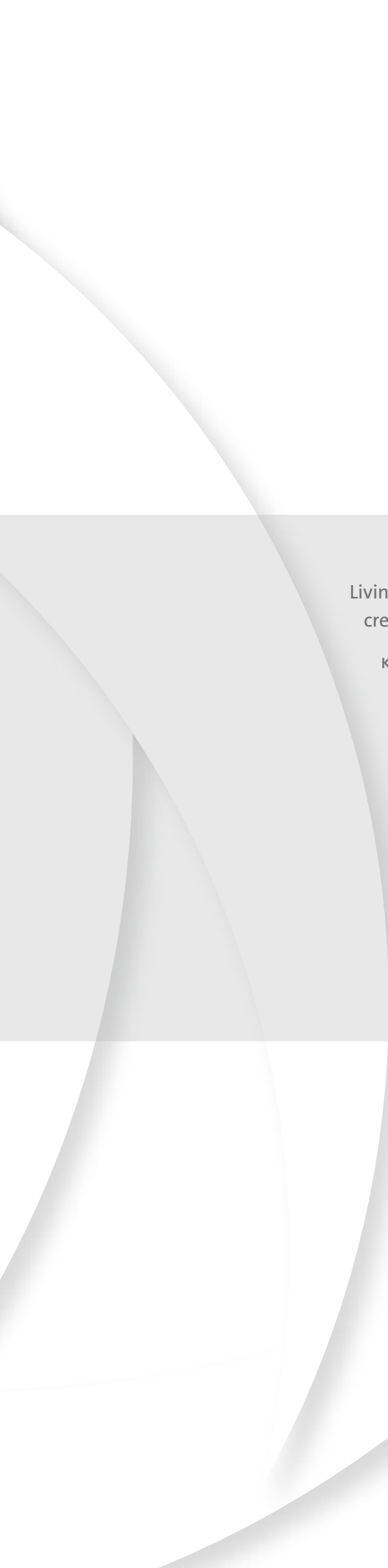


enviro:

# Responsibility is an opportunity

Sustainability Report – 1 January to 31 December 2010



Living up to our values and  
creating value(s) – together

KRONES stands for sustain-  
able quality, in everything  
we do.

Our success relies on all  
of our employees think-  
ing, acting, and work-  
ing with an eye to sus-  
tainability and both  
feet firmly planted in  
concrete values and  
guidelines.

## External assurance of the Sustainability Report

### Scope and standards:

TÜV SÜD Management Service GmbH has been engaged to provide external assurance on this Sustainability Report.

The assurance process was conducted in accordance with the following guidelines and standards:

- The Global Reporting Initiative's (GRI) G3 Guidelines for the selection and level of detail of the content and data of the Sustainability Report and the underlying systems
- AA 1000 standards for the general principles and methods of evaluation and review
- DIN EN ISO 19011 – guidelines for auditing, ISO 14001 – specification for environmental management systems, BS OHSAS 18001 – specification for occupational health and safety management systems

In addition, wherever aspects relating to management systems are involved, the auditing methods used are in accordance with ISO 17021.

### Audit process and depth:

For our audit of the report, we reviewed documents and conducted interviews with persons in key positions and at various levels of the company, including management, middle management, employees, and employee representatives. The following sites were included in the audit:

#### List of sites and their addresses:

- KRONES AG, Böhmerwaldstrasse 5, 93073 Neutraubling, Germany
- KRONES AG, Nittenau plant, Heideweg 34–36, 93149 Nittenau, Germany
- KRONES AG, Steinecker plant, Raiffeisenstrasse 30, 85356 Freising, Germany
- KRONES AG, Rosenheim plant, Äussere Münchener Strasse 104, 83026 Rosenheim, Germany
- KRONES AG, Flensburg plant, Schäferweg 9, 24941 Flensburg, Germany

We audited the identification of relevant stakeholder groups, the method used to collect and consolidate data for this report, the existing management systems, and the internal control and monitoring functions.

Economic and financial data were not audited. Instead, they were assessed with respect to the information contained in the audited 2010 Annual Report.

## Validation

### Validation of the Sustainability Report:

This report provides a comprehensive, accurate, and proper presentation of performance on the basis of reliable, reasonably documented information.

Availability of this report to the general public is guaranteed.

TÜV SÜD Management Service GmbH  
Munich, 12 May 2010



Wolfgang Brandl  
Corporate social responsibility auditor



Dipl.-Ing. Ulrich Wegner  
Head of the certification body

### Responsibilities:

KRONES AG is solely responsible for the content of this report and for selection of the topics. TÜV SÜD Management Service GmbH's responsibility was to review the correctness and credibility of the information and to confirm whether the requirements have been met.



Management Service

## About the KRONES Sustainability Report

This Sustainability Report is based on the GRI Sustainability Reporting Guidelines.

It covers all of the company's business units inside and outside Germany with the exception that the »machines and lines for the low output range (KOSME)« segment is not included in the »Environmental« and »Labour practices/Society« sections due to its low relevance (3.7% of consolidated sales) and for reasons relating to data collection.

This report covers the period from 1 January 2010 to 31 December 2010. The Sustainability Report is published annually.

## KRONES COMPACT

Foreword by the Executive Board	2
Report from the CSR committee	4
Remembering our company's founder, Hermann Kronseder	6
KRONES at a glance	8
The KRONES Group	16
Our attitudes and actions	19
KRONES CSR strategy 2015	23

## ECONOMIC

Economic responsibility	30
Production	34
Products	36

## ENVIRONMENTAL

Systematically evolving our environmental protection activities	40
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## LABOUR PRACTICES

Employee qualifications	50
Responsibility for safety and health	60

## SOCIETY

Open dialogue with all stakeholders	66
Involvement in charitable causes and culture	68
Goals and actions	74
GRI index	78
Glossary	80

Dear readers,



The world is changing at an accelerating pace. In our company's 60-year history, we have demonstrated time and again our ability to adapt to change. That makes us confident that we will master the many challenges the future holds – be they economic, environmental, or societal in nature. And, as always, we are already looking ahead and have set clear goals for the future.

Many of these goals are part of our new »CSR Strategy 2015«, with which we will integrate sustainability even more firmly into our company and our entire value chain in the years ahead. Together with our employees, customers, and suppliers we will achieve this goal.

*With our »CSR strategy 2015«, we have set some ambitious goals for the next five years. And we intend to achieve them.*

The year 2010 saw the economy come back to life. KRONES benefitted more than average from the upswing because we had maintained our core workforce throughout the crisis. That enabled us to increase production quickly without compromising on quality when the orders started rolling in. We are especially pleased at how well our enviro sustainability programme has become established within the company. Our employees have internalised enviro and are digging deeper into our machines' performance in terms of energy and media consumption, in search of even more efficient solutions.

But when it comes to taking responsibility for the future generations, KRONES wants to do more than deliver efficient technology solutions. We also want to promote sustainability in the business community and in society. For this reason, we intensified our communications with all stakeholder groups in 2010 and provided financial support within the Regensburg region and to a dental clinic project in Nepal.

Our overarching goal is to create »added value« – for our company, our employees, our customers, our suppliers, our investors, and society as a whole. This sustainability report contains numerous examples of how we have achieved this goal in 2010.

A handwritten signature in blue ink, which appears to read 'V. Kronseder'.

Volker Kronseder, Chairman of the Executive Board  
Personnel Management and Social Affairs  
Corporate Communications



In order to remain successful in the long term, KRONES must operate profitably. We did so once again in 2010. Our extremely strong balance sheet and financial structure make us a reliable partner to our employees, our customers, our suppliers, our shareholders, and society as a whole. Nevertheless, we must further optimise our costs and processes so that we can continue to invest heavily in Germany. Such investment is the very foundation on which KRONES' future success stands.

Hans-Jürgen Thaus, Deputy Chairman of the Executive Board Finance



As the market leader, KRONES has a responsibility to communicate frankly and in confidence with our customers in order to quickly recognise their needs and develop new products and services to meet them. Our enviro machines are an excellent example of this process at work. With them, we are able to help our customers conserve valuable resources. Our sales team is committed to continually expanding our range of sustainable products.

Rainulf Diepold, Member of the Executive Board Sales and Marketing



Certification of our Integrated Management System (IMS) for quality assurance, environmental protection, occupational safety, and information technology allows us to map our processes in way that is transparent and easy to understand. That builds trust among all of our stakeholders. With our CSR Strategy 2015, we have set ambitious goals for conserving resources in our own production processes. And so we are all the more motivated to achieve our efficiency goals and serve as a good example for others.

Werner Frischholz, Member of the Executive Board Production



High technology has to be worth the investment. That is why we work hard every day to develop new ideas and innovations that reduce the total cost of ownership. An outstanding example of these efforts is our enviro sustainability programme, which helps our customers substantially cut their operating costs by lowering consumption of resources like water, energy, and compressed air. Another example is our PET recycling system, in which used PET bottles are transformed into new food-grade material. That also reduces our environmental impact and conserves resources.

Christoph Klenk, Member of the Executive Board Research and Development

Dear readers,

Social responsibility has become an important part of doing business. Commitment and responsibility are central themes of KRONES AG's CSR strategy. Commitment to our employees, our customers, our suppliers, and our shareholders and responsibility toward society and our many stakeholder groups establish trust and confidence in our company.

The CSR committee wants to ensure that KRONES measures up to this trust. Therefore, we are continually developing new strategies that will enable KRONES to deliver »added value« for our shareholders, our employees, and society as a whole.

The economic crisis and its repercussions were a watershed event for business. KRONES AG used the opportunity to revise and evolve its CSR strategy. The result is our »CSR strategy 2015«, which was adopted in the committee's last meeting on 24 November 2010 (see page 23 for details).

The CSR committee met twice in 2010. In these meetings, CSR officer Kristina Ebenbeck informed the other committee members, Philipp Graf von und zu Lerchenfeld, Prof. Dr.-Ing. Erich Kohnhäuser, Prof. Dr. Thomas Schwartz, and Volker Kronseder, about the current status and evolution of KRONES AG's corporate social responsibility strategy.



*The CSR committee, from left to right:  
Prof. Dr. Ing. Erich Kohnhäuser,  
Philipp Graf von und zu Lerchenfeld,  
Kristina Ebenbeck, Volker Kronseder,  
and Prof. Dr. Thomas Schwartz*

The first committee meeting in January 2010 focused on reviewing the year 2009 and on the company's rating by oekom research. The agency gave KRONES a C+ rating in 2010, thus awarding the company PRIME status. That qualifies KRONES' share for inclusion in sustainable (socially responsible) mutual funds.

The committee's second meeting in November 2010 focused on the newly developed »CSR strategy 2015«. We have chosen a long-term approach for our CSR strategy because it enables us to achieve the goals more effectively. Ms. Claudia Islinger was appointed to the committee as a representative of the IG Metall trade union.

A central theme of both committee meetings was the evolution of our enviro sustainability programme, which stands for innovation and performance, resource savings, and added value. Our machines undergo an optimisation process that ensures conservation of resources and enhanced user-friendliness.

Neutraubling, April 2011

The CSR committee

Prof. Dr.-Ing.  
Erich Kohnhäuser

Philipp Graf von  
und zu Lerchenfeld

Kristina Ebenbeck

Volker Kronseder

Prof. Dr.  
Thomas Schwartz



## Interview with Claudia Islinger, new member of the CSR committee



Claudia Islinger, a representative of the IG Metall trade union, speaks about her goals and duties as a new member of the CSR committee.

**Ms. Islinger, you joined the CSR committee at the end of 2010. Are you satisfied with the way KRONES is handling its corporate responsibility?**

The way sustainability and corporate responsibility are reflected in KRONES' corporate culture is exemplary. At KRONES, sustainability and corporate responsibility are not merely buzz words. They truly are part of company life. We see this, for instance, in the company's comprehensive reintegration management programme and the counselling service.

**What do you consider to be your job within the CSR committee?**

I am a member of the Works Council and an IG Metall representative, so the social aspect is, of course, very close to my heart. KRONES does an excellent job in this area for permanent employees. But I do see room for improvement when it comes to temporary workers. The goal here has to be »equal pay for equal work«. I would also like to see the company use fewer temporary workers. The best approach here would be for KRONES to permanently hire as many as possible.

**Where else do you see room for improvement?**

Of course, there is always something that could be done better. I will work to get KRONES to further increase the number of trainee positions it offers and invest more in continuing education so that we have enough qualified specialists in Germany in the future. But in general, KRONES is already an exemplary company within IG Metall.

**What are your thoughts on KRONES' »CSR strategy 2015«?**

I think KRONES has once again taken a leadership role here. This is a pioneering strategy, with which KRONES aims to continually improve all of its processes and work flows in order to achieve its economic and environmental goals. My focus will be on ensuring that we meet or even exceed our goals with respect to labour practices.

*»KRONES needs to further increase trainee numbers and invest more in continuing education to ensure that we have enough qualified specialists in Germany in the future.«*

KRONES' founder, Dr.-Ing. E.h. Hermann Kronseder, died on 9 July 2010, at the age of 85. With his passing, we have lost one of the last great entrepreneurs of the post-war era, whose life and work were dedicated to KRONES AG.

Hermann Kronseder was a prolific inventor, with more than 630 patents to his name. He was known in the industry as the »powerhouse of beverage machinery design«. In 1951, at the age of 27, Kronseder set up a craft enterprise in Neutraubling for making electrically powered machines. He devised new solutions for semiautomatic and fully automatic labelling machines and success came swiftly. In its ninth year, the company was already employing 540 people. KRONES established its first foreign subsidiary in the USA in 1966. Many more subsidiaries followed, in all major industrialised countries and all of KRONES' key markets.

In 1980, Hermann Kronseder converted his company – which then had 2,300 employees and annual sales of around €90 million – into a stock corporation under German law (Aktiengesellschaft, or AG). The company went public in 1984. The ensuing years were marked by steady, rapid growth. Hermann Kronseder managed the company as Chairman of the Executive Board until 1995, when the group of companies generated more than €800 million in sales and employed around 7,800 people. Then he passed the baton to his son Volker, and thus to the next generation. It was not easy for him to withdraw from active management of the company's operations. But he had the perspicacity to realise that a competent team leading the company could accomplish more than one man, no matter how dedicated and innovative that one man might be. In recognising and opening the path for his company's future in this way, Hermann Kronseder once again demonstrated his exceptional entrepreneurial spirit. Hermann Kronseder stepped down from the Supervisory Board in 1997, but continued to visit the plant frequently – where he was respectfully addressed as »boss« – right up to his final days.

Apart from earning the highest honours in his home state of Bavaria, Hermann Kronseder also was awarded the Officer's Cross of the Order of Merit of the Federal Republic of Germany (Bundesverdienstkreuz 1. Klasse) and the 1990 Gold Diesel Medal from the German Institute for Inventions (Deutsche Institut für Erfindungswesen). With that, he joined the ranks of great inventors such as Wernher von Braun, Konrad Zuse, and Claudius Dornier. In 1993, he received an honorary doctorate from the Technical University of Munich in special recognition of his achievements. However, to Hermann Kronseder, far more important than any honour were his employees, who remain loyal to the »boss« in gratitude and respect even in death.



### Plant planning

- Planning and construction of complete filling and packaging plants
- Total cost of ownership calculations
- Expansion, updating

### Beverage production technology

- Brewhouse and cellar systems

### Systems for filling and packaging

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



KRONES plans, develops, manufactures, and installs machinery and complete systems for filling and packaging and for beverage production. KRONES' customers include breweries, beverage producers, and companies from the food, chemical, pharmaceutical, and cosmetic industries.

KRONES offers all of the products and services they need from a single source – from constructing new beverage plants to getting the finished product out the door. Our worldwide service network is a key component of our unique portfolio.

Innovation, rapid, flexible development of products and services, and continuous improvement of our internal process flows are the cornerstones of our success.

#### IT solutions

- For plant planning and beverage production
- For internal logistics
- For product filling and packaging
- For Lifecycle Service



#### Internal logistics

- Warehousing systems
- Order-picking systems
- Conveyor systems



#### Lifecycle Service

- Producing
- Maintaining
- Optimising
- Training at the KRONES Academy



**T**he Italian mineral water bottler Tione has been operating the first ErgoBloc L – and, with it, the first enviro-certified system on the market – since the beginning of 2010. The ErgoBloc L is an ultra-compact wet-end monobloc consisting of a blow-moulder, a labeller, and a filler.

Tione is the first bottler to enjoy the system's many benefits, which include high efficiency, a small footprint, and energy-saving operation. Tione S.R.L.'s plant in Orvieto in the region of Umbria was originally built in 1991. In 2007, the Italian investor BSE, a food and beverage logistics company, purchased the plant in order to establish its own production operations. Tione produces both still and carbonated waters. KRONES spoke with Fabio Fioravanti, Tione's plant manager in Orvieto, about his experiences with the enviro-certified line.

**Tione's plant is operating the first ErgoBloc L worldwide and, with it, the first enviro machine from KRONES. What concrete advantages do you get from enviro and the new ErgoBloc L technology?**

**Fabio Fioravanti:** We were very impressed by this sustainable technology. We expect energy consumption under enviro to be around 30 percent lower than it was with our existing system. We also want to use the opportunity to reduce the preform weights of our PET containers. For instance, for a 1.5-litre bottle for carbonated beverages, we'll cut the preform weight from 32 grams to 28 grams.



*»We believe that reducing energy consumption and the amount of PET required to produce bottles also reduces our impact on the environment.«*

The results are additional energy savings and a smaller environmental impact. In general, we are anticipating a line efficiency of more than 95 percent thanks to enviro. This will secure us advantages on the intensely competitive water market.

**It seems it was easy for you to decide to take the lead here.**

**Fabio Fioravanti:** We chose KRONES for two reasons: the sophisticated technology, which impressed us, and the energy savings, which play an important role these days. More and more companies in Italy are using bloc solutions from KRONES. And they are all satisfied, especially those in the water segment. Although we are the first to use – and, you might say, test – this technology, the decision to go with the ErgoBloc L was an easy one.

**What impressed you the most about the ErgoBloc L concept?**

**Fabio Fioravanti:** The Tione Group expects it to deliver maximum line uptime while keeping costs to a minimum. The ErgoBloc L concept should reduce maintenance costs and help to lower raw materials costs for PET preforms. And, of course, it has already delivered space savings. Where our old line took four employees to operate, the ErgoBloc L line takes only 2.5. The monobloc system itself, which incorporates three individual machines, requires just one person who is responsible for the central operating tasks. That really impressed us.

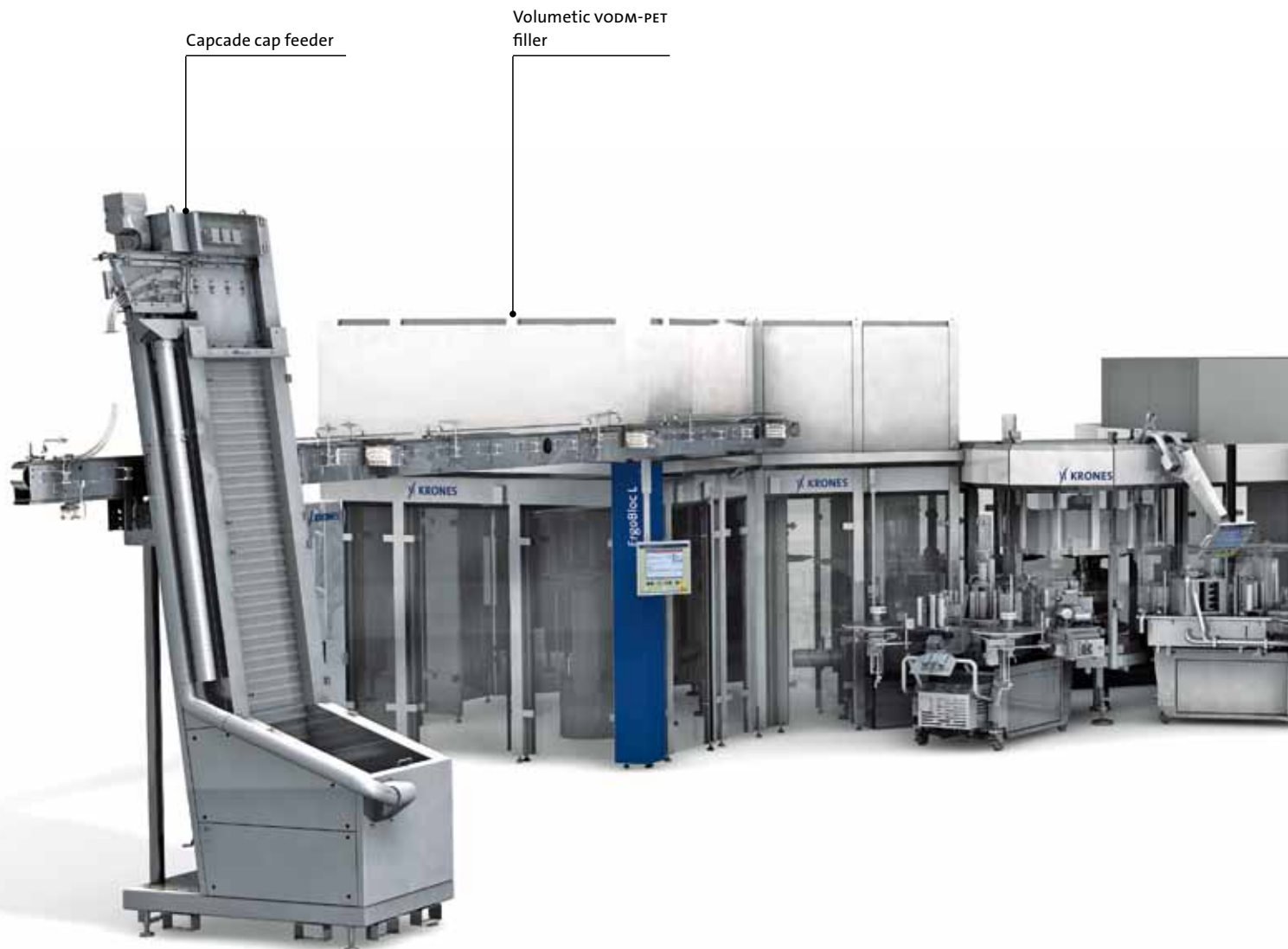
**And how do your employees like the ErgoBloc L?**

**Fabio Fioravanti:** Of course, the ErgoBloc L was a completely new process for us. But our employees are very flexible. They are responsible for production as well as maintenance. I see that as a big advantage because, in maintaining the machinery, the operators get to know and understand the technology even better.

**What are your production targets for this new line?**

**Fabio Fioravanti:** Our aim is to produce 150 million units per year on this line, in three different sizes – 0.5, 1.5, and 1.75 litre bottles. We are only a mid-sized company but at the moment none of our competitors on the Italian market have this technology. That is a big advantage for us.





It's the first of its kind in the world: a complete monobloc solution for the wet end of the line that seamlessly unites stretch blow-moulding, labelling, and filling in a compact system. Strong components come together to form an even stronger whole in the ErgoBloc L. The compact system can produce up to 43,200 containers per hour and handles both still and carbonated beverages. But, while the technology itself is impressive, that is not all.

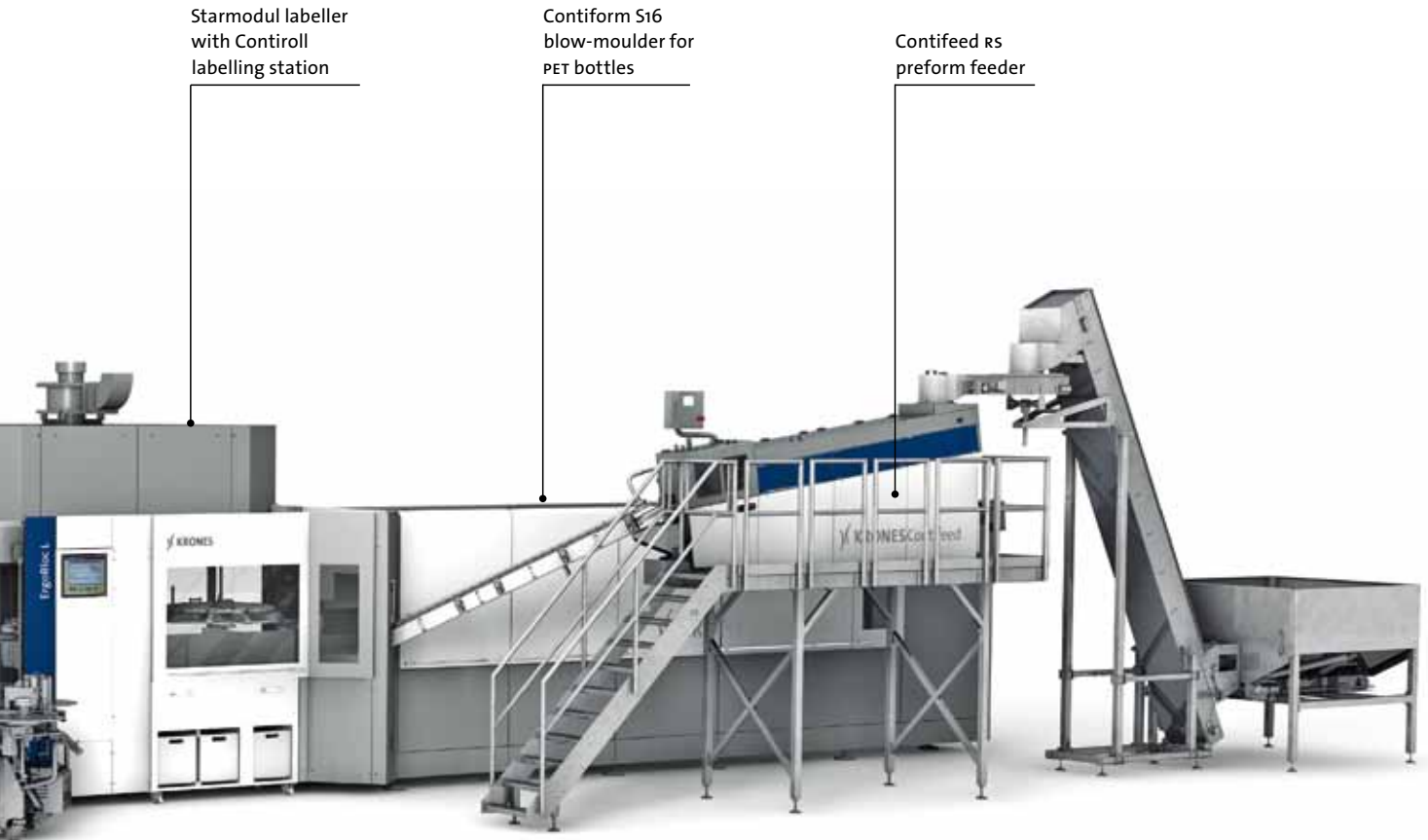
The ErgoBloc L was the first system to earn KRONES' enviro label.

It all begins with the Contifeed RS preform feeder, which perfectly orients PET blanks and transfers them to the Contiform blow-moulder. The PET preforms are blow-moulded into containers in the Contiform and then passed to the labeller.

The key to the new monobloc concept lies in its innovative drive concept and intelligent control technology.







Starmodul labeller  
with Controll  
labelling station

Contiform S16  
blow-moulder for  
PET bottles

Contifeed rs  
preform feeder

The individual components work together in perfect harmony, as the Controll labeller's innovative »gap processing« function illustrates. If a container is rejected after blow-moulding, the labeller recognises the resulting gap and no label is dispensed.

If carbonated beverages are to be filled on the ErgoBloc L, a base cooling unit that uses water jetting is installed between the labeller and the bloc-synchronised Volumetric VODM-PET filler. It cools

the still-warm injection point of the PET containers to prevent the base from inverting.

KRONES has further refined the cap feed with the newly developed cascading sorter *Capcade*. The system identifies misshapen and misaligned closures as well as closures with damaged tear rings and removes them from the feed.

All bloc components can be decoupled and operated separately for changeovers and maintenance work. That saves valu-

able time as CIP cleaning, label changeover, and moulding cavity changeover can be accomplished in parallel. Short pathways, easy maintenance, quick changeovers, and a simple operating concept make it possible for one operator to manage the entire bloc without difficulty.



*Florian Herrmann, filling technology, modular systems*



*Andreas Schütz, plastics technology, commissioning*



*Thomas Schuierer, filling technology, modular systems*



*Stephan Fischer, labelling technology, main assembly shop*

**F**our members of the team that assembled the first enviro-certified line, the ErgoBloc L, report on their experiences.

The ErgoBloc L consists of multiple KRONES machines, including the Contiform, the Volumetic, and the Capcade. How did the different departments work together?

**Florian Herrmann:** They worked together very well. We all had a common project and common goal – to put the first enviro-certified line into operation.

**What does enviro stand for?**

**Stephan Fischer:** Basically, enviro stands for conserving resources and saving energy. But workplace design also plays a role, to ensure the highest level of occupational safety.

**Thomas Schuierer:** A machine consists of many parts and technical details. Under enviro, every process and every assembly is examined for potential reworking, for instance, to reduce energy consumption.

What kind of line is the ErgoBloc L that was delivered to Tione?

**Thomas Schuierer:** The ErgoBloc L is a monobloc system for the wet end of the line and consists of a blow-moulder, a labeller, and a filler.

The ErgoBloc L was the first enviro-certified machine to be delivered. Are you proud to have been involved in putting it together?

**Florian Herrmann:** It's a great feeling to be in on the first delivery of an enviro system. It shows that CSR is more than just PR at KRONES – it's something we really take seriously.

**Andreas Schütz:** For me, the Tione job is a great example of how conserving resources with production machinery is possible and that it is the way of the future.

The customer has certain expectations of KRONES with an enviro-certified machine. Were there any noticeable differences in the assembly process or were the work steps all pretty much the same as with a »non-enviro« machine?

**Stephan Fischer:** The work steps are basically the same. But because we were working on the first enviro-certified machine, we were even more motivated.

**Florian Herrmann:** That's right. We were a bit anxious because of course we had to deliver what we had promised the customer with enviro.

**What does corporate social responsibility at KRONES mean to you?**

**Andreas Schütz:** The Tione job is a great example of how sustainability at KRONES isn't limited to our own production in our own plants but extends into helping our customers operate more sustainably.

**Stephan Fischer:** To me, CSR also means that KRONES is there for its employees. The topic of occupational safety applies to me every day.

**With enviro, KRONES has really set the tone for sustainability within the company. What do you expect from enviro in the future?**

**Thomas Schuierer:** That KRONES will not sit back, content with the success it has already achieved with enviro, but instead research even further in this direction and continue to evolve enviro.

**Andreas Schütz:** ... and that enviro will be part of the planning of new machines.



KRONES develops, plans, manufactures, and installs machinery and complete systems for filling and packaging and for beverage production. KRONES' customers include breweries, beverage producers, and companies from the food, chemical, pharmaceutical, and cosmetic industries.

The KRONES Group is organised in three segments:

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

This is KRONES' biggest segment, offering machinery and systems for labelling, filling, inspection, bottle washing, and PET bottle production.

■ **Machines and lines for beverage production/process technology**

This segment comprises brewhouse and filtration technology for the brewing industry and the complete production of non-alcoholic beverages, ready-to-drink teas, and mixed drinks containing alcohol.

■ **Machines and lines for the low output range (KOSME)**

KRONES' subsidiary KOSME offers KRONES machines and lines for product filling and decoration for the low output range.

KRONES generated around €2.17 billion in sales revenue and posted net income of approximately €51 million in fiscal 2010. The company generated 89% of its sales outside Germany in 2010.

*KRONES boosted sales revenue and generated a respectable profit in 2010.*

At 31 December 2010, the KRONES Group employed 10,575 people. Production takes place in Germany, at plants in Neutraubling, Nittenau, Flensburg, Freising, and Rosenheim. In addition, KRONES has a network of more than 40 companies outside Germany that offer a variety of products and services for the entire life of a line. KOSME produces its lines in Italy and Austria.

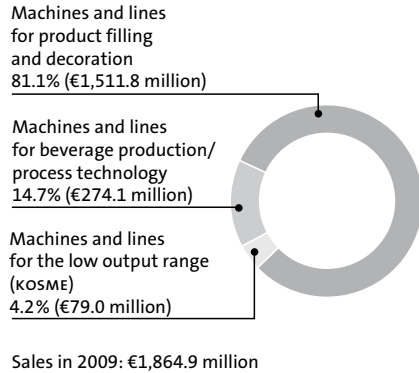
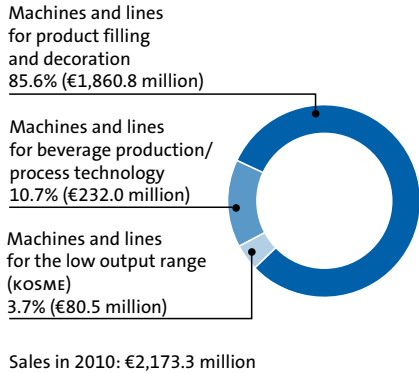
Key figures for the KRONES Group

		2010	2009
<b>Sales</b>			
Sales revenue	€ million	2,173	1,865
Export share	%	89	90
<b>Earnings</b>			
Earnings before taxes	€ million	71	-39
Net income	€ million	51	-34
Earnings per share	€	1.68	-1.15
<b>Employees (at 31 Dec)</b>			
In Germany		8,280	8,165
Outside Germany		2,295	2,073
Dividend per share	€	0.40	0.00

Export shares:

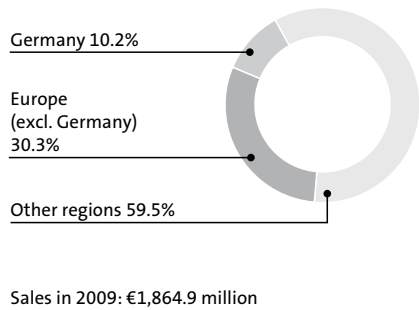
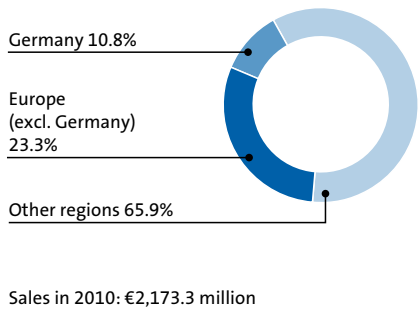
2010: 89%  
 2009: 90%  
 2008: 87%  
 2007: 84%  
 2006: 85%  
 2005: 87%  
 2004: 82%  
 2003: 80%

**KRONES Group sales by segment**



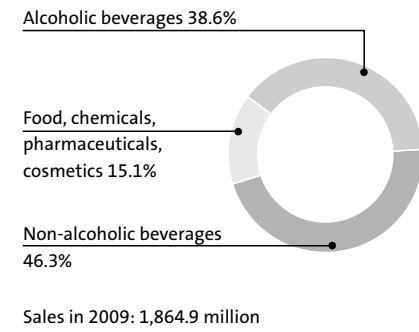
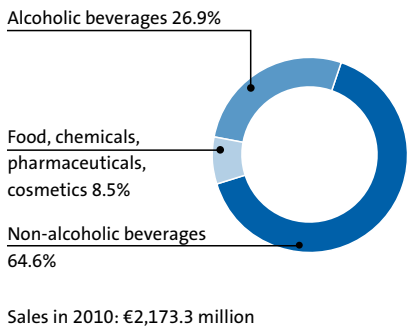
*KRONES' core segment made a big leap in sales in 2010 while the two smaller segments each contributed smaller shares of total sales.*

**KRONES Group sales by region**



*KRONES gained particularly in emerging markets such as China and South America in 2010.*

**KRONES Group sales by industry**



*Strong consumption of water boosted sales relating to the packaging of non-alcoholic beverages.*

*More figures and information about our business development is in the 2010 Annual Report.*

## Legal form

Stock corporation under German law (Aktiengesellschaft, AG)

## Executive Board

Volker Kronseder (Chairman of the Executive Board, Personnel Management and Social Affairs, Corporate Communications), Hans-Jürgen Thaus (Deputy Chairman of the Executive Board, Finance, Controlling, Information Management, and Process Management), Rainulf Diepold (Marketing and Sales), Werner Frischholz (Materials Management and Production), Christoph Klenk (Research and Development, Engineering, and Product Divisions).

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

## Supervisory Board

Pursuant to § 8 (1) of the articles of association, six members are elected by the shareholders in accordance with the German Stock Corporation Act (§§ 96 (1) and 101). Six members are elected by the employees pursuant to §§ 1 (1) and 7 (1) sentence 1 no. 1 of the Codetermination Act.

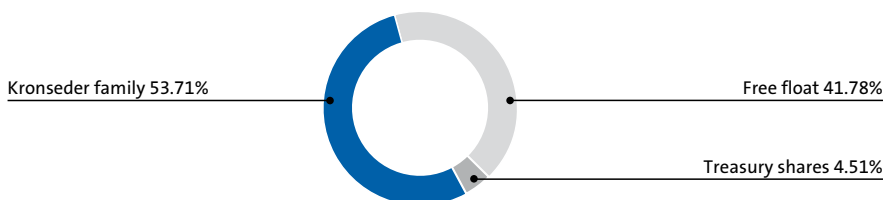
The Supervisory Board appoints the members of the Executive Board and approves important corporate decisions.

The structure of the compensation system for the Executive Board was discussed in detail and determined by the Supervisory Board on the basis of the recommendations contained in the German Corporate Governance Code. Details can be found on pages 109 to 111 of KRONES' 2010 Annual Report.

## Shares

KRONES shares are no par value ordinary bearer shares. Each share carries one vote. The stock has been listed and available for trading on all German stock exchanges since 29 October 1984. KRONES' capital stock of €40.0 million is now divided into 31,593,072 shares. KRONES is included in the MDAX share index, the German stock exchange's midcap index.

### Shareholder structure (at 28 February 2011)



*The Kronseder family still holds the majority of KRONES' shares. That makes the company one of the few family-owned enterprises in the MDAX.*

### KRONES corporate guidelines reflect our values

Doing business in a sustainable, socially responsible manner has been an integral part of KRONES' corporate philosophy for decades. The overarching goal of our Corporate Social Responsibility (CSR) strategy is to be guided by fundamental values such as honesty, transparency, fairness, and authenticity. With our CSR strategy, we are integrating social and environmental considerations into our business processes and therefore helping to ensure our long-term success.

Besides being established as an overarching strategic goal, social responsibility is also integrated into our corporate values, policies, and codes.

*The corporate guidelines we live by reflect our company's character.*

*A PDF version of our corporate guidelines is available online at [www.krones.com/downloads/Unternehmensleitlinien\\_e.pdf](http://www.krones.com/downloads/Unternehmensleitlinien_e.pdf).*

### We go about our business in a sustainable, socially responsible 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.

### We stand for excellent quality and technological leadership in our market

Our technology leadership, which is based on our intensive research and development work, is the reason why many customers choose us – and the reason why so many have maintained a long-standing relationship with KRONES. This, combined with the consistently high quality of our machines, lines, and services, underpins KRONES' global market lead.

### We owe our success to our workforce

Highly qualified people form the backbone of KRONES' success. As an employer, we have a very special responsibility for our more than 10,000 employees worldwide. We foster not only their technical and professional development but also their personal development. We are fully aware that our employees are the key to the company's future.



*I've been at KRONES AG for 40 years now. The continuing education options that KRONES offers show me that older employees are also part of the company and by no means obsolete.*

*Elisabeth Eder, Personnel Management and Social Affairs*

### We are committed to using resources economically while always providing the highest quality

Conserving resources doesn't mean compromising on quality. Leaner production processes, technological innovations, and highly motivated, superbly trained employees enable KRONES to produce top quality goods with high value added.

### We safeguard the health and safety of our employees

Our corporate culture ensures 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.

### Our production operations are eco-friendly

As far as is economically reasonable, we use all of the options available to make our production operations environmentally compatible. We not only comply with statutory regulations, we make every effort to remain as far below the prescribed limits as possible.

### We do business for the long term and we do it transparently

All strategic decisions within the KRONES Group are reviewed for their long-term probability of success. Short-term optimisation of profits or cash flow has no place in our business model. It is our intention to be a reliable partner for all of our stakeholders, and this includes a policy of maintaining open communications.

## Code of Conduct

As the market leader, KRONES intends to be, and ultimately has to be, the standard-setter – and this includes our ethical behaviour. Sustainability has always been an important part of KRONES' corporate strategy. This places high demands on each and every one of us. We want to ensure that our actions are always irreproachable, correct, and exemplary. For this reason, we have drafted a code of conduct on the basis of the shared values that are our corporate guidelines.

The aim of the code of conduct is to ensure company-wide compliance with laws, standards, and guidelines in order to create a working environment of integrity, respect, fairness, and accountability. It is binding for all KRONES employees – including



*The measures KRONES has taken to prevent work-related accidents make me feel safe as I go about my work each day. They add a whole layer of meaning to the notion of »job security«.*

*Agim Bajrami, assembly,  
filling technology division,  
aseptic systems*



the Executive Board, management, and every member of our staff worldwide. All employees are urged to not only comply with the guidelines in the code of conduct in a formal sense but to live and breathe their meaning and purpose. Only in this way can they serve as the basis of an open and vibrant culture of compliance.

In the interest of all employees, violations of the code of conduct are systematically investigated and disciplinary action taken. Of course, we want KRONES to be recognised as the market and technology leader. But we also want our customers, employees, suppliers, and shareholders as well as government agencies, institutions, and the general public to perceive us as a reputable, trustworthy, and dependable partner. That is crucial to retaining and expanding our position as the market leader.

*The complete KRONES code of conduct is available online at [www.krones.com/en/company/sustainability.htm](http://www.krones.com/en/company/sustainability.htm).*

### Suppliers' code

When choosing our business associates, we look at their performance with respect to sustainable, socially responsible management. KRONES has developed a suppliers' code for this purpose, which is available online at [www.krones.com](http://www.krones.com). Compliance with the guidelines set out in the code is essential to successful, transparent, and sustainable business relationships with our suppliers.

The suppliers' code covers safety, health, the environment, quality, human rights, employee standards, and preventing and fighting corruption. In order to ensure compliance, our quality assurance team performs audits on site at the suppliers' facilities and then prescribes improvements where necessary.

In addition, KRONES seeks to use vendors that are independently certified.

### Corporate governance

With a few exceptions, KRONES follows the recommendations 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. More information and details on our statement of compliance as well as the compensation report are published in our Annual Report (pages 100 to 111) and online ([www.krones.com](http://www.krones.com)).



*KRONES has developed a suppliers' code that commits suppliers to act responsibly. The suppliers' code is available online for download at [www.krones.com/downloads/Liko\\_2010\\_e.pdf](http://www.krones.com/downloads/Liko_2010_e.pdf).*

## Sustainability in our organisation

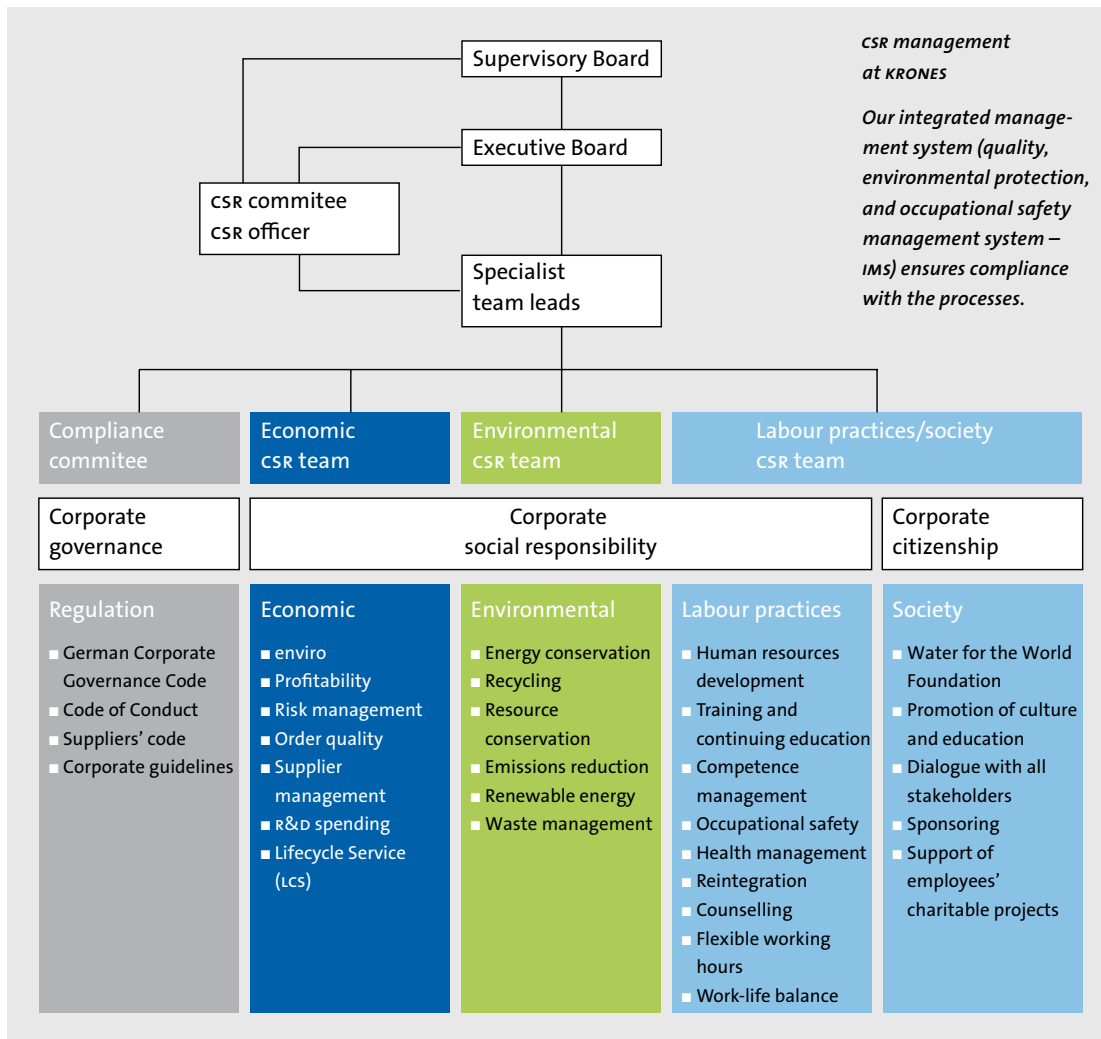
KRONES AG has systematically anchored its sustainability strategy in the company by way of group-wide standards and an organisational structure that includes clearly defined responsibilities (see chart below).

### CSR comitee

The most important body in this respect is the CSR committee, which is endowed with far-reaching authority. The CSR committee monitors compliance with the group-wide CSR guidelines and initiates open, neutral dialogue with stakeholders. Another of the committee's core duties is to oversee implementation of the company's CSR goals and intervene where necessary.

### CSR specialist teams

These teams consist of representatives from various departments and define sustainability-related goals, actions, and tasks. The CSR officer brings these proposals to the CSR committee. In collaboration with the Executive Board, the CSR committee in turn ensures that sustainability issues are translated into appropriate actions throughout the group.





*All of our efforts serve one core goal: To create »added value« for KRONES and for our employees, our customers, our suppliers, society, and our shareholders.*

## Our values – our strengths

To be successful in the long term, you have to use your strengths to your best advantage. Therefore, we have analysed our core expertise and used the results of this analysis to formulate our corporate values.

KRONES is

- **Securing value for a strong future**
- **Creating value with powerful solutions**
- **Respecting values in effective dialogue**

Our aim is to create »added value« for our company, our employees, our customers, our suppliers, our investors, and society as a whole.

## Seizing opportunities – reducing risks

Because the business environment is constantly changing, it is important to identify new challenges early. We systematically analyse and assess opportunities and risks relating to CSR topics in ongoing dialogue with our stakeholders. That helps us to identify potential weak points and new challenges early. And with that, we are minimising risks for the company, strengthening our stakeholders' trust in us, and safeguarding the company's reputation.

But KRONES also wants to take advantage of the opportunities that come with change and use them to acquire new business and employees. For example, we are developing particularly resource-saving products and services under our »enviro« label. And by investing heavily in Germany as a business location and maintaining an employee-friendly corporate culture, we are attracting qualified personnel – one of the key factors for KRONES' future success.

## KRONES' CSR targets through 2015

In the future, we want to put our sustainability expertise to work in an even more targeted manner, to utilise opportunities that present themselves and reduce existing and potential risks. To this end, we have established clear, ambitious, traceable goals for the next five years. With these goals, we aim to further substantially improve our performance in all areas (economy, environment, labour practices, and society) and thus underpin our market lead in terms of CSR as well.

### CSR goals: Economic

## Added value

Our goals with respect to economy focus on expanding the enviro sustainability programme, boosting profits, and further improving our risk management.

#### Value

Our new programme »Value« aims to increase KRONES' profitability. Only through profitability can KRONES continue to invest in new developments and qualified, highly motivated employees.

- Creating added value for customers and the company
- Improving profitability
- Strengthening customer loyalty
- Pre-tax return on sales > 7%
- Value-oriented sales

#### enviro

With the certified management system enviro, we are gaining growing advantages over our competitors. Third-party verification is an important component here.

- We plan to have 100% of our machines assessed under enviro by 2015.

#### Risk management = opportunity management

KRONES' aim is not only to avoid risk. We also want to identify and use the opportunities the rapidly changing markets offer. Some of the core topics here are quality, suppliers, personnel, and compliance. More information can be found in the KRONES Annual Report 2010, on pages 78–85.

- Supplier management: fair treatment, ensuring continuity of supply
- Quality assurance: quality without compromise
- Human resources management: well positioned for the »war for talent«
- Compliance: as an integral part of our corporate culture

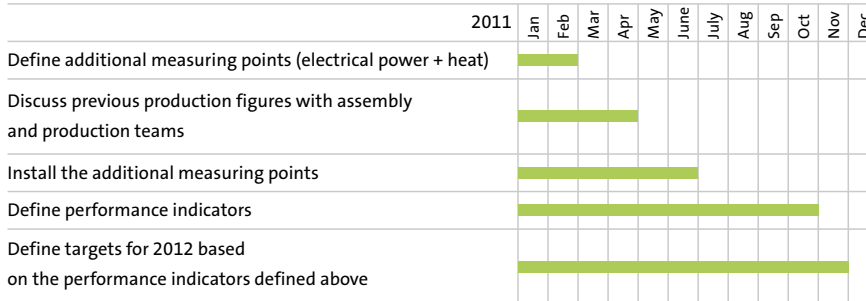
csr goals: Environmental

# Green supplier

In the years ahead, KRONES wants to underpin its leadership on the market – not only in terms of technology but also in terms of environmental protection. We have set ambitious goals for substantially reducing internal resource consumption by 2015. The basis for this effort will be to define concrete parameters and introduce a group-wide measuring system in order to form a transparent picture of all relevant consumption data.

- Reducing energy consumption (co<sub>2</sub> emissions per €1 million in sales)  
Introducing an energy management system, which is planned for 2012, is an important part of our efforts to substantially reduce energy consumption.
- Reducing waste  
When it comes to generating waste, we will adhere even more closely to the dictum »avoid, reduce, reuse, recycle«. In this way, we intend to substantially reduce the amount of non-recoverable waste generated at our facilities in the years ahead.
- Reducing water consumption  
We intend to further reduce our consumption of fresh water, for instance, by recirculating and reusing water as much as possible.

Establishing an energy management system (based on DIN EN 16001)



## Employer branding

Demographic trends in the world's industrialised countries are expected to result in a shortage of qualified workers in the years ahead. Since KRONES has focused primarily on internal growth, it is extremely important that we establish a reputation as an attractive employer. We have set the following goals with respect to employer branding:

- Expand and optimise our human resources marketing (recruitment): Use our knowledge from Personnel Management and Social Affairs to recruit new employees and retain existing ones
- Increase the value of our sites with respect to recruitment by way of charitable giving and sponsoring
- Improve work-life balance
- Continue to develop employee qualifications to secure our market position and as incentive for our employees
- Boost training and continuing education
- Expand the employee suggestion box system to better unlock and utilise our »hidden knowledge«
- Improve work safety
- Reduce absenteeism by expanding health management and counselling service

## Charitable giving and sponsoring concept

### Spon- soring

We are reorienting our charitable giving and sponsoring activities with a focus on training and continuing education. At the regional level, we support schools and universities near our production sites. At the national level, we are doing intensive marketing at colleges and universities. And at the international level, we are supporting the construction and expansion of the Dhulikhel university clinic in Nepal.

## Improving dialogue with stakeholders

### Dialogue

Trust is based on communication and transparency. Therefore, KRONES actively seeks to engage in dialogue with all stakeholders. But here, too, we see potential for improvement and want to enhance both the quality and the quantity of our communications with stakeholders in the years ahead.

- NGOs: by participating in their events
- Cultural institutions: through collaboration
- Policymakers: by deepening contacts
- Suppliers: through strategic agreements and fair treatment
- The general public: through transparency and a clear charitable giving and sponsoring concept
- Employees: by listening to and responding to older employees

## Cleaning up responsibly

### KRONES invests in new pipe bending centre

One of our highest priorities as our company evolves is to continuously optimise our production processes. Our purchase in December 2009 of a former leather factory directly adjacent to the main road has enabled us to further restructure production processes. The grounds of the »Bayern Leder« factory, which closed back in 2004, presented us with an opportunity to reorganise our pipe production, which at the time was dispersed across five different production halls. Because of the site's prior use as a leather factory, there was much preparatory work to be done before we could build our new production halls. The 20,000 square metre site first had to be thoroughly examined for contamination as well as for munitions and explosives from World War II.

#### Cleaning up

Before deciding to purchase the property, KRONES commissioned various experts to test the soil, which was found to be contaminated. Before beginning construction of the new buildings, KRONES had the entire site cleaned up. During the demolition work, leach pits measuring 15 x 8 metres each were uncovered. They contained leather processing residues such as chromium, polycyclic aromatic hydrocarbons (PAHs), and chlorides. All of the pollutants found in the leach pits and other contaminated soils were disposed of as determined by the environmental experts and the KRONES AG building department. According to



the report provided by the firm Lotox, there was no detectable seepage from the dried masses into the ground water.

The entire property – including all pits – was excavated, tested, and sorted one section at a time. The excavated soil was temporarily stored in piles on the site, which were covered with sheeting. The systematic separation and continuous sampling and testing of soils made it possible to determine specific disposal strategies for each category of soil contamination found. It also prevented any mixing of the various soils. The land reclamation specialist divided the property into four quadrants, each of which was examined for its composition in 40 digs. Only after these samples were tested in the laboratory could a decision be made on appropriate disposal. The step-by-step reclamation of the land made for an enormous logistical effort because the soil could not be removed from the site and transported to the disposal company's site until results of the laboratory analyses were available. When it was time to refill the excavated site, we were able to include clean, recycled material from the demolished buildings.

#### Flexible, high-quality, cost-effective production

Once the new 3,825 square metre hall number 5.7 was built, we were able to launch optimised, coordinated pipe production processes in December 2010. The streamlined organisation of pathways lightened the workload of the 120 employees involved in pipe machining, eliminating the extra work of transporting materials between the storage areas and the dispersed production halls. Moreover, improved access to the work areas of the bending and flaring machines made the workplace safer. Media supply lines located under the work tables and mobile vacuum systems made the work areas more convenient. Many of the welding booths, of which there are now 32, are equipped with new turning and welding assemblies.

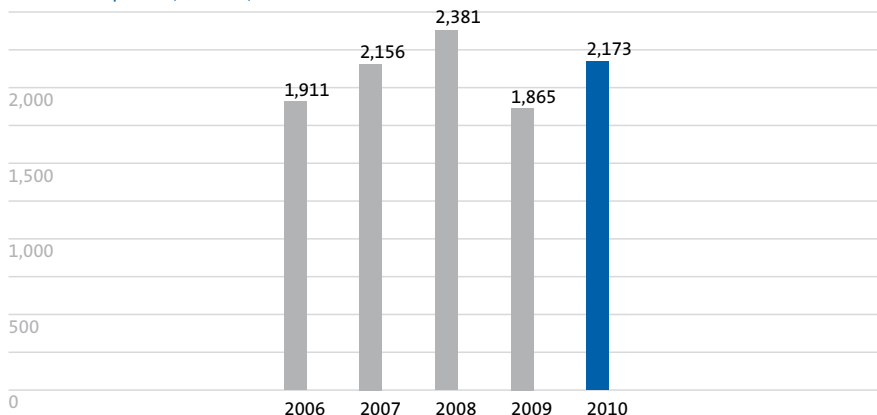
The logical arrangement of all work steps – from semi-finished to finished product – reduces processing times. Eliminating non-productive time and transports to subcontractors has improved production costs. The aim is to reduce processing times from the current average of 17 days per order by around one-half and production costs by approximately one-fifth. This goal can be achieved under the new structure, even if the time required for the main processes – such as cutting, bending, flaring, cleaning, commissioning, tackling, welding, and surface preparation and finishing – remain unchanged. Targeted automation makes this possible.





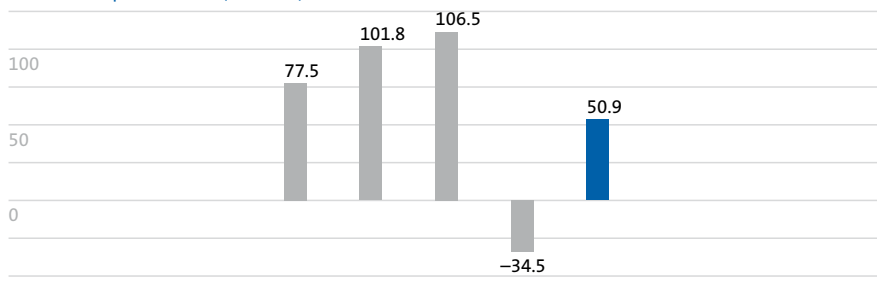
A company must be consistently profitable to be able to fulfil its responsibilities toward its employees, business partners, and shareholders and to the environment and society. KRONES is also convinced that the only way a company can be profitable in the long term is by conserving resources, taking environmental protection seriously, and taking on social responsibility. For this reason, KRONES has traditionally sought to maintain the fruitful symbiosis of profitability and social responsibility.

KRONES Group sales (€ million)



With this strategy, KRONES intends to further expand its market lead and to use the opportunities provided by long-term market growth for beverage packaging lines. In 2010, we reaped the rewards of having retained our core workforce throughout the crisis of 2009. Our people were already in place to handle the unexpectedly strong surge in orders in 2010. As a result, sales revenue at KRONES increased 16.5% (€308 million) to €2.173 billion. The company's bottom line was also positive once again, with net income of €50.9 million after the previous year's net loss of €34.5 million. Apart from the general economic recovery, these figures also reflect KRONES' technological leadership on the market and the continuing success of the »Conversion« programme.

KRONES Group net income (€ million)



*The new competence management reviews show me that KRONES is interested in promoting my skills and helping me develop professionally.*

*Harald Brosch, filling technology division, order processing/cappers*

*In 2010, KRONES returned to profitability after having posted the first net loss in the company's history in 2009.*

With »Conversion« complete, KRONES is now focusing on »Value«

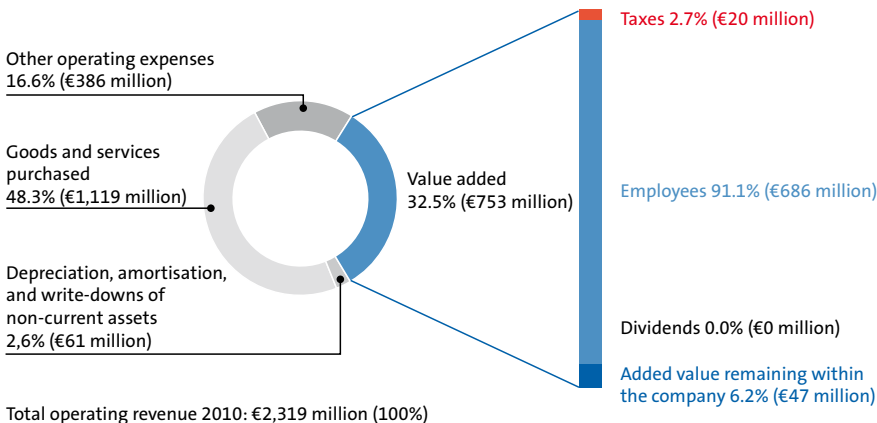
At the end of 2008, KRONES launched a programme entitled »Conversion« in response to the difficult economic situation. The idea behind »Conversion« was that we had to change our thinking as well as our organisation. The comprehensive raft of measures resulted in substantial savings once again in 2010. However, the rapid economic recovery has compelled KRONES to shift its focus back to managing growth. Therefore, in early 2011, the extremely successful »Conversion« programme was replaced with »Value«. The new programme is aimed at creating added value for customers, employees, suppliers, shareholders, society as a whole, and of course, KRONES.

During the crisis of 2009, price quality deteriorated dramatically. Therefore, the goal for 2010 was to at least stabilise prices. And we did. One important factor here was that our sales team is continually reviewing and improving the quality of our orders. For this purpose, KRONES introduced a multi-dimensional risk analysis system worldwide in 2009 and systematically implemented it in 2010. Our focus on value-oriented sales paid off in 2010 and made a significant contribution to improving our performance. KRONES' medium-term goal remains: to achieve a pre-tax return on sales of at least 7%. To achieve this, it is imperative that our sales team continually improve price and order quality.

### Increasing value added

The value added calculation presented here shows the KRONES Group's contributions to the economy and society. A company's value added is calculated by deducting the expenses for production – that is, cost of goods and services purchased, depreciation, amortisation, and write-downs on non-current assets, and other operating expenses – from total operating revenue. The result for KRONES for the year under review is value added of €753 million (previous year: €587 million).

KRONES Group value added calculation



More than 90% of KRONES' value added went to our employees in the form of wages, salaries, and social security contributions.

The lion's share – 91.1% or €686 million – went toward our employees. In addition to wages and salaries (€565.2 million), KRONES spent €120.3 million on social security contributions, pension plans, and employee benefits.

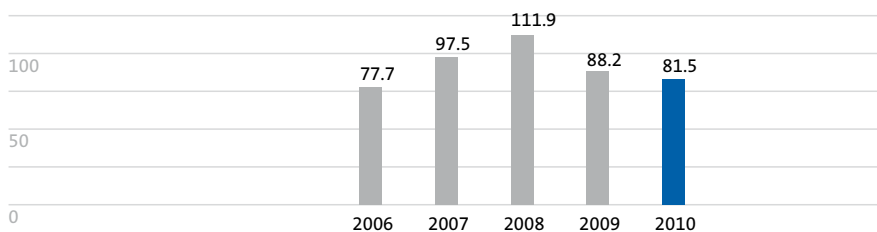
In addition, €20 million or 2.7% of value added went to the state in the form of tax payments. Since KRONES did not pay out a dividend to shareholders in 2010, €47 million of value added remained within the company. This amount is available for expansion projects and, thus, for funding future growth.

### Increasing capital spending

Even in difficult economic times, KRONES stands by its conviction that providing leading technology and services is the only way to achieve long-term, sustainable value added. For this reason, the company has a long tradition of investing heavily in its employees, production facilities, and research and development. In 2010, as in years past, around five percent of sales revenue went toward research and development. KRONES also invested around €81.5 million (previous year: €88.2 million) in property, plant and equipment and intangible assets in the year under review.

It is worth noting that KRONES AG did not receive or request any government funding, subsidies, tax relief, or other grants for its investments. KRONES will continue to invest in the future – using our own resources – in order to maintain our leadership of the market for the long term.

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



*I find it remarkable that KRONES did not cut back on investing in sustainability during the economic crisis.*

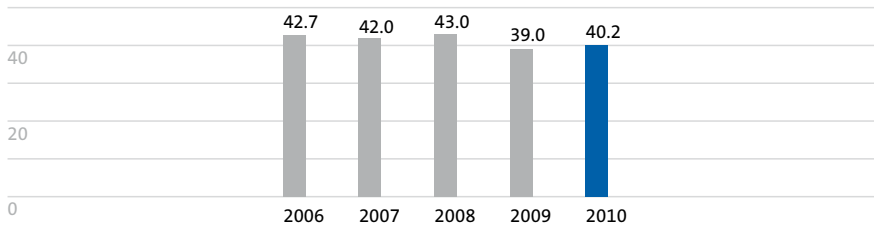
*Tobias Kolbe, assembly, filling technology division, standard systems*

*KRONES continued its high level of investment in 2010.*

## Balance sheet and financial structure still strong

A strong financial footing remains crucial to our ability to make pioneering investments even in difficult economic times. With cash and cash equivalents of €147.4 million and an equity ratio of 40% at the end of 2010, KRONES has plenty of leeway with which to implement a long-term capital spending strategy and further consolidate its leadership on the market.

KRONES Group equity ratio (%)



*An equity ratio of 40% gives KRONES sufficient leeway to invest in further growth.*

## Risk management is an important factor for success

Our CSR Strategy 2015 assigns considerable importance to improving and refining our risk management system (see pages 24 and 25). That is because 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. An internal control system with which we record, analyse, and assess all relevant financial and operating risks (from liquidity risks to personnel risks) is an integral part of KRONES' risk management system. We monitor all material risks and any countermeasures already taken in a detailed, ongoing process that entails planning, information, and control. We are continually expanding and 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.

At present, KRONES does not foresee any physical, regulatory, market, cost, or legal risks worldwide that could arise from climate change. Therefore, the company is not currently discussing actions to counter such risks.

Details on risk management and the risk categories can be found in the risk report in our 2010 Annual Report.



*KRONES handled the economic crisis brilliantly. That is very reassuring to me as regards my career.*

*Rudolf Wintermeier, assembly, filling technology division*

With the exception of our subsidiary KOSME (< 4% of consolidated sales), which produces in Italy and Austria, all of our production takes place in Germany. All manufacturing steps are carried out in one of our German plants, in Neutraubling (company headquarters), Nittenau, Rosenheim, Flensburg, or Freising. Providing cutting-edge technology and the highest possible quality requires close collaboration between our R&D people and our specialists on the shop floor. That is why we are not offshoring our production. Instead, we are committed to maintaining our tried-and-true production matrix at home in Germany.

We are continually evolving our internal processes and, as a result, we have maintained an excellent record for on-time delivery – despite sharp fluctuations in demand. As a result, KRONES is an extremely dependable partner to its customers, helping to ensure that they and their employees can also serve as dependable links in the value chain for the long term.

KRONES has for years invested heavily in Lifecycle Services (LCS) in order to provide local service to our customers around the globe. LCS employs more than 1,800 highly qualified people, to provide customers with a comprehensive range of top-quality KRONES products and services no matter when or where they need them. LCS covers all maintenance and repair services, spare parts and change parts, individual services, software tools, and training. Thus, LCS is an important basis on which to build consistent long-term earnings.

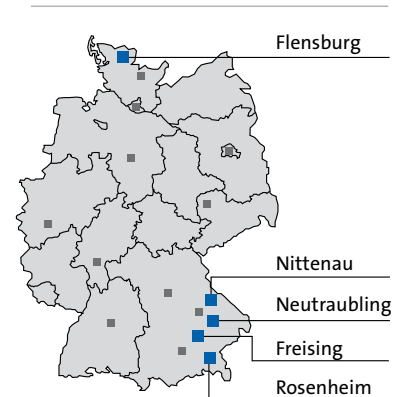
When contracting installation services abroad, we carefully ensure that the foreign subcontractors meet our strict environmental and social standards (see the discussion of our suppliers' code on page 21). In our quality assurance department, some 15 people are at work worldwide, monitoring the installation of our lines on site.

Another of KRONES' goals is to conserve resources in our own production. We achieved this goal in 2010. Energy consumption relative to sales revenue was down. In other words, we used less energy for each euro in sales we generated. Detailed environmental data is presented in the »Environmental« section of this report, beginning on page 40.

### High standards for suppliers and logistics

Our suppliers and their reliability for on-time delivery are critical to our own efforts to keep up an excellent delivery record. The long-standing, fair relationships we maintain with our vendors and our excellent payment record help ensure this dependability.

We purchased raw materials, products, and services totalling around €1.1 billion from partners in some 60 countries in 2010. We expect these partners to operate in accordance with our company's ethical values (see the discussion of our suppliers' code on page 21).



*KRONES is committed to Germany as our business location and, with an excellent record for on-time deliveries, has established a reputation as a dependable partner.*

As a company that operates on the just-in-time principle, KRONES sometimes has to give priority to speedy delivery to the production and delivery chain over environmentally optimised transport. Nevertheless, KRONES strives to achieve a high level of transport efficiency. We achieve this by increasing our own vertical depth of production, thereby eliminating many supply transports, and by using suppliers that are close to our production sites as much as possible. And wherever possible, KRONES relies on ship or rail to deliver our machines and lines instead of air transport.

*As a company that operates on the just-in-time principle, KRONES depends greatly on punctual, dependable deliveries from its suppliers. We hold our suppliers and logistics chain to the highest of standards.*

### Highest level of quality assurance

The name KRONES has always been synonymous with quality. As the market leader for beverage and packaging technology, we feel an obligation to always provide our customers with the latest technology and the highest quality. But the concept of quality encompasses more than products and manufacturing processes. It also stands for our responsibility to protect the environment and to comply with standards for occupational safety and health. In obtaining certification of our IMS for all of our sites in Germany in 2009, KRONES also strengthened its role as a leader in this area. The existing quality management systems were expanded into an integrated management system (IMS) for quality (DIN EN ISO 9001), environmental protection (DIN EN ISO 14001), and occupational safety (BS OHSAS 18001) and certified by TÜV SÜD.

At the end of 2010, KRONES' information management system also received ISO 20000 certification through TÜV SÜD. Our aim is to deliver all IT services for the departments in the agreed quality and to continually improve them. With the certification, the information management system becomes another component of our integrated management system (IMS).

KRONES uses internal and third-party audits to ensure process security across the entire system.



*To me, CSR also means using local suppliers. It benefits companies in the region and the shorter transport distances make for lower CO2 emissions.*

*Armin Schmid, assembly, filling technology division, standard systems*

*KRONES AG's audit programme: Certifications such as ASME, ML, RTN, and GOST examine and document the conformity of products destined for export with the standards and regulations of the recipient countries.*

KRONES AG, Germany	Quality ISO 9001	Environment ISO 14001	ISO 20000	ISO 3834	OHSAS 18001	OHRIS	enviro	CSR	ASME (USA, Canada)	ML (China Manufacture Licensing)	RTN, GOST (Russia)
Plants and subsidiaries and their locations											
Neutraubling plant	●	●	●	●	●	●	●	●		●	●
Nittenau plant	●	●	●	●	●	●	●	●	●	●	●
Steinecker plant, Freising	●	●	●	●	●	●	●	●	●	●	●
Flensburg plant	●	●	●	●	●	●	●	●			●
Rosenheim plant	●	●	●	●	●	●	●	●			●
KIC KRONES, Neutraubling	●	●	●		●	●	●	●			●

We invest a great deal in research and development in order to secure and expand our technological leadership. KRONES' R&D team is made up of more than 1,700 highly qualified people. Part of the team focuses on advancing strategic development efforts. The rest, the majority, of the team works to continually improve existing products and services and further increase the benefits they offer our customers. The focus here is on ensuring line uptime and efficiency throughout the entire life-cycle.

In our industry, it is important to protect innovations and knowhow under intellectual property law. In recent years, KRONES has implemented a very successful patent strategy, which is reflected in a steep increase in registered patents. At the end of the reporting period, KRONES had around 2,000 registered patents and utility models (previous year: around 1,600).

### enviro – a strong label with competitive advantages

With the enviro sustainability programme, launched in 2008, KRONES has established a standard of energy and media efficiency for machines and lines in the bottling and packaging industry. It also helps shape our company's research and development work. enviro stands for innovative, high-performance machines and lines that use resources sparingly and offer customers added value while at the same time ensuring the safety of operating and maintenance personnel. All KRONES developments are now guided by the enviro programme, which earned TÜV SÜD certification in 2009.

The criteria for energy efficiency include:

- Electrical power
- Compressed air
- Heating and cooling



The criteria for media efficiency include:

- Gasses
- Water



The criteria for eco-friendliness include:

- Composition of all materials used (raw materials and supplies)
- Consumption of the media used in various defined operational states
- Emissions (e.g. noise and effluents)

We look at the entire beverage production and filling process and perform a detailed analysis of the machines' consumption data. Then our engineers work out intelligent solutions for minimising consumption. The result of this development work is lines that save our customers energy and other media such as water and compressed air over the long term. With that, we are able to offer our customers real added value and secure our own competitive advantage.



*Through ongoing research, development, and investment, KRONES has maintained its position as market leader and is continually surprising me with new innovations.*

*Stefan Lamm, main assembly shop, inspection technology division*



KRONES obtained TÜV SÜD certification in 2009 to establish the enviro seal for efficient use of energy and media (gas, water) and environmental friendliness. In addition, KRONES' enviro passport provides a high level of transparency, enabling customers to compare different machines' consumption data. All relevant data are collected and consumption forecasts for the machines and systems are documented on the basis of a standardised procedure that has been certified by TÜV SÜD.

Machines and systems that have an enviro passport offer numerous benefits for the food and beverage industry:

- The certainty that they will receive machines and lines that provide economic and environmental benefits.
- Presentation of all relevant consumption values on the basis of a standardised, certified process.
- The ability to compare consumption data for different machines.

At present, enviro looks only at the consumption data and eco-friendliness of individual KRONES machines in operation («production» status). The knowledge gained will be useful for figuring environmental benefits later. To date, the following machines have an enviro passport:

- Contiform stretch blow moulder
- Contiroll labeller
- Volumetric series of fillers
- Robobox Pro pack collating system
- Stromboli wort boiling system
- Hydronomic water treatment system
- ErgoBloc L monobloc for the wet section of the line

For now, the enviro passport is granted to individual machines and systems such as the ErgoBloc L. Our long-term aim is to also certify entire lines and production plants on the basis of a tiered plan.



*I find it fascinating what KRONES has achieved with enviro. And that such a small idea has achieved such big things.*

*Stefan Mulitze, assembly, filling technology division, standard systems*



*With the enviro passport, our customers get the certainty that their machines and lines will yield economic and environmental benefits.*

## EquiTherm reduces energy consumption by more than 20 percent

In most breweries, excess hot water goes down the drain – taking valuable resources and capital along with it. For example, if a brewery with an annual output of 500,000 hectolitres generates 3.4 hectolitres of waste water per hour at an effluent temperature of 26°C, the amount of energy lost is equivalent to around 300,000 litres of heating oil.

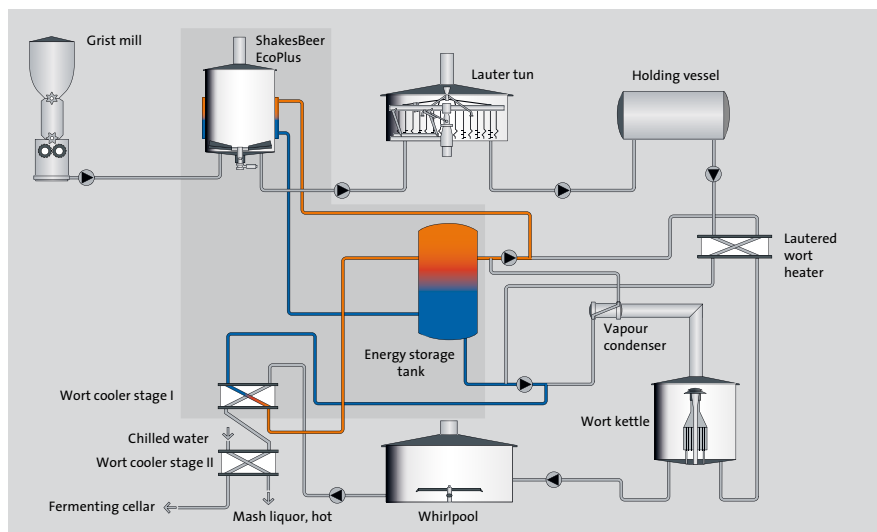
One focus of KRONES' process engineering is on developing technologies that help conserve energy and resources. The best example of this is our new EquiTherm system, which is used in wort production. This stage of beer brewing consumes the most primary energy of all, in the form of heat. An energy recirculation feature between the lautered wort heater and the wort boiler, which is fed by the vapour condenser, is already a well-established KRONES product. Our new EquiTherm energy recirculation system further reduces thermal energy consumption in the brewhouse. It draws heat from the boiled wort at a high temperature and passes it on to be used in the mashing process.

The concept only works with the ShakesBeer EcoPlus mash kettle from KRONES, which features a special heating surface flow pattern that ensures very high heat flow even at low admission temperatures. At the Bergquell Brewery in Löbau, Germany, our energy-saving system has reduced primary energy consumption in the brewhouse by 30%. At an annual beer output of 200,000 hectolitres, that corresponds to savings of 500,000 kilowatt hours of thermal energy each year. With EquiTherm, breweries can often cut primary energy consumption in the brewhouse by between 20% and 30% or more depending on the mashing process and recipe used. Since wort boiling is the only significant primary energy consumer left in the brewhouse, peaks in demand are also reduced by as much as 40%.



*Seeing the resource savings achieved in production – without compromising the quality of the end product – shows me that sustainability is possible in every area.*

*Alexander Kirchmeier, assembly, filling technology division, modular systems*



*With EquiTherm, breweries can cut primary energy consumption in the brewhouse by 20% to 30% or more depending on the mashing process and recipe used.*

»Our expectations were met 100%«

Interview with Steffen Dittmar, Managing Director of Bergquell Brewery in Löbau, Germany



**M**r. Dittmar, you decided to upgrade your brewhouse, which was only two years old, to EquiTherm. How did you come to this rather bold decision?

The energy and cost savings made sense. Renewable energy has been part of our operations for some time already. The brewhouse, which was installed in 2008, and the new filling line are the state of the art in terms of technology and energy consumption. There are photovoltaic panels installed on the brewery's roof. EquiTherm also cuts out a lot of CO<sub>2</sub>.

**Has EquiTherm met your expectations?**

Our expectations were met 100%. In fact, the energy savings we are achieving with EquiTherm actually exceed our expectations.



**Energy savings of 30% in the brewhouse are substantial. Has the new system resulted in any loss of product quality?**

We knew before EquiTherm was installed that it would not compromise quality. But we didn't buy EquiTherm only to cut energy consumption. We also wanted to achieve better, more consistent quality. And we have done that with this system.

**What does sustainable production mean to you and to Bergquell Brewery in Löbau?**

The reasons for conserving energy extend beyond cost alone. We also have to consider the availability of finite resources over the long term.

**Does sustainability play into your choice of suppliers?**

We do try to ensure that our suppliers and their raw materials are from Germany.

**What would you like to see from your suppliers in the future**

A continued pleasant, good working relationship that takes into account the interests of all as well as fairness in day-to-day operations.

KRONES has made reasonable and efficient use of resources one of its corporate guidelines and willingly accepts its responsibility for protecting the environment and preventing climate change. That is why we strive to save resources and minimise the environmental impact of our own production processes at our manufacturing sites. To accomplish this, we employ the latest technological processes, which enable us to comply with environmental regulations and improve our environmental performance.

Since our Italian subsidiary KOSME has its own management systems, it is not possible to collect uniform data for all of the group's production sites. For this reason, the environmental data presented here is limited to the German production sites.

### Environmental protection at KRONES

As far as economically reasonable, we use all of the options available to ensure that production operations at our manufacturing sites conserve resources and are environmentally compatible. We comply with statutory regulations and do everything we can to ensure that we stay below the prescribed limits. We also want to substantially reduce consumption of valuable resources in all other (non-manufacturing) areas of our company.

Every stage of production – from the first manufacturing step to the disposal of supplies used in production – is designed to be as environmentally compatible as possible. Minimising the use of hazardous materials and using eco-friendly alternatives wherever possible is an important aspect of our product development process.

We have set ambitious environmental goals as part of our CSR Strategy 2015 (see page 25) in order to pursue the issue in a structured, sustainable manner. Focal points of the strategy programme include increasing transparency and reducing energy and water consumption and generating less waste.

### Many environmental performance indicators improved considerably in 2010

We were able to further improve many important environmental performance indicators in 2010. Energy and water consumption rose far less steeply than sales. As a result, these consumption figures per €1 million in sales revenue – the relevant performance indicators used at KRONES – were down in 2010. Only waste generation increased more sharply than sales.



*KRONES has taught me how important sustainability is. Before, I had never even given it a second thought.*

*Christian Hafner, assembly, filling technology division*

*Conserving resources and avoiding the use of substances that harm the environment are important aspects of our product development process.*

## Energy consumption

The following energy consumption data relate to the energy required for operating the machines, systems and buildings at our five sites in Germany. In collecting this data, we have included 100% of the energy consumed by our own buildings. Leased buildings are only partially included since some are leased at a flat rate that includes electricity, heating, and water and these buildings are generally shared with other users. We have not included consumption data for our vehicle fleet (fuel) or data for energy consumed at installation sites.

In the year under review, total energy consumption rose 8.1% to 117,887 MWh, which is less than the increase in sales revenue at KRONES (16.5%).

Consumption of electricity per €1 million in sales dropped from 29.5 MWh to 27.8 MWh although the total amount of electricity used was up 10.5% to 60,478 MWh. This corresponds to the electricity consumed by 15,500 three-person households in Germany.

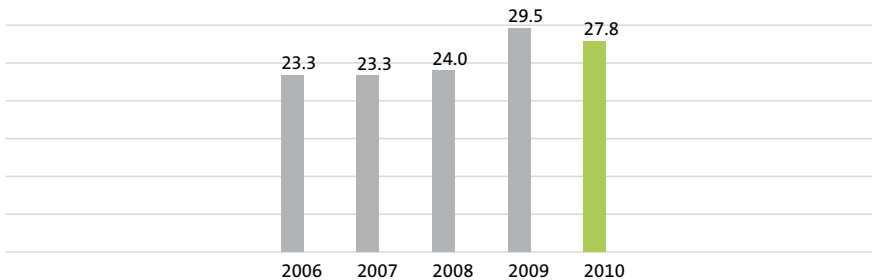
Natural gas consumption was also down in 2010, from 18.2 to 17.1 MWh per €1 million in sales, thus continuing a years-long downward trend.



*KRONES supported me in my training as a paramedic. I have gained a great deal professionally from this opportunity. And it shows me that KRONES really does respond to employees' wishes.*

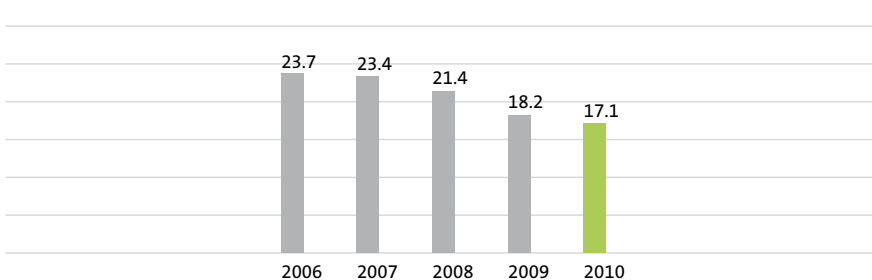
*Kathrin Komarnicki,  
in-house medical service*

Energy used, electricity (MWh per €1 million in KRONES Group sales)



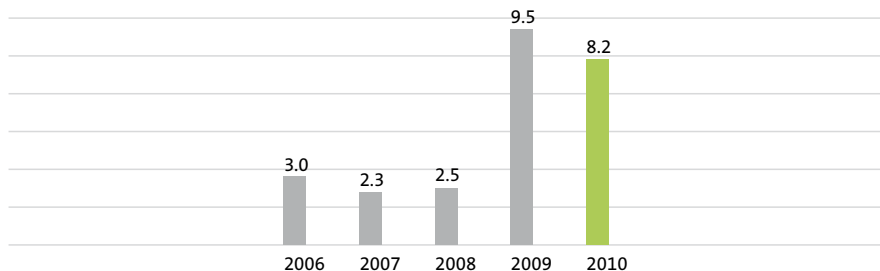
*Electricity consumption was up in 2010, but not nearly as dramatically as sales. As a result, electric power consumption per €1 million in sales was down considerably.*

Energy used, natural gas (MWh per €1 million in KRONES Group sales)



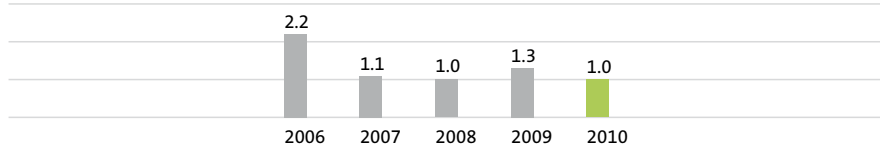
*Natural gas consumption per €1 million in sales has been declining steadily for years.*

District heating used (MWh per €1 million in KRONES Group sales)



After a sharp increase last year, use of district heating remained almost constant in 2010. Consumption dropped from 9.5 to 8.2 MWh per €1 million in sales.

Energy used, heating oil (MWh per €1 million in KRONES Group sales)



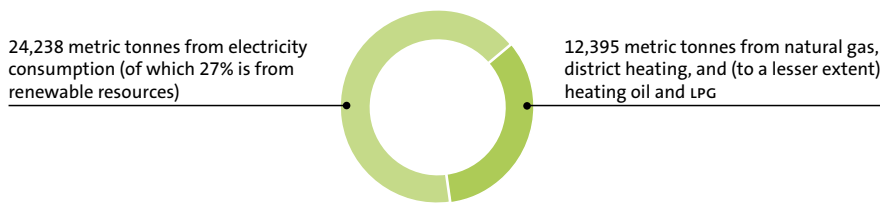
Heating oil now accounts for a very small portion of the group's total energy consumption. It was back down to its 2008 level in 2010.

### CO<sub>2</sub> emissions

KRONES calculated and published data on CO<sub>2</sub> emissions for the first time in 2009. The figure includes the emissions caused by consumption of electricity, natural gas, heating oil, LPG, and district heating at our five factories in Germany. We have made our calculations on the basis of statements from the electrical and district heating utilities and the Bavarian Environment Agency's tool for calculating emissions. This tool takes into account direct and indirect emissions. Direct emissions are the emissions that result at the site where the energy is converted.

Total CO<sub>2</sub> emissions amounted to 36,633 metric tonnes during the reporting period, after 27,159 metric tonnes in the previous year. Of this, 24,238 metric tonnes (previous year: 15,287 metric tonnes) are related to electricity consumption. The reason for the dramatic increase is that only 27% of the electricity KRONES obtained from the utilities in 2010 was produced using renewable resources (previous year: 35%). However, even this percentage is still far higher than the German average (16%). The remaining 12,395 metric tonnes of CO<sub>2</sub> emissions relate primarily to natural gas and district heating and, to a lesser extent, to heating oil and LPG.

KRONES Group CO<sub>2</sub> emissions in 2010



Total CO<sub>2</sub> emissions: 36,633 metric tonnes



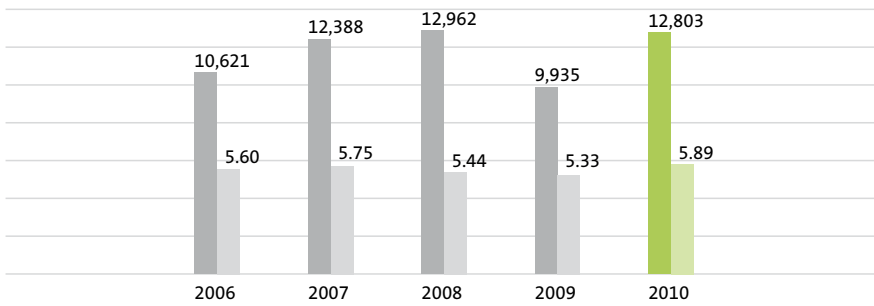
The award our Works Council received shows me that KRONES really cares about its employees and that I can count on the Works Council.

Manfred Schaffner, main assembly shop, inspection technology division

## Waste management

The trend was not as positive with respect to waste generation. The total volume of waste generated increased 28.9%, more steeply than sales (16.5%). One reason for this, apart from the previous year's extremely low figure, was that cleanup work was carried out in 2010 that is only done every few years. The total volume of waste generated per €1m in sales increased from 5.33 metric tonnes to 5.89 metric tonnes. In absolute terms, the total waste generated at KRONES was 12,803 metric tonnes, which corresponds to the amount of garbage generated by 22,700 individuals in Germany per year.

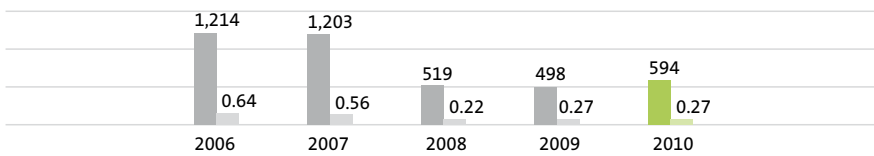
Total waste generated (metric tonnes and metric tonnes per €1 million in KRONES Group sales)



*The total volume of waste generated in 2010 was up considerably from the previous year, rising more sharply than sales.*

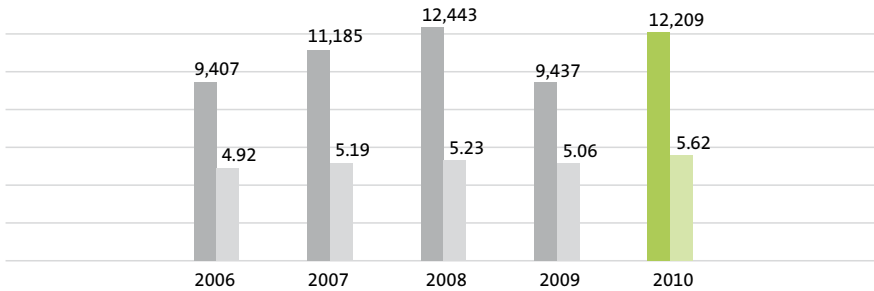
The volume of non-recoverable waste (that is, waste that must be disposed of) rose to 594 metric tonnes (previous year: 498 metric tonnes), roughly parallel to sales. That puts the volume of non-recoverable waste per €1 million in sales at the same level as a year earlier.

Nonrecoverable waste (metric tonnes and metric tonnes per €1 million in KRONES Group sales)



*In 2010, only 594 metric tonnes of waste could not be recycled, just under five percent of the total volume of waste.*

Recyclable waste (metric tonnes and metric tonnes per €1 million in KRONES Group sales)



*The volume of recyclable waste increased even more sharply than sales during the reporting period and approached 6 tonnes per €1million in sales.*

The volume of recyclable waste generated at KRONES' production sites increased 29.4% in 2010. Apart from the higher-than-average increase in the total volume of waste, another reason for the increase in recyclable waste is improved waste separation, which allows more and more of the waste generated at KRONES to be recycled rather than disposed of.

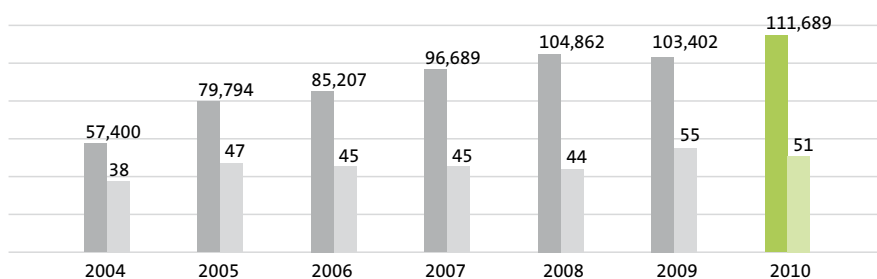
### Water consumption increased more slowly than sales

After decreasing slightly in 2009, water consumption increased 8% to 111,689 m<sup>3</sup> in 2010 due to a massive surge in business. This volume corresponds to the average annual water consumption of 2,400 individuals in Germany. Water consumption in relation to sales was down from 55 m<sup>3</sup> to 51 m<sup>3</sup> per €1 million in sales. We are confident that we will be able to further reduce water consumption through targeted measures in the years ahead.

Depending on the source, waste water is treated in internal treatment plants prior to being channelled into the main sewer system. In 2010, as in years past, contaminant levels in the treated waste water were far below the legal limits for chromium, nickel, copper, and zinc.

System data and measurements are recorded in regular analyses as stipulated in the German Self-Monitoring Ordinance [Eigenüberwachungsverordnung]. External checks confirm the results of our analyses. Of course, light liquid separators are used in the various systems prior to discharge of the treated waste water into the public sewer system. KRONES engages qualified specialists to dispose of boring and filing emulsions and cooling lubricants.

Water consumption (m<sup>3</sup> and m<sup>3</sup> per €1 million in KRONES Group sales)



*At KRONES AG, there is never a doubt that employees are the key to the company's success. That makes me proud to work for KRONES.*

*Christina Sperl-Steiner,  
in-house medical service*

*In 2010, total water consumption increased to 111,689 m<sup>3</sup>, which roughly corresponds to the annual consumption of around 2,400 people in Germany. However, the figure in relation to sales (per €1 million in sales) was far below the previous year's high level.*

### Emissions

To reduce particulate emissions and thus minimise our impact on the environment, we have implemented measures in our motor pool such as the use of diesel-powered cars with particulate filters. In addition, as of 2010, all pool vehicles now have CO<sub>2</sub> emissions of 120 g/km or less. Another way KRONES is cutting emissions is through a software-based ride sharing programme, which reduces the number of separate trips taken by employees between our sites. KRONES is also increasingly using video-conferencing for meetings, thus reducing the number of car and plane trips taken by staff and management.

Periodic emissions tests are carried out on the facilities for which such tests are prescribed under the German Act for the Protection against Harmful Environmental Effects Caused by Air Pollution, Noise, Vibration, and Similar Factors [Bundesimmissionsschutzgesetz], including the electroplating shop and the pickling plant. These facilities are in compliance with the mandated limits.





ENVIRONMENTAL



Measurements for final acceptance of enviro were monitored by TÜV SÜD.



Measuring technology proved that the ErgoBloc L truly deserves the enviro label.



The measurements were taken in operation at Tione's plant.



Execution and analysis of the measurements follow a predefined protocol.

**E**nviro is one of the company's most long-term programmes. It sets standards for the environmental, economic, and ergonomic advantages of KRONES machines and lines. In 2008, KRONES launched enviro as its sustainability programme. It was certified by TÜV SÜD Industrie Service GmbH and unveiled at the 2009 drinktec trade fair together with the ErgoBloc L. Since then, the concept has continued to evolve. At the end of February 2011, a three-person measuring team from KRONES led by enviro officer Albert Link travelled to Orvieto, Italy, to take on yet another milestone. The party included Ralf Szamer, head of the measuring technology department at TÜV SÜD Industrie Service GmbH.

enviro recently reached its next major milestone in Orvieto: certification of the enviro measurement method by TÜV SÜD. What exactly was certified?

**Albert Link:** During the acceptance process, we had to verify using measurement technology that the ErgoBloc L in operation at Tione was actually performing at the consumption levels predicted in the enviro pass. These mea-

surements were observed by an expert from TÜV SÜD. At the same time, TÜV SÜD also certified the measurement method used.

*»I am very pleased that our enviro measurement team in cooperation with TÜV SÜD was able to certify this next component of enviro.« Albert Link, enviro officer at KRONES*

#### Which machines were tested?

**Albert Link:** The three individual machines that make up the ErgoBloc L were all tested – the Contiform S 16 blow-moulder, which is directly linked to a multi-module labeller with Contiroll labelling stations, which in turn is directly linked to a Volumetric filler with a base cooling unit installed just upstream.

What did TÜV SÜD focus on during the certification?

**Ralf Szamer:** From TÜV SÜD's perspective, the key for documenting the enviro consumption figures are: First, the measurements had to be conducted and analysed in a predefined procedure. Second, the quality of the measuring technology

used for the enviro tests had to be appropriate. And finally, measuring devices that were specially calibrated for high accuracy were used at selected points.

What do you have to pay attention to when taking these measurements?

**Ralf Szamer:** For the enviro measurements, it is important that all machine-specific parameters are measured. These include for instance the flow of product under specific operating conditions, electrical power used, consumption of compressed air, and consumption of heating and cooling energy. In addition, documentation of the environmental compatibility of the materials used such as lubricants, cleaning agents, and disinfectants is also reviewed.

Did KRONES' enviro measurement method deliver?

**Ralf Szamer:** Yes. In keeping with our corporate principles of efficient and resource-saving use of raw materials and energy, TÜV SÜD gives KRONES outstanding marks for its commitment to introducing and fulfilling the enviro standards.

»TÜV SÜD gives KRONES outstanding marks for its commitment to introducing and fulfilling the environmental standards. We see this as an important example for other companies to follow and hope that other

industries will also undertake a similar certification process.«

Ralf Szamer, head of the measuring technology department at TÜV SÜD Industrie Service GmbH.



Bavaria's small and mid-sized companies have been exemplary in embracing sustainability and corporate social responsibility (CSR). We cannot measure the extent to which our culture and society depend on family-run mid-sized companies like KRONES AG assuming responsibility beyond their own daily business operations – for their employees, for their region, for social, cultural, or societal concerns, for athletics, and for environmental protection. These efforts deserve our thanks and high regard and show that small and mid-sized companies are the embodiment of social market economy.



The American Nobel laureate in economics Milton Friedman once said: »The social responsibility of business is to increase its profits.« To me, Friedman's statement contains two central messages:

First, a profitable company is social per se because it provides people with secure jobs and training opportunities.

Only a commercially successful company will be able to engage in corporate citizenship above and beyond its business activities.

Second, this commitment must be voluntary. We do not need laws that prescribe CSR activities. There is enough regulation in Germany as it is. Economic policy must focus on its core task of ensuring that conditions are favourable for small and mid-sized enterprises to do business. Because when SMEs thrive, people thrive.

*Martin Zeil, Bavarian Minister for Economic Affairs, Infrastructure, Traffic and Technology*

Corporate social responsibility (CSR) is precisely what KRONES AG represents for the region of Regensburg and Eastern Bavaria. CSR means doing business responsibly with respect to one's own business activities, environmental aspects, and a positive working climate. In other words, the concept of CSR encompasses all dimensions of sustainability holistically and extends far beyond legal compliance. Sustainability is the hallmark of progress in our society and stands for actions that are almost a matter of course for smaller and mid-sized companies. KRONES accepts its corporate responsibility and has already made a name for itself in many areas of CSR. For instance, KRONES is deeply committed to promoting the education and



training of young people, offering more than 500 traineeships within the company, giving several hundreds of interns an opportunity to gain insight into the world of work, and collaborating closely with universities and degree candidates. Thus, corporate social responsibility serves as a foundation on which a company can secure its survival on the markets across generations and remain competitive well into the future.

KRONES has made a clear commitment to producing in Germany. More than 75% of the company's 10,575 employees work at sites within Germany. That makes KRONES an important mid-sized company for the Regensburg region. SMEs are seen as both the engine and the linchpin of Germany's economy – and for good reason. The sustainable, responsible actions of KRONES AG are proof that this will continue to be the case in the future.

*Peter Aumer, csu, Member of the German Bundestag*

»KRONES is a blessing for Neutraubling and the entire region«

Heinz Kiechle, Mayor of the City of Neutraubling

**K**RONES AG, was established as a one-man operation 60 years ago – the same year that this city was founded. Today, it has grown to become a vital piece of the economic structure of Neutraubling and the entire region.

KRONES jobs – most of which are highly qualified – provide many families their livelihood and thereby contribute to the wealth and social security of the area.

This carries over into the towns and communities of the greater Regensburg area, all of which are likely home to at least one KRONES employee. And as I have heard in countless meetings with citizens, they are proud to be part of KRONES – further proof of the company’s socially oriented culture.

And as if that were not enough, the trade tax revenues enable us to make investments that would be impossible without KRONES AG.



They enable us to provide a vast array of outstanding facilities for the education and care of children.

These include a day nursery for children aged three and under, preschools with special foreign-language emphasis and counselling services, lunch-time supervision, after-school care programmes with homework assistance, and all-day classes at the elementary school. We offer the same depth of services for middle-schoolers. Two youth centres, well-equipped playgrounds, and generous support of the youth work activities of various clubs round out our offerings.

A large music school and an indoor swimming pool – infrastructure features that also benefit many of our neighbouring communities – are features that are not necessarily available in cities of our size (population 13,500).

Moreover, KRONES AG and Executive Board Chairman Volker Kronseder are always open to special requests. For instance, families in the entire region can now enjoy a sand beach at the local lake and recreation area Guggenberger See thanks to a generous donation made by KRONES last year. Many cultural projects also would not have been possible without the support of KRONES.

In short: KRONES AG is a blessing for the City of Neutraubling and the entire region. The efforts of the mayor, the city council, and all local public officials to reciprocate that support by promoting the company’s continued growth stem from a deep sense of gratitude.



## Labour practices

### Employee qualifications

KRONES has always attached the utmost importance to trust-based cooperation with employees. Qualified, motivated employees are the backbone of our business. They are not a cost factor but a critical factor for our success.

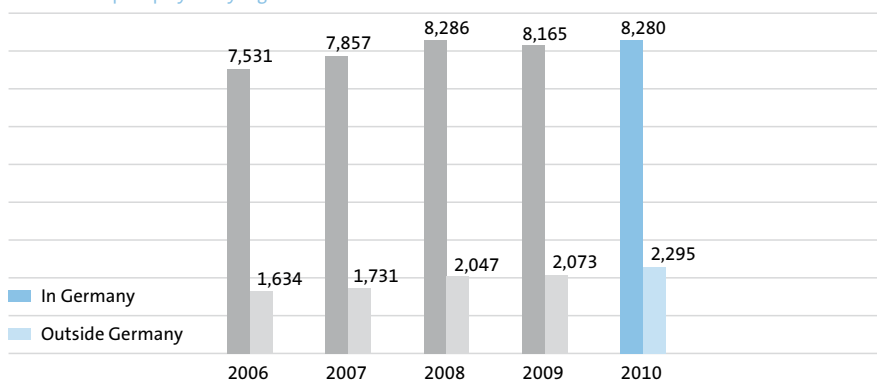
With the populations in the industrialised countries of the West ageing at an accelerating pace, sustainable human resources policy must address a number of questions: How can we maintain our employees' expertise and good health? How can we respond to our employees' different life stages and offer suitable working time models? How can we promote and challenge our older employees? How can we recruit young people to work for us? KRONES responds to these challenges with a variety of measures and offerings, which are described in detail on the following pages.

#### Record number of employees

The decision to avoid lay-offs, even during the crisis of 2009, enabled us to generate a positive operating result in 2010. Without the dedication and excellent qualifications of our employees, we would not have been able to satisfy the strong demand for our products and services. We even hired many additional core workers in 2010. KRONES' workforce grew to a record 10,575 during the reporting period, from 10,238 in the previous year. The additions came both in Germany and abroad. We will continue to invest heavily in recruitment and in training and continuing education for motivated employees.

For reasons relating to data collection, the following statements and figures on employees – with the exception of the number of employees within the group – relate to our workforce in Germany only.

KRONES Group employees by region

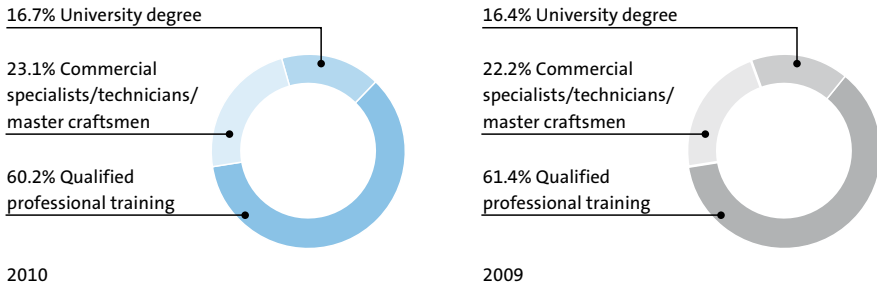


*During the economic crisis the media reported on massive lay-offs. Not at KRONES. That shows me that the company values my work and I don't have to be worried about the future.*

*Lothar Maihöfner, after-sales service, site management*

*Our workforce grew both in Germany and abroad. The total number of employees within the group reached a record high of 10,575.*

Employee qualifications in Germany



Top quality also applies to our employees

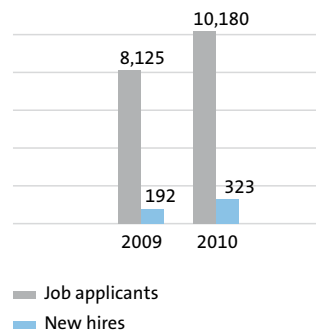
The ageing population in the industrialised countries of the West and the associated scarcity of young talent is one of the greatest challenges faced by KRONES' human resources team. Therefore, one of their most important tasks is to ensure a lasting supply of qualified young recruits and to further improve our existing employees' qualifications. With more than 10,000 job applicants in 2010 alone, KRONES is already a popular, reputable employer. Our aim is to further enhance KRONES' employer branding and therefore secure a strong position for the »war for talents«.

A look at our employees' qualifications shows that our people are optimally prepared to handle the challenging tasks their work entails. Almost all of our employees in Germany possess recognised professional or vocational qualifications. The share of employees who hold a university degree grew to 16.7% last year.

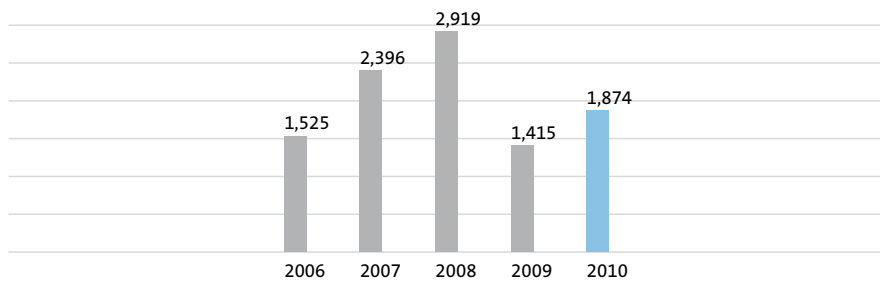
Human resources development and continuing education

Personal and professional development is an important key to maintaining our company's competitiveness and innovative power and safeguarding jobs. Our HR department works to provide employees with regular continuing education and development opportunities. In addition to qualification measures relating to specific fields, we also offer interdisciplinary and intercultural training opportunities.

KRONES AG job applicants and new hires



Spending on external continuing education and training at KRONES AG (€ thousand)



Spending on external continuing education and advanced training for our employees increased considerably once again in 2010.

KRONES increased spending on external continuing education and advanced training opportunities for our employees from €1.4 million to €1.9 million in 2010. But the number of internal seminars was also increased over 2009. Since early 2009, employees have been able to find out about all of the training and development courses offered by KRONES through our SAP training portal. Courses are held on more than 450 subjects in a wide range of technical areas. In 2010, KRONES also began offering alternative e-learning options, for instance for learning a foreign language. Some 14,600 participants took advantage of internal (8,500) and external (6,100) training and development opportunities in 2010.

Beyond job-specific qualifications, KRONES also offers employees opportunities for their own personal and professional development under a company agreement.

In general, almost all continuing education opportunities that are relevant to the company can be done on either a full-time or part-time basis. Employees can apply for assistance to cover the continuing education expense. For part-time continuing education measures, employees can also apply for educational and professional development leave. For full-time continuing education opportunities, employees can apply for an unpaid sabbatical or a commitment to rehire. There are a limited number of approvals available for these options.

Competence management is another important component of human resources development at KRONES. In annual review meetings, employees and their managers discuss strengths and areas for further development. Employees receive feedback and can request specific locations. They work out suitable development measures in dialogue with their manager or supervisor. These measures may include traditional ones such as seminars and conferences or recommended reading or exchanges with co-workers.

Development reviews were initiated with 3,000 employees in 2010.

KRONES also launched a training series entitled »TIMMY's service code« in 2010. The purpose of the series is to support our field staff in their day-to-day work. For instance, service-oriented workshops help members of our after-sales service team prepare for jobs in Germany and abroad.

In general, we try to involve our employees in the creation of employee development tools.

#### Modern management – international

Because our workforce is made up of more than 10,000 people from over 50 different countries, establishing a uniform management culture worldwide is an important task. To this end, we use a modular training concept for employees with management duties. External coaches provide training and guidance to help management employees from various departments augment their leadership skills. Over a total of nine days, the modules impart tools such as goal-setting, conflict resolution, and argumentation techniques using case studies and role plays with practical relevance.



*Making profits is one thing – how those profits are made is another thing entirely. Fortunately, both are good at KRONES!*

*Udo-Bela Udvar, assembly, filling technology division, aseptic systems*

*KRONES maintains ongoing dialogue with employees to ensure that they are aware of the best possible development opportunities.*



By including our managers from outside Germany in the management training system, we can better align perceptions of the role among managers in Germany and abroad. This approach also improves coordination and cooperation between the subsidiaries and the parent company. Seven groups have completed the international management training since the programme's launch in 2009. In 2010 we expanded the programme to include more lower-level managers in some countries.

All told, 113 KRONES employees completed a management training seminar in 2010. The 83rd group began management training at the end of 2010. Each group usually has around nine participants, bringing the total number of managers who have attended the seminar to around 750. That in turn brings us a big step closer to our goal of establishing a uniform, modern understanding of management within the entire KRONES Group.

KRONES wants to give employees professional development opportunities in line with their own personal interests and skills. For employees who are not suited to or interested in management positions, we present alternatives for advancement such as project leader or subject matter expert positions and offer specific measures and training tailored to the desired career path.

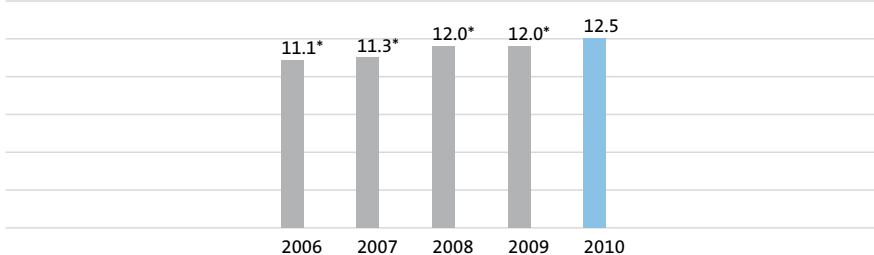
**Diversity management – an important part of HR policy**

Because KRONES is an international company and employs people from many different countries, we have made employee diversity an important aspect of our personnel strategy. Diversity management at KRONES is about more than implementing laws. It is a holistic concept for putting the diversity of our workforce to work for everyone.

Within our diversity management concept, we strive to promote the potential of heterogeneous groups while also preventing conflicts. This concept improves information exchange and increases performance, cohesion within the team, employee motivation, and work quality. Experience has shown that mixed teams are often more innovative and creative when it comes to problem-solving than homogeneous groups.

We are very pleased to report that the ratio of women in our workforce has increased steadily over the past several years. Women have for years made up more than 10% of our workforce in Germany – a respectable number in the machinery industry. In 2010, the share of women in our workforce rose to 12.5%. The comparable figure for the previous year was 12.0%.

Women at KRONES AG\* (%)



\* Prior year figures adjusted because trainees are no longer included in the calculation.



*For me, as a woman in a man's domain, it means a lot that KRONES is promoting women.*

*Theresa Beck, assembly, labelling technology division*

*For a machinery manufacturer, KRONES has a respectable ratio of women in its workforce, which reached an internal record for KRONES of 12.5% in 2010.*

It should be noted that the prior-year figures have been adjusted because trainees are no longer included in employee calculations. Women held 3.9% of the managerial positions within the company in 2010, compared with 4.9% the previous year.

### Only satisfied employees are motivated employees

KRONES aims to foster a lasting, fair, and fruitful partnership with our employees. The core elements of this are established in our corporate guidelines and code of conduct. KRONES employees enjoy freedom of association worldwide. In addition, KRONES observes all relevant laws and regulations aimed at protecting workers. For the purpose of achieving a uniform corporate identity, the Works Council regularly reviews, on site, whether the applicable laws and KRONES' own guidelines are being adhered to with respect to the working conditions at our offices and sites abroad – even in the emerging markets.

At KRONES, all employees whose pay is determined by collective agreement (blue-collar and white-collar alike) are paid on the basis of a common general pay agreement (ERA). Moreover, KRONES employees who are covered by collective agreements were given a share in the company's profits for the first time in 2010. All employees covered by collective agreements now earn a share in KRONES AG's profits in accordance with a scheme that applies to all. The relevant profit figures are determined by the Executive Board and the Supervisory Board at the turn of the year as part of the group's annual planning for the upcoming calendar year. The additional pay above and beyond that stipulated by the collective agreement can equal as much as 60% of one month's pay. In general, KRONES adheres to the applicable collective agreements. KRONES never pays less and often pays more.

KRONES AG has made a commitment to use only temporary work agencies that are members of one of Germany's associations of temporary employment agencies (BZA and IGZ) and therefore subject to and adhere to the collective agreements for temporary workers signed by these associations and the individual trade unions that are affiliated to the Confederation of German Trade Unions (DGB). Each year, KRONES permanently hires a significant number of its temporary workers.

### Works Council honoured for its work

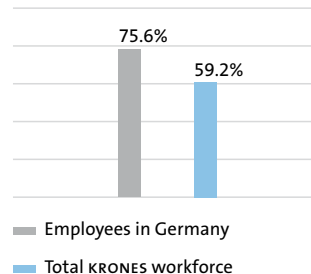
KRONES has always cooperated closely with our employee representatives as a matter of conviction. In Germany, where KRONES is headquartered, there are clear rules governing and ensuring codetermination. Employee representatives make up half of the Supervisory Board. In addition, the Works Council represents the interests of employees. The Works Council and the Executive Board negotiate reasonable solutions for day-to-day working life. The results of these negotiations often go above and beyond the requirements set forth by the law or collective bargaining contracts. Examples include our employee benefits, salaries, and flexible working hours.



*I'm happy about the profit-sharing plan because it acknowledges the employees' efforts. For me, it's very motivating.*

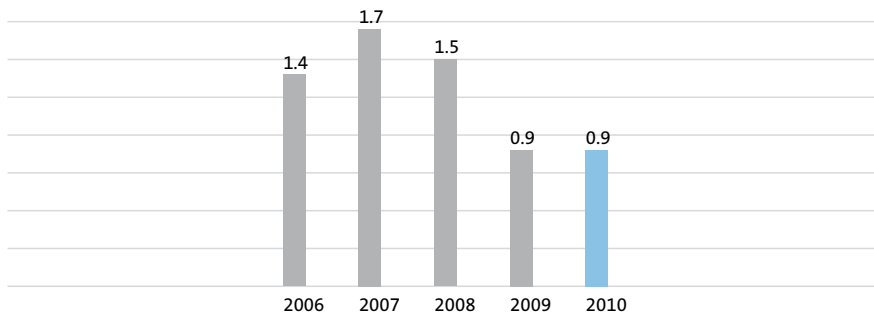
*Hauke Bahnsen, assembly, filling technology division, production*

Employees covered by  
collective bargaining contracts



KRONES AG's Works Council has been awarded the »German Works Council Award in Silver« from the German trade publication for works councils »Arbeitsrecht im Betrieb« for its foresightful work. The KRONES Works Council's submission on the plant agreement, »Future-oriented design of the general conditions of employment for German sites«, was one of around 100 and took second place. This was the second year that »Arbeitsrecht im Betrieb« has presented the Works Council Award, this year under the auspices of Germany's Labour Minister Ursula von der Leyen. The high-profile jury was especially impressed with the long-term job security achieved, even during economic crisis. The jurors were also pleased with the growing number of traineeships offered, the increase in continuing education efforts, improved opportunities for part-time work, the option of taking a sabbatical, and the introduction of profit-sharing and expanded flextime accounts.

Employee turnover at KRONES AG (% based on the number of employees who quit)



Employee satisfaction at KRONES is reflected in our low employee turnover rate. At 0.9%, it was extremely low compared with industry peers once again in 2010. This continuity benefits not only KRONES but also every one of our business partners.

### Ideas are rewarded

The improvement management programme at KRONES saved €2.9 million in our production and assembly operations in 2010. Numerous suggestions, big and small, contributed to these savings. Our employees came up with many thoughtful and creative ideas relating to design and process optimisation as well as quality, environmental protection, customer benefits, and occupational safety and health.

#### KRONES improvement management 2010

- 933 of the 3,472 eligible employees participated
- 3,666 suggestions were submitted
- 2,624 suggestions were implemented during the reporting period

In 2010, we paid out the highest bonus available through our improvement management system (€25,000) for the first time. The bonus went for a suggestion that saves the company more than €300,000 per year.

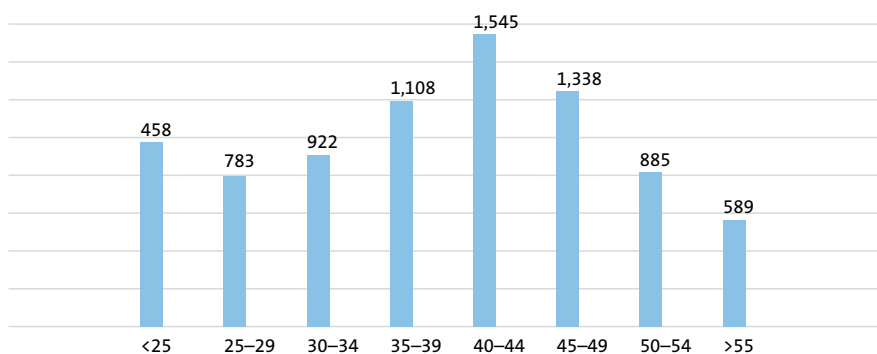


*The improvement management system gives me an opportunity to contribute my ideas.*

*Martin Fangauer, main assembly shop, inspection technology division*

*Satisfied employees don't quit. That is why the turnover rate at KRONES was extremely low once again in 2010.*

Age structure at KRONES AG



The number of employees under the age of 25 is down sharply from 2009 because trainees are no longer included in the calculation of employee figures as of 2010.

### Attractive employer for the young generation

KRONES recognised early on that the ageing of populations in the world's industrialised countries would soon pose a challenge for businesses. That is why we have for years been working hard to recruit highly qualified young people, offering them attractive career opportunities at KRONES that start with training programmes, internships, or thesis-writing opportunities. We also consider it our social responsibility to offer young people opportunities to get a good start in their careers.

### Shaping the future with the best young talent

Outstanding professional training for our employees is the bedrock of KRONES' long-term commercial success. That is why KRONES offers attractive, challenging training opportunities to a large number of young people in 25 different fields every year. We invest around €70,000 in each of our young trainees.

But we also hold our recruits to high standards. Of the 1,700 or so school leavers who applied to train with us in 2010, only 136 began training at KRONES in the fall of 2010 after a rigorous selection process. Approximately one-third of these trainees have a qualified school leaving certificate from a lower secondary school (Hauptschulabschluss), around 50% have a school leaving certificate from a mid-level secondary school (Mittlere Reife), and the rest have the university entrance qualification (Abitur).

In all, KRONES was training 499 young people in Germany at the end of 2010. Of our trainees, 441 were in industrial and technical fields and 58 were in commercial fields. That puts our training rate at 6.1%. In addition to the content prescribed by the respective training programmes, KRONES aims to give its trainees additional qualifications such as English language skills, presentation techniques, and international experience through stays in our subsidiaries and offices abroad.

KRONES honours the best of each »class« of trainees with a scholarship for subsequent university studies. In 2010, five young people were awarded KRONES scholarships.

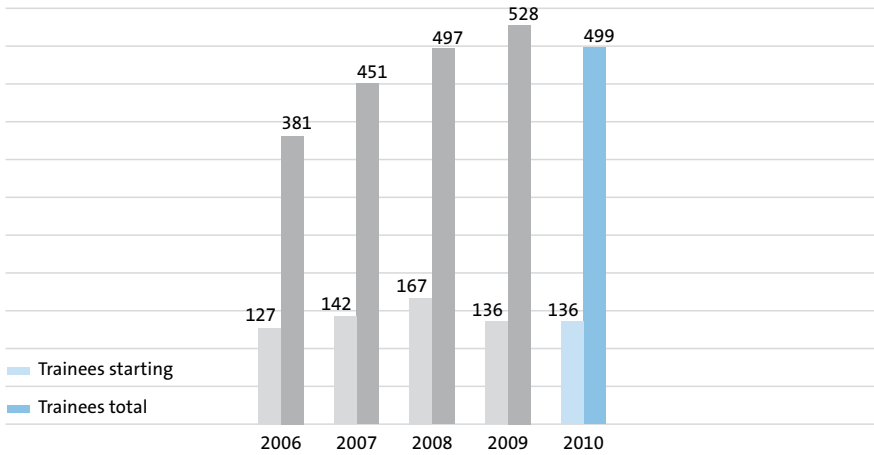
With a training rate of 6.1%, KRONES is securing access to highly qualified young talent.



I came to KRONES because it has a good reputation as a stable, responsible, and forward-thinking company.

Korbinian Zankl, main assembly shop, inspection technology division

Total number of trainees and trainees starting at KRONES AG



**Close cooperation with universities and students**

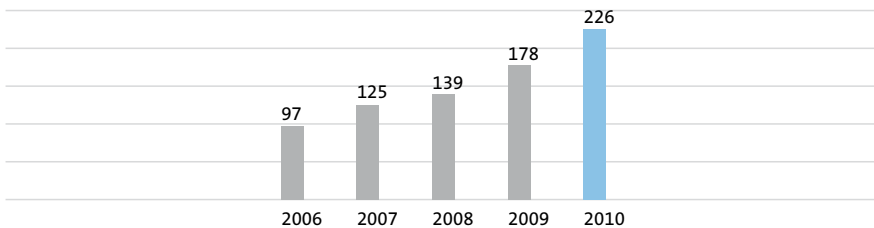
For years, KRONES has been working closely with universities to ensure early contact with university graduates. KRONES organises a range of events at which budding engineers and scholars can learn about the careers and opportunities we offer. Because KRONES has an excellent reputation as a good employer among university students, these events are very well attended.

Our close, long-standing collaboration with the University of Applied Sciences in Regensburg and the University of Regensburg is another example of our cooperation with educational institutions. Through this programme, KRONES gives numerous young scientists a chance to gain valuable hands-on experience through practical semesters and thesis-writing opportunities. KRONES employees work closely with the students, who can also participate in a lecture series designed especially for them, to give them an in-depth look at the company. Each quarter, KRONES employees present three lectures for the young university students. Topics include container design, logistics systems, and the enviro sustainability programme. After the lectures, the KRONES experts field questions from the students.

In 2010, we advised 226 students writing theses and 685 interns on a variety of projects with practical relevance. KRONES gains a large number of highly qualified employees from this pool each year.

*KRONES works closely with universities and offers students diverse opportunities to gather practical experience. That is an important step toward a successful career. KRONES gains a number of highly qualified employees from this pool.*

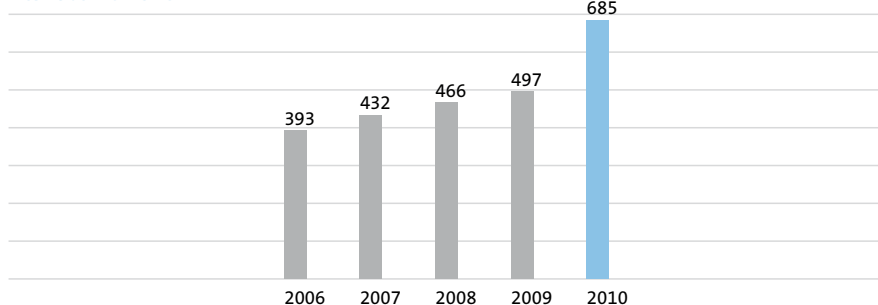
Theses written at KRONES AG



*Through its close cooperation with universities, KRONES is ensuring a supply of young talent and the company's future.*

*Rainer Übele, after-sales service, training centre*

Interns at KRONES AG



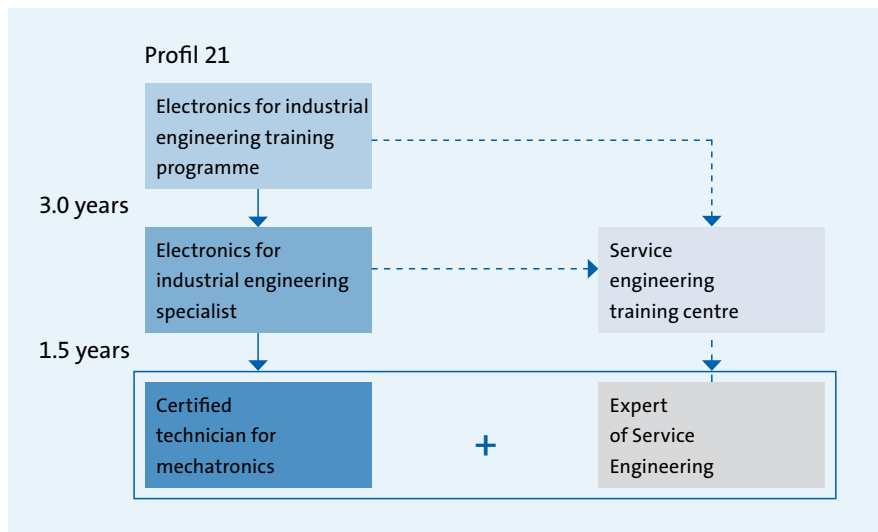
### Innovative professional training options

KRONES offers dual courses of study in collaboration with several universities. This educational model combines the practical aspect of vocational training with the academic expertise gained through university studies. KRONES offers dual courses of study for electrical engineering, information technology, process engineering, environmental engineering, mechanical engineering, industrial engineering, and computer science. After 4.5 years, graduates have two degrees in their pockets: a completed vocational training certificate and the »Bachelor of Engineering« or »Bachelor of Science« academic title.



*KRONES also needs young talent. Every year, we gain new recruits at our »Training Day«. And they help to keep our company successful.*

*Wolfgang Gassner, assembly, labelling technology division, label dispensing technology*



*With the dual courses of study and »Profil 21«, KRONES offers young people opportunities to mix theory and practice in the best possible way.*

Another innovative professional training option offered at KRONES is entitled »Profil 21«. Our newest career programme is designed specifically for our service technicians and addresses the increasing importance of the services business for our company. In 4.5 years of study, young people earn a vocational training certificate plus certification as a technician as well as the internationally recognised »Expert of Service Engineering« title. Upon completing the programme, the participants are not only ideally prepared to handle the demands of KRONES' service business. They also have an excellent foundation on which to build a career full of interesting development opportunities. In March of last year, the first KRONES »Profil 21« trainees received their trade proficiency certificate (Facharbeiterbrief) in electronics for indus-

trial engineering. Thus, 19 young men and women have completed the first stage of this challenging training programme. In the subsequent 18 months, they are attending technical college and continue to gain knowledge and expertise through service deployments at customer sites worldwide.

#### KRONES piques interest among kids – boys and girls alike

Well over one thousand teens and their parents visited KRONES' plants in Neutraubling, Nittenau, and Rosenheim at the end of July 2010 for »Training Day«. There, they got a first-hand look into the 25 different careers KRONES offers in commercial, industrial, and technical fields. They had an opportunity to talk about the programmes with current trainees and their trainers in the different divisions. Talking with peers made for a more relaxed atmosphere and reduced the young people's natural inhibitions. We are pleased to report that around half of the teenagers who attended »Training Day« were girls.

We also had a strong showing of technically inclined girls at our »Girls Day« event in April 2010. The total of 150 participants at all of our German plants was twice the previous year's total. KRONES trainees got to play the role of trainers at the event. They explained the work processes, presented models, and fielded questions from inquisitive participants. Of course, the girls also had hands-on opportunities to explore milling, soldering, and more. At the end of the day, they got to take home their handmade stainless steel plate candlesticks, medals, and flowers as souvenirs.



*KRONES' work with young talent aims to get young people excited about technical careers. We are very pleased to see more and more girls showing an interest in technical work.*



## Labour practices

### Responsibility for safety and health

A family-owned enterprise, KRONES has always placed special importance on sustainable, employee-friendly personnel policy. Preserving and promoting the health and safety of our workforce and promoting their professional development are among our company's established goals. In order to prevent workplace accidents and work-related illness, all of our workflows are designed with the safety and health of our employees in mind. We also offer a variety of options to help our employees stay physically and mentally fit and help them with the challenging task of striking a healthy work-life balance.

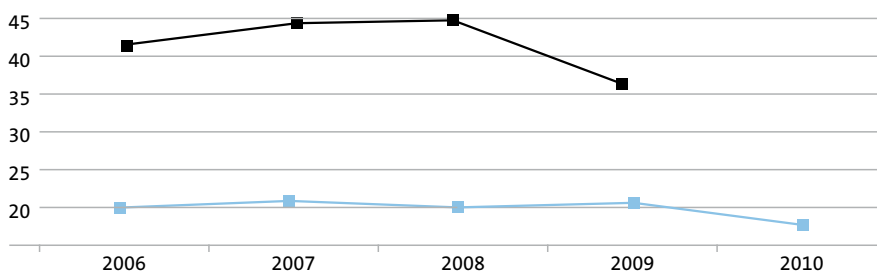
In close cooperation with our employees, our managerial staff work out and agree concrete goals and actions for ensuring that all workplaces and workflows protect safety and health. Comprehensive checks ensure that the resulting measures are implemented and that safety rules are adhered to. As part of the IMS certification process in 2009, our occupational safety management system was certified by TÜV SÜD in accordance with BS OHSAS 18001 for the first time.

We are committed to complying unconditionally with Germany's Occupational Health and Safety Act and the Works Council Constitution Act. Other licensing, regulatory, and statutory requirements are also followed at all KRONES sites. As far as technically feasible and economically reasonable, we go above and beyond the minimum requirements of the law, implementing our own policies to further increase safety.

### Occupational safety honoured

In Germany, training on occupational safety and health is an integral part of our continuing education programme. The more than 600 KRONES employees who work at construction sites around the world are advised by a dedicated safety engineer. In 15 visits to construction sites in 2010, the safety engineer observed our occupational safety standards at work and contributed to increasing occupational safety. In 2010, our effort to more deeply integrate occupational safety into the planning of new lines proved very effective. From day one, it increased employee safety on site and reduced down times and costs. Our external contractors' employees are also closely integrated into our training programmes and informed about KRONES' work safety rules.

Reportable work-related accidents per 1,000 employees (>3 days lost time) at KRONES AG



■ KRONES AG based on 7,994 employees (excluding KRONES subsidiary MAINTEC)

■ BGMS (Berufsgenossenschaft Metall Nord Süd – employers' liability insurance association for metalworkers)



*KRONES is not only interested in profits. We are also interested in our employees' well-being. In my work as assistant to the Works Council, I see every day how the company takes care of its employees.*

*Martina Vilser, assistant to the Works Council*

*The number of work-related accidents per 1,000 employees at KRONES is far below the industry average. The figure was down slightly in 2010.*



To further increase work safety and eliminate potential hazards, KRONES began systematically recording all accidents – even those resulting in only minor injuries – and near-accidents in 2009 and taking actions to prevent future incidents.

The number of reportable work-related accidents has been declining steadily for years – proof that our efforts in the area of occupational safety are paying off. At 18.0 (previous year: 20.1), KRONES' figure for reportable work-related accidents per 1,000 employees (> 3 days lost time) was far better than the industry average of around 37 (see page 60). KRONES began reporting work-related accidents that result in as little as one day of lost time at its German plants in 2008. In 2010, this figure was 26.3 per 1,000 employees (previous year: 27.1).

As low as they are, KRONES is not satisfied with these figures. Every work-related accident is one too many. That is one reason KRONES will hire two additional employees in the field of occupational safety in 2011. Our aim is to further decrease the number of work-related accidents through training, information, and even more intensive risk assessment.

#### Emergency management

In 2010 KRONES continued to improve its preparedness for sudden emergencies such as major fires, bomb threats, employee kidnappings, natural disasters, and global pandemics.

The company has introduced a crisis management system that defines key responsibilities and procedures in a crisis situation. Emergency teams are an important part of this system and have been formed at all KRONES AG production sites to be available on site quickly. The teams are made up primarily of voluntary first responders, safety officers, fire safety assistants, and factory security personnel. We hold exercises for the crisis management team to train in the various processes and skills.

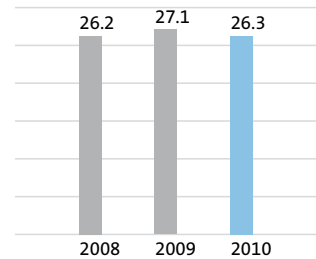
#### KRONES' in-house medical service keeps employees fit for service around the world

In ageing societies with fewer and fewer young people, it becomes increasingly important for companies to maintain, restore, and improve their employees' health and productivity for the long term.

A high-quality in-house medical service is an important tool here. The medical staff identifies health deficits early through regular screenings and physical fitness check-ups and helps employees remedy them. For example, our in-house medical service provides preventive checkups and courses on topics including back health, relaxation techniques, stress management, nutrition, and fitness in collaboration with our company health insurance fund.

The service also helps employees prepare for assignments abroad, providing information about various local diseases and important vaccinations. KRONES has a specialist trained in tropical medicine on staff to check employees' fitness for service in the tropics. KRONES employees who are preparing for personal vacations can also get the vaccinations they need.

Work-related accidents at KRONES AG resulting in one or more days of lost time per 1,000 employees



*KRONES conducts regular emergency drills to ensure that we are ready to respond quickly and effectively to situations like fires, employee kidnappings, and natural disasters.*

Another important topic is medical preparation for projects abroad. The in-house medical service offers the following:

- Fitness screenings and preventive care for employees
- Emergency kits for construction sites
- Organisation of medical care on site
- Training for project and site managers (first aid/emergency response)

KRONES' aim is to establish a global health management system to ensure high-quality medical care for KRONES employees working around the world.

### Professional health management

But promoting the health and well-being of our employees is not only the job of the in-house medical service. It is also the responsibility of KRONES and its management. Only healthy employees are able to perform at their best. That is why KRONES is establishing a professional health management service in an effort to reduce health-related absenteeism. The goal is to better identify and remedy the causes of health-related absences among our highly qualified employees.

We view health-oriented management as a shared responsibility of our managers and our human resources management. Talks that focus on health topics play an important role in determining the causes of absences and appropriate remedial actions.

In cooperation with the Works Council, the disabled employees' representative, the counselling service, and the in-house medical service, the results of such talks are analysed and translated into suitable preventive measures.

KRONES held its first-ever health fair at one of the German plants in November 2010 to inform employees about the various aspects of promoting good health. At the fair, employees learned about a variety of topics, including stress management, back and posture problems, and nutrition. The health fair and the wealth of information presented were very well received by employees.

### Counselling – taking care of our people

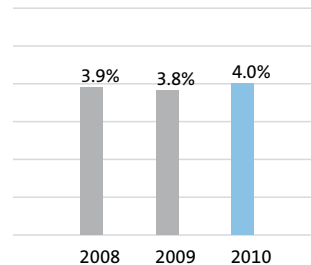
KRONES' counselling service is a trustworthy partner for employees needing help with work-related or personal problems such as addiction, debt, separation and divorce, mobbing, and burnout. Counselling services range from organising hospital stays to reassignment within the company to mediating conflicts. The counselling service works internally with the Works Council, the in-house medical service, the disabled employees' representative, the company health insurance fund, and the human resources department. Cooperation with external partners such as doctors, clinics, and therapists are at least equally important.



*The fact that KRONES takes on responsibility in the world's poorer regions shows me how socially responsible a global company can be.*

*Stefan Wagner, order processing*

Absenteeism at KRONES AG



In addition, KRONES relies on active in-company integration management to help employees who are no longer able to perform their original jobs for health reasons to remain active, contributing members of the workforce. KRONES' counselling service coordinates an integration team (Works Council, superiors, in-house medical service, disabled employees' representative) in developing a plan for finding the employee a suitable position within the KRONES Group. The number of disabled employees at KRONES reflects the success of our integration efforts. At 5.8%, the share of disabled employees at KRONES was well above the statutory requirement in 2010. Here, too, the prior-year figures have been adjusted because trainees are no longer included in the calculation.

#### KRONES offers attractive benefits

The company health insurance fund, BKK KRONES, also offers employees attractive additional benefits. For instance, the GesundPlus card gives BKK members priority treatment from members of the Regensburg Ärztenetz medical network, which includes more than 220 general practitioners and specialists. Shorter wait times for appointments mean our employees can be treated and cured more quickly. BKK members can also receive free professional dental cleanings from BKK-contracted dentists throughout Germany. The Regensburger Rückenschule, a back care clinic, offers BKK members professional guidance for strengthening their back muscles – and the BKK covers 85% of the cost for the first 24 units. This benefit has been very popular among employees.

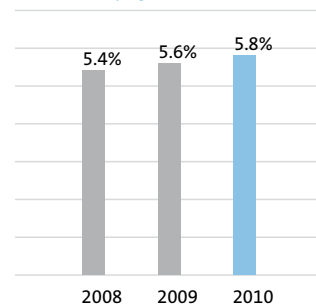
The welfare fund Hermann-Kronseder-Unterstützungskasse e.V. provides additional health-related support for KRONES employees. Employees may receive benefits of up to €600 per year above and beyond the payouts from the health insurance fund. This fund kicks in, for example, when sick pay has been exhausted or has expired, for hospital stays or rest cures, or for dentures, eyeglasses or contact lenses, or hearing aids. In 2010, the fund paid out around €178,000 to employees.

Another important element of health management at KRONES is the company sports club, which offers a variety of sports such as football (soccer), tennis, shuffleboard, running, and badminton. Apart from the health benefits, sports also give co-workers an opportunity to get to know each other outside the workplace environment and promote teamwork and cohesion. The company sports club is thus a vital element in a vibrant corporate culture.

#### Work and family – KRONES makes it possible

The company promotes part-time work and flexible working times to help employees reconcile work and family. The aim is to increase employee satisfaction and motivation and enhance the company's attractiveness to our highly qualified workforce. KRONES encourages fathers to take parental leave after the birth of a child. Of the 277 employees who started parental leave in 2010, 60% were fathers.

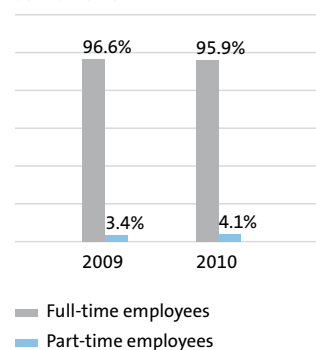
Disabled employees at KRONES AG



*KRONES employees receive supplemental benefits from the Hermann-Kronseder-Unterstützungskasse welfare fund in addition to their regular health insurance benefits.*

Full-time and part-time employment

at KRONES AG



With flexible working hours, KRONES gives employees considerable freedom to structure their working hours – provided that deadlines are met and business and production processes are respected. Employees can accumulate a surplus or deficit of up to 300 hours on their long-term flextime accounts.

In another effort to add flexibility to employees' working times, KRONES has introduced the option of a sabbatical. Ninety-six employees have taken a sabbatical since 2008.

Employees can convert the following into credits on their long-term flextime accounts:

- Current month's pay
- Overtime pay for the current month  
(base pay and taxable overtime premiums)
- One-time payments such as vacation and Christmas bonuses
- Special payments such as KRONES profit sharing and performance bonuses

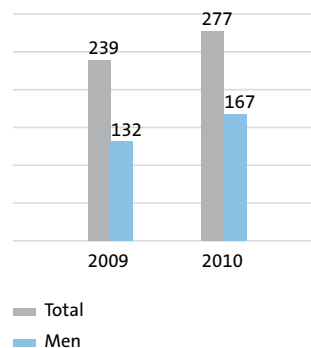
They can then use the credit for the following:

- To retire early without penalty
- To care for a dependent family member at home in accordance with the Home Nursing Care Act (Pflegezeitgesetz)
- To pursue further education within the meaning of our company agreement on continuing education and qualification programmes
- To take a sabbatical

KRONES also supports employees on assignments abroad. We give the employee's partner an opportunity to visit the new location before the transfer so he or she can get to know it and evaluate it. KRONES also helps employees find appropriate schools for their children at their new location and offers the entire family an opportunity to prepare for life in a new country through the intercultural school in Passau, Germany. KRONES assumes all of the associated costs. If and when the employees and their families return to the company's headquarters and nearby Regensburg, the family's children can continue to attend an international school. KRONES supports the Regensburg International School for this reason.

#### Employees on parental leave

at KRONES AG



*A good work-life balance promotes performance and provides additional motivation.*

## In-house child care supports young families

KROKI, our in-house child care service in Neutraubling, was operating at capacity once again in 2010. Many new parents use the opportunity to return to work soon after the birth of a child and are glad to know that their child is in good hands nearby. KROKI is open 10 hours each day, offers flexible drop-off and pick-up times, and is closed no more than 15 days per year – giving employees the flexibility they need to reconcile work and family.

In 2010, the centre had nursery space for 24 infants and toddlers ages 4 months to 3 years (3rd birthday) and 19 preschool spots for children age three through their first day of primary school. The children receive the highest quality care – in both educational and physical terms – from the 12 teachers and caregivers. Each day, the children receive a varied, balanced, and child-friendly lunch as well as an afternoon snack that consists of whole grain products, fresh fruits and vegetables, and healthy beverage options such as mineral water, natural juices, and unsweetened teas.

The education and care provided at KROKI is based on the principles of the Bavarian Nursery Education Plan, with special emphasis on developing creativity and experiencing nature. As an added benefit, parents receive regular updates from KROKI staff about their children's development.

KRONES provides the building for the childcare centre and assumed all of the costs of the conversion and initial furnishings and fixtures. KRONES also covers KROKI's operating cost shortfall.



*The recognition that KRONES' environmental and social standards have received show me that CSR is more than just PR here.*

*Walter Lang, assembly, labelling technology division, cold gluing technology*



*KROKI is very popular and has more applicants than spaces available. A special point system helps to ensure that all 43 spots are assigned fairly.*

Viable solutions for doing business sustainably can only be found through dialogue with all stakeholder groups. To get a sense of the various groups' interests, we regularly seek contact with all stakeholders – in Neutraubling, in our region, and around the globe. Our stakeholders include employees, shareholders, customers, suppliers, government agencies, politicians, trade associations, non-governmental organisations (NGOs), scientists and academics, and the general public. We are committed to a proactive, frank and open information policy. We systematically analyse and assess opportunities and risks relating to CSR topics in ongoing dialogue with our stakeholders. That helps us to identify potential weak points and new challenges early. And with that, we are minimising risks for the company, strengthening our stakeholders' trust in us, and safeguarding the company's reputation.

Policy makers	Customers	Scientists and academics
The general public	KRONES	NGOs
Suppliers	Employees	Cultural institutions

*In direct contact with our various stakeholder groups, KRONES analyses the opportunities and risks associated with the different areas of CSR.*

Direct contact is extremely important here. For this reason, we organise a variety of events worldwide each year. The events range from regular »Open Days« for employees and their families to »Training Days« to round-table discussions with stakeholder groups and participation in international initiatives.

The KRONES Academy hosted an extremely successful »Expert Dialogue« with our customers in Neutraubling in 2010. More than 50 experts from major bottling plants and various sectors of the beverage industry attended and shared their practical experiences with production and service. Most of the presentations were made by KRONES customers, who laid out strategies and solutional approaches. Symposium participants had opportunities to follow up on the various topics in discussion forums. A number of new product ideas – including some for our sustainability programme enviro – arose from this event.

We hold a »Training Day« at our plants in Neutraubling and Nittenau, Germany, every year. The numerous participants get a look at the career options and training facilities we offer and can flesh this out with details in one-on-one conversations with instructors and current trainees. In addition, we now offer Saturday company tours to our staff and their families on a bimonthly basis so that our employees can show their families their workplace.

### Leading the way in modern social media communication

Technology-oriented business-to-business (B2B) companies are often perceived as unlikely candidates for the social media, with little to offer in that realm. But KRONES has been active in numerous online communities since early 2010. We've been posting about interesting projects and daily life in the company on Facebook, Twitter, YouTube, and Xing.

*KRONES is also a leader when it comes to communicating with stakeholders through Facebook, Twitter, YouTube, and Xing.*

Through active dialog with various target groups – customers and their employees, journalists, job applicants, and our own employees – KRONES has established an appealing, authentic image on these sites. And our efforts have been rewarded, with second prize in our category in the »B2B Twitterer of the Year (B2BTOTY)« awards. The awards recognise B2B companies that are especially active and informative on Twitter.

An example of our active information policy alongside the publication »KRONES Magazine« is the KRONES newsletter, which has been published monthly since February 2010. It shares news and technology trends with customers and employees. Readers are also invited to submit topic suggestions to the editor, thus encouraging an ongoing exchange of information.

To keep employees worldwide abreast of developments within the KRONES Group, we published five issues of the »Inside KRONES« employee magazine in 2010 in German, English, and Italian. In addition, the new intranet »KRONES inside« gives all KRONES employees a modern communication platform for exchanging and finding information.

KRONES stays in regular, direct contact with analysts, individual shareholders, and institutional investors. We hold analyst conferences and conduct regular meetings with investors to keep the capital markets supplied with comprehensive information. We also maintain a policy of openness at press conferences and interviews. Sustainability topics are gaining importance in all of these forums.

### KRONES' high environmental and social standards recognised

oekom research, a highly regarded agency for sustainable, socially responsible investing, awarded KRONES »prime« status once again in 2010. Of the 3,100 companies the agency rates in 45 industries worldwide, only every sixth is given the »prime« designation. KRONES was rated the best among German machinery manufacturers and holds eighth place in the industry worldwide. This positive assessment of our environmental and social standards through oekom research expands our pool of potential investors considerably. In Europe alone, some €5,000 billion are being invested exclusively in shares of companies that meet the very strict criteria of rating agencies specialising in socially responsible investment. The reason for this is that analyst studies have shown that many particularly socially responsible companies generate above-average profits – in business and on the stock markets.

*oekom research rated KRONES the best among German machinery manufacturers.*

The principles of sustainability also apply to our civic responsibilities. Beyond our business obligations, we are also committed to doing our part with respect to society, culture, the sciences, and academics. In other words, we are committed to being good corporate citizens. For KRONES, sharing such engagement with our employees is part and parcel of corporate social responsibility. A good example of this is a special fundraiser that KRONES held in collaboration with employees in 2010 to raise money for earthquake victims in Haiti. All of our employees company-wide were encouraged to donate and KRONES' charitable giving committee added to the total amount collected.

### Regional

KRONES has been a partner and supporter of the Regensburg International School (RIS) since 2010. RIS is open to children from the local community and around the world. It provides families in the region an alternative to the local schools. RIS opened in 2009 and offers schooling in English to children of international and local families in Regensburg and Eastern Bavaria.

The school is committed to providing a high-quality, challenging, international education. Its aim is to develop in each student the ability to think critically and creatively and to help all of its students grow into reflective, independent life-long learners who are socially responsible, concerned for the environment, and able to face the complex challenges of the modern world.

KRONES AG also regards support for universities as an important contribution to society. As a patron of the Hochschulstiftung Regensburg foundation, the company supports various events and promotes cultural exchange among students at the local University of Applied Sciences.



*As a global company, KRONES feels an obligation to financially support international schools and universities. KRONES has been a supporter of Regensburg International School (RIS) near company headquarters since 2010.*





## Around the world

Besides the »usual« donations to charitable organisations, the company has decided to provide substantial long-term support to the Water for the World foundation. In its role as a corporate sponsor, KRONES supports projects all over the world that give people in developing countries access to clean drinking water. Water they need for drinking, cooking, and washing and for irrigating their fields. Our guiding principles here are sustainability and helping people help themselves. We concentrate our support on rural projects and ensure that they actually benefit families, women, and children. We also invest in education and training, so that people can take charge of their own water supplies.



*KRONES has supported the Dhulikhel Hospital in Nepal since 2008. The hospital provides high-quality medical care to a large portion of Nepal's population.*

## KRONES funds construction of a dental clinic in Nepal

Through »Water for the World«, KRONES has been supporting the expansion of Dhulikhel Hospital in Nepal, 30 kilometres northeast of the nation's capital Kathmandu, since 2008. The aim of KRONES' long-term involvement is to ensure that Nepal's largely poor population has access to affordable, high-quality medical care. People with little or no income are treated free of charge at Dhulikhel Hospital.

As part of our engagement, Caroline Kronseder, wife of Executive Board Chairman Volker Kronseder, visited Nepal at the end of 2010 and laid the cornerstone for a new dental clinic that is being funded by donations from KRONES AG. Prof. Ram Shrestha, director of Dhulikhel Hospital, welcomed the expansion: »In Nepal, dental care is currently available only in Kathmandu«. In the future, the dental clinic will not only treat patients with dental problems – preventive care will play an important role. Dhulikhel Hospital serves patients from all regions and income levels in Nepal.

KRONES' international giving is bundled into contributions to the Water for the World foundation. Those funds have already helped to build wells and water lines in Nepal. The foundation also organised and funded the water distribution and sani-





tation system for Dhulikhel Hospital and its outreach centre in the remote village of Bolde Phediche. In collaboration with Regensburg physicians, we are also helping to provide the hospital with valuable new medical devices such as incubators, trephines and burrs, and ultrasound equipment.

The hospital, which was built 15 years ago, now serves around 100,000 outpatients and 10,000 inpatients each year. Those are the official figures. But the actual numbers are likely far higher because each patient who registers for treatment can later be seen or treated by other specialists under the same initial fee – so those additional visits are free of charge. »By contrast, someone with no money seeking treatment at a hospital in Kathmandu will not even be allowed in the door«, explains Professor Shrestha.

Despite the exceptionally high quality of care, the public clinic is still funded entirely through donations. Because Dhulikhel Hospital is a non-profit and operates under the principles of social equity, KRONES has made the long-term support of this project in collaboration with other companies and physicians in the Regensburg region part of its CSR strategy. A number of actions and site visits are planned for 2011.

**D**r. Shrestha, you studied medicine in Austria and your wife is Austrian. Why did you return to Nepal?

I want to be where my knowledge and skills can benefit the greatest number of people. That is certainly in Nepal. Besides, building a hospital has always been a dream of mine. I lost my mother when I was ten years old because there were no doctors. Dhulikhel Hospital serves the poorest of the poor. We are very proud to be able to provide these people with high quality medical care. Moreover, I wanted to prove that good medical care need not always be expensive.

**And how does that work?**

We see a large number of patients. The fees they pay, although they are very small, cover the ongoing costs of operating the hospital. Treatment at our hospital costs 15 cents per patient. Inpatient treatment costs €1.50 per day, including four meals. Wealthier patients help to finance the treatment of poorer patients through donations of food or higher payments. However, for investments such as medical devices, we depend entirely on donations from Europe – from companies like KRONES.

**An unusual project.**

Yes, it is a different sort of development project. I receive many international visitors who look at our hospital and wish to do something similar in their home countries. It is an excellent example of how good healthcare is possible in developing countries.



**How has Dhulikhel Hospital developed since its founding 15 years ago?**

In the beginning, there were just two of us. Today, the hospital employs around 75 people. We treat some 1.5 million patients and do more than 10,000 operations each year. In the last five years, we

*KRONES is helping me realise my dream of providing high quality medical care to the poorest of the poor.*

have doubled the number of outreach clinics to 16. That means the hospital now serves an area covering 2.7 million people. That is a lot of people. Nepal's population is around 28 million.

**Has the population embraced the hospital?**

Twenty-four rice farmers donated everything they had to help build the hospital. That showed me that the people really wanted it.

**What challenges do you face in your country?**

Nepal is a very mountainous country. Seventy percent of the region in which we work cannot be reached by car. Pa-

tients who cannot walk to the hospital are sometimes carried by others. We established our 16 outreach clinics in order to better serve these people. Another challenge is the education system in Nepal. When I wanted to study medicine, there were no such opportunities in my country. Today, we are educating our own medical professionals. Dhulikhel Hospital is also Kathmandu University Hospital. At the moment, we are training more than one hundred young people – from illiterates to prospective doctors.

**KRONES has been involved in Nepal for three years. What does this support mean to the people here?**

KRONES is helping me realise my dream of providing high quality medical care to the poorest of the poor. Before I began my work in Nepal, there was nothing. If a person fell ill, they were treated by a shaman. That doesn't have to be the case anymore. When my father developed cancer at the age of 81, I was able to operate on him in the hospital.

**The dental clinic that KRONES is funding is slated to open in the summer of 2011.**

**What are your hopes for this project?**

Dental care is still something very new to Nepal. Seven dentists will start work at Dhulikhel Hospital in summer 2011. We plan to train another 40 dentists. We want to impart everything – from the basics to the highest level of knowledge. The clinic will also provide dental services. One aspect here will be preventive care. We want to use dental camps and mobile dental clinics to treat and educate people in remote areas.



## Goals and actions

Company – Goals	Actions	Target date	Status
Sensitise and motivate our employees with respect to sustainability and responsible action	■ Regular articles on CSR in the employee magazine »Inside KRONES«	Ongoing	Ongoing
	■ Annual sustainability report	Ongoing	Ongoing
	■ Create and regularly update a »sustainability« section of our intranet	Ongoing	The new intranet »KRONES inside« has been launched; action implemented successfully
	■ Hang CSR posters in the production halls of our plants	2011	In progress
Introduce a code of conduct	■ Integrate compliance management into company processes	2011	Complete

Economic – Goals	Actions	Target date	Status
Evolve enviro	■ Transfer aspects of enviro onto LCS services	Ongoing	Retrofitting packages with high energy and media efficiency are available
	■ Hold KRONES Academy seminars on energy and media efficiency	Ongoing	Ongoing
	■ Assess 30 machines on the basis of enviro criteria in 2010	2010	22 machines were assessed
	■ Expand machine programme to include 8 upgrades	2012	In progress
Increase order quality	■ Make quotation system faster and more transparent	Ongoing	Ongoing
	■ Perform detailed risk analysis in advance		
Optimise working capital	■ Improve receivables management	Ongoing	Working capital increased in 2010 due to the rise in business volume
	■ Reduce inventories	2011	Improvements targeted
Increase profitability, bring pre-tax return on sales up to at least 7 percent	■ Improve price quality, implement »Value« strategy programme	2012	for 2011 In progress

Environmental – Goals	Actions	Target date	Status
Establish an energy management system	<ul style="list-style-type: none"> <li>■ Define additional measuring points (electrical power + heat)</li> <li>■ Discuss previous production figures with assembly and production teams</li> <li>■ Install the additional measuring points</li> <li>■ Make internal decision on power demand and peaks</li> <li>■ Define performance indicators</li> <li>■ Define targets for 2012</li> </ul>	<b>2011</b>	In progress; responsibilities have been defined, tasks have been assigned to the respective organisational units
Conserve energy	<p>Train and inform employees, giving concrete guidelines for conserving energy and using energy efficiently</p> <p>Technical measures</p> <ul style="list-style-type: none"> <li>■ Automate certain consumer controls (lighting/exhaust system/transformers)</li> <li>■ Optimise control systems</li> <li>■ Optimise compressed air production</li> </ul>	<b>Ongoing</b>	Integrated into regular employee training and guidance
		<b>2010</b>	<ul style="list-style-type: none"> <li>■ Expanded central building control systems (Flensburg plant)</li> <li>■ Modernised compressors, incl. intelligent controls (Flensburg plant)</li> <li>■ Improved heating controls (Rosenheim plant)</li> <li>■ Modernised lighting (Nittenau plant)</li> <li>■ Regular monitoring of compressed air networks and (Rosenheim plant) use of automatic stop valves</li> <li>■ Increased use of motion detectors</li> <li>■ Optimised running times of energy-intensive consumers</li> </ul>
Conserve resources	<ul style="list-style-type: none"> <li>■ Reduce water consumption</li> </ul>	<b>2010</b>	Consumption per €1 million in sales was down; reuse/recirculation of process water; trial use of waterless urinals
	<ul style="list-style-type: none"> <li>■ Recycle</li> <li>Further analyse recycling options</li> <li>Reduce waste generated in assembly</li> </ul>	<b>2010</b>	<ul style="list-style-type: none"> <li>■ Increased sorting and separation of materials at on-site collection station</li> <li>■ Project »Shop Floor« – assembly team goes paperless</li> </ul>
Reduce emissions	<ul style="list-style-type: none"> <li>■ Assess new technologies for the vehicle fleet</li> </ul>	<b>2010</b>	All vehicles in our pool produce CO <sub>2</sub> emissions of less than 120 g/km
	<ul style="list-style-type: none"> <li>■ Reduce coolant emissions</li> </ul>	<b>2009–2012</b>	<ul style="list-style-type: none"> <li>■ Regular monitoring of coolants</li> <li>■ Coolant error message analysis in SAP workflow</li> </ul>
Systematically collect and calculate environmental performance indicators in a database module	<ul style="list-style-type: none"> <li>■ Introduce database module</li> </ul>	<b>2010/2011</b>	Project was shelved due to changed situation; to be revisited in 2011

## Goals and actions

Labour practices – Goals	Actions	Target date	Status
Enhance employee qualifications	■ Introduce KRONES competence management company-wide	<b>2010/2011</b>	3,000 employee reviews were started in 2010; reviews will be conducted across the board in 2011
	■ Expand training and continuing education offerings	<b>Ongoing</b>	Currently, courses are available on around 450 topics
	■ Ongoing management training	<b>Ongoing</b>	750 managers have attended the management training seminar to date
Secure access to the next generation of specialists	■ Proprietary professional training programmes	<b>Ongoing</b>	Ongoing
	■ Innovative professional training options	<b>Ongoing</b>	Ongoing
Promote and recruit specialists and skilled workers	■ Collaborate with colleges and universities	<b>Ongoing</b>	Ongoing
	■ Offer programmes for interns and thesis-writing (previously: programmes for university degree candidates)	<b>Ongoing</b>	Ongoing
Occupational health management	■ Coordinate all actions (in-house medical service, company health insurance fund, counselling service, and human resources)	<b>Ongoing</b>	Ongoing
Work-life balance	■ Support employees and their families on assignments abroad	<b>Ongoing</b>	In progress
	■ Reintegrate children into international schools in Germany when families return from assignments abroad	<b>Ongoing</b>	KRONES supports the Regensburg International School in Regensburg
	■ Support management employees' use of sabbatical	<b>Ongoing</b>	Ongoing
Reduce accident rates (per 1,000 employees)	■ Offer leadership training ■ Step up risk assessment ■ Record and evaluate incidents	<b>Ongoing</b>	Ongoing
Reduce lost working days in general	■ Train managers and supervisors in how to deal with illness-related absences	<b>2010</b>	In progress



Society – Goals	Actions	Target date	Status
Establish clear guidelines for charitable giving and sponsorship with respect to CSR	■ Establish a charitable giving and sponsoring committee	<b>2010</b>	In progress
Intensify stakeholder dialogue	■ Conduct surveys	<b>2011</b>	In progress
	■ Establish and continue social media activities (Twitter, Facebook, Xing, etc.)	<b>Ongoing</b>	Ongoing
Maintain regular dialogue with representatives of the academic, political, and business communities	■ Events	<b>Ongoing</b>	Ongoing
Provide information for employees' family members	■ Regular tours of the production facilities	<b>Ongoing</b>	Ongoing
Spark and foster interest in technical fields among kids and college students	■ »Girls' Day«	<b>Ongoing</b>	Ongoing
	■ »Research camp for girls«		
	■ »Training Day«		
Support schools and universities at the regional level	■ RIS Regensburg International School	<b>Ongoing</b>	Ongoing
Conduct university marketing at the national level	■ Participate in university job fairs, field trips, and lectures	<b>Ongoing</b>	Ongoing
Dhulikhel University Clinic in Nepal	■ Build and expand dental clinic	<b>2010/2011</b>	Ongoing

The Global Reporting Initiative (GRI) develops and disseminates guidelines for reporting on the economic, environmental, and societal dimensions of organisations' activities, products, and services. The GRI works closely with businesses, non-governmental organisations, government institutions, and other groups. The current GRI guidelines («G3») were published in October 2006. Use of the guidelines is voluntary. The GRI guidelines have become established as the standard for sustainability reporting worldwide.

GRI code	Reporting element	Page	GRI code	Reporting element	Page
<b>1.</b>	<b>Strategy and analysis</b>		<b>4.10</b>	Processes for evaluating management's own sustainability performance	AR 109–110
1.1	Statement from the most senior decision-maker	2, 3	4.11	Precautionary approach	33, 36
1.2	Description of key impacts, risks, and opportunities	2–5, 23–27, 33, 36–39	4.12	Subscription to or endorsement of external initiatives	68–71
<b>2.</b>	<b>Organisational profile</b>		4.13	Memberships	ND
2.1	Name of the organisation	C1, C8, C5	4.14	List of stakeholder groups engaged	66
2.2	Primary brands, products, and services	8, 9, 16, 17	4.15	Basis for identification of stakeholders	22, 66–71
2.3	Operational structure, including main divisions	16, 18	4.16	Stakeholder dialogue (type/frequency)	50–65, 66–71
2.4	Location of headquarters	C5, C8, www	4.17	Response to key concerns raised by stakeholders	66, 67, www
2.5	Countries with major operations	16, 17	<b>5.</b>	<b>Economic performance indicators</b>	
2.6	Nature of ownership and legal form	18		Management approach	2, 3, 24, 25, AR 8–11
2.7	Markets served	16, 17	EC1	Direct economic value generated and distributed	31
2.8	Scale of the reporting organisation	16, 17	EC2	Financial implications of climate change	33
2.9	Significant changes during the reporting period regarding structure or ownership	n.r.	EC3	Coverage of defined benefit plan obligations	31, 63
2.10	Awards received in the reporting period	35, 54, 55, 67	EC4	Financial assistance from government	32
<b>3.</b>	<b>Report parameters</b>		EC5	Ratios of standard entry level wages to local minimum wage	54
3.1	Reporting period	C1, 1	EC6	Use of locally-based suppliers	21, 35
3.2	Date of most recent previous report	1	EC7	Local hiring	51–59
3.3	Reporting cycle	1	EC8	Infrastructure investments and services provided primarily for public benefit	65, 68–73
3.4	Contact point for questions regarding the report	C5, C8	EC9	Significant indirect economic impacts	68–73
3.5	Processes for defining report content	C6, 4, 22	<b>6.</b>	<b>Environmental performance indicators</b>	
3.6	Boundary of the report	1		Management approach	CG, 25, 40–46
3.7	Specific limitations on report's scope	1, 40, 50	EN1	Materials used by weight or volume	43, 44
3.8	Basis for reporting on joint ventures	n.r.	EN2	Percentage of materials used that are recycled input materials	43
3.9	Data measurement techniques and bases of calculations	AR, 40–44, 50	EN3	Direct energy consumption by primary source	41, 42
3.10	Restatements of and changes to information provided in earlier reports	n.r.	EN4	Indirect energy consumption by primary source	41, 42
3.11	Changes from previous reporting period in the scope, boundary, or measurement methods applied	53, 56	EN5	Energy saved due to conservation and efficiency improvements	ND
3.12	GRI content index	78, 79	EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and resulting reductions in energy requirements	36–39, 46, 75
3.13	External assurance	C3, C4	EN7	Initiatives to reduce indirect energy consumption and reductions achieved	44, 75
<b>4.</b>	<b>Governance, commitments, and engagement</b>		EN8	Total water withdrawal by source	44
4.1	Governance structure, incl. responsibility for sustainability performance	18, 22, AR 104–105	EN9	Water sources significantly affected by withdrawal of water	NA
4.2	Independence of Supervisory Board Chair	18, AR 102–103	EN10	Percentage and total volume of water recycled and reused	ND
4.3	Independent members of the highest governance body	AR 102	EN11	Land in or adjacent to protected area(s)	NA
4.4	Mechanisms for shareholders and employees to provide recommendations to highest governance bodies	18, 22, 66, 67	EN12	Impacts of activities on biodiversity in protected areas	NA
4.5	Linkage between compensation for senior managers/executives and sustainability performance	18, AR 109, 110	EN13	Habitats protected or restored	ND
4.6	Processes in place to avoid conflicts of interest	20, 21, CG, CoCo	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	NA
4.7	Expertise of members of the highest governance bodies with respect to sustainability	2–4, 5, 22	EN15	Endangered species	NA
4.8	Mission statement, values, codes of conduct	19–21	EN16	Total direct and indirect greenhouse gas emissions by weight	42
4.9	Procedures of the highest governance bodies for overseeing environmental, economic, and social risks and opportunities	22–23	EN17	Other greenhouse gas emissions	ND
			EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	36–39, 46, 75
			EN19	Emissions of ozone-depleting substances by weight	NA

GRI code	Reporting element	Page	GRI code	Reporting element	Page
EN20	No, so, and other significant air emissions by type and weight	ND	LA7	Rates of injuries, occupational diseases, lost days and absenteeism, and work-related fatalities	60, 61
EN21	Total water discharge by quality and destination	44	LA8	Actions relating to serious diseases	61–63
EN22	Total weight of waste by type and disposal method	43	LA9	Health and safety topics covered in formal agreements with trade unions	ND
EN23	Total number and volume of spills	ND	LA10	Training and education: Hours per employee by employee category	51, 52
EN24	Hazardous waste under the Basel Convention	ND	LA11	Programmes for skills management and lifelong learning	51–53, 55
EN25	Impact of effluent discharge and runoff on biodiversity	NA	LA12	Percentage of employees receiving regular performance and career development reviews	52
EN26	Initiatives to mitigate environmental impacts of products and services	36–39, 46	LA13	Composition of governance bodies and breakdown of workforce by gender, age group, culture	53, 54, 56
EN27	Percentage of products and their packaging that are reclaimed	NA	LA14	Pay ratios by gender and employee category	53, 54
EN28	Fines and sanctions for non-compliance with environmental laws and regulations	ND			
EN29	Significant environmental impacts of transporting products and other goods and materials and employees	35, 44			
EN30	Total environmental protection expenditures	ND			
<b>7. Product responsibility</b>			<b>9. Human rights</b>		
	Management approach	2–4, 35–37, CG		Management approach	CG, SC, CoCo
PR1	Life cycle stages in which health and safety impacts of products and services are assessed	35–37	HR1	Investment agreements that include human rights clauses or that have undergone human rights screening	21, SC
PR2	Incidents of non-compliance with health and safety standards	ND	HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights	21
PR3	Principles and procedures for product labelling	36, 37	HR3	Employee training on human rights	NA
PR4	Incidents of non-compliance with product labelling and information standards	NA	HR4	Total number of incidents of discrimination and actions taken	ND
PR5	Customer satisfaction, including results of surveys measuring customer satisfaction	66, 67	HR5	Freedom of association and collective bargaining	54
PR6	Programmes for adherence to laws, standards, and voluntary codes related to marketing communications	CG, CoCo	HR6	Principles and measures taken to prevent child labour	SC, CoCo
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications	ND	HR7	Principles and measures taken to prevent forced or compulsory labour	CG, SC, CoCo
PR8	Complaints regarding breaches of customer privacy and losses of customer data	ND	HR8	Training of security personnel	ND
PR9	Fines for non-compliance with laws and regulations concerning the provision and use of products and services	ND	HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	NA
<b>8. Labour practices and decent work</b>			<b>10. Society</b>		
	Management approach	2–4, 26, 50–65, CG		Management approach	2–4, CG, SC, CoCo, 27, 77
LA1	Total workforce by employment type, employment contract, and region	50, 51, 54, 63	SO1	Programmes and practices to manage the impacts of operations on communities	66
LA2	Employee turnover by age group, gender, and region	55	SO2	Percentage and total number of business units analysed for risks related to corruption	ND
LA3	Benefits provided to full-time employees	51–65	SO3	Percentage of employees trained in the organisation's anti-corruption policies and procedures	ND
LA4	Percentage of employees covered by collective bargaining agreements	54	SO4	Actions taken in response to incidents of corruption	ND
LA5	Minimum notice periods regarding significant operational changes	ND	SO5	Public policy positions and participation in public policy development and lobbying	66
LA6	Percentage of workforce represented in formal joint management-worker health and safety committees	ND	SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions	ND
			SO7	Legal actions for anti-competitive behaviour	ND
			SO8	Fines and sanctions for non-compliance with laws and regulations	ND

**Abbreviations:**

AR: 2010 Annual Report; C: cover; CoCo: Code of Conduct; CG: corporate guidelines; SC: suppliers' code; NA: not applicable – this indicator does not apply to KRONES; ND: no data provided – the data for this indicator is not complete and we have opted not to present incomplete, insufficiently meaningful data.

**Cash flow**

All inflows and outflows of cash and cash equivalents during a period.

**Compliance**

The sum total of all reasonable measures that are designed to ensure that a company, its organisational members, and its employees obey all statutory commandments and prohibitions. Moreover, the aim is to ensure that the company's dealings also conform to all social guidelines and value concepts, and with moral and ethical imperatives.

**Corporate social responsibility**

Concept that serves companies as a basis for integrating social and civic concerns into their corporate operations and their relationships with their stakeholders on a voluntary basis.

**Equity**

Funds made available to the company by the owners by way of contribution and/or investment plus retained earnings.

**enviro**

Programme for sustainable products from KRONES that are proven to save resources. The programme has been certified by TÜV SÜD.

**German Act for the Protection against Harmful Environmental Effects Caused by Air Pollution, Noise, Vibration, and Similar Factors**

Because there is no single, uniform Environmental Code for Germany, this act is the most important environmental law with respect to practical application.

**GRI**

The Global Reporting Initiative is an ongoing international dialogue that engages a variety of stakeholder groups. GRI reporting relies on transparency and aims to provide standardised, comparable information.

**PET**

Polyethylene terephthalate, a thermoplastic material from the polyester family, used, for example, for producing beverage bottles.

**Stakeholders**

All the interested groupings involved in an entrepreneurial process or affected by an entrepreneurial action.

**Sustainability**

All concepts that attempt to shape economic, political, and social developments so as to ensure that they meet the needs of the present-day generation without endangering the options for future generations to satisfy their own needs and choose their own lifestyles.

**Value chain**

The value of a product or service consists not only of the product or service itself. In some cases, it may consist of many various components that are produced along the stages of value creation. Several stages of value creation constitute a value chain.

**Value creation calculation**

The value created is determined by subtracting from the company's performance (sales revenues and other income) the advance payments necessary for bought-in goods and materials, depreciation and amortisation, and other expenditures. The origination of the value creation is set against its use.

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The production of and the paper used for the KRONES Group's 2010 CSR 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.

In addition, the CO<sub>2</sub> emissions resulting from the production of this report – including both the production of the paper and ink and the printing process itself – were measured and then offset through the purchase and retirement of high quality emission certificates.



Corporate social responsibility at KRONES

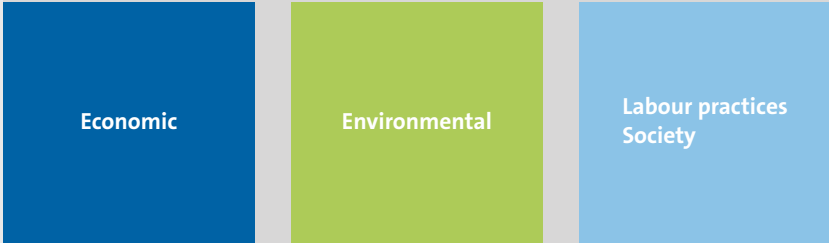
**CSR committee**

- Consulting
- Monitoring
- Decision-making

**CSR core team**

- Bundling information
- Preparing and moderating committee meetings
- Moderating CSR specialist team meetings
- Implementing CSR strategy
- Overseeing actions

**CSR specialist teams**



Networking creates synergies, avoids redundancy, and enhances understanding. That is why KRONES has a company-wide platform for sustainability: the CSR specialist teams.

In these teams, representatives from all areas of the company exchange information relating to CSR and develop ideas through ongoing dialogue.



## We'd like to know what you think!

Corporate social responsibility affects all of us. And KRONES AG needs your feedback on this year's CSR report.

Please complete the following survey and return it to us by fax at 09401 7091 5924 or complete the form online at:

[www.krones.com/de/unternehmen/8833.htm](http://www.krones.com/de/unternehmen/8833.htm)

What is your overall impression of the 2010 CSR report?

(Please circle one)

++	+	±	-	--
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How did you feel about the individual sections?

KRONES compact

++	+	±	-	--
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Economic

++	+	±	-	--
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Environmental

++	+	±	-	--
----	---	---	---	----

Labour practices and society

++	+	±	-	--
----	---	---	---	----

Goals and actions

++	+	±	-	--
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++ very good + good ± satisfactory – sufficient -- poor

Which area of the CSR report would you like to see expanded or developed further?

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How well do you feel the CSR report informed you about our strategy?

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What specific wishes do you have with respect to KRONES AG's CSR activities?

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Please write any additional comments or suggestions here:

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