes were up 16.4% on the previous year (€191.8 million). The EBT margin, the ratio of earnings before taxes to revenue, advanced from 6.5% in the previous year to 7.0%. Thus, KRONES has met its EBT margin target for 2015. The company thus also achieved the medium-term EBT margin target set under the Value strategy programme.

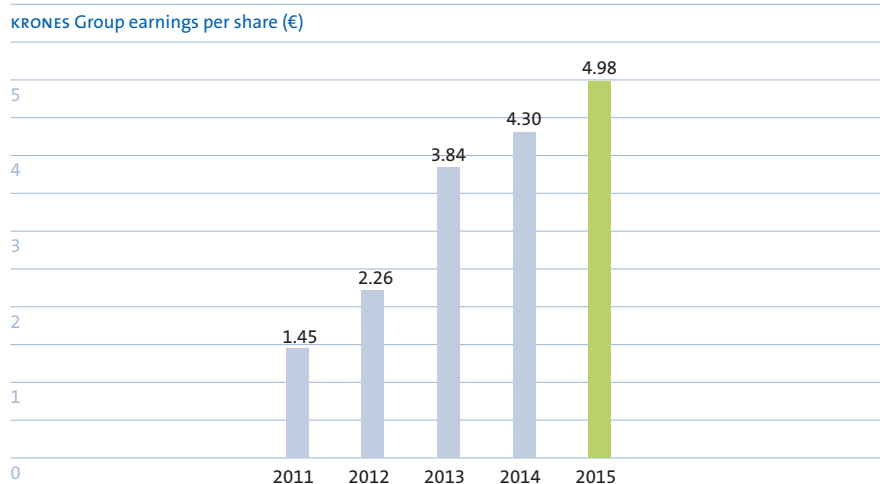


KRONES' EBT margin improved to 7.0% in 2015.

KRONES improved profitability as forecast thanks to good capacity utilisation and increased efficiency overall as a result of the Value strategy programme. As expected, prices yielded no positive effects on highly competitive markets.



The company's tax rate was up slightly year-on-year, from 29.3% to 30.0% in 2015. For this reason, consolidated net income did not increase quite as much as earnings before taxes. KRONES' net income was up 15.2%, from €135.7 million in the previous year to €156.3 million in 2015. Earnings per share rose from €4.30 in the previous year to €4.98.



KRONES shareholders benefit from the company's success

In order to share the company's success with shareholders, KRONES pays out 25% to 30% of consolidated profit in the form of dividends. The Executive Board and the Supervisory Board will propose to the annual shareholders' meeting a dividend of €1.45 per share for the 2015 financial year (previous year: €1.25). The planned payout corresponds to 29.1% of consolidated net income and lies near the upper end of the target corridor.

KRONES Group earnings structure

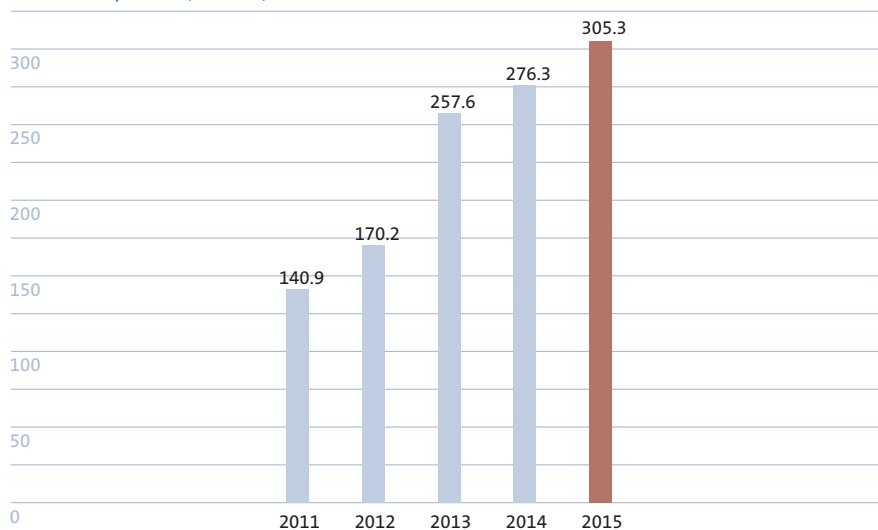
€ million	2015	2014	Change
Revenue	3,173.5	2,953.4	+7.5%
Changes in inventories of finished goods and work in progress	25.6	-23.4	-
Total operating performance	3,199.1	2,930.0	+9.2%
Goods and services purchased	-1,589.3	-1,440.8	+10.3%
Personnel expenses	-919.1	-853.3	+7.7%
Other operating income (expenses) and own work capitalised	-385.4	-359.7	+7.2%
EBITDA	305.3	276.3	+10.5%
Depreciation and amortisation on fixed assets	-88.4	-91.2	-3.1%
EBIT	216.9	185.1	+17.2%
Financial income/expense	+6.4	+6.7	-4.5%
EBT	223.3	191.8	+16.4%
Income tax	-67.0	-56.2	+19.4%
Consolidated net income	156.3	135.7	+15.2%

For more information, please refer to the complete income statement on page 154.

KRONES increased total operating performance by 9.2% year-on-year to €3,199.1 million in 2015. Total operating performance was up more sharply than revenue (+7.5%) because inventories of finished goods and work in progress increased by €25.6 million (previous year: -€23.4 million).

The company further increased earnings performance as forecast. The many measures taken under the Value strategy programme contributed significantly to the improvement. For example, within expenses for goods and services purchased, we were able to almost completely offset the higher costs of many components. This line item increased 10.3% to €1,589.3 million in the reporting period, only slightly more steeply than total operating performance. The ratio of expenses for goods and services purchased to total operating performance was nearly unchanged at 49.7% (previous year: 49.2%).

KRONES Group EBITDA (€ million)



Personnel expenses grew somewhat less than business volume in the reporting period despite the increase in pay rates as a result of collective bargaining. This line item was up 7.7% on the previous year, to €919.1 million. The ratio of personnel expenses to total operating performance decreased from 29.1% in the previous year to 28.7%.

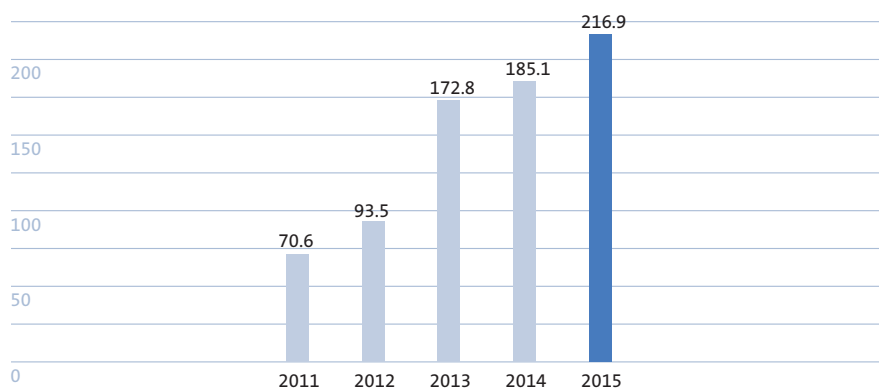
The net of other operating income and expenses and own work capitalised also grew less than business volume, changing by 7.2% from –€359.7 million in the previous year to –€385.4 million in 2015. With own work capitalised virtually unchanged (+€2.4 million), the net of other operating income and expenses (+7.2%) was primarily responsible for this development. The other operating expenses include several operating items (e.g. outgoing freights and travel expenses), which increased similarly to total operating performance.

Earnings before interest and taxes (EBIT) rose 17.2% to €216.9 million. Because financial income (€6.4 million) was slightly lower than in the previous year (€6.7 million), earnings before taxes (EBT) increased less sharply than EBIT, 16.4% to €223.3 million. KRONES improved its EBT margin – the ratio of earnings before taxes to revenue – from 6.5% in the previous year to 7.0% in 2015. KRONES' tax rate rose from 29.3% in the previous year to 30.0% in 2015. Consolidated net income was up 15.2% in 2015, to €156.3 million (previous year: €135.7 million).

KRONES improved profitability in 2015 as forecast thanks to successful implementation of Value measures.

KRONES improved all figures for operating earnings in 2015.

KRONES Group EBIT (€ million)



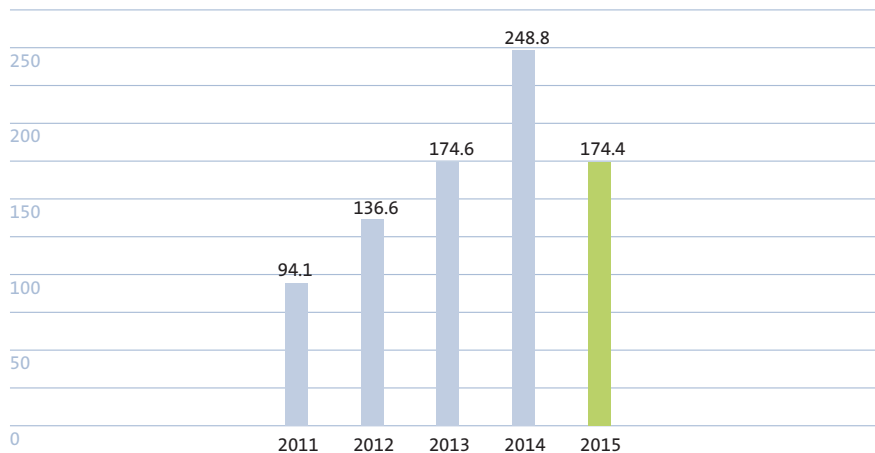
€ million	2015	2014
Earnings before taxes	223.3	191.8
Other non-cash expenses and income	+91.5	+137.2
Changes in working capital	-86.6	-38.9
Other (primarily income taxes)	-53.8	-41.3
Cash flow from operating activities	174.4	248.8
Capital expenditure for intangible assets and property, plant and equipment	-102.6	-94.6
Other	-1.1	-2.1
Free cash flow	70.7	152.1
Cash flow from financing activities	-39.5	-63.2
Change in cash and cash equivalents arising from exchange rates	-3.0	+7.4
Change in cash and cash equivalents arising from changes in the consolidated group	0	+0.2
Net change in cash and cash equivalents	+28.2	+96.5
Cash and cash equivalents at the end of the period	364.6	336.4

For more information, please refer to the complete statement of cash flows on page 158.

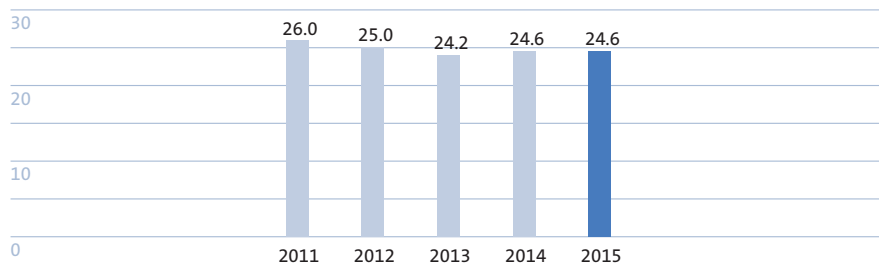
Despite higher earnings, KRONES' cash flow from operating activities was down from €248.8 million the previous year to €174.4 million in the reporting period. The main reason for the decrease was a bigger year-on-year increase in working capital, which reduced cash flow from operating activities by €86.6 million in 2015 (previous year: €38.9 million). The ratio of average working capital for the past four quarters to revenue was 24.6%, unchanged from the previous year. That puts us slightly higher than our target of 24%. We intend to move closer to our target this year by way of more intensive working capital management.

KRONES generated €174.4 million in cash flow from operating activities in 2015 after €248.8 million in the previous year. A sharp increase in working capital was one factor behind the decrease.

KRONES Group cash flow from operating activities (€ million)



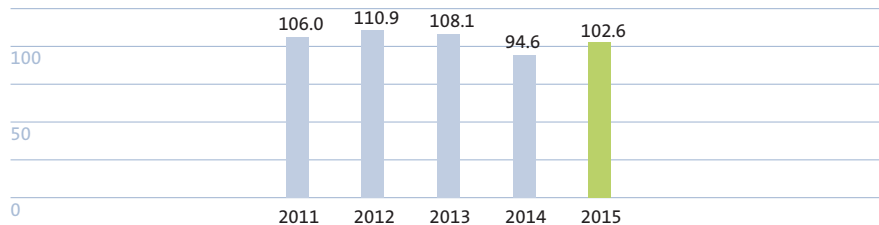
KRONES Group working capital to revenue (% , average over 4 quarters)



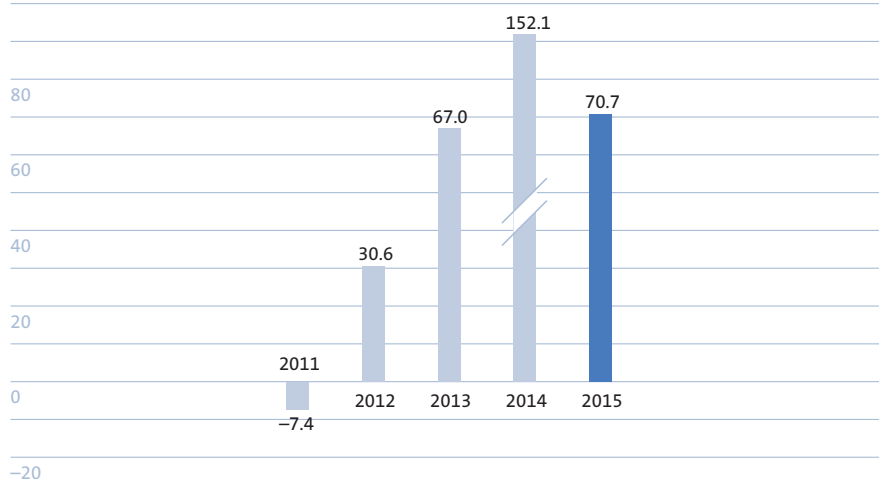
The company invested €102.6 million in property, plant and equipment and intangible assets last year (previous year: €94.6 million). We increased investment in both intangible assets (€43.0 million) and property, plant and equipment (€59.6 million) year-on-year in 2015 as forecast. In the reporting period, KRONES invested heavily in information technology and new production facilities. Capital expenditure in the individual segments is discussed in the report from the segments (pages 160 to 161). At €70.7 million, KRONES' free cash flow (net cash generated from operating activities) was down from the high year-earlier figure of €152.1 million.

The ratio of capital expenditure to depreciation and amortisation increased from 1.04 in the previous year to 1.16.

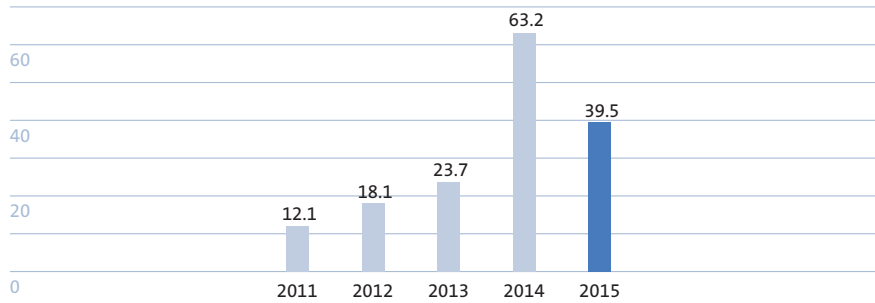
KRONES Group capital expenditure for PP&E and intangible assets (€ million)



KRONES group free cash flow (€ million)

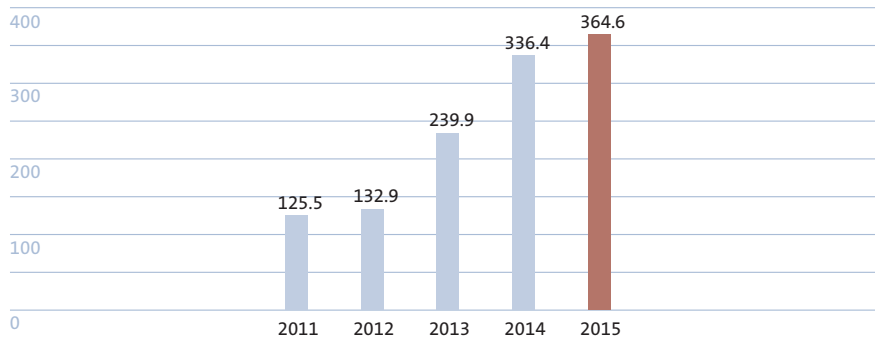


KRONES Group dividend payout (€ million)



As in the previous year, cash flow from financing activities reflects only the dividend payout. The company distributed €39.5 million in dividends to its shareholders in 2015 after €63.2 million in the previous year (including the special dividend). As a result, cash flow from financing activities was correspondingly smaller in the reporting period. Changes arising from exchange rates decreased cash and cash equivalents by €3.0 million in 2015 due to developments in the exchange rates of local currencies at our subsidiaries (previous year: +€7.4 million). In all, KRONES' cash and cash equivalents increased by €28.2 million in 2015, from €336.4 million in the previous year to €364.6 million.

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



€ million at 31 December	2015	2014	2013
Non-current assets	697	672	642
of which fixed assets	646	624	605
Current assets	2,010	1,756	1,596
of which cash and equivalents	365	336	240
Equity	1,111	989	954
Total debt	1,596	1,439	1,284
Non-current liabilities	278	275	213
Current liabilities	1,318	1,164	1,071
Total	2,707	2,428	2,238

For more information, please refer to the complete statement of financial position on pages 156 and 157.

At 31 December 2015, KRONES' total assets had grown 11.5% compared with the end of 2014, to €2,706.6 million on sharply higher business volume.

At the end of 2015, the company had non-current assets totalling €697.3 million (previous year: €672.0 million). Fixed assets were up 3.5% to €646.2 million (previous year: €624.2 million). Property, plant and equipment made up the largest share of fixed assets, totalling €481.5 million at 31 December 2015 (up 0.5% from the previous year). KRONES' intangible assets, which consist primarily of development costs that must be capitalised, increased by €19.9 million from €143.3 million in the previous year to €163.2 million.

The company's current assets amounted to €2,009.3 million at the end of 2015, up 14.5% over the year-earlier figure of €1,755.5 million. The main reason for the increase was that the sharply higher business volume resulted in higher trade receivables (up €105.1 million to €796.8 million) and bigger inventories of work in progress and goods purchased for sale resulted in higher inventories overall (up €74.5 million to €724.5 million). Cash and cash equivalents also grew €28.2 million year-on-year to €364.6 million.

On the liabilities side, KRONES' non-current liabilities were up slightly in the reporting period, to €278.5 million (31 December 2014: €274.9 million). Higher deferred tax liabilities were the main factor here. Provisions for pensions were down, from €211.3 million to €196.9 million, primarily as a result of an increase in the discount rate to 2.3%. KRONES had no non-current bank debt at the end of 2015.

Current liabilities rose from €1,164.1 million in 2014 to €1,317.4 million in the reporting period. The increase was due to higher advances received and trade payables, which can be attributed to the increase in business volume. KRONES had no current bank debt at the end of 2015. Thus, KRONES had net cash and cash equivalents totalling €364.6 million at the reporting date for 2015 (previous year: €336.4 million). In addition, the group has around €279 million in unused lines of credit.

KRONES had no bank debt, a comfortable liquidity cushion, and a sound equity position at the end of 2015. That gives the company a high level of financial flexibility.

A backup facility of €250 million is also available. That further strengthens the main objectives of our financial management – ensuring KRONES' strong financial footing and independence.

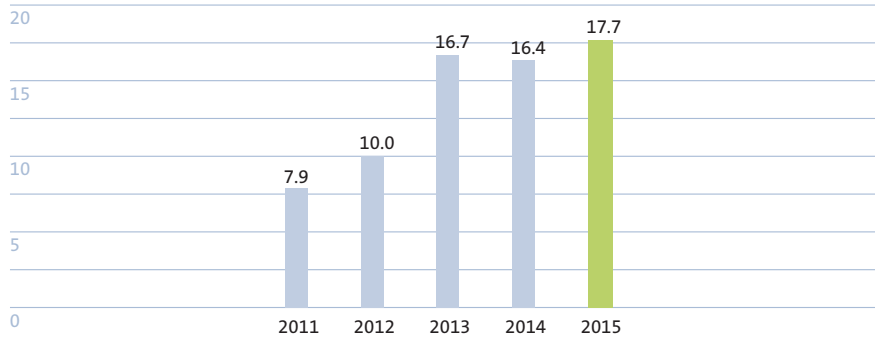
Due to the high consolidated net income, equity increased from €988.5 million to €1,110.7 million in 2015. At the end of 2015, the equity ratio came to 41.0%, which is higher than the year-earlier figure of 40.7%. Thus, KRONES continues to possess an exceptionally robust financial and capital structure.

ROCE climbs from 16.4% to 17.7%

KRONES improved its return on capital employed (ROCE), that is the ratio of EBIT to average net tied-up capital, to 17.7% in 2015 (previous year: 16.4%). With that, we exceeded our target of 17% for 2015. In the medium term, we want to further improve our ROCE, moving towards 20%.

With an ROCE of 17.7%, KRONES exceeded its target for this important financial performance indicator in 2015.

KRONES Group ROCE (%)



Report from the segments

Machines and lines for product filling and decoration

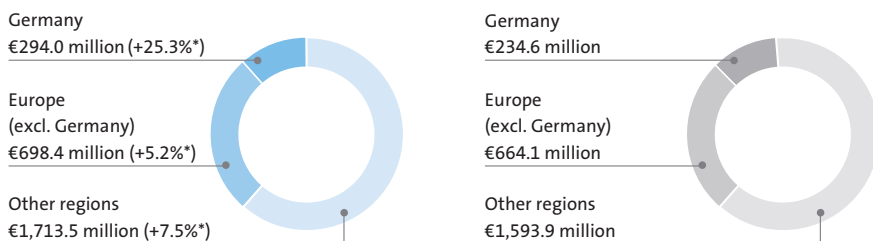
Segment revenue

Revenue in our machines and lines for product filling and decoration segment rose 8.6% year-on-year to €2,705.9 million in 2015. With that, our core segment grew more than forecast in the reporting period. High demand for complete filling and packaging lines was one factor driving this growth. Overall, KRONES' core segment benefited from its broad range of innovative products and services. The segment's share of consolidated revenue increased year-on-year from 84.4% to 85.3% in 2015.

Demand for products and services from KRONES' core segment was high in 2015.

Photo right: Filling lines are part of KRONES' core segment.

Segment revenue by region



Revenue in 2015: € 2,705.9 million

Revenue in 2014: €2,492.7 million

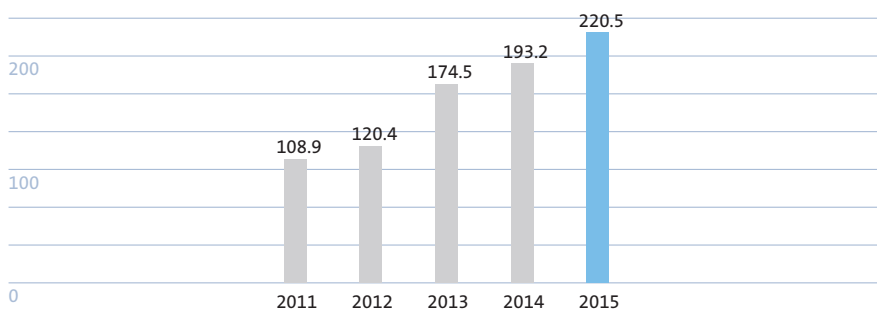
* Percentage change on previous year

Segment earnings

KRONES further strengthened its biggest segment's profitability in 2015. Earnings before taxes (EBT) rose 14.2% from €193.2 million in the previous year to €220.5 million. Thus, the EBT margin, the ratio of segment earnings before taxes to segment revenue, improved from 7.7% in the previous year to 8.1%. That reflects the successful measures taken under the Value strategy programme. For example, we further increased the degree of modularisation of products in our core segment and expanded our regional service business.

The core segment's EBT margin improved from 7.7% in the previous year to 8.1% in 2015.

Segment EBT (€ million)





ECONOMIC POSITION

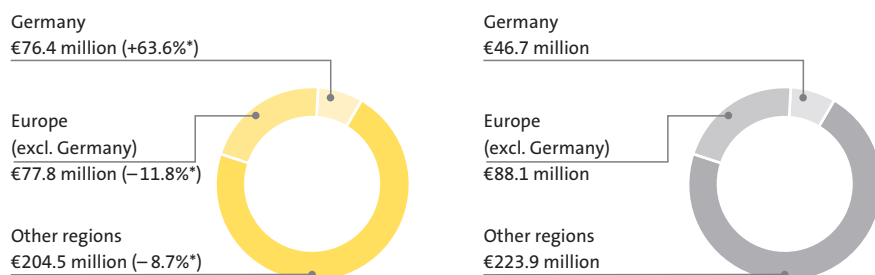
Segment revenue

Because business was slow at the end of the year, KRONES did not achieve its growth target of 7% in the machines and lines for beverage production/process technology segment in 2015. At €358.7 million, revenue was flat compared to the previous year. However, it should be borne in mind that process technology revenue can fluctuate as a result of long project lead times and invoice timing. The segment contributed 11.3% of consolidated sales in the reporting period (previous year: 12.1%).

Process technology revenue was flat in 2015.

Photo right: The brewhouse is the heart of a brewery

Segment revenue by region



Revenue in 2015: €358.7 million

Revenue in 2014: €358.7 million

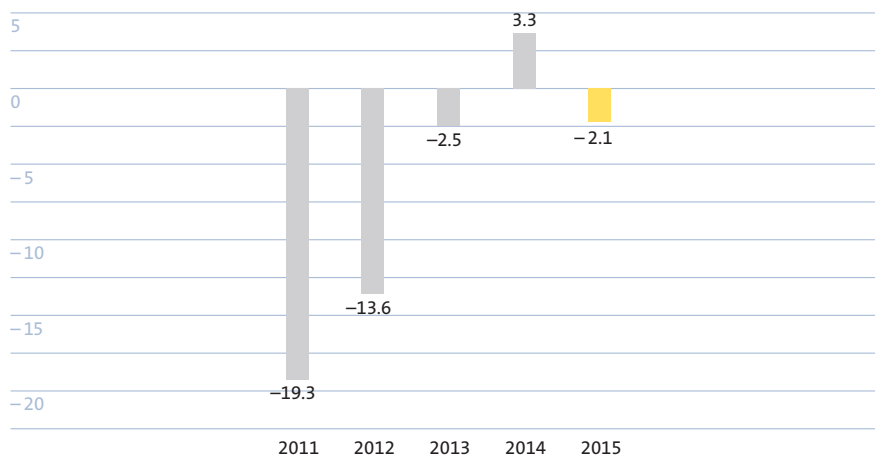
* Percentage change on previous year

Segment earnings

In 2015, KRONES developed an action package for improving the segment's profitability for the long term. The measures focus on improving important processes, building regional structures, and reducing costs overall. We recognised provisions totalling €2.0 million for some of these measures in the fourth quarter of 2015, which affected segment earnings. In all, earnings before taxes in the process technology segment came to -€2.1 million in 2015 (previous year: +€3.3 million). Adjusted for the one-time expense, the segment broke even in 2015.

KRONES has developed a raft of measures aimed at strengthening the segment's profitability for the long term.

Segment EBT (€ million)





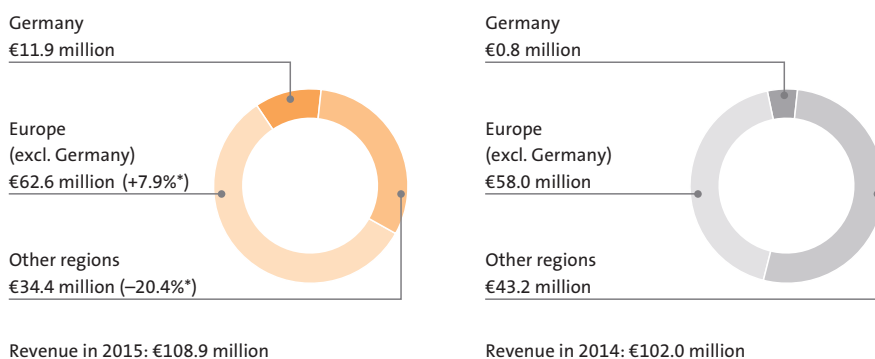
Segment revenue

Revenue in KRONES' smallest segment, machines and lines for the compact class, rose 6.8% year-on-year from €102.0 million in the previous year to €108.9 million in 2015. GERNEP, which was consolidated for the first time in 2015, contributed to this growth with €11.0 million in revenue. KRONES acquired the company, which delivers labelling technology for the lower output range, in the second quarter of 2015. The segment's share of consolidated revenue decreased slightly in 2015, from 3.5% in the previous year to 3.4%.

Revenue in the machines and lines for the compact class segment increased 6.8% in 2015.

Photo right: PET preforms, also known as blanks, before they are formed into bottles in the stretch blow-moulder.

Segment revenue by region



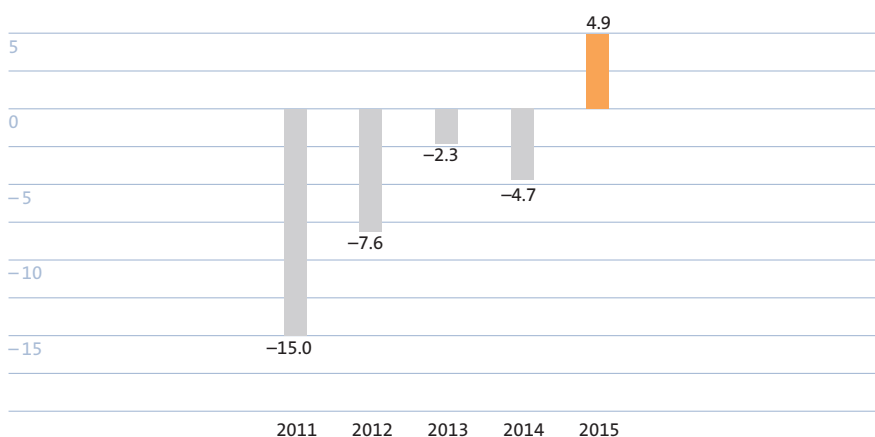
* Percentage change on previous year

Segment earnings

After the successful restructuring of KOSME's Italian site, segment earnings improved considerably in 2015. Earnings before taxes (EBT) rose from -€4.7 million in the previous year to +€4.9 million. GERNEP contributed €1.6 million to this outcome. Even when taking into account the one-time expense of around €5 million in 2014 for the restructuring of KOSME Italy, the segment's operating earnings were still significantly improved in 2015. With an EBT margin (the ratio of EBT to revenue) of 4.5%, the segment achieved its margin target in 2015.

KRONES' smallest segment generated an EBT margin of 4.5% in 2015.

Segment EBT (€ million)





The Executive Board finds that KRONES' business has developed well up to the time of publication of this Annual Report. KRONES benefited from its broad international diversification and its entire portfolio of products and services. As a result of the measures taken under the Value strategy programme, the company's efficiency and profitability increased as forecast. With revenue growth of 7.5% in 2015, we exceeded our growth target of 4%. The biggest share of growth came from our core segment, machines and lines for product filling and decoration. Consolidated revenue overall rose from €2,953.4 million in the previous year to €3,173.5 million in 2015. Earnings before taxes (EBT) increased more steeply than revenue in 2015. At €223.3 million, EBT was up 16.4% year-on-year. The EBT margin, the ratio of earnings before taxes to revenue, advanced from 6.5% in the previous year to 7.0%. Thus, KRONES has met its margin target for 2015.

Strong earnings development made for an excellent return on capital employed (ROCE). In 2015, the ROCE, that is the ratio of EBIT to average net tied-up capital, increased from 16.4% in the previous year to 17.7%. With that, we exceeded our target of 17% for 2015. KRONES' financial and capital structure remains very sound. At the end of 2015, the company had no bank debt and had cash and cash equivalents totalling €364.6 million. The equity ratio was 41.0%. Our comfortable liquidity cushion and sound equity position give KRONES a high level of financial flexibility. Overall, the company has a solid basis from which to continue to grow profitably.

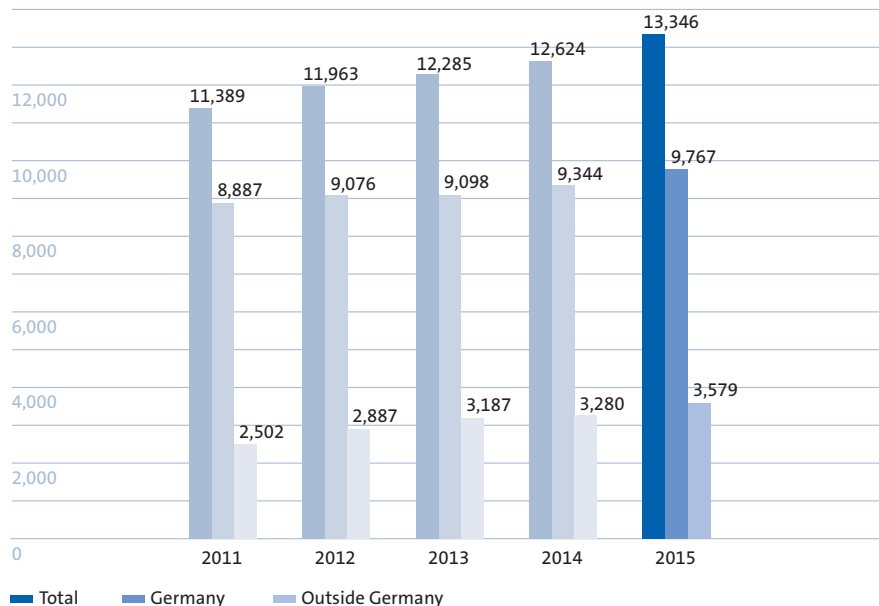


KRONES team grows 5.7%

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 grew its workforce in Germany and abroad. The share of employees outside Germany was up from 26.0% to 26.8%.

Employees by region



At the end of 2015, the company employed 13,346 people worldwide, 722 more than in the previous year. The company's workforce in Germany grew from 9,344 to 9,767. The workforce outside Germany grew from 3,280 to 3,579. The share of employees outside Germany rose from 26.0% to 26.8% at the end of the financial year.

Employees in the emerging markets 2011–2015

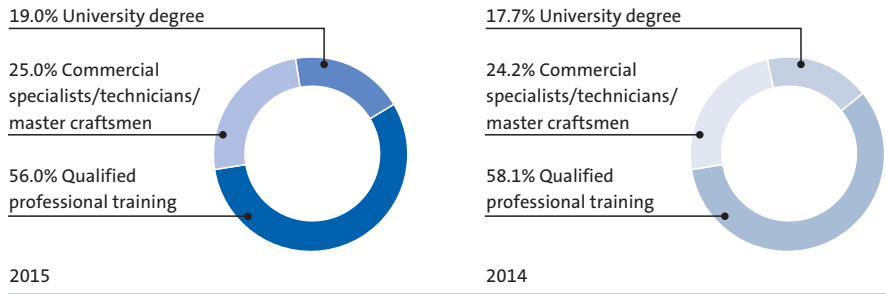
Year	South America	Africa	Asia	cis/ Eastern Europe	China	Total
2011	406	225	198	109	258	1,196
2012	438	285	293	121	298	1,435
2013	485	339	400	132	325	1,681
2014	501	363	453	136	385	1,838
2015	519	376	502	147	451	1,995

In the emerging markets, where KRONES has for years generated more than half of consolidated revenue, the company added 157 people, bringing the total to 1,995 employees. Since employee turnover rates are higher in these markets, we want not only to hire new employees but also to increase their loyalty to the company.

In the emerging markets, KRONES grew its workforce by 157 to 1,995 in 2015.

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.

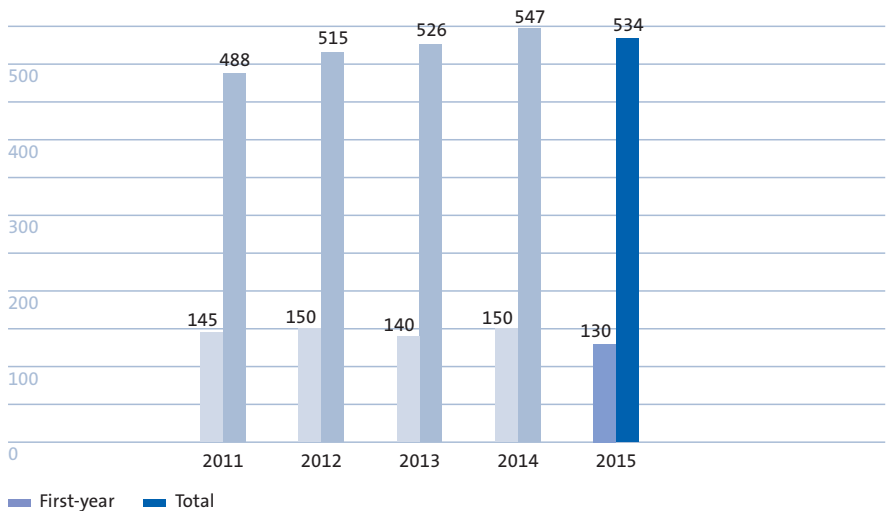
Employee qualifications in Germany



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

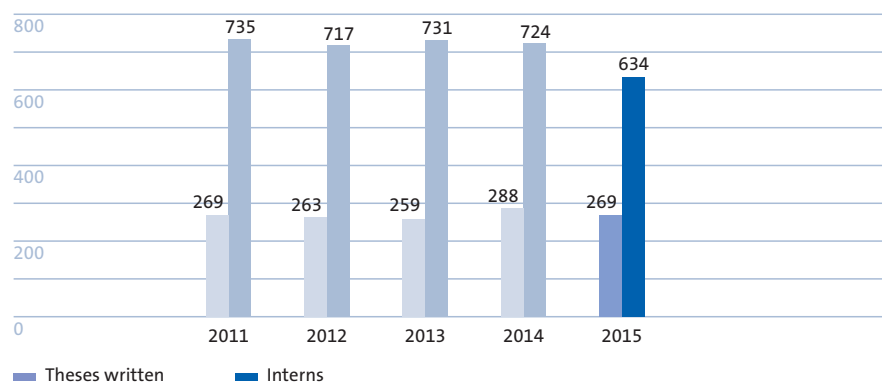


In the fall of 2015, 130 young people began training with KRONES, 20 fewer than last year. KRONES strives to replace retiring employees in Germany with our own home-grown talent. Because age-related retirement rates are very low, we have adjusted the size of our training and apprenticeship programmes. 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.

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

In essence, risks are defined as possible negative deviation from our earnings forecast for the 2016 financial year. Opportunities are possible positive deviations from our earnings forecast for the 2016 financial year. Because they share the same sales and procurement markets, the same risks and opportunities also apply to all three of the KRONES Group's operating segments.

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

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

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

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

* Based on EBIT

Multi-stage risk management system

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

Risk analysis

In order to identify risks early, we continuously monitor all business activities. Material project-related risks are reduced or avoided before an order is accepted. Therefore, we conduct a profitability analysis of all of our quotes prior to order acceptance. For orders that exceed a specified volume, we also conduct a multi-dimensional risk analysis. Apart from profitability, we also individually record and evaluate financing risks, technological risks, and 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 within the KRONES Group. Regular comprehensive reports from the individual business units keep the Executive Board and other decision-makers apprised of all possible risks and deviations from company planning and of the status of mitigating actions in a timely manner. For projects with a high contract value, potential risks are examined and evaluated in regular meetings. Employees who identify risks pass their information on promptly through the company's internal reporting system.

Risk planning and control

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

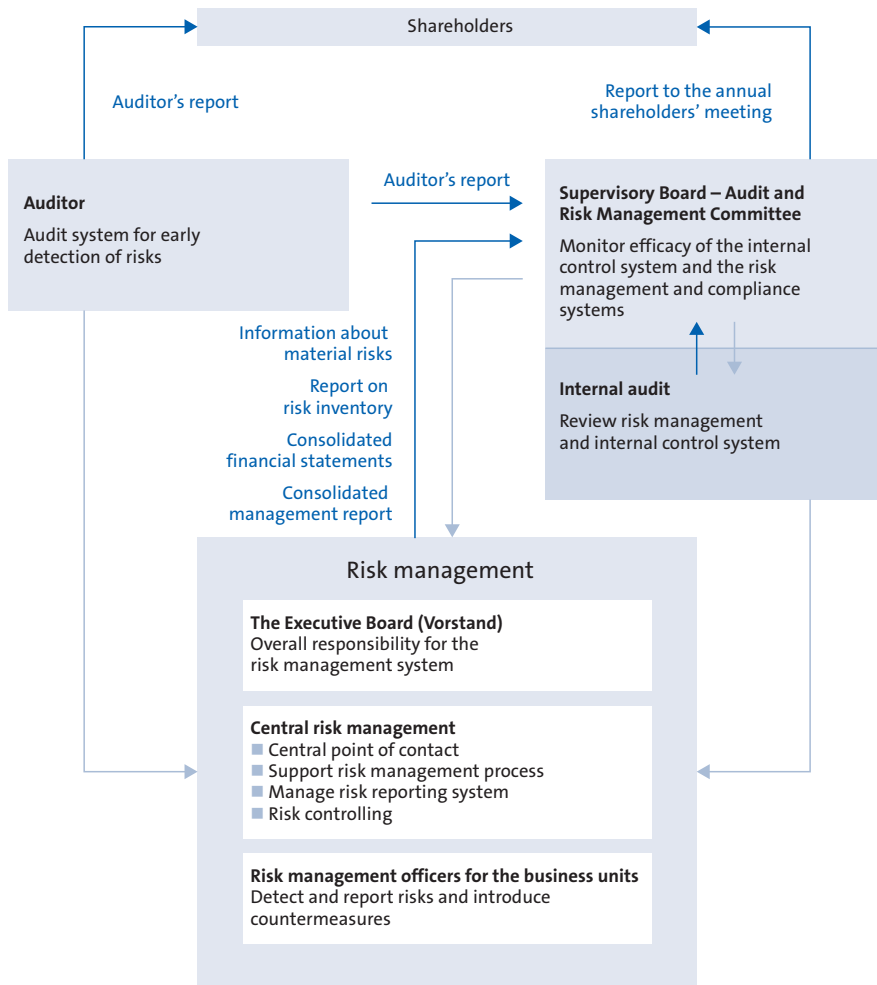
- Annual planning
- Medium-term planning
- Strategic planning
- Rolling forecasts
- Monthly and quarterly reports
- Capital expenditure planning
- Production planning
- Capacity planning
- Project controlling
- Accounts receivable management
- Exchange rate hedges
- Insurance policies

Risk management organisation

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

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

Risk management organisation at KRONES



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

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

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

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

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

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

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

Risk categories	Likelihood of event	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. Our description below of these risks and suitable actions is in keeping with the disclosure requirements under IFRS 7 on the reporting of risks relating to financial instruments. Because of regional and customer-related diversification, there is no material concentration of risk.

1. Default risk

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

1.1 Trade receivables

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

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

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

€ thousand	Carrying amount	Of which not overdue at the reporting date	Of which overdue by the following number of days at the reporting date			
			up to 90 days	between 90 and 180 days	between 180 and 360 days	more than 360 days
31 Dec 2015						
Trade receivables	820,612	582,286	136,757	49,895	25,766	25,908
31 Dec 2014						
Trade receivables	711,719	542,315	97,716	27,242	28,510	15,936

1.2 Derivative financial instruments

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

1.3 Other financial assets

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

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

2. Liquidity risk

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

KRONES generates most of its cash and cash equivalents through operating activities. These funds primarily serve to finance working capital and capital expenditures. KRONES manages its liquidity by reserving sufficient cash and cash equivalents and credit lines with banks in addition to the regular inflow of payments from operating activities. The company's liquidity management for operations consists of a cash management system, which is based in part on rolling monthly liquidity planning with a planning horizon of one year. This allows KRONES to be proactive about any possible liquidity bottlenecks. Apart from cash on hand, KRONES' cash and cash equivalents consist primarily of demand deposits. The following overview of maturities shows how the undiscounted cash flows relating to liabilities as of 31 December 2015 influence the company's liquidity situation.

€ thousand	Carrying amount at 31 Dec 2015	Cash flow for 2016		Cash flow for 2017–2020		Cash flow for 2020 or later	
		Interest	Repayment	Interest	Repayment	Interest	Repayment
Derivative financial instruments	2,540	0	2,540	0	0	0	0
Liabilities to banks	0	0	0	0	0	0	0
Liabilities from leases	367	17	107	22	260	0	0
Discounted trade bills	68,916	0	56,325	0	12,591	0	0
Other financial liabilities	18,088	0	16,712	153	1,376	0	0
	89,911	17	75,684	175	14,227	0	0

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

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.

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

€ thousand	Currency USD	Currency CAD	Currency AUD	Currency GBP
Cash and cash equivalents	572	679	0	0
Trade receivables	2,010	5,903	189	0
Other financial receivables	155	35	6	0
Derivatives at positive market values	0	0	0	0
Loans	0	0	0	0
Total assets	2,737	6,617	195	0
Liabilities				
Trade payables	-5,965	-1,708	-126	-170
Due to banks	0	0	0	0
From finance leases	0	0	0	0
Other liabilities	-4,334	-5,716	0	0
Derivatives at negative market values	0	0	0	0
Financial liabilities at amortised cost	0	0	0	0
Total liabilities	-10,299	-7,424	-126	-170
Balance of assets and liabilities	-7,562	-807	69	-170
Items hedged through derivatives	0	0	0	0
Net exposure at 31 Dec 2015	-7,562	-807	69	-170

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

€ thousand	Currency USD	Currency CAD	Currency AUD	Currency GBP
(+) Currency translation gains/ (-) losses	687	73	-6	15

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

Operational risks

1. Price risk

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

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

2. Procurement risk

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

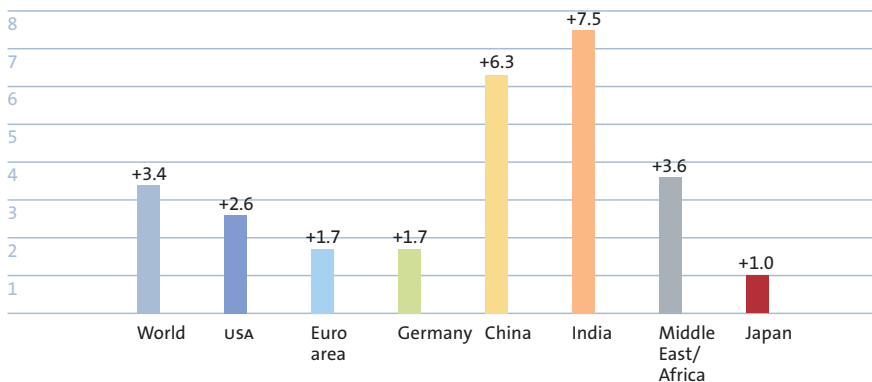
In January 2016, the International Monetary Fund (IMF) lowered its forecast for 2016 slightly. The IMF now expects the world economy to grow by 3.4% in 2016. In October 2015, the forecast was for 3.6% growth. The reason for the downgrade is that economic activity in the emerging markets is likely to 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

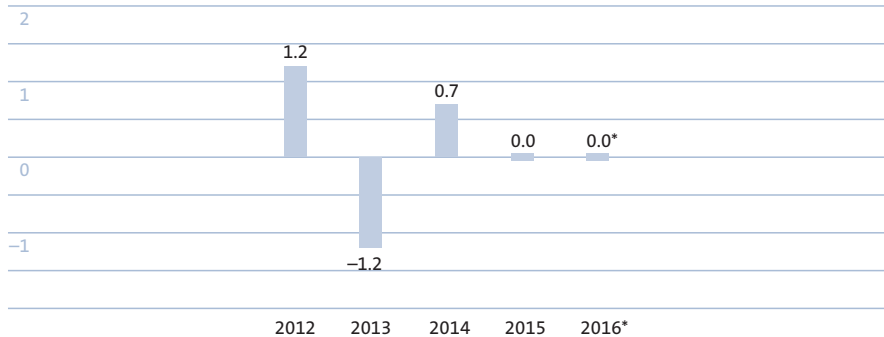
Consumer spending is a key factor determining the propensity of KRONES customers to invest and, consequently, demand for beverage filling and packaging equipment. Low unemployment and low inflation rates have a positive effect on consumer's buying power and therefore support demand for packaged food 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 all three segments 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 all three segments in 2016.

The process technology segment is expected to make a sustainable return to profitability 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.

For the core segment, KRONES is projecting slightly lower-than-average revenue growth of 3% in 2016 after the higher-than-average growth of the last two years. The EBT margin is expected to match its high year-earlier level of around 8%.

In the process technology segment, 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.

We will continue to expand our components business (EVOGUARD) and intralogistics (SYSKRON), both of which are also part of the process technology segment, in 2016.

In all, we are forecasting revenue growth of around 10% and slightly positive earnings (EBT margin: 1%) for the process technology segment for 2016. In the medium term, we intend to achieve an EBT margin of at least 4% in process technology.

The smallest segment, machines and lines for the compact class, bundles the activities of KOSME and GERNEP. After the turnaround at KOSME last year, we expect the compact class segment to generate stable revenue and an EBT margin of 4% to 5% this year. We are confident that this segment can generate annual growth of 5% and an EBT margin of 5% each year in the medium term.

Based on the current macroeconomic prospects and expected development of the markets relevant to KRONES, we are targeting consolidated revenue growth of 3% in 2016.

The company's earnings are set to improve yet again this year. KRONES projects that the EBT margin (earnings before taxes to revenue) will be 7.0% in 2016. We want to increase our third strategy target, ROCE, to 18% this year. Our medium-term ROCE target is 20%.

KRONES intends to increase revenue, earnings, and ROCE in 2016.

	Forecast for 2016	Actual value 2015
Revenue growth	+3%	+7.5%
EBT margin	7.0%	7.0%
ROCE	18%	17.7%

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

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

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

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

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

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

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

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

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

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 group 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 €2,946 thousand at the end of the year (previous year: €1,897 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 €5,536 thousand (previous year: €7,420 thousand) were recognised for active members of the Executive Board. In addition, €652 thousand (previous year: €561 thousand) was paid into contribution-based plans in 2015. At the end of 2015, the corresponding Defined Benefit Obligation (DBO) amounted to the following: for Mr. Kronseder €10,979 thousand, for Mr. Klenk €2,083 thousand, for Mr. Diepold €4,787 thousand, for Mr. Ricker €35 thousand, for Mr. Tischer €39 thousand, and for Mr. Goldbrunner €26 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 were made amounting to €988 thousand (previous year: €820 thousand) and pension provisions of €2,282 thousand (previous year: €2,428 thousand) were recognised.

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

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

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

Neutraubling, 22 March 2016

KRONES AG

The Executive Board



Christoph Klenk
CEO



Michael Andersen
CFO



Rainulf Diepold



Thomas Ricker



Markus Tischer



Ralf Goldbrunner



360° Wide Open Flavor & Aroma

CROWN

packaging
SOME BOTT
SUPPORTS
INDUSTRY
ERY. AT
STAND
D BR
DOI

360° Wide Open Flavor & Aroma



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.

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

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 6 to 7 and 196). 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 17 and 196 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.



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Separate income statement

		2015		2014	
€ thousand	Notes				
Revenue	19	3,173,509		2,953,405	
Changes in inventories of finished goods and work in progress		25,572		-23,392	
Other own work capitalised	20	38,332		35,917	
Other operating income	21	140,847	3,378,260	95,319	3,061,249
Goods and services purchased	22				
Expenses for materials and supplies and for goods purchased		-1,290,815		-1,172,746	
Expenses for services purchased		-298,435	-1,589,250	-268,036	-1,440,782
Personnel expenses	23				
Wages and salaries		-767,350		-714,603	
Social security contributions and expenses for pension plans and for benefits		-151,775	-919,125	-138,680	-853,283
Depreciation and amortisation of intangible assets and property, plant and equipment	1/2		-88,361		-91,167
Other operating expenses	24		-564,617		-490,892
EBIT			216,907		185,125
Investment income	25	2,141		2,221	
Income from other securities and loans classified as non-current financial assets	25	13		36	
Other interest and similar income	25	6,212		7,914	
Write-downs on non-current financial assets	25	0		-508	
Interest and similar expenses	25	-1,948		-2,948	
Financial income/expense			6,418		6,715
Earnings before taxes			223,325		191,840
Income tax	7/26		-67,070		-56,188
Consolidated net income			156,255		135,652
Profit share of non-controlling interests			-1,174		-228
Profit share of KRONES Group shareholders			157,429		135,880
Earnings per share (diluted/basic) in €	27		4.98		4.30

		2015	2014
€ thousand	Notes		
Consolidated net income		156,255	135,652
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains and losses on pensions and similar obligations	11	12,306	-45,852
		12,306	-45,852
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation		-6,670	10,968
Derivative financial instruments	11	-183	-4,250
		-6,853	6,718
Other comprehensive income	8	5,453	-39,134
Total comprehensive income	8	161,708	96,518
of which attributable to non-controlling interests		-1,174	-228
of which attributable to KRONES Group shareholders		162,882	96,746

Statement of financial position

Assets		31 Dec 2015		31 Dec 2014	
€ thousand	Notes				
Intangible assets	1	163,189		143,343	
Property, plant and equipment	2	481,459		479,208	
Non-current financial assets	3	1,567		1,686	
Fixed assets		646,215		624,237	
Deferred tax assets	7	21,974		22,337	
Trade receivables	5	23,820		20,016	
Income tax receivables	7	1,712		3,408	
Other assets	5	3,537		2,021	
Non-current assets			697,258		672,019
Inventories	4	724,502		650,021	
Trade receivables	5	796,792		691,703	
Current income tax receivables	7	15,027		3,743	
Other assets	5	108,469		73,607	
Cash and cash equivalents	6	364,585		336,444	
Current assets			2,009,375		1,755,518
Total			2,706,633		2,427,537

Equity and liabilities		31 Dec 2015		31 Dec 2014	
€ thousand	Notes				
Share capital	8	40,000		40,000	
Capital reserves	9	141,724		141,724	
Profit reserves	10	357,341		363,703	
Other reserves	11	-77,360		-89,483	
Group retained earnings		649,428		531,798	
Group equity of the parent company			1,111,133		987,742
Non-controlling interests	12	-417		757	
Equity			1,110,716		988,499
Provisions for pensions	13	196,910		211,321	
Deferred tax liabilities	7	17,261		2,539	
Other provisions	14	47,196		47,136	
Provisions for taxes	14	2,899		2,638	
Liabilities to banks		0		0	
Other financial liabilities	15	12,591		9,699	
Other liabilities	15	1,636		1,571	
Non-current liabilities			278,493		274,904
Other provisions	14	147,004		162,839	
Provisions for taxes	14	9,480		14,713	
Liabilities to banks		0		0	
Advances received	15	545,664		493,725	
Trade payables	15	247,906		214,855	
Current tax liabilities	7	17,413		6,466	
Other financial liabilities	15	56,325		12,021	
Other liabilities and accruals	15	293,632		259,515	
Current liabilities			1,317,424		1,164,134
Total			2,706,633		2,427,537

Statement of cash flows

		2015	2014
€ thousand	Notes		
Earnings before taxes		223,325	191,840
Depreciation and amortisation	1,2	88,361	91,167
Increase in provisions and accruals	14,15	16,253	48,077
Deferred tax item changes recognised in profit or loss	7	-7,758	6,147
Interest expenses and interest income	25	-4,264	-4,966
Gains and losses from the disposal of non-current assets	21,24	335	-15
Other non-cash expenses and income		-1,510	-3,183
Increase in trade receivables and other assets not attributable to investing or financing activities		-144,034	-65,002
Increase in inventories	4	-71,569	-5,549
Increase in trade payables and other liabilities not attributable to investing or financing activities		129,086	31,662
Cash generated from operating activities		228,225	290,178
Interest paid		-1,417	-1,119
Income tax paid and refunds received		-52,377	-40,218
Cash flow from operating activities		174,431	248,841
Cash payments to acquire intangible assets	1	-43,055	-40,198
Proceeds from the disposal of intangible assets	1	63	69
Cash payments to acquire property, plant and equipment	2	-59,569	-54,392
Proceeds from the disposal of property, plant and equipment	2	6,933	1,541
Cash payments to acquire non-current financial assets		-10	-128
Proceeds from the disposal of non-current financial assets	25	142	275
Cash payments to acquire shares in affiliated companies		-12,126	-10,280
Interest received		1,725	4,188
Dividends received		2,141	2,221
Cash flow from investing activities		-103,756	-96,704
Cash payments to company owners		-39,491	-63,186
Cash flow from financing activities		-39,491	-63,186
Net change in cash and cash equivalents		25,083	88,951
Changes in cash and cash equivalents arising from exchange rates		-3,043	7,423
Changes in cash and cash equivalents arising from the consolidated group		0	190
Cash and cash equivalents at the beginning of the period		336,444	239,880
Cash and cash equivalents at the end of the period	6	364,585	336,444

€ thousand	Parent company							Non-controlling interests	Group equity
	Share capital	Capital reserves	Profit reserves	Currency differences in equity	Other reserves	Group retained earnings	Equity		
Notes	8	9	10	10	11			12	
At 1 January 2014	40,000	141,724	364,259	-11,531	-39,381	459,111	954,182	0	954,182
Dividend payment (€2.00 per share)						-63,186	-63,186		-63,186
Consolidated net income 2014						135,880	135,880	-228	135,652
Allocation to profit reserves			7			-7	0		0
Currency differences				10,968			10,968		10,968
Changes in the consolidated group							0	985	985
Remeasurement of defined benefit plans					-45,852		-45,852		-45,852
Hedge accounting, incl. AFS					-4,250		-4,250		-4,250
At 31 December 2014	40,000	141,724	364,266	-563	-89,483	531,798	987,742	757	988,499
Dividend payment (€1.25 per share)						-39,491	-39,491		-39,491
Consolidated net income 2015						157,429	157,429	-1,174	156,255
Allocation to profit reserves			308			-308	0		0
Currency differences				-6,670			-6,670		-6,670
Remeasurement of defined benefit plans					12,306		12,306		12,306
Hedge accounting, incl. AFS					-183		-183		-183
At 31 December 2015	40,000	141,724	364,574	-7,233	-77,360	649,428	1,111,133	-417	1,110,716

Notes to the consolidated financial statements of KRONES AG

Segment reporting

€ thousand	Machines and lines for product filling and decoration		Machines and lines for beverage production/ process technology		Machines and lines for the compact class	
	2015	2014	2015	2014	2015	2014
Revenue	2,705,894	2,492,690	358,683	358,723	108,932	101,992
Germany	294,018	234,622	76,438	46,718	11,930	769
Rest of Europe	698,394	664,138	77,758	88,122	62,615	58,027
Other regions	1,713,482	1,593,930	204,487	223,883	34,387	43,196
Depreciation, amortisation, and write-downs	77,273	80,067	8,821	8,993	2,267	2,107
of which unscheduled write-down	175	5,278	0	0	0	0
Interest income					18	39
Interest expense					42	44
EBT	220,524	193,158	-2,055	3,345	4,856	-4,663
Other material non-cash income and expenses	-9,690	-48,242	-1,347	446	-3,706	2,903
Assets	2,308,734	2,081,224	293,451	278,109	81,094	67,051
Germany	1,464,015	1,441,794	293,451	278,109	12,430	0
Rest of Europe	194,408	107,352	0	0	68,664	67,051
Other regions	650,311	532,078	0	0	0	0
Liabilities	1,395,059	1,292,185	124,851	115,738	47,932	36,451
Capital expenditure for intangible assets and property, plant and equipment	90,521	82,540	7,701	9,455	6,006	2,594
Germany	83,420	72,868	7,701	9,455	0	0
Rest of Europe	734	729	0	0	6,006	2,594
Other regions	6,367	8,944	0	0	0	0
EBT margin (EBT to revenue)	8.1%	7.7%	-0.6%	0.9%	4.5%	-4.6%

Total for the segments		Consolidation		Other		KRONES Group	
2015	2014	2015	2014	2015	2014	2015	2014
						3,173,509	2,953,405
						382,386	282,109
						838,767	810,287
						1,952,356	1,861,009
						88,361	91,167
						175	5,278
				6,194	7,875	6,212	7,914
				1,906	2,904	1,948	2,948
						223,325	191,840
						-14,743	-44,894
2,683,279	2,426,384	-16,078	-29,054	39,432	30,207	2,706,633	2,427,537
1,769,896	1,719,903	-7,700	-14,365	39,432	30,207	1,801,628	1,735,745
263,072	174,403	-7,320	-14,289	0	0	255,752	160,114
650,311	532,078	-1,058	-400	0	0	649,253	531,678
1,566,840	1,444,374	-16,078	-29,054	44,154	23,718	1,595,917	1,439,038
						104,228	94,590
						91,121	82,323
						6,740	3,323
						6,367	8,944
						7.0%	6.5%

■ Legal basis

The consolidated financial statements of KRONES AG (“KRONES Group”) for the period ended 31 December 2015 have been prepared in accordance with the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB), London, applicable at the end of the reporting period, including the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) as adopted by the European Union. No early application was made of IFRSs that had not yet entered into force or their interpretations. A list of these standards and interpretations and of standards being applied for the first time is on page 194. The Executive Board authorised these consolidated financial statements for issue on 24 March 2016.

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

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

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

■ Consolidated group

Besides KRONES AG, the consolidated financial statements for the period ended 31 December 2015 include all material domestic and foreign subsidiaries over which KRONES AG has direct or indirect control.

In 2015, KRONES acquired TRIACOS Consulting & Engineering GmbH of Altenstadt an der Waldnaab, Germany, GERNEP GmbH Etikettiertechnik of Barbing, Germany, GERNEP Verwaltungs GmbH of Barbing, Germany, and GERNEP Immobilien GmbH & Co. KG of Barbing, Germany, as well as SCHAEFER Förderanlagen- und Maschinenbau GmbH of Unterföhring, Germany.

First-time consolidation of TRIACOS Consulting & Engineering GmbH, Altenstadt an der Waldnaab, Germany, and GERNEP GmbH Etikettiertechnik of Barbing, Germany, was effected as of the time of acquisition. GERNEP Verwaltungs GmbH, Barbing, Germany, and GERNEP Immobilien GmbH & Co. KG, Barbing, Germany, were merged into KRONES AG, Neutraubling, Germany.

By acquiring a 100% stake in TRIACOS Consulting & Engineering GmbH, Altenstadt an der Waldnaab, Germany, on 2 February 2015, KRONES has acquired expertise in consulting on and implementing SAP solutions, with a focus on production and internal logistics. On 21 May 2015, KRONES acquired a 100% stake in the GERNEP GmbH of Barbing, Germany. With this acquisition, KRONES is strengthening its activities relating to labelling technology for the low and medium output ranges.

The following overview summarises the consideration transferred for the acquisitions and the fair value of the assets identified and liabilities assumed at the date of acquisition.

Fair value (€ thousand)	
Goodwill	6,721
Non-current assets	5,378
Current assets (of which receivables: €1,469 thousand)	5,386
Cash and cash equivalents	6,101
Total assets acquired	23,586
Liabilities	-6,964
Total liabilities assumed	-6,964
Net assets acquired	16,622
Purchase prices	16,622
of which paid in cash	16,622

The acquisition-related costs amount to €50 thousand and have been recognised as expenses.

Taking into account the effects of purchase price allocation, the acquired companies contributed a net profit of €1,181 thousand and revenue of €13,667 thousand to KRONES as of 31 December 2015. If the companies had been consolidated as of 1 January 2015, the figures recognised in the separate income statement for the group would have been revenue of €16,512 thousand and net profit of €1,059 thousand.

■ Consolidation principles

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

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

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

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

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

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

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

■ Currency translation

The functional currency for KRONES AG is the euro.

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

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

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

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

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

		Closing rate		Average rate	
		31 Dec 2015	31 Dec 2014	2015	2014
us dollar	USD	1.089	1.216	1.111	1.329
British Pound	GBP	0.735	0.779	0.727	0.806
Swiss franc	CHF	1.082	1.202	1.068	1.215
Danish krone	DKK	7.462	7.445	7.459	7.455
Canadian dollar	CAD	1.513	1.407	1.419	1.467
Japanese yen	JPY	131.120	145.030	134.408	140.406
Brazilian real	BRL	4.314	3.230	3.695	3.120
Chinese renminbi (yuan)	CNY	7.073	7.437	6.916	8.168
Mexican peso	MXN	18.923	17.864	17.612	17.664
Ukrainian hryvnia	UAH	26.171	19.226	24.172	15.835
South African rand	ZAR	16.988	14.043	14.161	14.401
Kenyan shilling	KES	111.424	110.302	109.035	116.810
Nigerian naira	NGN	216.690	222.430	219.682	219.178
Russian ruble	RUB	80.536	72.700	67.924	50.927
Thai baht	THB	39.254	39.967	38.023	43.166
Indonesian rupiah	IDR	15,017.200	15,053.300	14,869.088	15,736.344
Angolan kwanza	AOA	147.384	125.027	132.871	130.472
Turkish lira	TRY	3.183	2.829	3.022	2.905
Kazakhstan tenge	KZT	370.980	222.260	246.637	238.164

■ Accounting policies

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

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

■ Intangible assets

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

■ Research and development expenditure

Development expenditure of the KRONES Group is capitalised at cost to the extent that costs can be allocated clearly and the technical feasibility and a future economic benefit as a result of their use are probable. According to IAS 38, research expenditure cannot be capitalised and is, therefore, recognised as an expense directly in profit or loss. Borrowing costs are capitalised as cost at a capitalisation rate of 0.25%.

■ Goodwill

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

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

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

■ Property, plant and equipment

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

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

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

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

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

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

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

■ Leases

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

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

■ Financial instruments

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

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

For the measurement categories, the carrying amounts correspond to the fair values, provided by the respective financial institutions at the end of the reporting period.

The non-current assets consist primarily of loans, which are recognised at amortised cost. They are tested for impairment annually.

The fair value of the financial assets and liabilities is determined on the basis of financial accounting models using inputs observable in the market at the end of the reporting period (Level 2 under IFRS 13.72). Level 2 assets and liabilities are primarily hedging and non-hedging derivatives.

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

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

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

Pursuant to IAS 39, the classes under IFRS 7 also include cash proceeds and liabilities from finance leases as well as construction contracts with amounts due and derivatives for which hedge accounting is applied in addition to the categories listed above.

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

■ Non-current financial assets

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

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

■ Derivative financial instruments

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

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

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

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

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

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

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

■ Receivables and other assets

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

■ Inventories

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

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

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

■ Construction contracts for specific customers

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

■ Deferred tax items

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

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

■ Provisions for pensions

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

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

■ Partial retirement benefit obligations

According to the definition of post-employment benefits under IAS 19, the “top-up payments” promised under partial retirement agreements fall under “other long-term employee benefits”.

Thus, top-up payments are not recognised in full as liabilities at their net present value. Instead, they are accrued on a pro-rated basis across the relevant years of active service of the employee taking partial retirement.

■ Other provisions

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

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

■ Financial liabilities

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

■ Revenue

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

Revenue is reported less reductions.

■ Segment reporting

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

Segment 1 comprises machines and lines for product filling and decoration. Segment 2 comprises machines and lines for beverage production and process technology. Segment 3 comprises machines and lines for the compact class.

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

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

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

1 Intangible assets

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

€ thousand	Industrial property rights and similar rights and assets as well as licenses	Goodwill	Capitalised development expenditure	Advance payments made	Total
1 January 2014					
Cost	114,859	0	246,058	0	360,917
Accumulated amortisation	89,129	0	143,572	0	232,701
Net carrying amount	25,730	0	102,486	0	128,216
Changes in 2014					
Cost					
Consolidated additions	5,273	7,881	0	0	13,154
Additions	12,457	0	27,678	63	40,198
Disposals	3,450	0	0	0	3,450
Currency differences	76	0	0	0	76
Amortisation					
Consolidated additions	42	0	0	0	42
Additions	9,877	0	28,243	0	38,120
Disposals	3,381	0	0	0	3,381
Currency differences	70	0	0	0	70
Net carrying amount at 31 December 2014	33,478	7,881	101,921	63	143,343
1 January 2015					
Cost	129,215	7,881	273,736	63	410,895
Accumulated amortisation	95,737	0	171,815	0	267,552
Net carrying amount	33,478	7,881	101,921	63	143,343
Changes in 2015					
Cost					
Consolidated additions	4,497	6,721	0	0	11,218
Additions	11,959	0	31,069	27	43,055
Disposals	9,171	0	0	63	9,234
Transfers	17	0	0	-17	0
Currency differences	-171	0	0	0	-171
Amortisation					
Consolidated additions	41	0	0	0	41
Additions	11,245	0	23,076	0	34,321
Disposals	9,171	0	0	0	9,171
Currency differences	-169	0	0	0	-169
Net carrying amount at 31 December 2015	38,663	14,602	109,914	10	163,189
31 December 2015					
Cost	136,346	14,602	304,805	10	455,763
Accumulated amortisation	97,683	0	194,891	0	292,574
Net carrying amount	38,663	14,602	109,914	10	163,189

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

The goodwill is the result of expected synergies from the integration of the companies and their workforces for labelling in the compact class and intralogistics for SAP solutions. All goodwill was regularly tested for impairment under IAS 36 in 2015. As in the previous year, no impairment losses were recognised on the goodwill.

Impairment testing is done at the level of the smallest cash-generating unit (CGU) or group of cash-generating units on the basis of its value in use.

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

The table below provides an overview of the tested goodwill and the assumptions used for the respective impairment tests, each of which was performed at the level of the smallest cash-generating unit (CGU):

CGU	TILL	HST	TRIACOS	GERNEP
Carrying amount of goodwill	3,623	4,258	4,631	2,090
Forecast period	5 years	3 years	3 years	3 years
Annual revenue growth after the end of the forecast period	3.0%	1.0%	1.0%	1.0%
Discount rate before taxes	6.6%	9.4%	10.3%	11.7%

The pre-tax discount rates are based on risk-free interest rates, which are determined on the basis of the returns on long-term government bonds. This discount rate is adjusted for a risk premium that reflects the general risk associated with equity investments and the specific risk of the CGU. For the CGU TILL, assuming sustained revenue growth of 3.0% at the end of the forecast period (due to the innovative nature of the subsector) as presented in the table, the recoverable amount is €6,075 thousand, which is higher than the carrying amount. If the pre-tax discount rate were to increase to 7.9% or if long-term revenue growth were to be considerably (41.3%) lower than the assumption used above, which is not to be expected, the recoverable amount would equal the carrying amount.

The goodwill relating to HST GmbH was tested for impairment in the previous year. Revenue growth of 1.0% p.a. after the end of the forecast period was assumed. The discount rate was 9.4% pre-tax. Because the acquisition of TILL GmbH occurred very close to the end of the reporting period, an impairment test was not performed in the previous year.

The capitalised development expenditure relates to new machinery projects of KRONES AG. The development expenditure capitalised in the reporting period amounts to €31,069 thousand (previous year: €27,678 thousand). This figure includes borrowing costs totalling €116 thousand (previous year: €33 thousand). Including capitalised development expenditure, a total of €163,686 thousand was spent on research and development in 2015 (previous year: €148,693 thousand). In the reporting period, a €175 thousand write-down on intangible assets was recognised within the depreciation and amortisation figure (previous year: €4,831 thousand) and, as in the previous year, relates to the machines and lines for product filling and decoration segment. The write-down is for capitalised development projects to which no further benefit can be attributed.

In the reporting period, business combinations resulted in additions to net carrying amounts for intangible assets totalling €11,177 thousand (previous year: €13,112 thousand), of which €6,721 thousand is goodwill (previous year: €7,881 thousand).

2 Property, plant and equipment

For property, plant and equipment, no impairment losses were recognised under depreciation pursuant to IAS 36 in 2015 (previous year: €447 thousand). 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. Capital expenditure for the remaining property, plant and equipment amounting to €32,842 thousand relates primarily to capacity expansion and updating at the production sites.

In 2015, the carrying amounts for property, plant and equipment included grants of €66 thousand (previous year: €112 thousand). Of the grants, €46 thousand (previous year: €50 thousand) were recognised in profit and loss by way of a reduced depreciation charge in 2015. As in the previous year, no reversals are included in the depreciation figure.

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

Property, plant and equipment includes leased assets amounting to €4,354 thousand (previous year: €4,961 thousand), which are to be attributed as the economic property of the relevant group company due to the provisions of the underlying lease (finance lease).

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

€ thousand	31 Dec 2015	31 Dec 2014
Land, land rights and buildings	4,064	4,174
Technical equipment and machinery	83	156
Other equipment, furniture and fixtures, and office equipment	207	631
Total	4,354	4,961

In the reporting period, business combinations resulted in additions to the carrying amounts for property, plant and equipment totalling €744 thousand (previous year: €1,056 thousand).

Property, plant and equipment have changed as follows:

€ thousand	Land and buildings	Technical equipment and machinery	Other equipment, furniture and fixtures, and office equipment	Construction in progress	Advance payments made	Total
1 January 2014						
Cost	442,716	290,081	201,818	8,800	0	943,415
Accumulated depreciation	153,348	174,940	140,049	0	0	468,337
Net carrying amount	289,368	115,141	61,769	8,800	0	475,078
Changes in 2014						
Cost						
Consolidated additions	672	627	747	0	0	2,046
Additions	9,967	12,701	22,105	6,391	3,228	54,392
Disposals	482	6,584	15,826	0	0	22,892
Transfers	4,030	1,264	1,323	-6,514	-103	0
Currency differences	2,899	3,585	2,422	16	0	8,922
Depreciation						
Consolidated additions	135	470	385	0	0	990
Additions	13,259	16,434	23,354	0	0	53,047
Disposals	476	6,462	14,428	0	0	21,366
Currency differences	1,441	2,314	1,912	0	0	5,667
Net carrying amount at 31 December 2014	292,095	113,978	61,317	8,693	3,125	479,208
1 January 2015						
Cost	459,802	301,674	212,589	8,693	3,125	985,883
Accumulated depreciation	167,707	187,696	151,272	0	0	506,675
Net carrying amount	292,095	113,978	61,317	8,693	3,125	479,208
Changes in 2015						
Cost						
Consolidated additions	0	2,062	646	0	0	2,708
Additions	12,670	9,525	23,317	10,610	5,051	61,173
Disposals	668	4,556	24,842	0	0	30,066
Transfers	3,929	2,894	7,083	-12,070	-1,836	0
Currency differences	2,776	2,289	605	-11	-1	5,658
Depreciation						
Consolidated additions	0	1,590	374	0	0	1,964
Additions	13,171	17,979	22,890	0	0	54,040
Disposals	22	4,556	18,220	0	0	22,798
Currency differences	1,443	1,863	710	0	0	4,016
Net carrying amount at 31 December 2015	296,210	109,316	62,372	7,222	6,339	481,459
31 December 2015						
Cost	478,509	313,888	219,398	7,222	6,339	1,025,356
Accumulated depreciation	182,299	204,572	157,026	0	0	543,897
Net carrying amount	296,210	109,316	62,372	7,222	6,339	481,459

3 Non-current financial assets

The non-current financial assets consist primarily of lendings.

4 Inventories

The inventories of the KRONES Group are composed as follows:

€ thousand	31 Dec 2015	31 Dec 2014
Raw materials and supplies	163,594	195,530
Work in progress	263,601	197,863
Finished goods	116,187	154,551
Goods purchased for sale	173,751	95,177
Other	7,369	6,900
Total	724,502	650,021

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

Write-downs of €37,309 thousand on inventories were recognised as expense in 2015 (previous year: €37,192 thousand) and are based substantially on customary net realisable values and obsolescence allowances. The amount of reversals of write-downs recognised in profit and loss due to improved market conditions was insignificant. The carrying amount of the inventories recognised at fair value less selling expenses totalled €59,232 thousand in the reporting period (previous year: €81,019 thousand).

5 Receivables and other assets

€ thousand	31 Dec 2015	31 Dec 2014
Trade receivables	820,612	711,719
(of which amounts are due in 1 year or later)	23,820	20,016
Other assets	112,006	75,628
(of which amounts are due in 1 year or later)	3,537	2,021

For receivables from customers, the amounts recognised correspond to the fair values. The allowance account developed as follows:

€ thousand	
At 1 January 2015	23,310
Change in the consolidated group and currency effects	-672
Additions	8,151
Reversals	8,994
At 31 December 2015	21,795

The trade receivables at 31 December 2015 include gross amounts due from customers for contract work totalling €91,917 thousand (previous year: €75,963 thousand). These amounts relate to construction contracts in which costs incurred plus recognised profits less the sum of recognised losses exceeds progress billings and advances received. There are no gross amounts due to customers for contract work.

The other assets include primarily advances paid (€23,586 thousand; previous year: €15,932 thousand), current tax assets (€49,973 thousand; previous year: €39,714 thousand), prepaid expenses (€4,163 thousand; previous year: €3,646 thousand), and creditors with debit balances (€1,784 thousand; previous year: €1,866 thousand).

The derivative financial instruments measured at fair value, which were entered into for future payment receipts and meet the conditions for hedge accounting or which were entered into as stand-alone hedge transactions, amounted to €718 thousand at the end of the reporting period (previous year: €660 thousand).

6 Cash and cash equivalents

Apart from cash on hand totalling €296 thousand (previous year: €262 thousand), the cash and cash equivalents of €364,585 thousand (previous year: €336,444 thousand) consist primarily of demand deposits. Changes in cash and cash equivalents under IAS 7 “Statement of cash flows” are presented in the statement of cash flows on page 158.

7 Income tax

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

The income tax breaks down as follows:

€ thousand	2015	2014
Deferred tax expense/income (-)	7,758	-6,147
Current tax	59,312	62,335
Total	67,070	56,188

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

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

The deferred tax assets and liabilities at 31 December 2015 break down by items on the statement of financial position as follows:

€ thousand	Deferred tax assets		Deferred tax liabilities	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Intangible assets	20	23	30,937	28,667
Property, plant and equipment	63	88	11,504	11,916
Non-current financial assets	1,883	72	158	57
Other non-current assets	357	427	2,800	8,360
Inventories	1,844	2,782	1,227	871
Other current assets	4,299	5,596	22,478	15,865
Tax loss carryforwards	968	71	0	0
Provisions, non-current	8,632	13,188	32	83
Other non-current liabilities	357	2,499	856	755
Provisions, current	26,299	33,904	7,486	27,616
Other current liabilities	8,729	26,235	784	5,916
Deferred tax items recognised in other comprehensive income	29,089	34,008	100	180
Consolidation	535	1,191	0	0
Subtotal	83,075	120,084	78,362	100,286
Offsetting (-)	-61,101	-97,747	-61,101	-97,747
Total	21,974	22,337	17,261	2,539

The deferred tax assets and liabilities recognised in other comprehensive income amounted to €28,959 thousand at the end of the reporting period (previous year: €35,055 thousand). This figure includes the recognition in OCI of €28,336 thousand in actuarial gains and losses pursuant to IAS 19 (previous year: €33,042 thousand). A total of €623 thousand (previous year: €2,013 thousand) resulted from hedging activities. The deferred tax items recognised on loss carryforwards relate to KRONES AG. According to our earnings forecast, positive tax results can be expected in the future. Deferred tax items were not recognised on tax loss carryforwards of €45,864 thousand (previous year: €50,676 thousand) or on deductible temporary differences totalling €2,460 thousand (previous year: €2,030 thousand).

The tax expense of €67,070 thousand reported in 2015 is €6,102 thousand higher than the expected tax expense that would theoretically result from application of the domestic tax rate of 27.3% at the group level. The difference can be attributed to the following:

€ thousand	2015	2014
Earnings before taxes	223,325	191,840
Tax rate for the parent company KRONES AG	27.30%	27.30%
Expected (theoretical) tax expense	60,968	52,373
Adjustments due to different tax rate	890	2,582
Reductions in tax due to tax-free earnings	-4,088	-7,347
Tax loss carryforwards	-424	230
Increases in tax expense due to non-deductible expenses	9,694	12,395
Tax income (-)/tax expense (+) for previous years	-2,315	-1,834
Other	2,345	-2,211
Taxes on income	67,070	56,188

The difference between reductions in taxes and increases in taxes for 2015 yields a net increase in taxes. This is primarily attributable to non-deductible operating expenses. Penalty interest is recognised under tax expense.

8 Equity

KRONES AG's share capital amounted to €40,000,000.00 at 31 December 2015, unchanged on the previous year. It is divided into 31,593,072 ordinary bearer shares, each with a theoretical par value of €1.27 per share. At the end of the reporting period, 31,593,072 shares were in circulation (previous year: 31,593,072). At 31 December 2015, as in the previous year, the company held no treasury shares.

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

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

The authorisation became effective upon resolution by the annual shareholders' meeting on 25 June 2014 and applies until the end of the day 24 June 2019. The authorisation resolved by the annual shareholders' meeting on 16 June 2010 (agenda item 6) expired when this new authorisation took effect.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The changes in equity that are not recognised in profit or loss (excluding dividends) totalled €5,453 thousand in the reporting period (previous year: –€39,134 thousand) and consist of changes in currency differences and hedge accounting as well as the recognition of actuarial gains and losses on pensions under other reserves. In addition, the allocation of profit or loss to non-controlling interests resulted in a change in equity of –€1,174 (previous year: €757 thousand). The sum of changes in equity that are not recognised in profit or loss and those that are recognised in profit or loss was €161,708 thousand (previous year: €96,518 thousand).

Disclosures about capital management

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

9 Capital reserves

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

10 Profit reserves

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

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

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

11 Other reserves

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

€ thousand	Reserve for post-employment benefits	Reserve for cash flow hedges	Reserve for the fair value of securities	Total
At 1 January 2014	-42,156	2,773	2	-39,381
Measurement change recognised in equity	-63,596	-6,215	2	-69,809
Tax on items taken directly to or transferred from equity	17,744	2,089	0	19,833
Currency difference		-126		-126
At 31 December 2014	-88,008	-1,479	4	-89,483
Measurement change recognised in equity	16,873	626	-6	17,493
Tax on items taken directly to or transferred from equity	-4,584	-631	1	-5,214
Currency difference	17	-173		-156
At 31 December 2015	-75,702	-1,657	-1	-77,360

12 Non-controlling interests

In the financial year 2015, non-controlling interests totalled -€417 thousand (previous year: €757 thousand).

A detailed overview of the composition of and changes to the individual equity components for the KRONES Group in 2015 and the previous year is presented in the statement of changes in equity on page 159.

13 Provisions for pensions

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

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

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

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

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

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

%	Average for the group	
	2015	2014
Discount rate	2.3	2.0
Projected increases in wages and salaries	0.0	0.0
Projected increases in state pensions	2.0	2.0

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

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

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

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

€ thousand	31 Dec 2015	31 Dec 2014	31 Dec 2013
Present value of benefit commitments financed by provisions	178,675	189,991	130,342
Present value of benefit commitments financed through pension funds	49,184	50,869	44,206
Present value of benefit commitments (gross)	227,859	240,860	174,550
Fair value of plan assets	-30,949	-29,539	-28,654
Carrying amount at 31 December (net defined benefit obligation)	196,910	211,321	145,896

The pension provisions, which amounted to €193,330 thousand at the end of the reporting period (previous year: €209,210 thousand), are primarily attributable to KRONES AG. The actuarial gains (losses) resulting from changes in financial assumption totalled €13,667 thousand (previous year: -€63,089 thousand); experience adjustments totalled €2,680 thousand (previous year: -€52 thousand).

The costs arising from pension obligations amounted to €6,350 thousand (previous year: €6,005 thousand) and break down as follows:

€ thousand	31 Dec 2015	31 Dec 2014	31 Dec 2013
Current service cost	2,105	4,182	4,068
Interest expense	4,850	6,210	6,009
Expected return on plan assets	-605	-1,022	-1,007
Past service cost and plan curtailments	0	-3,365	0
Costs arising from pension obligations	6,350	6,005	9,069

Reconciliation of the present value of defined benefit obligations, which amounted to €227,859 thousand (previous year: €240,860 thousand), and the fair value of the plan assets, which amounted to €30,949 thousand (previous year: €29,539 thousand), and the net of both items break down as follows:

€ thousand	Present value of benefit commitments	Fair value of plan assets	Total
At 1 January 2014	174,550	-28,654	145,896
Current service cost	4,182		4,182
Interest expense (+)/interest income (-)	6,210	-1,022	5,188
Actuarial gains/losses	63,787	-191	63,596
Employer contributions		-1,954	-1,954
Benefits paid	-4,543	2,286	-2,257
Recognised past service cost	-3,365		-3,365
Currency differences	39	-4	35
At 31 December 2014	240,860	-29,539	211,321
Consolidated addition	1,541	-1,152	389
Current service cost	2,105		2,105
Interest expense (+)/interest income (-)	4,850	-605	4,245
Actuarial gains/losses	-16,603	-85	-16,688
Employer contributions		-1,906	-1,906
Benefits paid	-4,955	2,364	-2,591
Currency differences	61	-26	35
At 31 December 2015	227,859	-30,949	196,910

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

The fair value of the plan assets was €30.9 million at 31 December 2015 (previous year: €29.5 million). Of that, €22.7 million are pension liability reinsurance policies (previous year: €20.1 million). The rest of the plan assets are attributable to KRONES Unterstützungs-Fonds e.V., headquartered in Neutraubling. The fund assets are invested in a special fund that is administered and actively managed by Allianz GI (AGI). The eligible instruments are specified in the investment guidelines. A defensive investment strategy is used. At 31 December 2015, the AGI fund consisted of 33.7% government bonds, 25.3% Pfandbriefe (covered bonds governed by the German Pfandbrief Act), and 14.2% investment-grade corporate bonds. The amount held as cash in hand came to 0.8%. In addition, equity funds accounted for 21.0% and bond funds for 5.0%. Interest rate risk is actively managed using interest rate futures. The duration of the investment volume is 2.16 years. Managing currency risk: No direct currency investments are made. The overall rating of the fund assets is A+. KRONES AG's plan assets are secured as follows: 73% through the pension liability reinsurance policies from Allianz and 27% through KRONES Unterstützungs-Fonds e.V.

The expected contributions into the plan assets in 2016 were €1,847 thousand. The expected pension benefit payments in 2016 that are not paid from the plan assets amount to €2,507 thousand.

In 2015, a total of €48,527 thousand (previous year: €46,368 thousand) was spent on the employer contribution to defined contribution plans (contributions to pensions insurance).

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

	Change in assumption	Effect on the obligation	
		Assumption increases	Assumption decreases
Discount rate	0.50%	9.4% decrease	9.4% increase
Change in state pensions	0.50%	6.7% increase	6.7% decrease
Life expectancy	1 year	4.3% increase	4.3% decrease

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

14 Provisions for taxes and other provisions

Of the provisions for taxes and other provisions amounting to €206,579 thousand (previous year: €227,326 thousand), €156,484 thousand (previous year: €177,552 thousand) are due within one year. These other provisions apply to the following items:

€ thousand	1 Jan 2015	Consolidated addition	Use	Reversal	Addition	Currency differences	31 Dec 2015	due within 1 year
Tax liabilities	17,351	57	11,121	1,375	8,133	-666	12,379	9,480
Personnel obligations	34,591	57	1,388	163	4,178	-123	37,152	811
Administrative obligations	4,184		1,704	811	1,104	-504	2,269	1,103
Other remaining provisions	171,200	155	63,980	6,847	56,438	-2,187	154,779	145,090
Total	227,326	269	78,193	9,196	69,853	-3,480	206,579	156,484

The provisions for personnel obligations are primarily for non-current obligations relating to partial retirement (€25,393 thousand; previous year: €23,487 thousand). The other remaining provisions primarily consist of warranties and anticipated losses. Estimates are based on customary empirical values. The non-current provisions have been discounted using rates between 2.0% and 3.6%.

15 Liabilities

€ thousand	Residual term of up to 1 year	Residual term of 1 to 5 years	Residual term of over 5 years	Total at 31 Dec 2015
Liabilities to banks	0	0	0	0
Advances received	545,664	0	0	545,664
Trade payables	247,906	0	0	247,906
Other financial liabilities	56,325	12,591	0	68,916
Other liabilities	293,632	1,636	0	295,268
Total	1,143,527	14,227	0	1,157,754

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

The other financial liabilities are obligations on bills. Under IAS 39, these represent possible liabilities from bills sold and are also recognised as trade receivables amounting to €62,893 thousand (previous year: €14,399 thousand).

The other liabilities consist of deferred income (€3,521 thousand; previous year: €10,747 thousand) and other remaining liabilities (€291,747 thousand; previous year: €250,339 thousand).

The other remaining liabilities break down as follows:

€ thousand	Residual term of up to 1 year	Residual term of 1 to 5 years	Residual term of over 5 years	Total at 31 Dec 2015
Tax liabilities	29,497			29,497
Social security liabilities	7,574			7,574
Payroll liabilities	20,299			20,299
Debtors with credit balances	16,711			16,711
Accruals	206,054			206,054
Other	9,976	1,636		11,612
Total	290,111	1,636		291,747

Accruals, which amounted to €206,054 thousand (previous year: €174,363 thousand), have greater certainty with respect to their amount and timing than provisions have. The primary items they include are outstanding supplier invoices, obligations relating to flexible working hours, accrued vacation, and performance bonuses.

€ thousand	Residual term of up to 1 year	Residual term of 1 to 5 years	Residual term of over 5 years	Total at 31 Dec 2014
Tax liabilities	24,908			24,908
Social security liabilities	7,133			7,133
Payroll liabilities	20,448			20,448
Debtors with credit balances	11,303			11,303
Accruals	174,363			174,363
Other	10,613	1,571		12,184
Total	248,768	1,571		250,339

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

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

€ thousand	31 Dec 2015	31 Dec 2014
Future minimum lease payments		
Up to 1 year	108	252
1 to 5 years	260	270
	368	522
Interest portion of future minimum lease payments		
Up to 1 year	17	22
1 to 5 years	22	22
	39	44
Present value of future minimum lease payments		
Up to 1 year	91	230
1 to 5 years	238	248
	329	478

16 Contingent liabilities

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

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

17 Other financial liabilities

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

€ thousand	31 Dec 2015	31 Dec 2014
Future minimum lease payments		
Up to 1 year	14,874	15,237
1 to 5 years	15,355	12,687
	30,229	27,924
Future maintenance		
Up to 1 year	11,201	8,694
1 to 5 years	8,294	11,215
More than 5 years	170	137
	19,665	20,046

Payments amounting to €22,540 thousand (previous year: €23,036 thousand) were made under these rental and lease agreements in 2015.

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

18 Derivative financial instruments

The derivative financial instruments of the KRONES Group, with positive and negative current values and a fair value of –€1,821 thousand (previous year: –€5,200 thousand) of which –€1,858 thousand are short-term (previous year: –€5,200 thousand), substantially cover the currency risks relating to the US dollar, the Canadian dollar, the British pound, the Japanese yen, and the euro. The fair value includes the difference between the forward rate received from the relevant commercial bank and the rate at the end of the reporting period as well as appropriate premiums or discounts under accepted accounting processes. These financial instruments are accounted for using the trade date.

The derivative financial instruments are essentially composed of forward exchange contracts at a hedged volume of €344.9 million (previous year: €198.4 million), of which €338.0 million are short-term (previous year: €198.4 million). This volume includes a nominal volume of €199.5 million (previous year: €59.4 million) for short-term cash flow hedges that is measured at nominal volume plus fair value of €198.2 million (previous year: €59.1 million). The risk of default relating to derivative financial instruments is limited to the balance of the positive fair values in the event of a contracting party's default. The cash flow hedges presented are effective. The net loss from these stand-alone derivatives was €112 thousand in the reporting period (previous year: net gain of €211 thousand).

No offsetting of financial assets and financial liabilities under IAS 32.42 is done. The German master agreements and ISDA agreements do not meet the criteria to require offsetting in the consolidated statement of financial position. That is because the company currently does not have a legally enforceable right to set off the recognised amounts. The right to set off these amounts is only enforceable if future events occur such as insolvency of a party to the contract. A total of €218 thousand in derivatives that are recognised as financial assets and liabilities are subject to this global netting agreement.

19 Revenue

The KRONES Group's revenue, which amounts to €3,173,509 thousand for the reporting period (previous year: €2,953,405 thousand), consists of deliveries and services billed to customers less reductions. In the segment reporting, sales revenue is presented in detail, divided by business area and geographic market. In 2015, revenue of €1,683,713 thousand resulted from construction contracts (previous year: €1,481,454 thousand). Costs and gains (less any reported losses) for contracts in progress came to €1,019,485 thousand (previous year: €797,599 thousand). Advances received amounted to €295,481 thousand (previous year: €246,844 thousand).

20 Other own work capitalised

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

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

21 Other operating income

Apart from income from the reversal of provisions and accruals (€12,869 thousand; previous year: €15,793 thousand), gains from disposals of non-current assets (€228 thousand; previous year: €308 thousand), and the reversal of impairments (€8,042 thousand; previous year: €7,248 thousand), which are not related to the period, the other operating income, which amounts to €140,847 thousand (previous year: €95,319 thousand), consists substantially of currency translation gains of €64,414 thousand (previous year: €26,856 thousand). This is compared with the recognition of impairment losses of €6,532 thousand (previous year: €4,066 thousand) and currency translation losses of €90,454 thousand (previous year: €36,307 thousand) under other operating expenses.

22 Goods and services purchased

The expenditure for goods and services purchased comprises expenses for materials and supplies and for goods purchased amounting to €1,290,815 thousand (previous year: €1,172,746 thousand) and expenses for services purchased amounting to €298,435 thousand (previous year: €268,036 thousand).

23 Personnel expenses

Within the KRONES Group, 12,651 people (previous year: 12,147) including trainees (538; previous year: 532) were employed on average for the year. The workforce of the KRONES Group is composed as follows (on average for the year):

	2015	2014
White-collar employees exempt from collective agreements	2,330	2,414
Employees covered by collective agreements	10,321	9,733
Total	12,651	12,147

24 Other operating expenses

Apart from the €563 thousand in losses from disposals of non-current assets (previous year: €293 thousand), which are not related to the period, the other operating expenses include additions to impairments on receivables (€6,532 thousand; previous year: €4,066 thousand), other taxes (€5,236 thousand; previous year: €5,626 thousand), freight costs (€96,542 thousand; previous year: €87,284 thousand), and rent and cleaning costs (€30,847 thousand; previous year: €33,780 thousand).

25 Financial income/expense

The financial income of €6,418 thousand (previous year: €6,715 thousand) breaks down as follows:

€ thousand	2015	2014
Income from other securities and loans classified as non-current financial assets	13	36
Other interest and similar income	6,212	7,914
Interest and similar expenses	-1,948	-2,948
Interest income	4,264	4,966
Write-downs on non-current financial assets	0	-508
Investment income	2,141	2,221
Financial income/expense	6,418	6,715

Interest income (€6,212 thousand; previous year: €7,914 thousand) and lower interest expense (€1,948 thousand; previous year: €2,948 thousand) had a major impact on the financial result. There was no share of profit or loss of associates accounted for using the equity method for KLUG GmbH in 2015 because that company is being liquidated. Thus, there are no effects from any non-recognised losses in the financial statements of KRONES AG.

26 Income tax

Income tax amounted to -€67,070 thousand in 2015 (previous year: -€56,188 thousand). More information is presented under Note 7, "Income tax" (pages 177 to 179).

27 Earnings per share

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

	2015	2014
Consolidated net income less profit or loss shares of non-controlling interests (€ thousand)	157,429	135,880
Weighted average number of ordinary shares in circulation (shares)	31,593,072	31,593,072
Earnings per share (€)	4.98	4.30

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

■ Group audit fees

Expenses of €520 thousand (previous year: €466 thousand) were incurred in the financial year 2015 for the KRONES Group audit and the audit of the parent company. In addition, for the parent company, expenses totalling €115 thousand (previous year: €66 thousand) were incurred for tax consultancy services. The expense for the audit of the German subsidiaries was €82 thousand (previous year: €44 thousand). In addition, the company received other services totalling €14 thousand (previous year: €27 thousand) and other assurance services totalling €0 thousand (previous year: €25 thousand).

■ Events after the reporting period

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.

■ Related party disclosures

Within the meaning of IAS 24 "Related party disclosures", the members of the Supervisory Board and of the Executive Board of KRONES AG and the companies of the KRONES Group, including unconsolidated subsidiaries, are deemed related parties. Purchases and sales between the related companies are transacted at prices customary on the market ("at arm's length"). Sales to related companies that are not consolidated amounted to €38,423 thousand in 2015 (previous year: €39,110 thousand). Trade and other payment transactions resulted in assets of €12,894 thousand (previous year: €8,081 thousand). Contingent liabilities of €2,775 thousand (previous year: €2,631 thousand) result from guarantees.

■ Remuneration of the Executive Board and the Supervisory Board

The remuneration report summarises the principles used to determine the remuneration paid to the Executive Board of KRONES AG and explains the amount and the structure of such income. The principles and the amount of Supervisory Board remuneration are also set out in the report. The remuneration report is on pages 136 to 141 of the 2015 Annual Report.

- **Corporate Governance**

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.

- **Risk report**

The risk report is part of the management report and is on pages 116 to 127.

Standards and interpretations not applied early

The following standards, interpretations, and amendments to existing standards and interpretations have been issued by the IASB and adopted by the European Union; however, their application was not yet mandatory on 1 January 2015 and KRONES AG did not apply them early:

IFRS 11	“Accounting for acquisitions of interests in joint operations”
IAS 1	“Disclosure initiative”
IAS 16	“Bearer plants”
IAS 19	“Employee contributions”
IAS 16	“Clarification of acceptable methods of depreciation and amortisation”
IAS 27	“Equity method in separate financial statements”
IAS 38	“Clarification of acceptable methods of depreciation and amortisation”
IAS 41	“Bearer plants”
Improvements IFRS 2010–2012	“Changes to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, IAS 38”
Improvements IFRS 2012–2014	“Changes to IFRS 5, IFRS 7, IAS 19, IAS 34”

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

Standards and interpretations to be applied for the first time

Changes resulting from a new standard or a new interpretation or amendments to existing standards and interpretations that have been adopted by the European Union (applicable for the first time for financial years beginning on or after 17 June 2014):

IFRIC 21	“Levies”
Improvements IFRS 2011–2013	“Changes to IFRS 1, IFRS 3, IFRS 13, IAS 40”

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

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

* Direct and indirect shareholdings.

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.

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 per share	45,809,954.40
Amount brought 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



Other information

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We have audited the consolidated financial statements prepared by KRONES Aktiengesellschaft, Neutraubling, comprising the separate income statement, the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and the notes to the consolidated financial statements, together with the group management report for the financial year from 1 January to 31 December 2015. The preparation of the consolidated financial statements and the group management report in accordance with IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. [paragraph] 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Regensburg, 24 March 2016

KPMG Bayerische Treuhandgesellschaft
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Wirtschaftsprüfer
(German Public Auditor)

Wirtschaftsprüfer
(German Public Auditor)

Cash flow	All inflows and outflows of cash and cash equivalents during a period.
Corporate governance	Framework for responsible corporate management and supervision that is oriented toward sustainability.
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.
Fixed assets	Subset of non-current assets. In the context of this report, fixed assets include property, plant and equipment, intangible assets, and non-current financial assets.
Free cash flow	Measure of financial performance calculated as the cash flow from operating activities minus cash flow from investing activities. It is the cash available to pay dividends, reduce debt, or to be retained.
IFRSS	International Financial Reporting Standards. Accounting standards issued by the International Accounting Standards Board (IASB) that are harmonised and applied internationally.
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 Konzern 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.

The production of and the paper used for the KRONES Group's 2015 Annual Report have been certified in accordance with the criteria of the Forest Stewardship Council (FSC). The FSC prescribes strict standards for forest management, thus helping to prevent uncontrolled deforestation, human rights violations, and environmental damage. Because products bearing the FSC label are handled by various enterprises along the trading and processing chain, the companies that process the paper, such as printers, are also certified under FSC rules.



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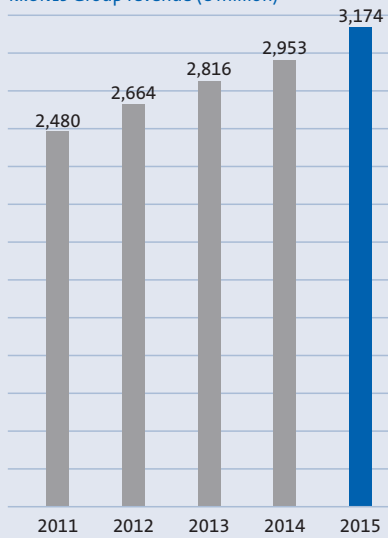
Druck | ID: 53152-1504-1002

Publication information

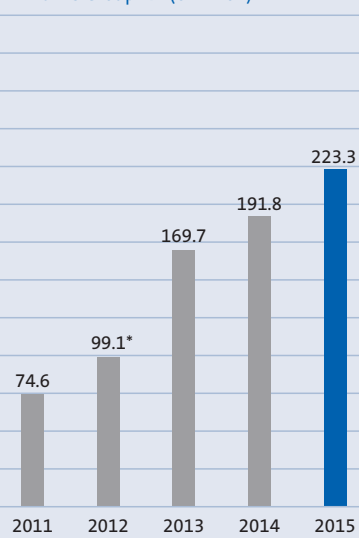
Published by	KRONES AG Böhmerwaldstrasse 5 93073 Neutraubling Germany
Project lead	Roland Pokorny, Head of Corporate Communications
Design	Büro Benseler
Text	KRONES AG InvestorPress GmbH
Photography	KRONES AG
Printing & litho	Peschke Druck
Paper	Meta Paper Smooth/Rough
Circulation	1,600 German 1,400 English

At a glance: revenue, earnings, employees, dividends

KRONES Group revenue (€ million)

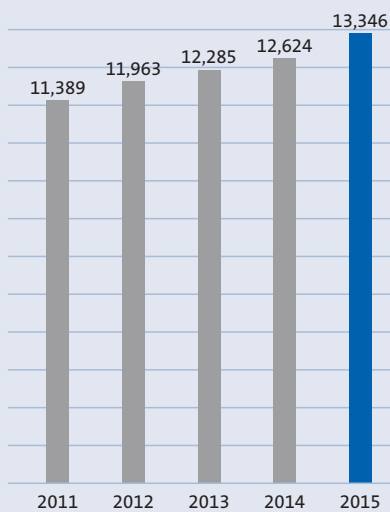


KRONES Group EBT (€ million)

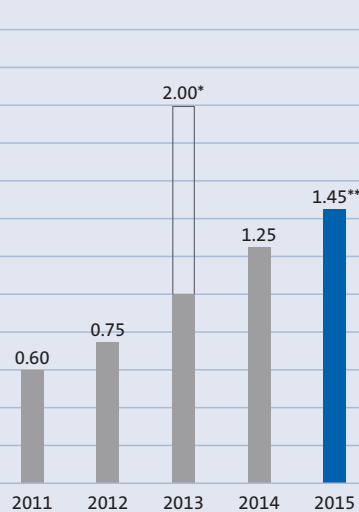


* Adjusted according to IAS 19R

KRONES workforce



Dividend per share (€)



* Including a €1.00 special dividend

** As per proposal for the appropriation of retained earnings

Key figures for the KRONES Group 2011 – 2015

		2015	2014	2013	2012*	2011*
Revenue						
Sales revenue	€ million	3,174	2,953	2,816	2,664	2,480
Germany	€ million	382	284	292	224	253
Outside Germany	€ million	2,792	2,669	2,524	2,440	2,227
Export share	%	88	90	90	92	90
Earnings						
Earnings before taxes	€ million	223	192	170	99	75
Net income	€ million	156	136	119	68	44
Earnings per share	in €	4.98	4.30	3.84	2.26	1.45
Assets and capital structure						
Non-current assets	€ million	697	672	642	625	603
of which fixed assets	€ million	646	624	605	587	555
Current assets	€ million	2,010	1,756	1,596	1,445	1,443
of which cash and equivalents	€ million	365	336	240	133	125
Equity	€ million	1,111	989	954	798	763
Total debt	€ million	1,596	1,439	1,284	1,272	1,283
Non-current liabilities	€ million	278	275	213	193	162
Current liabilities	€ million	1,318	1,164	1,071	1,079	1,121
Total assets	€ million	2,707	2,428	2,238	2,070	2,046
Cash flow/capital expenditure						
Free cash flow	€ million	65	152	67	31	-7
Capital expenditure for PP&E and intangible assets	€ million	103	95	108	111	106
Depreciation, amortisation, and write-downs	€ million	88	91	85	77	70
Net cash position (cash and cash equivalents less debt)	€ million	365	336	240	133	125
Profitability ratios						
EBT margin	%	7.0	6.5	6.0	3.7	3.0
Return on equity before taxes	%	21.3	19.7	19.4	12.2	9.8
ROCE (liabilities side)	%	17.7	16.4	16.7	10.0	7.9
ROCE (assets side)	%	15.6	14.1	13.8	7.8	6.2
Employees (at 31 December)						
Germany		9,767	9,344	9,098	9,076	8,887
Outside Germany		3,579	3,280	3,187	2,887	2,502
Dividend						
Dividend per share	in €	1.45**	1.25	2.00***	0.75	0.60

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

Contact

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Germany

Financial calendar

28 April 2016	Annual report for 2015 Interim report for the period ended 31 March 2016 Financial press conference
15 June 2016	Annual shareholders' meeting
21 July 2016	Interim report for the period ended 30 June 2016
26 October 2016	Interim report for the period ended 30 September 2016

KRONES Group segments and product divisions

Machines and lines
for product filling
and decoration

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

Machines and lines
for beverage production/
process technology

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

Machines and lines
for the compact class

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