

Showing *responsibility*

Sustainability Report 2013

- At €983 million, value creation at KRONES was up 11.50% (+€113 million) year-on-year and reached a new record high.
- 90% of the machines and systems presented at the industry's premier trade fair, drinktec 2013, had been assessed according to enviro criteria.
- Direct and indirect CO₂ emissions at all German sites were reduced by 1,696 tonnes – a decrease of 4.87% year-on-year.
- Our international sites employed 3,187 people – 25.9% of our total workforce – in 2013.
- KRONES AG donated €275,000 to victims of the one-hundred year flood of the Danube and Inn Rivers. In a show of solidarity, employees at all sites opted to forgo their annual company parties.

		2013	2012	Change
Revenue	€ million	2,815.7	2,664.2	+ 5.7%
EBT	€ million	169.7	99.1	+ 71.2%
Consolidated net income	€ million	119.4	68.3	+ 74.8%
Value added	€ million	983	870	+ 13.0%
Capital expenditure for PP&E and intangible assets	€ million	108.1	110.9	–€2.8 million
Equity	€ million	954	836	+ 14.1%
Total CO ₂ emissions	metric tonnes	33,155	34,851	– 4.9%
Water consumption	m ³	114,837	116,043	– 1.0%
Total waste generated	metric tonnes	14,483	14,683	– 1.4%
Employees at 31 December				
Worldwide		12,285	11,963	+ 322
Germany		9,098	9,076	+ 22
Outside Germany		3,187	2,887	+ 300
Employee turnover rate	%	2.2	1.9	–
Women in the workforce	%	13.0	13.0	–

“Showing responsibility” – Ever since the company was founded, responsibility has been an important, guiding value within our corporate philosophy. We have always felt a strong sense of responsibility to offer and deliver the very best to our customers. We also have, since our beginnings, always felt a close connection with our employees and assumed responsibility for fostering a strong and lasting partnership. Finally, our long-standing relationships with our suppliers testify to our strong awareness of the business community in which we operate.

We are staying this course and will continue to act responsibly with respect to our environment – both near and far – by conserving resources, promoting mutual understanding, and of course systematically designing our products for a long, sustainable service life at our customers’ plants.

KRONES’ Sustainability Report presents the forward-thinking activities we are undertaking in the interest of sustainability and our progress.

KRONES compact

Economic

Environmental

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About the KRONES Sustainability Report

This Sustainability Report has been prepared in accordance with the GRI Sustainability Reporting Guidelines Version 3.1 and meets the criteria of application level B+.

This report covers the period from 1 January 2013 to 31 December 2013. The previous report was published in May 2013 for the year 2012. The Sustainability Report is published annually.

Labour practices and decent work

Society

Other

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Dear Readers,

Our Sustainability Report 2013 presents you with an overview of the current status of our corporate responsibility activities. It contains economic data as well as information on our environmental and social performance. We use the report for the purpose of self-assessment and to define further actions in the area of sustainability.

Let us first take a brief look back over the past year:

2013 was a big year. Not only in terms of our earnings performance but also with respect to important milestones and events.

Our machines and systems met with overwhelming interest at the 2013 drinktec trade fair. The innovative exhibits generated a surge of new inquiries and orders. Besides this major event, we also launched a new corporate structure last year with which we laid the groundwork for ensuring our organisation's ability to meet the needs of the markets for the long term. To fulfil our customers' wishes even faster and even more accurately, we have reduced the interfaces along our entire value chain. With that, we are building structures that ensure fast, direct support for our customers worldwide. The third building block for our success in 2013 was the steady implementation of our Value strategy programme. The achievements made under Value are described in our Annual Report.

When we look at the global markets, we see a continuing trend towards urbanisation and increasing prosperity in the emerging markets. This trend has been evident for years now and will generate steadily rising demand for packaged beverages and foods. For our company, that means that by increasing our presence in these markets we can also help to ensure the use of energy and media-efficient filling and packaging machinery and lines there. Another clear trend is the increased tendency among beverage producers to use different types of packaging to set themselves apart from the competition. Conserving resources is always a consideration for every type of packaging. We consult with our customers and give them the data they need to make informed decisions that also take sustainability into account.

A look at our sustainability performance shows that this approach supports our economic success. We will continue to make it a high priority. We also attach great importance to the environmental and social aspects of sustainability. The motto we have chosen for this year's report – "Showing responsibility" – is a clear testament to our commitment. Three main themes run through this year's efforts. First, we will press on with our efforts to further improve resource conservation with our machines and lines. Our enviro programme gives our customers an excellent basis for



With energy and media-efficient machines, we deliver resource-saving concepts for filling and packaging to our customers in the emerging markets and beyond.

reducing using energy and media consumption. We will continue to implement this programme and intend to have assessed all new machines under enviro by the end of 2015. We still see considerable long-term potential here. This programme also strengthens our position as the technology leader for machinery and lines in the food and beverage industry.

Second, we value our strong team very highly. Our people are our most important asset. They are highly motivated and superbly qualified and they are the very foundation on which our long-term success stands. Our efforts with respect to human resources and social affairs at our sites in Germany and abroad will remain focused on promoting our workforce with an eye to the future. We will be expanding our professional development offerings at our international sites in the years ahead.

Third, we are devoting great attention to environmental considerations. CO₂ emissions are especially important – not only for us. Given the age of our buildings and current economic conditions we are compelled to take a gradual approach to reducing CO₂ emissions rather than setting ambitious targets. We will continually examine all of our processes and implement any and all optimisation measures, however small they may be. We are standing by our strategy of critically reviewing our processes and consumption data and then determining what is feasible. One thing is clear: We cannot think in terms of large reductions here. But rest assured that every measure we take to reduce our CO₂ emissions drives us to search for yet more potential.

We will continue to pursue these core aspects of our sustainability policy in the medium and long terms and position KRONES as a highly economically, environmentally and socially conscious company. By incorporating the Global Compact principles into our Code of Conduct, and thus into our company's day-to-day culture, we are ensuring that our actions are guided by a widely recognised framework.

Our actions – both internal and external – are guided by the ten principles of the UN Global Compact. We have integrated these principles into our Code of Conduct.



Volker Kronseider, Chairman of the Executive Board
Human Resources, Communications and Quality



Christoph Klenk
Finance, Controlling and
Information Management

Legal compliance and ethical conduct are absolutely vital to any sustainable business concept. In establishing an internal Compliance organisation, we have put important structures in place for making our business processes even more transparent. That brings us closer to optimising our multi-dimensional risk management and is essential to our ability to identify and head off risks early.

In this way, we are ensuring that our Code of Conduct is implemented and traceable in all areas of our business. What is important here is that we deal with problems openly and further strengthen the culture of trust at KRONES. That makes for highly secure business processes. It also gives our customers the assurance that all of our actions are in keeping with the Code of Conduct at all times.

 A handwritten signature in blue ink, appearing to read 'Christoph Klenk'.

Christoph Klenk



Rainulf Diepold
Sales and Marketing

Trust and accuracy are two good reasons driving our intensive dialogue with customers worldwide. This close contact is essential to our ability to meet our customers' (often widely varied) needs in a timely manner. In this trusting partnership, sustainability topics are also gaining importance. We talk about individual consumption data when defining a line's performance but also cover our environmental and social performance in detail. These topics come to us by way of various platforms such as ecovadis and the Carbon Disclosure Project, through standardised data surveys for the food and beverage industry. KRONES is very open to these surveys and we are happy to support our customers in determining their sustainability performance.

 A handwritten signature in blue ink, appearing to read 'Rainulf Diepold'.

Rainulf Diepold



Werner Frischholz
Plants and Components

We are continually examining our Plants and Components portfolio for resource-saving potential. In the very energy-intensive area of brewery systems, we offer energy management solutions such as EquiTherm, which helps reduce primary energy use.

But sustainability is not just important to our customers. KRONES, too, can improve the resource-friendliness of process flows in our own production facilities by implementing a number of individual measures. For example, by streamlining processes in manufacturing. When investing in new technologies, we always examine the associated resource consumption and include this information in our decision making. Of course, we discuss such issues with our suppliers. We make sustainability considerations an obligatory part of our value chain.

Werner Frischholz



Thomas Ricker
Bottling and Packaging Equipment

Staying on top – that is our aim in product development. It applies to our machines' high availability but also to low consumption data and high resource efficiency. Our enviro sustainability programme documents these efforts. The presentation of our enviro-rated exhibits and their consumption data at the 2013 drinktec trade fair clearly demonstrated the high priority we give to resource conservation in our product development. Every single new development is examined for enviro compatibility. That means we are systematically aligning our product range with aspects of sustainability. The interaction between people and machines is very important here. By fully integrating ergonomics and ease of maintenance into our developments in a purposeful manner, we help our customers stay on top in terms of efficiency in their day-to-day operations.

Thomas Ricker




Markus Tischer
International Operations
and Services

We are ramping up development of service products that enable us to directly support our customers – sometimes without the need for a service technician to be physically present on site. Service models such as remote service allow us to monitor machines and support our technicians in the field as well as our customers. This saves time, of course, but also saves resources associated with transportation and travel.

In our ongoing efforts to expand our sites worldwide and our supply chain, we are also keenly aware of the need to maintain a high level of sustainability. By growing our local presence and service network, we are able to offer continuous support to our customers. Within our global supply chain, we also very closely monitor the conditions under which vendor parts are manufactured. In obtaining IMS certifications for our sites in Brazil and China, we have taken the first step towards traceable application of our standards in our international offices.

A handwritten signature in blue ink, appearing to read 'M. Tischer'.

Markus Tischer

A diverse group of Krones employees, including men and women of various ethnicities, are smiling and posing for a photo in a large industrial factory setting. The background shows complex machinery and bright lighting. The employees are dressed in a mix of casual and business-casual attire, including blue work shirts, a green jacket, and a grey suit.

A strong team is the cornerstone of our success. KRONES is proud that our employees have a great sense of community and work together to actively shape our success. In this way, they are assuming their share of responsibility and ensuring that our company will remain a strong force on the market. Acting sustainably is a team effort that all KRONES employees undertake continually in their day-to-day work.



KRONES AG's CSR Committee:

From right to left:

Volker Kronseder (Chairman of the Executive Board), Prof. Dr. Erich Kohnhäuser, Philipp Graf von und zu Lerchenfeld, Prof. Dr. Thomas Schwartz, Ingrid Reuschl, Claudia Islinger, Roland Pokorny, Nico Irrgang.

The CSR team brings together representatives from the various stakeholder groups and works together to develop topics of focus for KRONES' sustainability strategy.

Volker Kronseder, Chairman of the Executive Board of KRONES AG, bundles all of the initiatives that are being worked on in the committee and serves as a representative of shareholders in the committee.

Prof. Dr. Erich Kohnhäuser, former President of the University of Applied Sciences in Regensburg, is the committee's connection to academia as a result of his long career as a university professor.

Philipp Graf von und zu Lerchenfeld, Member of the German Bundestag, advises the CSR Committee on all questions relating to political topics.

Prof. Dr. Thomas Schwartz, honorary professor of applied ethics particularly business ethics and corporate ethics, is the committee's source of inspiration on all matters relating to ethical and sustainable action.

Ingrid Reuschl, Head of Public Relations and Web Solutions, is responsible for all issues relating to Corporate Social Responsibility within KRONES AG.

Claudia Islinger, member of the Works Council, represents the company's employees and therefore brings issues of current interest to employees into the committee's work.

Roland Pokorny, Vice President, Head of Corporate Communications at KRONES AG, uses his comprehensive communications with all interest groups to firmly establish KRONES AG's activities in society.

Nico Irrgang, Public Relations, Corporate Communications, supports the department management in all CSR duties.

Ladies and Gentlemen,

The CSR Committee is established as an independent, management-level body within KRONES AG. The Committee develops and evolves the company's sustainability strategy and advises the Executive Board on implementation of these tasks. The input of the Committee's external members is a crucial element for developing these measures as they draw the Committee's attention to overarching trends. That enables KRONES to incorporate the perspectives of different stakeholder groups and thus position itself far ahead of our industry in terms of sustainability.

The Committee convened for four meetings in Neutraubling in the year under review. Each meeting focused on a main topic as well as current issues relating to various aspects of the company's CSR strategy. For specific matters, project leads were invited who provided detailed information from the perspective of the relevant departments and helped the body develop a sound position on the topics.

The first meeting took place in March 2013 and dealt with the results of the SMETA ethical trade audit, which one of our key customers had conducted at all of our production sites in Germany in 2012. The audit results were presented by Albert Bauer, Vice President, Head of Quality Management. The "Letter of Conformity" associated with the audit for each plant was slated for June 2013. At the same meeting, Roland Pokorny, Vice President, Head of Corporate Communications, presented the current status of the Value strategy. This strategy includes KRONES' growth targets and areas of focus. To support the further expansion of our sustainability expertise, a working group was appointed to work out ways to incorporate environmental and social tasks into the Value strategy programme. With a presentation on the megatrend "demographic change", Prof. Dr. Thomas Schwartz showed a methodological approach to how changes in the age structure of KRONES' workforce can be incorporated into goal-setting within our CSR strategy.

In June 2013, the external auditor confirmed the successful completion of a SMETA audit for all of our German plants with a Letter of Conformity.

In the Committee's second meeting in May 2013, Roland Pokorny offered a look at KRONES' stand concept for the 2013 drinktec trade fair. The preview included an overview of the communications strategy, stand planning, and planned exhibits. "Women in management" was the main topic of this meeting. KRONES' Press Officer Danuta Kessler-Zieroth, who represented KRONES in a nationwide program for promoting women in management positions, explained the results of workshops within the programme entitled "ff frauen führen – Regionale Bündnisse für Chancengleichheit" ("Women in Leadership – Regional Alliances for Equality"). KRONES strives to promote female managers from within its own ranks and has set a goal of 7.2% women in management for the year 2015. The meeting also dealt with topics relating to our CSR strategy 2015+ with concept ideas on how to strengthen the presence of environmental, labour practices, and society aspects within the Value strategy.

A programme on women in leadership and concepts for promoting female managers were presented at the Committee's second meeting.

In the Committee's July 2013 meeting, Albert Bauer presented the status of the IMS certification, product certification, and SAP audit management projects. KRONES AG's IMS system is being implemented in stages at our LCS Centres. The certification process for our Brazil site had already been completed. Mr. Bauer reported that initial certification of our Taicang, China, site was to be completed by the end of 2013. He also pointed out that the certification process for Franklin, USA, was slated to begin in January 2014. The recently published CSR Report 2012 was another topic of discussion at this meeting. The report contained a more comprehensive data set compared with the previous year.

The Committee's fourth meeting took place in December 2013 and focused on the framework for the CSR Report 2013. Ingrid Reuschl provided an overview of the status of the goals and actions presented in the 2012 list. The Committee discussed KRONES AG's Level C+ – Prime – rating through oekom Research and possible potential for improving that rating. In addition, fundamental information on CSR strategy relating to environmental performance and on defining CO₂ emissions reduction targets was presented. It was decided that KRONES AG's options in this regard would be prepared for the first Committee meeting in 2014 with the involvement of experts from the environmental CSR team.

Four Committee meetings are planned for the year 2014.

Neutraubling, April 2014
The CSR Committee

Matters concerning the company's CSR strategy and its evolution were discussed in depth at all CSR Committee meetings in 2013.



Volker Kronseder



Ingrid Reuschl



Claudia Islinger



Prof. Dr.-Ing. Erich Kohnhäuser



Philipp Graf von und zu Lerchenfeld



Roland Pokorny



Prof. Dr. Thomas Schwartz



Nico Irrgang

Dr. Jochen Klein, Member of the Supervisory Board, on CSR at KRONES:

Many producers attach importance to the sustainability of their machines and lines. In your experience, to what extent does sustainability play a role in investment decisions?

Sustainability has gained increasing importance in recent years, due in large part to rising energy prices. It is difficult to say exactly how much weight it is given in a percentage figure since customers have to look at a bigger picture that includes such other factors as maintenance costs, performance data, and space constraints. I would assume that such a percentage would be in the double digits.

KRONES is increasingly addressing the issue of compliance. What are your thoughts on the activities and areas of focus that KRONES has chosen for the launch of its compliance policy?

In a company that has always had a majority shareholder – first the company’s founder and then the founding family – you have to look at compliance differently than you do with a DAX 30 company. The founder’s value system and that of his successors has shaped the company and its workforce. As a major employer, KRONES also serves as a role model within the region.

The introduction of a compliance policy at KRONES is a natural and positive outgrowth of the company’s traditional policy of transparency and integrity. The Code of Conduct, which applies to all employees, and the global Suppliers’ Code demonstrate that KRONES is systematically pursuing a policy of compliance worldwide. The global structures support and accelerate this effort.

KRONES has made an international structure an important part of its internal organisation. This in turn must be reflected in increasingly international CSR reporting.

Here in Germany, collecting data on energy and emissions is considered very important. As you see it, how important is the collection and presentation of this data on the global market?

Global climate change makes energy and emissions data crucial worldwide. In the future, they will take on growing importance, particularly for the BRIC nations. These data are also a critical factor for assessing and developing sustainable supply chain strategies.

Which aspect of corporate strategy do you believe is the most important for a company to be perceived as sustainable on the international stage?

On the global market, all matters relating to sustainability must always be viewed holistically. That is especially true of a company’s innovation strategy, particularly with respect to the reuse or recycling of materials. In the end, this has an impact on service life and line efficiency. It is simply impossible to be a technology leader without taking sustainability into account.



A complete KRONES filling line for producing, filling, and packaging beverages is composed of innovative individual machines and systems from the company's different product divisions.

KRONES machines produce finished beverages and produce, fill, label, and pack bottles. Custom IT solutions from KRONES control and document all processes within the production line.

1 Process technology

The **SyPro S** sugar dissolving station and sugar syrup pasteuriser can produce up to 30,000 litres of syrup per hour.

2 Process technology

The **Contiflow** mixer combines this syrup with other ingredients to produce beverages that are then fed into the filler.

3–5 Contiform AseptBloc

The **Contiform AseptBloc** is a compact, user-friendly system that covers bottle production and filling in an integrated concept. It is well suited for dairy drinks, UHT milk, juices, iced tea, other teas, energy drinks, and beverages containing chunks of fruit.

3 Conveyors

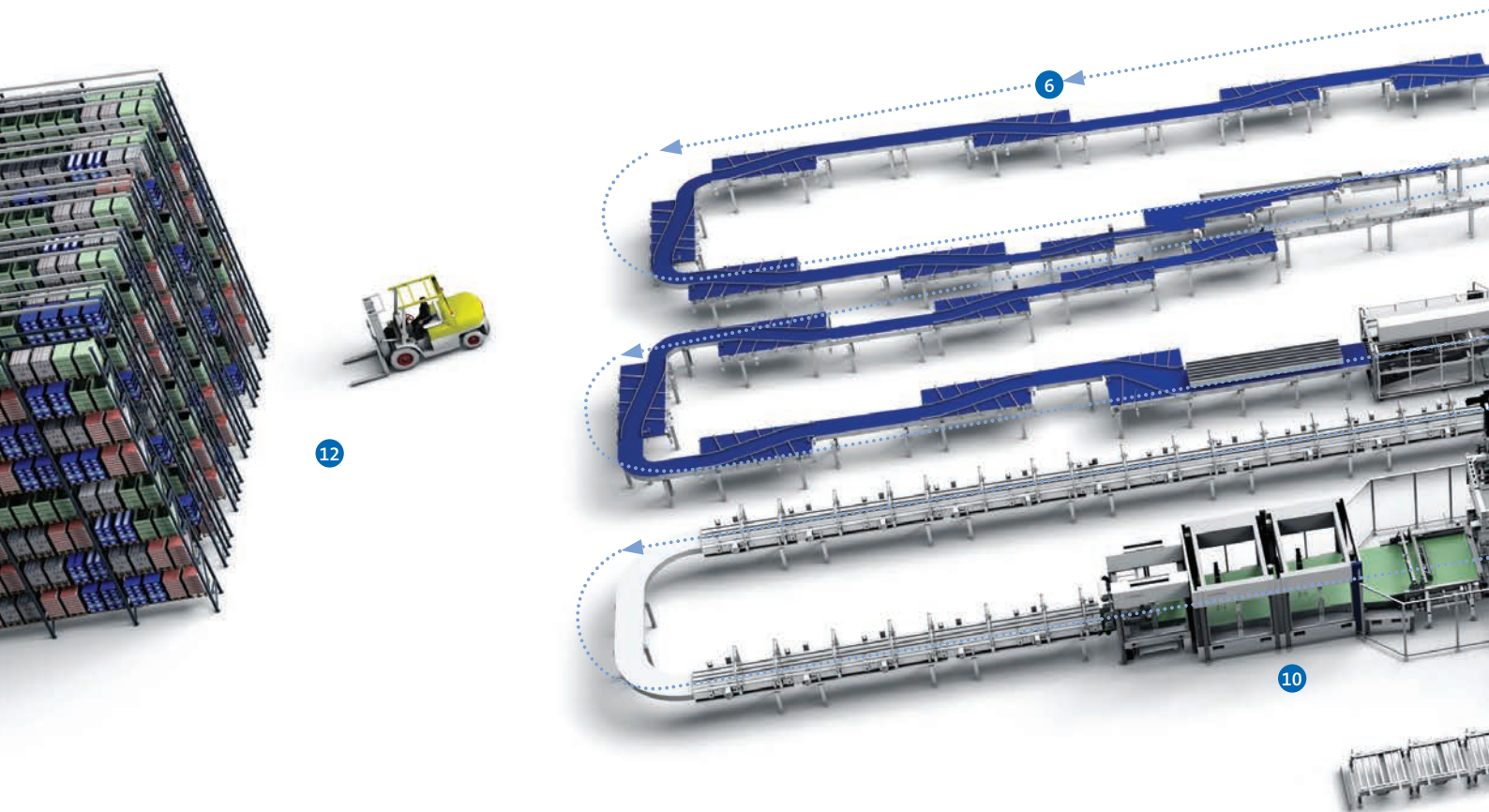
The **Contifeed** preform feed unit sorts and inspects PET preforms before they are fed into the stretch blow-moulder.

4 Plastics technology

The **PreFlow** preform sterilisation unit uses H_2O_2 to sterilise preforms before they are passed to the next module to be blow-moulded into bottles. The system can produce up to 32,000 1.5-litre bottles per hour.

5 Filling

The **Modulfill** filler is suited for highly sensitive beverages such as juices and can operate continuously for up to 144 hours.



6 Conveyors

On KRONES lines, containers are moved quickly and reliably from one stage of production to the next. Our **conveyors** are equipped with state-of-the-art control technology.

7 Labelling

The **Ergomodul** labeller dresses containers in wrap-around labels and checks to ensure that they are perfectly placed.

8 Packing and palletising

The options for packaging are myriad. Therefore, packaging lines need to be highly versatile. The various models of KRONES' **Variopac Pro** fully automated packer cover almost every type of single-use packaging.

9 Packing and palletising

In the **shrink tunnel**, the plastic film encasing a pack of containers is heated, causing the film to shrink and hold the containers firmly in place.

10 Packing and palletising

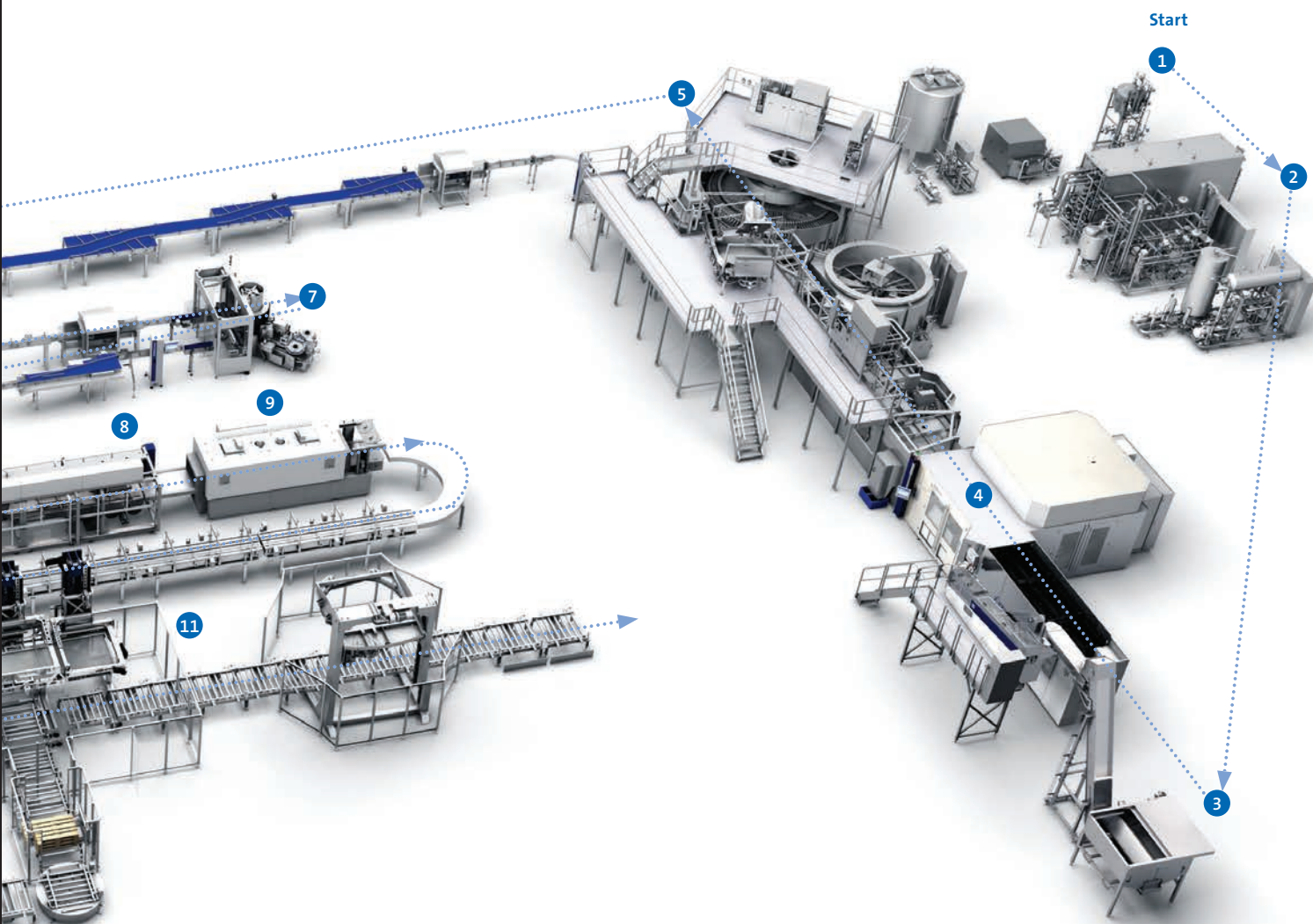
The **Robobox** pack collating system positions and distributes single-use packs quickly and fully automatically, setting the stage for reliable, precise palletising.

11 Packing and palletising

The **Modulpal Pro** palletiser for single-use packs gently loads more than 600 layers onto pallets per hour.

12 Internal logistics

Products are stored in a state-of-the-art high-bay warehouse until it's time for them to be delivered. Sophisticated software manages all inventories and fills customer orders fully automatically.



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 alcoholic mixed drinks.

■ **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 posted sales revenue of around €2.82 billion and generated consolidated net income of €119 million in 2013. The company generated 90% of revenue outside Germany in 2013.

At 31 December 2013, the KRONES Group employed 12,285 people. The company's headquarters and largest production site is Neutraubling, Germany. Production also takes place at plants in Nittenau, Flensburg, Freising, and Rosenheim, Germany. In addition, KRONES has a network of around 40 companies outside Germany that offer a variety of products and services for the entire life of a line. The subsidiary KOSME manufactures its products in Italy and Austria.

With its three operating segments, KRONES holds a leading position in the market as a full-service supplier.

KRONES generated the highest sales revenue in the company's history in 2013.

KRONES is committed to Germany as a business location for new machine production. At the same time, the company is growing its international service units considerably.

Key figures for the KRONES Group

		2013	2012*
Revenue	€ million	2,816	2,664
Export share	%	90	92
Earnings before taxes	€ million	170	99
Consolidated net income	€ million	119	68
Earnings per share	€	3.84	2.26
Total assets	€ million	2,238	2,070
Equity	€ million	954	798
Employees (at 31 December)		12,285	11,963
In Germany		9,098	9,076
Outside Germany		3,187	2,887
Dividend per share	€	2.00**	0.75

* Adjusted according to IAS 19R

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

Export shares:

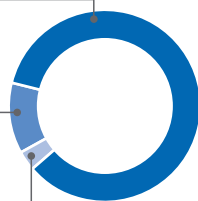
2013: 90%
2012: 92%
2011: 90%
2010: 89%
2009: 90%
2008: 87%
2007: 84%
2006: 85%
2005: 87%
2004: 82%
2003: 80%

KRONES Group revenue by segment

Machines and lines
for product filling
and decoration
82.8% (€2,330.3 million)

Machines and lines
for beverage production/
process technology
13.8% (€388.2 million)

Machines and lines
for the low output range
(KOSME)
3.4% (€97.2 million)

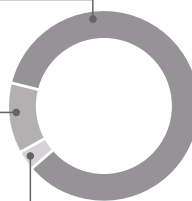


Revenue in 2013: €2,815.7 million

Machines and lines
for product filling
and decoration
84.8% (€2,258.3 million)

Machines and lines
for beverage production/
process technology
11.7% (€311.9 million)

Machines and lines
for the low output range
(KOSME)
3.5% (€94.0 million)



Revenue in 2012: €2,664.2 million

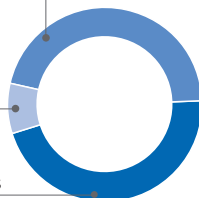
Our core segment contributed 82.8% of consolidated revenue in the reporting period.

KRONES Group revenue by industry

Alcoholic beverages 46.0%

Food, chemicals,
pharmaceuticals,
cosmetics 8.4%

Non-alcoholic beverages
45.6%

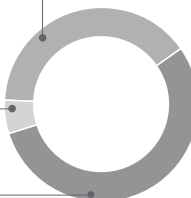


Revenue in 2013: €2,815.7 million

Alcoholic beverages 39.4%

Food, chemicals,
pharmaceuticals,
cosmetics 5.8%

Non-alcoholic beverages
54.8%



Revenue in 2012: €2,664.2 million

KRONES Group revenue by region

	31 Dec 2013		31 Dec 2012		Change
	€ million	%	€ million	%	
Share of consolidated revenue					%
Germany	292.4	10.4	224.1	8.4	+30.5
Central Europe (excluding Germany)	90.6	3.2	95.5	3.6	-5.1
Western Europe	459.3	16.4	358.2	13.5	+28.2
Eastern Europe	74.3	2.6	110.4	4.1	-32.7
Russia, Central Asia (CIS)	109.9	3.9	116.0	4.3	-5.3
Middle East/Africa	454.1	16.1	383.0	14.4	+18.6
Asia-Pacific	378.6	13.4	340.3	12.8	+11.3
China	246.8	8.8	359.8	13.5	-31.4
North and Central America	331.1	11.8	327.7	12.3	+1.0
South America/Mexico	378.6	13.4	349.2	13.1	+8.4
Total	2,815.7		2,664.2		+5.7

KRONES generated 58.2% of consolidated revenue in the emerging markets in the reporting period.

More figures and information about our business development are in the 2013 Annual Report.

Legal form

Stock corporation under German law (Aktiengesellschaft, AG)

Executive Board

Volker Kronseder, Chairman of the Executive Board, Human Resources, Communications and Quality

Christoph Klenk, Finance, Controlling and Information Management

Rainulf Diepold, Sales and Marketing

Werner Frischholz, Plants and Components

Thomas Ricker, Bottling and Packaging Equipment

Markus Tischer, International Operations and Services

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 Number 1 of the Codetermination Act.

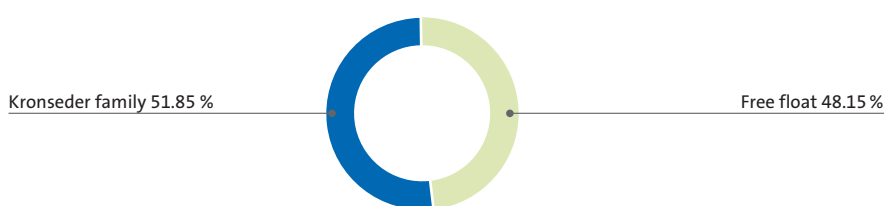
The Supervisory Board appoints the members of the Executive Board and approves important corporate decisions.

The structure of the remuneration 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 118 to 120 of KRONES' 2013 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' share capital of €40.0 million is divided into 31,593,072 shares. KRONES is included in the MDAX share index, the German stock exchange's midcap index.

Shareholder structure (as of 31 March 2014)



Inclusion of Executive Board Chairman Volker Kronseder in the CSR Committee ensures that KRONES AG's highest governing body is directly responsible for economic, environmental and social performance.

KRONES is a member of the German Engineering Federation (Verband Deutscher Maschinen- und Anlagenbau e.V.). Volker Kronseder is currently a member of the board of the trade association for food processing and packaging machinery (Fachverband Nahrungsmittelmaschinen und Verpackungsmaschinen).

Information on shareholder rights pursuant to § 121 (3) Sentence 3 Number 3 of the German Stock Corporation Act (AktG) can be found at http://www.krones.com/downloads/Erlaeut_Akt_Recht_2014_en.pdf

In addition, information on how shareholders can exercise their voting rights is available (in German only) at http://www.krones.com/downloads/eVollmacht_Krones_2014_de.pdf

The company sold its treasury shares in April 2013, bringing the free float up to 48.15%.

With this report for the year 2013, KRONES continues to report in accordance with GRI G3.1 Guidelines. We have decided to continue to apply these standards for the years 2013 and 2014 rather than transitioning to the new G4 standard immediately following its release. The main reason for this decision is that our 2012 report was the first to be prepared according to the G3.1 Guidelines. The individual CSR teams and departments had been provided with the information, definitions, and calculation methods from the G3.1 Guidelines for the purpose of this report. In many cases, data measurement was done using these guidelines throughout the year. So as not to delay these processes by changing the variables, we will make full use of the grace period allowed for introducing the new guidelines. We will use this transition time to present the areas of focus required under G4 within the company and prepare for reporting on them.

With respect to the report boundaries, we will largely maintain the same framework that we established for 2012. The data reported in the general disclosures and in the environmental disclosures cover the KRONES Group while the other disclosure areas primarily present data for KRONES AG only. In keeping with the goals laid out in 2012, we have begun to integrate some data from our international sites and offices. In particular, these include data on “Labour Practices”, where we have added information on some of our European sites. The information on our employees’ air travel activities also relates to the business travel of group employees. In general, this report covers the information on our German sites and thus 75% of our employees.

With the IMS certification of our production sites in Brazil and China, we will gradually have access to uniform data from these offices and be able to include them in our reporting. That may include information on occupational safety and energy use. However, for the time being, our focus will be on supporting action in keeping with this standard at these sites and closely advising our colleagues there to ensure that a high level of data quality is achieved.

We have added Compliance to our reporting this year. In appointing a Compliance Officer in 2013, the company took decisive steps to establish a national and international framework for our actions and define guidelines and oversight processes. These activities included a revision of our Code of Conduct, which contains all of the rules governing our employees and their actions both within the company and in their external dealings.

Furthermore, we have changed the presentation of our enviro progress report from a revenue-weighting to a presentation of the actual number of machines assessed. The reason for this change is that newly designed machines that are still in the design stage are also included in the assessment process and, therefore, a revenue-weighted presentation provides an inaccurate picture.

The Sustainability Report covers all production sites in Germany and thus 75% of our employees. Some individual portions of this report include an expansion of the report boundaries – they are noted accordingly.

We have added an expanded description of our stakeholders and our activities with respect to these individual groups so as to provide more comprehensive information on stakeholder engagement in the general disclosures.

Changes in presentation within in the report were made in the Environmental section, where we have switched from reporting the energy sources individually to aggregate data. We believe this provides a better overview and makes it possible to grasp the “big picture” faster. That means, however, that we have to present two different values in order to incorporate information on changes in energy use for 2013. We have integrated two pairs of columns to illustrate the transition. More details on this can be found on pages 69 through 71.

Determination and collection of the data is based on internal assessments conducted by the specialist teams and was done using the same procedure as in the previous year. Where sufficient data is not available but we nevertheless want to provide some information, we have indicated that the data is an estimate.

As a first step toward implementing the G4 GRI Guidelines, we have conducted a rating of material aspects that reach across the different areas in an effort to refine the materiality matrix published in our last report. In collaboration with the CSR teams, we have catalogued and assessed the aspects that are material to the company. The aspects were rated by priority, on a scale from 10 (very important) to 1 (rather unimportant). The scale was used to rate the aspects’ relevance for our stakeholders and again to rate their internal relevance to the company. The results are charted in the materiality matrix. The presentation of the aspects in this report is based on the information published in last year’s report. These indicators are once again included in this report. For certain aspects – such as biodiversity – we are no longer including information in an indicator, since this aspect is not relevant to our company.

The new materiality matrix shows the topics on which our reporting is focused. The right-hand portion of the matrix includes only those topics that are rated 5 or higher in terms of their internal and external significance. The topic “charitable giving concepts” is deemed to have a medium significance for the company’s development.

Materiality matrix for KRONES AG



- | | | |
|---|--|--|
| 1 Sustainable charitable giving concepts | 11 Fast, individual service for all KRONES customers | 19 Health management |
| 2 Use of industry knowledge and research findings | 12 Optimum use of production materials (waste)/material efficiency | 20 Occupational safety |
| 3 Lean manufacturing (TPM) | 13 Programmes to ensure long-lived machines (LCS) | 21 Environmentally friendly products and machines (enviro) |
| 4 Conserving energy in production operations | 14 Continuing education and training for employees | 22 Reacting flexibly to market changes |
| 5 Reducing pollution | 15 Employee satisfaction | 23 Regional suppliers (in LCS Centres) |
| 6 Reducing hazardous materials | 16 Employees at work internationally (qualification of employees in the regions) | 24 Labour practices and decent work at construction sites |
| 7 Technological leadership | 17 Balanced employee structure (diversity) | 25 Clear contract terms |
| 8 Clear, transparent relationships with customers | 18 Good relationships between our sites and the local communities | |
| 9 Long-term relationships with customers | | |
| 10 Personal consulting/support of customers | | |
- Economic
 - Environmental
 - Labour practices
 - Society

KRONES is committed to doing business sustainably. We are fully aware that our company's long-term success can only be ensured if we give equal importance to economic targets and environmental stewardship. Our business activities and decisions are also guided by respect for the needs of future generations.

KRONES' mission statement

Our customers around the world are primarily in the food and beverage (liquid food) industry. We provide them with machinery, lines, and systems, including all related services, that are the best in every respect.

Profitable growth

To consolidate our position, we will continue to grow profitably and further expand our technology leadership – with innovation, a passion for change, and consistent performance. We listen to our customers and develop our products to meet their needs.

Global network

Our lines and complete solutions provide the highest level of efficiency at competitive prices. Our global network enables us to provide fast, cost-effective, high-quality service – anytime, anywhere around the world.

All strategic decisions are aimed at ensuring the company's sustainable development. Even when optimising profits and cash flow in the short term, we still keep sustainability sharply in focus. This makes KRONES a dependable partner for our customers, employees, shareholders, and suppliers. Our financial strength gives us independence. We use resources wisely in order to safeguard this freedom for the long term.

Our sites around the world form a global value chain that serves as the very foundation of our success. Each of our core modules is built at only one site, with exceptional cost-effectiveness. These sites concentrate our expertise and experience in the relevant technology. To secure this advantage for the long term, KRONES offers attractive working conditions, promising training opportunities, and plenty of room for individual development at all of our sites worldwide. Transparent hierarchies, appreciative leadership, and clear goals inform our corporate culture. To stay agile and competitive going forward, we keep our structures lean and efficient.

Fair and forthright interactions

We are a multinational corporation where a diversity of cultures, languages, and ways of life come together on equal footing. We are fair and forthright in our interactions. Honesty, transparency and integrity inform all of our actions. We are interested in the thoughts and opinions of our employees and partners and are willing to learn from others.

KRONES – we do more.



KRONES' mission statement answers the questions: Who are we, where do we want to go, and how can we get there?

KRONES Code of Conduct

KRONES is a constant in the beverage and packaging machinery market. One reason for this is that we have maintained an excellent reputation over the years. We want to continue to build on this reputation in the future and further develop our position as the market leader.

In this effort, just how we integrate our corporate and social responsibilities into our day-to-day processes will be very important. We want to ensure that our actions are always lawful, ethical, and responsible. This high standard applies to every single employee within the company.

For this reason, we have drafted the Code of Conduct on the basis of our corporate mission statement. The Code of Conduct is binding for all KRONES employees – including the Executive Board, management, and every member of our staff worldwide. In their implementation of this Code of Conduct, all employees of companies belonging to the KRONES Group must abide by local national laws.

The aim of this Code of Conduct is to ensure company-wide compliance with laws, standards, and policies in order to create a working environment based on integrity, respect, fairness, and accountability.

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 them. In this way, they serve as the basis of a culture of openness and compliance that informs our activities daily. In the interest of everyone involved and to ensure that KRONES is perceived as a reputable, trustworthy, and dependable partner both within and outside the company, violations of the Code of Conduct are systematically investigated and disciplinary action taken.

Suppliers' Code

KRONES has a supplier's code to ensure that all suppliers meet certain sustainability criteria and contribute to a sustainable supply chain. The Suppliers' Code is available online for download at www.krones.com/downloads/Liko_2010_e.pdf. The code covers safety, health, the environment, quality, human rights, labour standards, and preventing and fighting corruption. Our quality assurance team performs audits on site at the suppliers' facilities to verify compliance. In addition, KRONES seeks to use vendors that are also certified by an independent institution.

The Code of Conduct is available online at http://www.krones.com/downloads/Coco_2014_en.pdf

KRONES' Suppliers' Code commits suppliers to act in accordance with the company's sustainability principles. The Suppliers' Code is available online for download at www.krones.com/downloads/Liko_2010_e.pdf

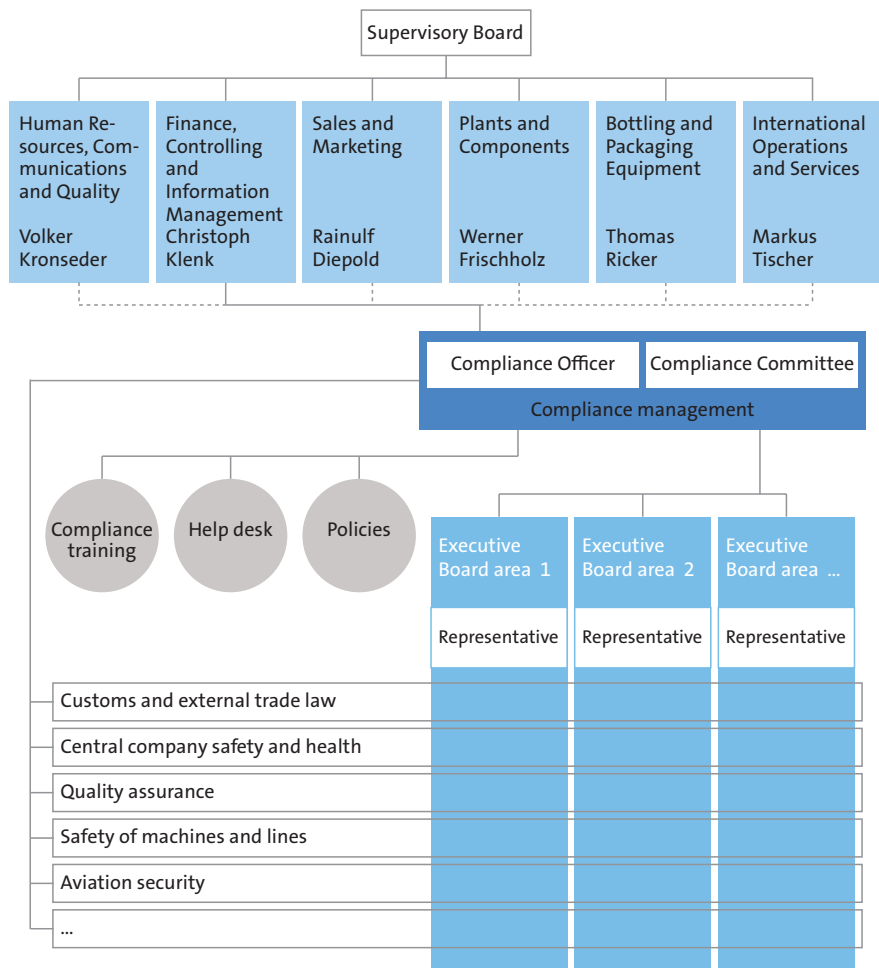
Corporate governance

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 such as the details of our declaration of compliance and the remuneration report are published in our 2013 Annual Report (pages 124 to 126 and 116 to 119) and online (www.krones.com).

KRONES introduces compliance management system

“Compliance” includes adherence to all laws, regulations, and internal and external policies. It also entails fulfilment of all contractual and voluntary commitments.

Integrating compliance management into our organisational structure



Clear structures and competences within our new Compliance organisation provide a secure framework for carrying out all business activities.

In the middle of 2013, KRONES began work on establishing its Compliance programme. We have since accomplished the first steps towards getting a working organisation up and running. By setting up a company-wide compliance management system and appointing a Compliance Officer, KRONES has installed a monitoring and oversight system with standards on all aspects of ensuring that our business policies are clear and transparent and in accordance with all statutory regulations and voluntary provisions. The Compliance system covers the entire group of companies and is comprehensive, effective, and transparent. The concept also provides a secure framework in which to conduct all of our business activities. KRONES’ compliance concept is based on three building blocks:

No incidents of corruption are known to have occurred in 2013. Likewise, no legal actions were initiated for anti-competitive behaviour, anti-trust, or monopoly practices.

- **Prevention** – This includes consultation of all business units, risk analysis, definition and review of codes and policies, employee education and training, establishment of a knowledge base, and a help desk.
- **Detection** – This includes standard audits in collaboration with the Internal Audit organisation as well as compliance spot checks.
- **Response** – This includes implementation of new findings into new or modified action plans and management of Compliance-related incidents in close collaboration with the Investor Relations, Legal Affairs, and Human Resources departments as well as the technical departments.

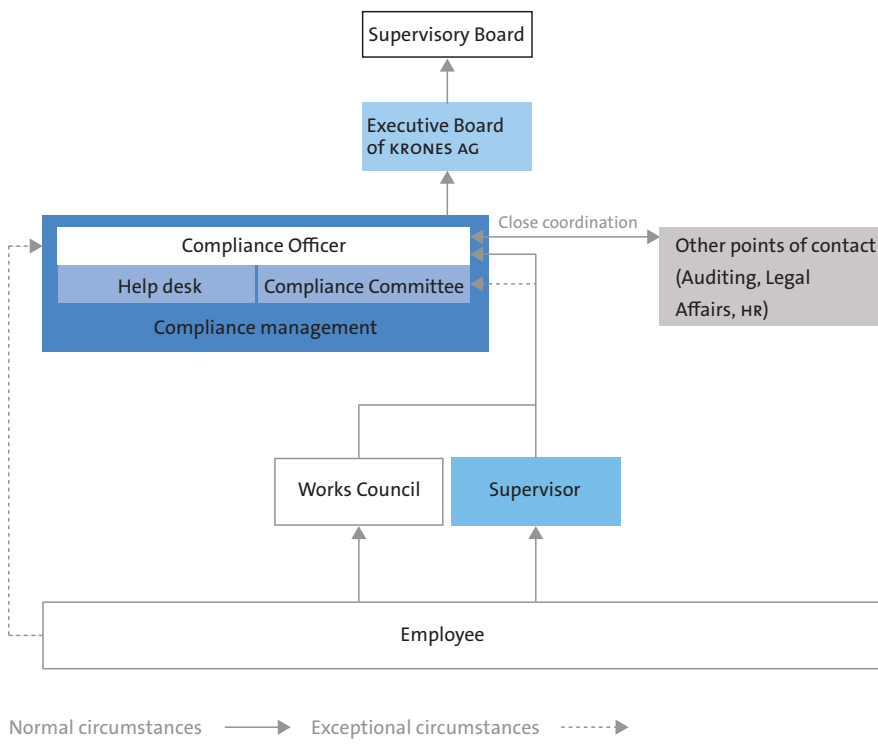
These components cover all areas and processes within the company and are binding for all companies within the group. The Compliance system also applies to all laws affecting KRONES AG and its subsidiaries in any way as well as all levels of management and staff within the group.

Compliance reporting

To ensure the uniform and traceable flow of information on all aspects of Compliance, reporting processes have been defined for KRONES AG as well as the group companies. Thus, roles and responsibilities for handling Compliance issues are clearly defined.

The process illustrated in this flow chart is for KRONES AG. A similar reporting structure is in place for our sites worldwide.

Reporting process within KRONES AG



A similar reporting structure has been defined for our international sites and processes. It integrates a regional Compliance Officer into the KRONES Group's organisational structures worldwide. In addition to defining staff responsibilities and hierarchies for Compliance duties, we have also put in place an incident management process.

Whistleblowing procedures – Concerns and complaints, particularly regarding violations of this Code of Conduct or Group policy within the KRONES Group, may be submitted to one's manager, the Works Council, KRONES AG's Compliance Officer, or members of the KRONES AG Compliance Committee – in person, electronically, in writing, or by phone.

A defined reporting structure renders each step in the decision-making process, from receipt of a tip to a preliminary judgement and, if applicable, launch of an investigation, to actions taken and any consequences and conclusion of the investigation.

Informed employees – The basis for Compliance in our day-to-day operations

The revised version of our Code of Conduct gives employees a brief overview of the most important laws, regulations, and company policies. In addition, the Code raises awareness and prompts readers to take a closer look at processes with legal relevance.

Another part of our efforts to keep our employees informed is a training series that will begin in 2014. The training programme consists of three phases:

- In-person training of management personnel on KRONES' Code of Conduct
- Transmission of basic knowledge about compliance management for all KRONES AG employees and managers in an e-learning environment
- Transmission of specialised compliance knowledge for sensitive areas in in-person training sessions

The use of an e-learning concept ensures that the same information on all aspects of compliance is transmitted to all employees across our organisation. Mandatory participation in and documented completion of the training unit ensures broad coverage of KRONES AG's workforce. Employees who do not have a specific PC workstation – primarily those in production – will receive their information and training through their team lead.



“A help desk solution and a culture of trust serve as the basis for introducing and implementing an effective compliance concept at KRONES. Each employee’s immediate supervisor is the first point of contact for questions regarding proper, irreproachable conduct. Of course, employees can also seek help with Compliance matters through our help desk – which primarily serves as a sort of triage to quickly sort problems and support employees in their day-to-day work. The help desk can also be used for whistleblowing”

Welf Kramer, Compliance Officer

KRONES' CSR targets have been integrated into the overarching corporate strategy programme Value. The four pillars of Value are *quality, profitability, growth, and innovation*.

These pillars also contain the relevant goals and actions defined under the CSR strategy. This ensures that all tasks relating to sustainability in the various areas of the company are viewed within the bigger picture of the Value strategy.

Both our Value strategy and our CSR strategy depend on the commitment of our employees worldwide. Their dedication and expertise is absolutely essential to our ability to leverage the potential for KRONES' development on the global beverage and food machinery market. KRONES is fully aware of the important role its workforce plays and is pursuing long-term measures to support employees through the CSR goals set forth under Labour Practices and Society (pages 84 to 111).

Environmental awareness has long been a part of our company. Protecting the environment and conserving resources are basic tenets of our business policy. Systematic assessment of all of our consumption data enables us to act in a sustainable, forward-thinking manner within our environment. On the one hand, it enables us to secure our company's long-term survival. On the other, it also contributes to a liveable future for all people. Pages 66 to 83 provide an overview of our efforts in this respect.

Our products are the basis for our business success. The enviro certification process gives us a management system for assessing our machines' sustainability performance. The enviro programme is now an integral part of all product development processes, which means our entire machinery programme is now informed by sustainability considerations. That is an excellent basis from which to achieve our economic goals, which are represented by the three figures: 7/7/20. Our goals and associated strategies in this area are presented on pages 56 to 64.

The CSR Committee had set a goal for 2013 of further developing our strategy into a concept for a CSR Strategy 2015+. However, with the creation of our new corporate structure we have put off our pursuit of this goal for the time being. The CSR Committee will take a decision on this topic sometime in 2014.



All activities within our sustainability policy are directly related to the ten principles of the UN Global Compact. We are committed to these principles, which can be found online at www.krones.com/en/sustainability.php

KRONES AG has systematically anchored sustainability into its business structure. Sustainability is a company-wide responsibility and falls within the direct purview of the Chairman of the Executive Board. Clear roles and responsibilities have been defined for the individual technical areas, which carry out the work of a sustainable business strategy at the operational level.

CSR Committee

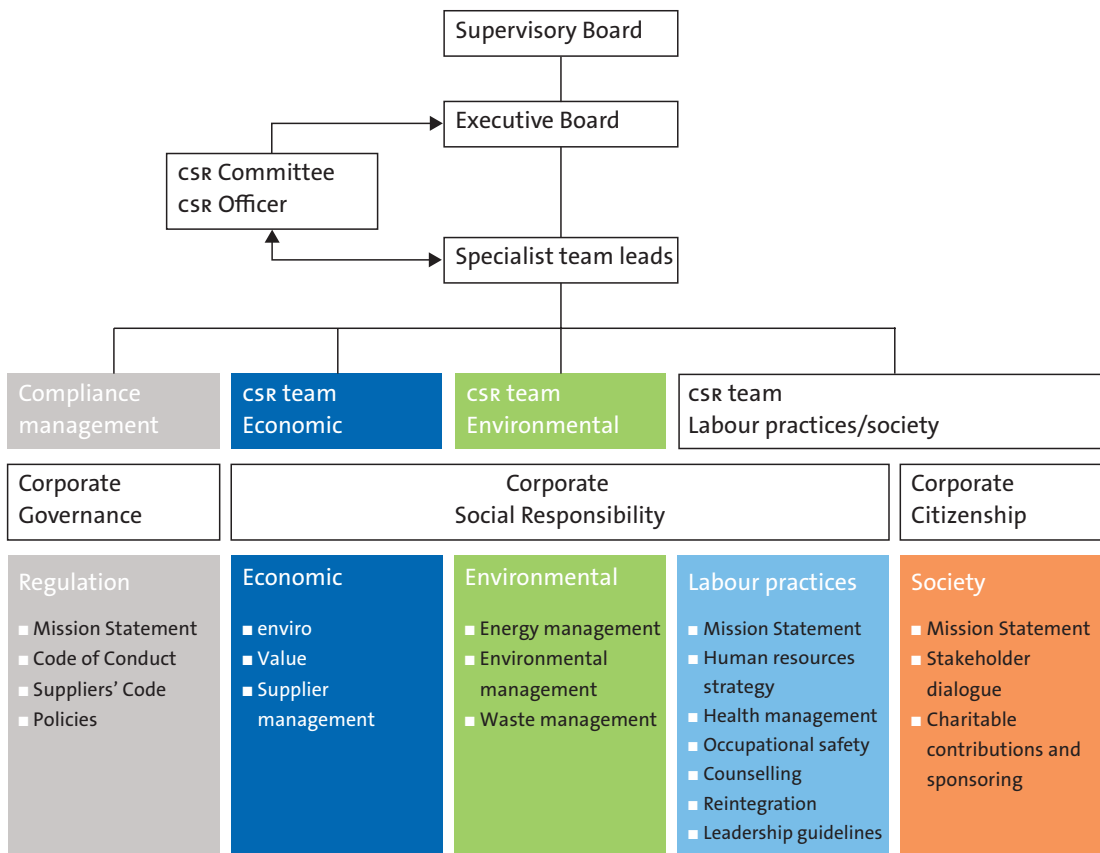
The CSR Committee is the most important body for implementing and realising the company’s sustainability strategy. The Committee’s task is to inspire and initiate action in the various areas. The Committee also drafts policies and guidelines for all aspects of the sustainability strategy. In its monitoring and oversight of our pursuit of the CSR goals, the CSR Committee is able to steer developments and intervene where necessary.

CSR specialist teams

Representatives from various departments make up the individual CSR specialist teams, which deal with the Economic, Environmental and Labour practices/Society aspects. They work out goals and actions for their respective area of responsibility and identify potential for continually improving our sustainability performance. The CSR Officer brings the proposals to the CSR Committee if necessary. In the Committee, the proposals are reviewed with respect to company-wide applicability and implementation.

The CSR Committee meets once each quarter to discuss current CSR strategy matters. In this way, the Chairman of the Executive Board receives regular reports and information on current topics relating to the company’s sustainability performance.

By including CSR topics in our integrated management system, we are ensuring that our processes are followed in a standardised, traceable manner.



Who are our stakeholders?	Customers	Employees	Suppliers	Shareholders
What is the significance of this stakeholder relationship?	Continuous, constructive dialogue with our customers is indispensable to our long-term success.	The specialist expertise and dedication of our employees is the key factor for ensuring that we maintain a strong position on the market.	Fast access to high-quality materials and services from our suppliers is crucial to the performance of our production processes.	Our shareholders' trust is the foundation for continuity in our business policy and provides a secure basis for action.
What do these stakeholders expect from KRONES?	<ul style="list-style-type: none"> ■ High-performance, high-quality products ■ Flexible machine and line concepts ■ Individual solutions for their specific tasks 	<ul style="list-style-type: none"> ■ Dependable, fair conditions for all aspects of employment ■ Diverse options for continuing education ■ Communicative culture 	<ul style="list-style-type: none"> ■ Dependable, fair conditions for supply contracts ■ Timely payment ■ Trust-based cooperation/healthy management of errors 	<ul style="list-style-type: none"> ■ Clear information about the company's strategic orientation ■ Continuous attention to economic targets to maintain value ■ Adherence to all rules and regulations
What does KRONES contribute to this stakeholder relationship?	<ul style="list-style-type: none"> ■ Close contact and intensive consulting ■ Extensive development programmes for innovative product concepts ■ Comprehensive portfolio of solutions: one-stop shopping ■ Global presence 	<ul style="list-style-type: none"> ■ Close collaboration between company management and employee representatives ■ Long-term corporate strategy with clear communication of development process ■ Broad programme for flexible workplace and work-life balance 	<ul style="list-style-type: none"> ■ Long-term supply contracts ■ Efficient organisation for processing deliveries and payment ■ Support through Quality Management organisation 	<ul style="list-style-type: none"> ■ Continuous, close contact with investors ■ Long-term development horizons ■ Intensive attention to trends and market opportunities

We are engaged in an ongoing dialog with our stakeholders, which we continue to shape through focus activities. The different groups are included in our programmes to varying degrees.

Scientists and academics	NGOs/Associations	Public policy	Cultural institutions	The general public/Media
<p>Close communication with research institutions provides us with new ideas and insights to innovative solutions.</p>	<p>Memberships in trade associations enable us to contribute to opinion-making on industry-specific topics and share with other members of the industry.</p>	<p>A secure, reliable political framework is important to our long-term business policy.</p>	<p>By promoting cultural projects, we are supporting our company's positive public image.</p>	<p>Positive public perception of our company in the region and nationwide/worldwide enhances our appeal as an employer and strengthens our presence at our business locations as well as in the eyes of customers.</p>
<ul style="list-style-type: none"> ■ Exchange between academia and practice ■ Financial support of research projects ■ Promotion of young talent 	<ul style="list-style-type: none"> ■ Participation in exchange across industries ■ Involvement in association's work ■ Support in the development of norms and standards 	<ul style="list-style-type: none"> ■ Exchange on relevant local issues ■ Support in the development of local infrastructure ■ Presence as regional employer 	<ul style="list-style-type: none"> ■ Awareness of cultural issues and involvement in projects ■ Financial support of projects 	<ul style="list-style-type: none"> ■ Information about the company ■ Culture of openness ■ Presentation of industry-specific topics
<ul style="list-style-type: none"> ■ KRONES employees' participation in symposia – reports from the field ■ Awarding research assignments ■ Offering internships and thesis-writing opportunities 	<ul style="list-style-type: none"> ■ Membership and board involvement in the trade association for food processing and packaging machinery (Fachverband Nahrungsmittelaschinen und Verpackungsmaschinen) within the German Engineering Federation (VDMA e.V.) ■ Participation in industry-specific media events ■ Active participation in standards organisations 	<ul style="list-style-type: none"> ■ We inform policy-makers about our production sites on a regular basis 	<ul style="list-style-type: none"> ■ Support of projects with concrete local relevance 	<ul style="list-style-type: none"> ■ Information on the company for the public and within the company (KRONES magazin, KRONES intern) ■ Providing information about the company through social media channels ■ Up-to-date information on KRONES' website

At €983 million, value creation at KRONES reached a new record high. That is an increase of €113 million compared to the previous year.

“The strong development of our economic performance is a testament to the sustainability of our activities. More than 80% of this economic valued added goes to our employees. We will continue to support this positive trend with our Value programme.”

Christoph Klenk, Member of the Executive Board – Finance, Controlling and Information Management

Ready to meet the demands of the global market

The global economy is becoming increasingly volatile and KRONES' markets and customer expectations are changing constantly. This is the environment in which we operate and our business processes must be adapted to cope with it.

For this reason, our short and medium-term strategy is aimed at further developing our prospects for a successful future with the Value programme. This programme is helping us improve our cost structures in all areas of the company and supporting the expansion of our service and components business.

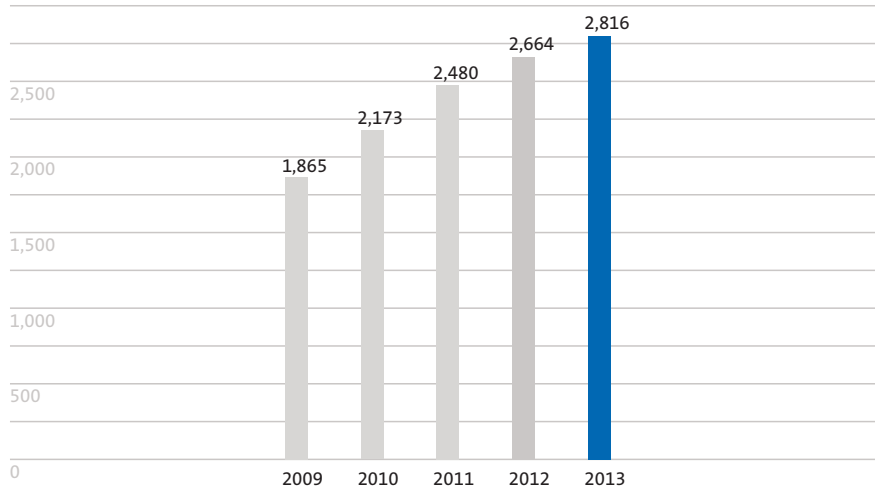
In addition to this primary focus of our activity, we are also emphasising the internationalisation of our strategy, aligning all of our activities in a targeted manner with the demands of our customers worldwide. That enables us to be flexible in how we address the individual markets and act quickly at the local level. These factors have prompted us to adapt our corporate structure to these requirements.

The enviro programme is the third tool we are using to achieve our growth targets and ensure our company's sustainable development. This management and certification programme serves as the basis for innovations in our machinery and systems portfolio. We will steadily pursue these new developments so we can continue to offer our customers technology that is both appropriate to the markets and efficient.

KRONES continues growth trend in 2013

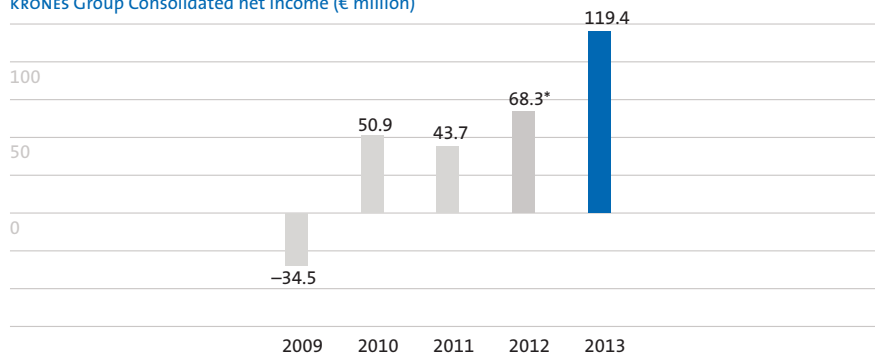
KRONES began implementing the Value strategy programme in 2011. The aim of Value is to make the company faster and more agile, so that it can continue to grow profitably long into the future. That is crucial to KRONES' ability to fulfil its responsibilities toward its employees, its business partners, its shareholders, and the environment and society. In our third year of Value, we once again made good progress in all four of the core areas: innovation, quality, profitability, and growth.

KRONES Group revenue (€ million)



KRONES benefited from its strong market position, broad range of products and services, and an economic environment that was satisfactory overall last year. The company's strong competitive position in the emerging markets had an especially positive impact. In all, KRONES increased sales revenue by 5.7% to a record €2.82 billion. Profits were up more than proportionately. KRONES' consolidated net income improved from €68.3 million in the previous year to €119.4 million in the reporting period.

KRONES Group Consolidated net income (€ million)



Consolidated net income at KRONES was up to €119.4 million in the year under review.

* Adjusted according to IAS 19R

Profitable growth with a target of 7/7/20

KRONES continues to pursue a path of sustainable, profitable growth. Our medium-term targets of 7/7/20 are ambitious:

- 7% more sales revenue per year
- 7% EBT margin (pre-tax return on sales)
- 20% ROCE (return on capital employed)

KRONES made excellent progress last year and all key performance indicators are right on target. However, we know that we can only achieve our medium-term goals if we continue to systematically implement the Value programme.

	Forecast for 2013	Actual value 2013	Forecast for 2014
Revenue growth	+4%	+5.7%	+4%
EBT margin	5.8 to 6.0%	6.0%	about 6.2%
ROCE	15.0%	16.7%	> 16%

KRONES met or exceeded all predictions for the group's key financial performance indicators in 2013. The company has some ambitious goals once again for 2014.

Because the price environment for our machines and lines remains tight, reducing costs in all three of our operating segments will continue to be a key topic for improving profitability under Value.

The emerging economies in Asia, South America, and Africa offer the biggest potential for growth in our market. In order to further expand KRONES' strong position in these markets, we are pushing the continuous development of our services business in addition to our new machinery business. In 2013, KRONES generated 58.2% of sales revenue in the emerging markets. But the established markets of North America and Europe also hold opportunities for KRONES thanks to the economic recovery and our strong presence with subsidiaries and offices there.

"Fast, flexible processes for project execution are important for our activities worldwide. That includes the precise coordination of all activities relating to an order, from contract clarification to design, manufacture, and assembly to putting the equipment into operation. We will continue to integrate project experiences into our in-house commissioning and installation activities. That will give us fast, direct feedback on potential improvements. Our new process-oriented structures are enabling us to utilise synergies across functions along our entire value chain. That increases our efficiency in completing customer projects and makes for a high level of customer satisfaction."

Clemens Berger, Senior Vice President, Head of Bottling Technology



New group structure gives Value additional thrust

At the start of 2014, KRONES introduced a new corporate structure to support the company's development with respect to sustainability and flexibility. With clear structures that are based on our key processes, we are giving more weight to the specific needs of the three new business units: Bottling and Packaging Equipment, Plants and Components, and International Operations and Services. The new structure also enables us to meet our customers' differing requirements even better.

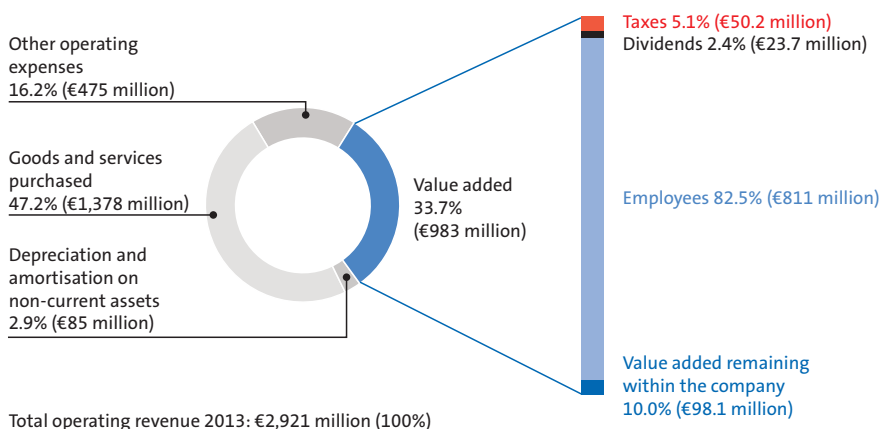
Increased value creation at KRONES

The value added calculation presented here shows the KRONES Group's contributions to the economy and society and who benefits from the value added generated by the company. A company's value added is calculated by deducting the expenses for production – that is, cost of goods and services purchased, depreciation and amortisation on non-current assets, and other operating expenses – from total operating performance (including other income).

KRONES' value added for 2013 comes to €983 million (previous year: €870 million).

The lion's share of value added at KRONES (82.5% or €811 million) went towards our employees. Besides wages and salaries (€675 million), KRONES spent €136 million on social security contributions, post-employment benefits, and employee benefits. In addition, €50.2 million or 5.1% of value added went to the state in the form of tax payments. The company distributed €23.7 million in dividends to its shareholders. In the year under review, €98.1 million in value added remained within the company. This figure is available for investment in future growth.

KRONES Group value added calculation

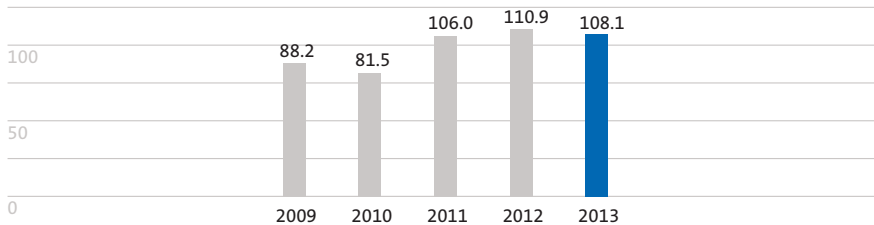


More information on the tax payments made by KRONES AG can be found in the notes to the consolidated financial statements, in the notes to the consolidated statement of financial position, in our 2013 Annual Report.

High capital expenditure and dividends

Providing leading technology and services is the only way to achieve long-term, sustainable value added. That requires capital investment in training and continuing education for our workforce as well as in new equipment and research and development. At €108.1 million, KRONES' capital expenditure for property, plant and equipment and intangible assets was nearly unchanged from the previous year (€110.9 million).

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



KRONES received no significant financial assistance from the government for its capital expenditures. KRONES will continue to invest in the future to the extent necessary to maintain our leadership of the market for the long term.

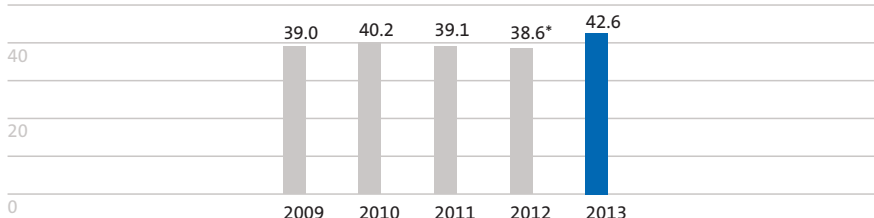
KRONES' shareholders should also benefit from the company's success and be rewarded for the risk they undertake as equity investors. The company distributed €23.7 million in dividends to its shareholders in 2013 (previous year: €18.1 million).

KRONES paid out €23.7 million in dividends to shareholders and made capital expenditures totalling €108.1 million.

Healthy balance sheet and financial structure

The positive consolidated net income figure and the sale of treasury shares for around €74 million in 2013 further improved the company's financial and capital structure. With net cash and cash equivalents (that is, cash and cash equivalents less bank debt) of €239.9 million (previous year: €132.9 million) and an equity ratio of 42.6%, KRONES has an extremely robust balance sheet and capital structure. This allows the company to maintain a high level of capital expenditure and a reputation as a stable, dependable company among business partners.

KRONES Group equity ratio %



The equity ratio rose to 42.6% on higher profits in the reporting period.

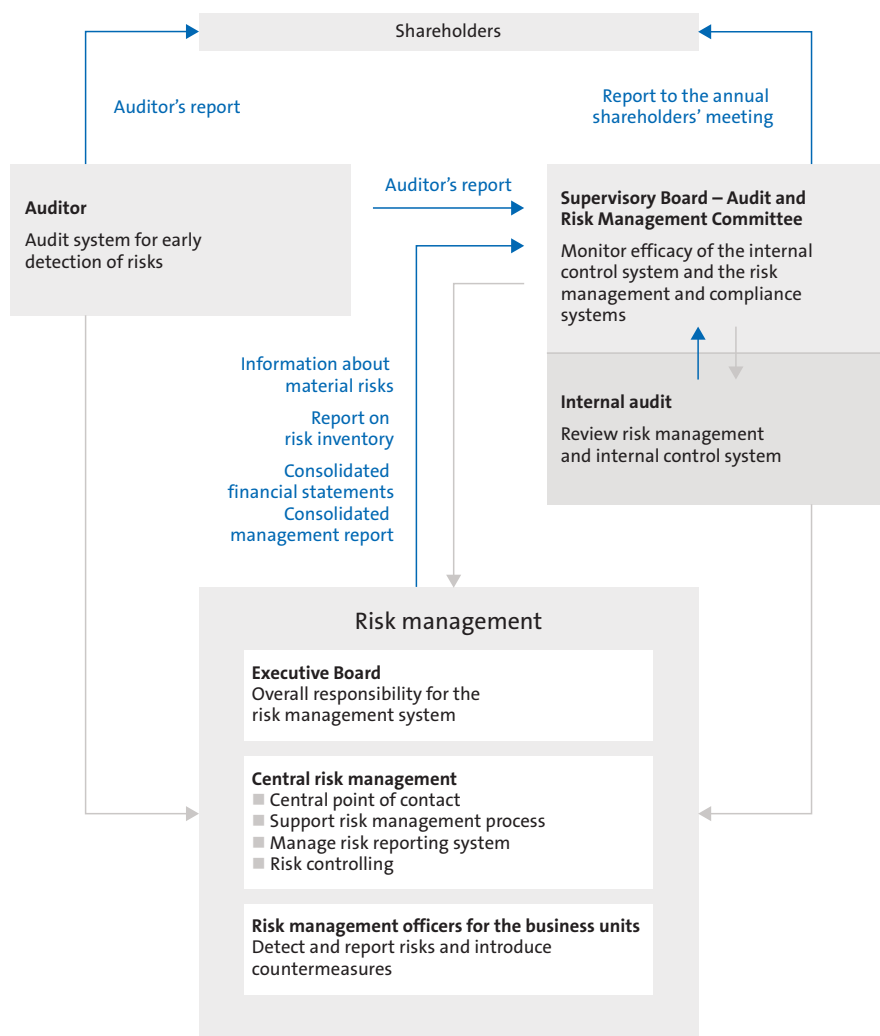
* Adjusted according to IAS 19R

Risk management system is being continuously refined

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

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

Risk management organisation at KRONES



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

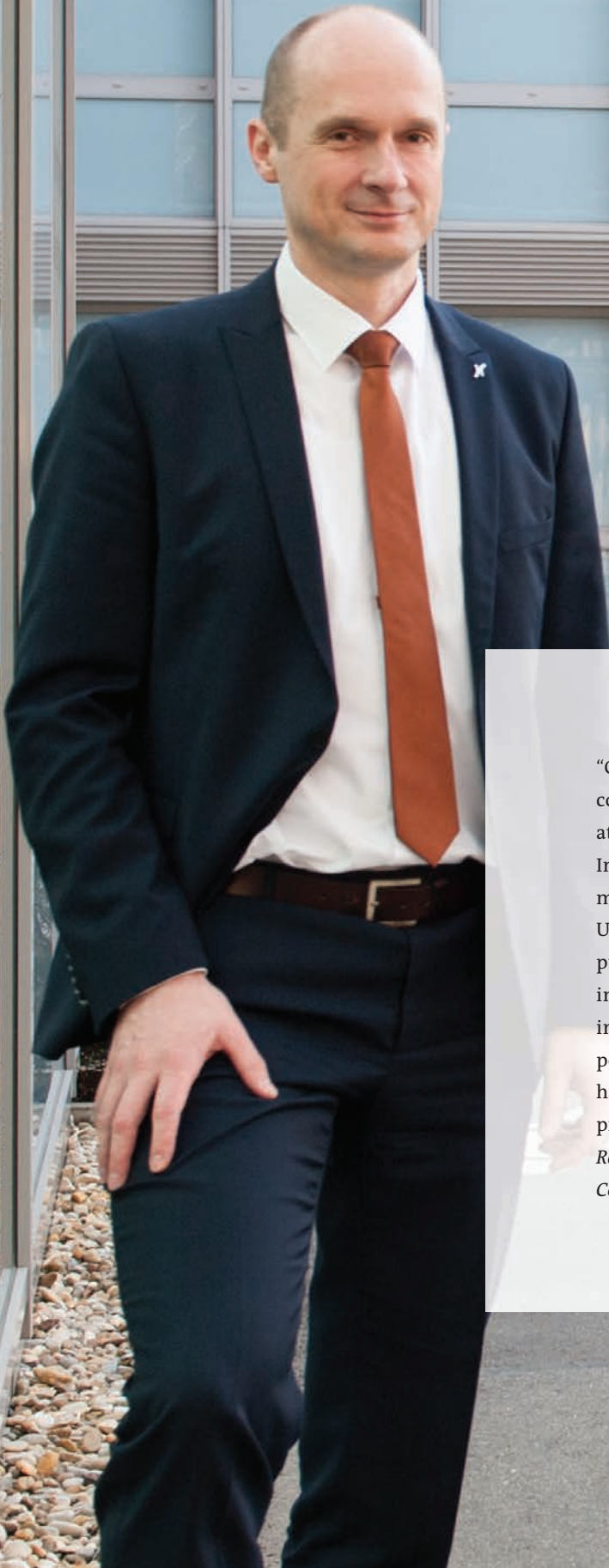
We assess risks on the basis of the likelihood of an event and its potential financial impact and categorise them as low, medium, or high.

We are continually expanding and improving our multi-stage risk management system, which consists of the following modules: risk analysis, risk monitoring, and risk planning and control. Details on risk management and the risk categories can be found in the risk report in our 2013 Annual Report.

KRONES not only monitors existing, quantifiable risks also reviews potential future threats on a regular basis. That also includes the effects of climate change on our business activities. At present, the company does not foresee any physical, regulatory, market, cost, or legal risks worldwide that could arise from climate change. Therefore, we are not currently discussing actions relating to such risks.

Climate change presents potential opportunities for KRONES thanks to our enviro sustainability programme. Customers are increasingly asking for resource-friendly machines and lines with the enviro label for economic and environmental reasons. The enviro programme also covers standardised monitoring of new technologies that might help conserve resources. As part of the standardised development process within enviro, we examine the benefits of new substances or processes and assess them with respect to their possible application in our machines and lines.

Developments resulting from climate change are very relevant for our customers. Production of beverages and food products worldwide will have to continually adapt to these changes. As a result, solutions for resource-friendly production will garner increasing attention.



“Our production organisation is in flux. We are continually adapting our manufacturing processes at all of our sites to changing market conditions. In doing so, we take into account possibilities for making our production operations sustainable. Under our TPM lean production programme, we are pursuing concepts for group-based manufacturing in which production employees are closely involved in organisational matters. In addition, to the extent possible given economic parameters, we also try hard to use resource-friendly machines or adjust processes to improve resource use.”

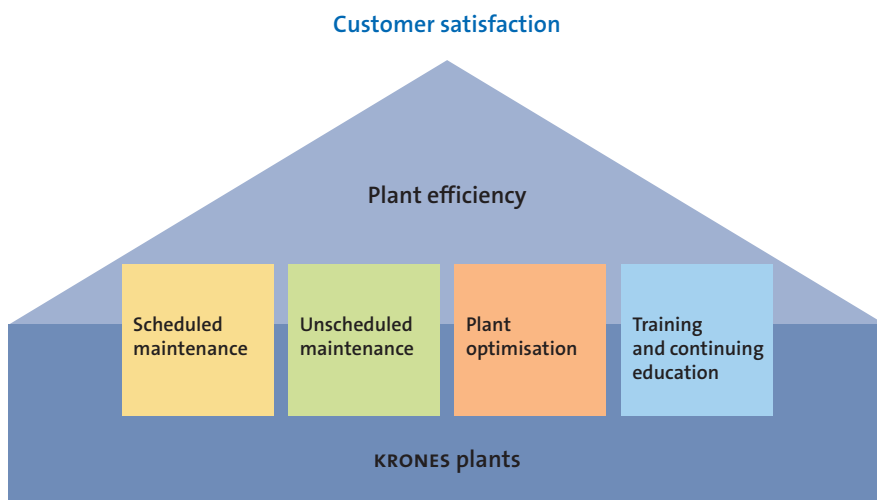
Ralf Goldbrunner, Senior Vice President Plants and Components

KRONES produces the core modules of its premium-segment machines and lines in Germany. All manufacturing steps are carried out in one of our German plants, in Neutraubling (company headquarters), Nittenau, Rosenheim, Flensburg, or Freising. For the manufacture of these core components, KRONES is committed to its tried-and-true production matrix in Germany. The one exception is our subsidiary KOSME (< 4% of consolidated revenue), which manufactures its machines and lines for the low output range in Italy and Austria.

The majority of materials for these production sites come from suppliers based in Germany. As a result, around 80% of our procurement budget goes to local companies. When choosing our suppliers, we look at cost-accounting factors but also the successful completion of a supplier audit.

Plant efficiency is the key to customer satisfaction

Operators of bottling and packaging plants take a comprehensive look at the total cost of ownership (TCO) when evaluating their capital expenditures. TCO includes the cost of acquiring the plant as well as all costs associated with its operation. Customers are looking for plant and equipment that will operate cost-effectively throughout its entire useful life. And that means minimised downtimes and sustained high performance.



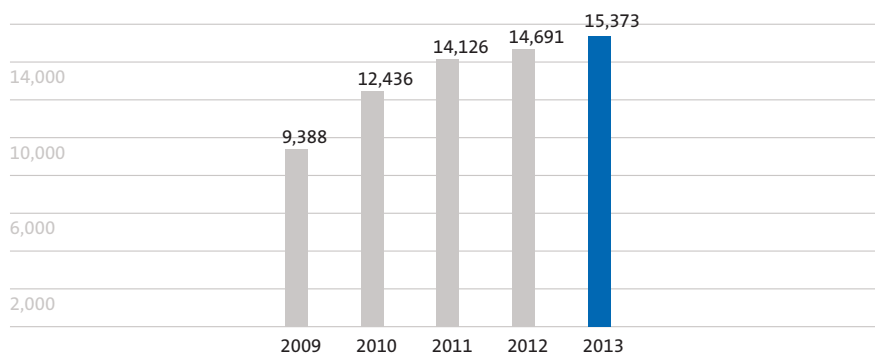
KRONES is committed to Germany as the production site for our core modules and, with an excellent record for on-time deliveries, has established a reputation as a dependable partner.

LCS is our programme for providing our customers with comprehensive service and support after their equipment has been put into operation. With LCS, we are increasing customer satisfaction and maintaining an ongoing dialogue with our customers.

Key here is ensuring that our customers have a perfect understanding and mastery of their KRONES machines and lines so that they can operate them safely and efficiently. The KRONES Academy plays an important role in that. We have 39 expert trainers in Neutraubling and 63 trainers at our LCS Centres worldwide offering a

diverse range of practical training opportunities for machine operators and our customers' own service technicians. In 2013, a total of 15,373 people made use of the Academy's courses (previous year: 14,691). Our catalogue contains 406 different courses relating to all of the tasks involved in operating our machines and lines. Core topics include machine operation and maintenance as well as topics relating to automation and software. Independent of these offerings, our customers can also schedule company-specific training courses that are tailored to their machinery.

KRONES Academy training course participants



The KRONES Academy's programmes support our customers and their employees in the efficient, sustainable use of our machines.

Being close to customers is a key factor for success

Apart from the high quality of KRONES' machines, our Lifecycle Service (LCS) division and its highly qualified technicians help to ensure that our customers' lines run reliably and efficiently. For this, geographic proximity is at least as important as the high quality and efficiency of our products and systems. Close proximity is important for better understanding a customer's daily needs with respect to operating machines and lines. And rapid response times are essential to the success of any service business. At KRONES, we want LCS to be where our customers are. KRONES' LCS strategy is designed to ensure that our products and services are as close to our customers as possible. Many years ago, we established LCS Centres in strategically important regions.

LCS projects are now being implemented in our LCS Centres and branch offices using local resources. That means parts are delivered from regional warehouses and technicians, trained in Neutraubling, are then available locally for our customers. KRONES will systematically continue this strategy of internationalising by further building and expanding local resources and expertise. They are the basis for sustainable services.



Investing in logistics

KRONES is investing heavily in the continued development of logistics processes and systems at all of its manufacturing sites in order to ensure optimum availability of parts for our customers. For this, we use a three-level spare parts concept that includes the customer, our global LCS Centres, and our main plant in Neutraubling.

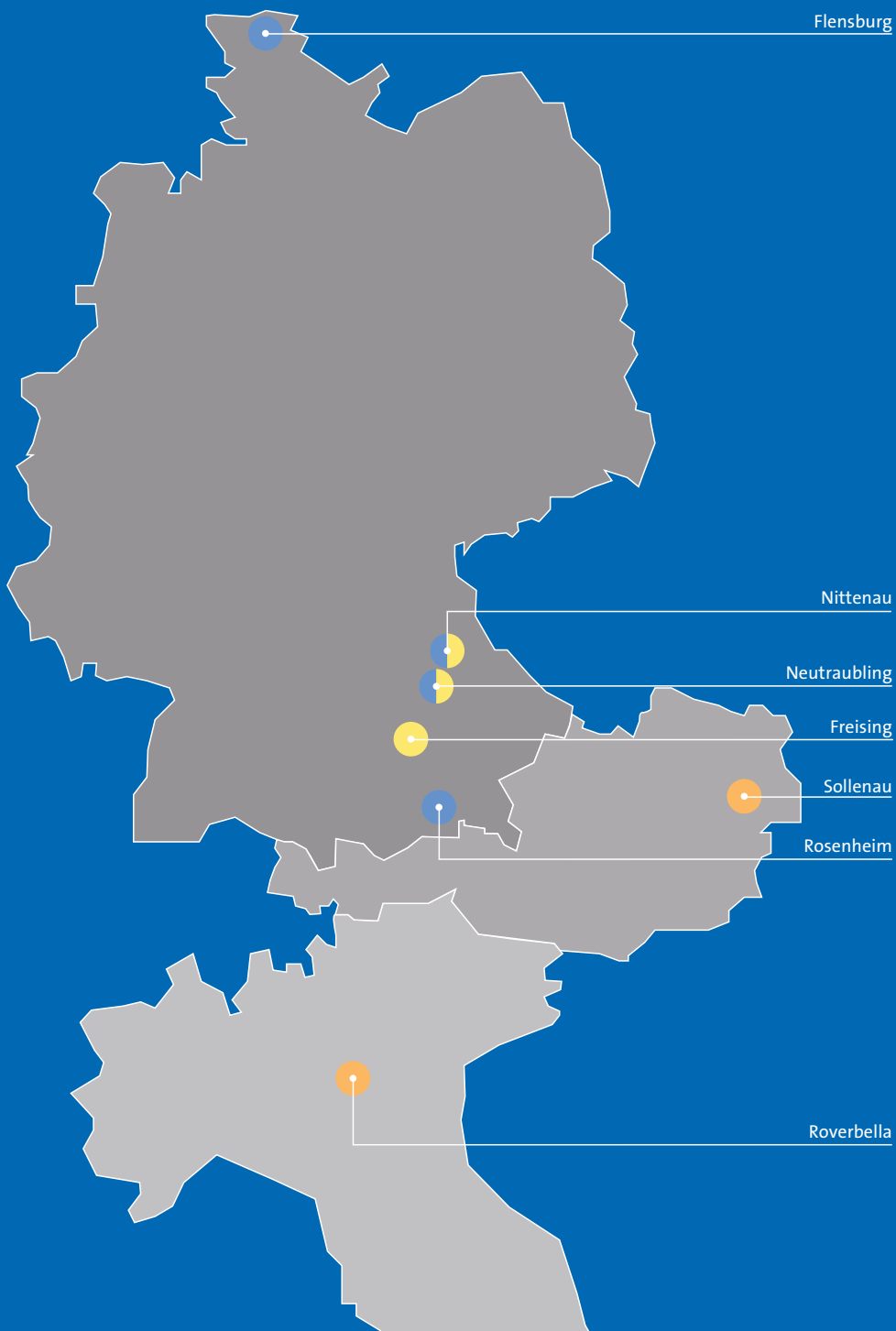
Customers keep only the most important spare parts on hand, thus reducing the amount of capital tied up in storage. At the same time, we are further expanding the decentralised warehouses within our LCS Centres. In some regions, we are already able to serve more than 80% of customers' spare parts needs from our LCS Centre warehouses. Spare parts that are not kept on hand at our customers' plants or at LCS Centres are supplied from our corporate headquarters in Neutraubling, Germany. With more than 50,000 parts on hand, our main warehouse is able to immediately ship a large share of the parts needed. Any parts that are not kept on hand are produced quickly and in the highest quality in a separate KRONES production facility in Neutraubling. Our global logistics network fast-tracks delivery of all parts from Neutraubling to our customers worldwide as well as their installation into the machines and lines.

KRONES uses local suppliers. That benefits companies in the region and the shorter transport distances make for lower CO₂ emissions.

KRONES makes use of the advantages that Germany offers as a business location, producing the lion's share of its machines and lines in Germany. Our subsidiary KOSME produces in Austria and Italy.

- Machines and lines for product filling and decoration
- Machines and lines for beverage production/process technology
- Machines and lines for the low output range (KOSME)

KRONES Group production sites for new machinery



KRONES is a member of the UN Global Compact. Besides abiding by the ten principles within our own business processes, this also means that we advocate the principles in our business relationships and follow their compliance. In this way, we are fully incorporating these principles into both internal and outreach activities worldwide.

By introducing our management standards locally at our sites worldwide, we are both following the principles of the UN Global Compact and strengthening our efforts there. That has multiple effects: First, it makes for fast communication between the German plants and our international sites. Second, it gives us clear, uniform workflows, which are crucial to the cost-effectiveness and transparency of our business activities.

That all means that we have work to do in a number of areas that must be addressed by our standards. When we make our supply chain more international, we must ensure that we set out clear rules for our suppliers and for the conditions in which the parts we buy from suppliers are manufactured. We will step up our efforts to prepare this guidance in the years ahead. Second, we must ensure safe working conditions at all times at our construction sites worldwide. And third, workflows within our production sites must always conform to local laws as well as our own internal policies.

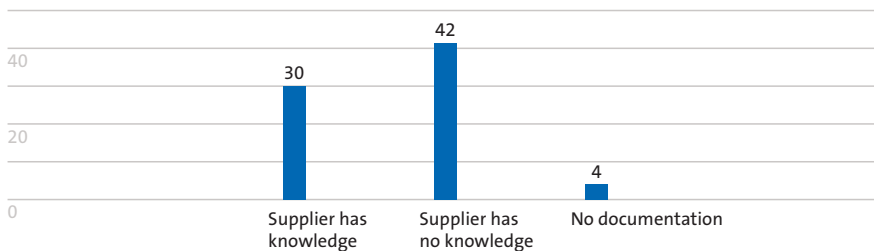
Supplier Code lends security

In February 2014, we added suppliers' voluntary commitment to aligning their operations and workforce with a framework of ethical behaviour and integrity to our general terms and conditions of purchasing and procurement, making it a mandatory part of all contracts.

That means 100% of our contracts contain provisions on protecting human rights. When beginning a relationship with a new supplier, our strategic purchasing department conducts a system audit in collaboration with our quality assurance team if a significant procurement volume can be expected in the future.

With this approach, we examine a supplier's qualifications, products, and labour practices before placing an order. As part of this "fitness test", we also test the supplier's knowledge of our Supplier Code. We conducted 76 system audits in 2013.

New supplier system audits in 2013 – Testing knowledge of our Suppliers' Code



In those cases in which the supplier has no knowledge of the Suppliers' Code, the auditor instructed the supplier about the Code over the course of the audit. In this way, we ensure that the supplier has received and acknowledged the rules of the Suppliers' Code when we place an order. In a few individual cases, no documentation on this criterion was filed in the system audit. In these cases, the auditors were instructed to include a thorough examination in their audit process.

We are taking the same steps in establishing long-term partnerships at our international sites. We follow the same procedure when selecting new suppliers from third-party countries. Occupational safety and employee protection are also taken into consideration here. Around 10% of the suppliers that apply ultimately meet the standards we set out in our tender documents and system audit and are then included in our supplier list.

The provisions of our Suppliers' Code also play an important role at our construction sites. Our site supervisors are responsible for ensuring that the Suppliers' Code is complied with on site. We also track for safe and fair working conditions in day-to-day business. Any violations are remedied immediately in the interest of safe, efficient workflows. We address the risk of child labour in this international framework by keeping lists of the names and birth dates of all workers at the construction sites. That not only gives us secure documentation of employees' ages. It also provides a clear overview of the employees' working hours.

Our quality inspectors check for observance of the Suppliers' Code at construction sites. In 2013, we conducted 120 construction site inspections. No significant incidents of human rights violations were noted. To date, we have conducted visual inspections relating to social factors and environmental aspects of the Suppliers' Code. In the medium term, we will be establishing procedures that afford us a more detailed look at our suppliers' actions in these respects.

Long-term relationships

KRONES relies on long-term relationships with suppliers. In this way, we establish close communication and trust and we are perceived as a dependable partner. That also means we continuously audit and monitor our suppliers and document the results with ratings. If a supplier falls below a certain rating, we offer support in the form of a joint analysis and troubleshooting. No violations of the Suppliers' Code were detected during the rating process. Likewise, no activities with heightened risk of child labour were detected in the thorough examination of our business activities conducted as part of the system audits. One reason for this is that we buy around 80% of our materials in Germany. We have no major investment agreements with partner companies.

Ours is a culture of non-discrimination

In our production matrix in Germany and in our branch offices, we have established uniform standards for all employees which also take into account the legal framework of the respective countries. The principle of non-discrimination is a binding guideline for all of KRONES AG's activities. That is stipulated both in our Code of Conduct and in our Suppliers' Code. It enables us to ensure that all of our employees and our suppliers are subject to equal treatment worldwide. No incidents of violations of the non-discrimination principle were reported in 2013. We did not change the procedure for monitoring this aspect last year. That means that we have not placed a special focus on this subject within our work with our branch offices. As a result, we have no hard data on this topic.

The ongoing training of security personnel includes topics relating to constitutional law and human rights. These training sessions are offered to KRONES' own security staff as well as for contracted factory security personnel. By requiring certification of subject knowledge from the contracting company, we can demand a high level of knowledge on matters relating to non-discrimination.

Production site in China IMS certified

Following the certification of our production site in Brazil, we launched an IMS certification process for our 2013 Taicang, China, production site. The certification process required extensive preparation and the adaptation of all processes to the following standards on quality, environment and occupational safety and health, respectively: DIN EN ISO 9001, DIN EN ISO 14001, and OHSAS 18001. This process entailed identifying and documenting local laws. In some cases, the applicability of these laws was determined and documented on an individual basis in communication with the local authorities.

"We developed uniform standards together with our employees in Taicang. In the process, we systematically identified and assessed the potential threats in each area in collaboration with managers there. In some cases, we defined new procedures. For example, we had to reorganise the chemicals storage and establish procedures for accident response. The measures taken included training employees in first aid and getting support from in-house medical staff."

Daniel Weinzierl, Quality Management

We trained a number of local employees to conduct internal audits and document verifiable processes. By modifying templates and defining uniform data formats in the master documentation and management software and by integrating the local regulatory requirements, we were able to adapt the management system to work well in China.





In obtaining certification of our production sites in Brazil and China, we have made great strides towards establishing uniform processes and procedures across our organisation. An important benefit here is that we will, over time, have access to uniform, comparable data on occupational safety and environmental impacts. For 2014, we plan to obtain IMS certification for our plant in the USA.

*Albert Bauer, Vice President,
Head of Quality Management*

KRONES cements technological leadership

The drinktec trade fair was the highlight of 2013 for the entire KRONES team. KRONES took numerous innovations from all of its operating segments to the fair, which takes place only every four years and is the “global economic summit” for the beverage and packaging industry. Thus, KRONES once again demonstrated its technology leadership.

Including capitalised development expenditure, KRONES spent a total of €132 million on research and development in 2013 (previous year: €121 million). That represents 4.7% of revenue.

KRONES has a team of around 1,900 highly qualified people worldwide working to keep the pipeline filled with excellent new and evolving machines, lines, systems, and services. This team increased the number of registered patents and utility models by 15% to 3,150.

Growth depends on innovation

Innovation is one of the four pillars of our Value programme. To grow profitably, a company must bring innovative products and services to the market. One question guides all of our new developments: How can we increase the benefit to producers? To answer this question, we listen closely to our customers and we use platforms like drinktec and other events to pursue intensive dialogue. But our outreach to customers is not limited to trade fairs. We are in dialogue on a daily basis and include the requirements of their operations into our design work.

New customer groups are emerging in the newly industrialised countries – and they don’t all need high-performance machines and lines.

Our customers need flexible packaging lines because different consumers demand different products.

Machines and lines must be easy to operate without unnecessary physical strain.



Global megatrends shape the expectations of our products and services.

Regardless of megatrends and market developments, innovations are always driven by the demand for:

- Cost-effective machines and lines with low total cost of ownership
- High availability and fast changeover and start-up times
- Ease of operation
- The utmost in production reliability

The group-wide reporting of all sales information is an important tool for determining what customers want. The introduction of a CRM (Customer Relationship Management) tool in 2013 and training of our entire 1,000-strong sales force at all of our sites made it possible to establish a comprehensive overview of all of our customers' requirements. By using the CRM system across the board, we are setting the stage for uniform, standardised assessment of customer satisfaction.

Many customers are attaching more and more value to the resource- and eco-friendliness of their machines and lines. As a result, visitors at drinktec showed a keen interest in our enviro sustainability programme (more on enviro on pages 56–65).

Product safety and optimisation

Our machines and lines go through a product development process that entails prescribed workflows and issues that must be addressed. The procedure requires 100% compliance with health and safety standards for our products. In the use of materials and supplies, our developers rely on a detailed list that includes all materials, their composition, and their hazardous materials class.

The most important standards

- Directive 2006/42/EC – Machinery Directive
- Directive 97/23/EC – Pressure Equipment Directive
- Directive 2006/95/EC – Low Voltage Directive
- Directive 2004/108/EC – EMC (Electromagnetic Compatibility) Directive
- ASME standards

Apart from these overarching rules, we also pay heed to the legal and regulatory requirements of the respective national markets. For example, the safety regulations on designing protective devices for machines and industrial equipment.

As most of our production is done in Germany, all of our machines and lines are subject to the requirements of the EU Machinery Directive.

Even for deliveries to markets outside the EU, we still apply EU safety requirements because they set a very high standard. Since we also offer consulting and other services that do not fall within these European Directives, we estimate that 70% of our entire range of products and service are subject to these disclosure requirements.

Besides EU regulations, KRONES also takes a number of harmonised standards such as DIN EN ISO 12100 and DIN EN ISO 13857 on machine safety and DIN EN 415-2, -3, -4, DIN EN 1672-2 on packaging machinery safety into account when designing our machines. Other standards from the extensive body of rules and regulations includes the hygiene requirements for the design of food-handling machinery in accordance with DIN EN 1672-2 and EN ISO 14159.

Lifecycle stages in which we examine the impact of our products on our customers' health and safety

	Yes	No	Investigative concept and procedure (excerpt)
Product development			
Product concept development	x		<ul style="list-style-type: none"> ■ Product development process (PDP) ■ Continuous tracking of standards and national regulations ■ Whitelist of materials that may be used
R&D	x		
Certification	x		
Manufacture and production	x		<ul style="list-style-type: none"> ■ Review of safety standards and devices ■ Multi-stage acceptance procedure for the individual stages of production
Marketing and promotion	x		<ul style="list-style-type: none"> ■ Safety information for sales force ■ Dialogue with customers as platform for exchanging user-specific experiences
Storage and delivery	x		<ul style="list-style-type: none"> ■ Analysis of rules and processes for commissioning
Use and service	x		<ul style="list-style-type: none"> ■ Analysis of customer feedback ■ Service technician information
Disposal, reuse, or recycling	x		<ul style="list-style-type: none"> ■ Examine the machine design for waste materials with special disposal requirements

KRONES is closely following developments in the field of nanotechnology. At present, we have no development projects underway that are based on the use of nanotechnology. KRONES also does not use any materials that are based on nanotechnology.

We offer our customers service for the entire life of their machines and lines. Our LCS offerings include upgrades that are targeted at improving employee safety and ergonomics. By retrofitting individual upgrades, customers can bring their machines up to current standards. The close contact we maintain with our customers through LCS long after their machines and lines have been installed and put into operation ensures that our products and services do not pose a safety or health risk to our customers if used properly. In 2013, KRONES recorded no incidents in which the safety or health of customers was threatened by our products.

Our LCS business offers comprehensive support for all machines after they have been put into operation. For machines that are being replaced in our customers' plants, our subsidiary ECOMAC provides a professional team that assesses the technical feasibility and cost-effectiveness of their continued use and, if applicable, markets them to potential buyers. This process also includes technical updates to the machines. It does not make economic or environmental sense to transport old machines from all over the world back to Germany for recycling at the end of their useful lives. What we do plan, however, is to provide customers with information about how valuable raw materials can be reused and waste disposed of safely locally.

Expert Dialogue is a direct exchange among users in which industry-specific issues are handled in depth. After holding two events in Germany, we conducted our first Expert Dialogue event in collaboration with one of our branch offices in 2014. Some 30 participants came together in Spain to share in the intensive exchange and discuss filling and packaging-related issues that reach across the entire industry.

LCS services at a glance

	Producing	Maintaining	Optimising
LCS Support	Service line, technical support, remote service		
LCS OnSite	Repairs, conversions	Inspection, maintenance	Conversions
LCS Productivity	Production support		Line analysis, consulting
LCS Training	Operator training	Maintenance training, automation training	Management training
LCS Design			PET design, weight optimisation, feasibility studies
LCS OriginalSpares	Parts supply, inventory packages	Component/plant overhauls, exchange programme	
LCS Retrofitting	Handling parts, conversions		Upgrades
LCS SoftTools	Data collection	Maintenance management	Analysis of performance indicators, production planning
LCS Consumables	Adhesives, lubricants, cleaning agents		
LCS ReSale	Used machines		Transfer
LCS Solution	Service contracts: inspection contract, support contract, maintenance contract		

The courses offered by the KRONES Academy are another part of our LCS offerings.

“These days, training is not something that ends once a machine has been put into operation. It is important throughout the machine’s entire useful life. Services relating to all aspects of efficiency and operator safety contribute to high customer satisfaction. They also ensure that the systems and their functionality will be long-lived.

We offer targeted training for users and operators of new machines as well as for the continuing education and development of operating and maintenance personnel in subsequent years. In that way, we are working with our customers to ensure a long useful life for our machines. At the same time, we are also helping our customers achieve sustainable production.”

Dr. Jörg Puma, Vice President, Head of KRONES Academy



Selected innovations and drinktec highlights in 2013

Contiform AseptBloc

With the Contiform AseptBloc, which was unveiled at drinktec, KRONES is setting new standards for aseptic (germ-free) beverage filling. The big advantage of this system over its predecessor models is that it sterilises the preforms (that is, the PET blanks) before they are blow-moulded into bottles. Since the preforms have a far smaller surface area than finished bottles, sterilising the preforms saves time, energy, and sterilising media. Another benefit: The Contiform AseptBloc can also handle extremely lightweight PET containers since, unlike bottles, preforms are not prone to shrinkage during the sterilisation process.



Contiform AseptBloc

The sterile preforms are passed into a hermetically sealed sterile unit in which they are blow-moulded, filled, and capped in a seamless aseptic process chain. The Contiform AseptBloc fills sensitive beverages such as juices, iced tea, energy drinks, and dairy drinks in an environment that ensures maximum microbiological safety.

PreBeam

The PreBeam module is an ideal complement to KRONES' new generation of aseptic technology and the first of its kind worldwide. In this innovation, KRONES combines the general advantages of preform sterilisation provided by the Contiform AseptBloc with our proprietary electron beam (e-beam) technology, which we developed specifically for this purpose. PreBeam sterilises preforms using accelerated electrons – and no chemicals. PreBeam destroys even the toughest, most chemically resistant germs in an energy-saving process that leaves absolutely no chemical residue. The technology will be put into serial production following successful practical testing.



PreBeam

Ergomodul/Ergomatic

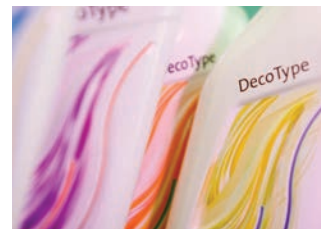
The new Ergo series is a completely modular concept for labelling technology. The base machine can be combined with different labelling stations which can be either permanently installed or interchangeable by way of docking systems. That ensures the highest possible level of flexibility. The new development also incorporates significant improvements to cost points, quality, ergonomics, safety, and environmental friendliness. The total cost of ownership is lower since the system uses less energy and consumables, allows for shorter changeover times, and requires less maintenance. We are gradually expanding the range of available sizes in order to establish a complete series.



Ergomodul/Ergomatic

DecoType

The DecoType digital direct printing system makes possible individual, attractive design of round and oval-shaped plastic containers. For our customers, that means maximum flexibility and the shortest possible launch lead times for new products. Digital printing is especially well suited for marketing campaigns and product launches with short lead times. DecoType can print uneven product surfaces that existing labelling technology cannot accommodate. Moreover, the highly versatile decoration technology uses no adhesives and requires no label storage. We are adding more performance classes to the DecoType series to cover the entire market.



DecoType

SyPro S

Non-alcoholic beverages are gaining market share worldwide and syrup is often needed as a basic ingredient for these beverages. At drinktec 2013, KRONES presented a revamped design of a sugar dissolving and pasteurisation system. The entire sugar preparation unit from KRONES is modular in construction. It can be individually expanded and adjusted to suit different input materials. The compact design reduces the time needed for commissioning. In addition, Sypro S uses a heat recovery system to reduce energy consumption. The innovative inlet nozzle ensures fast, complete dissolution of granulated sugar without the need for an additional pump or agitator in the tank. That shortens dissolving times and reduces energy consumption. With the Sypro S sugar-dissolving unit, KRONES is now able to deliver the entire syrup room from a single source.



SyPro S

Viscofill

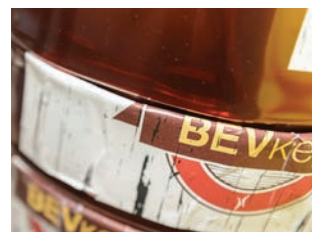
KRONES developed the Viscofill series to handle products like jams and jellies, sauces and dressings, dairy products, and pet food in a precise, gentle, and hygienic process. The dosing principle is a classic piston-type rotary filler that is particularly suited for filling highly viscous products and products containing large chunks or high particle concentrations. The following criteria were vital in KRONES' development of the Viscofill series: greater hygiene, improved product quality, and more efficient processes. Pneumatically controlled valves and fully automatic cleaning processes meet these criteria. The Viscofill series is divided into three types, each featuring different valve technologies to cover a wide range of food products and meet diverse customer needs. The variable Viscofill machine concept can handle cans as well as containers made of glass or plastic.



Viscofill

BEVkeg

With BEVkeg, the new, integrated system for single-use kegs made of PET, KRONES offers a simple turnkey solution for serving fresh draft beer. The main advantage for customers is that the containers require no compressed gas for tapping and, because they are single use, also eliminate hygiene issues at "the bar". The system is the result of collaboration between KRONES and the tapping systems specialists at Micro Matic. BEVkeg ensures high beverage quality from container production all the way to the beer glass. It protects beverages from temperature fluctuations and CO₂ loss. BEVkeg is initially being offered to breweries but further development is underway to make it available to other sectors.



BEVkeg

90% – in other words, nearly all – of the machines KRONES presented at the drinktec 2013 trade fair had been assessed according to enviro criteria.

“Energy conservation and resource efficiency have become priority topics among our customers. With the enviro programme, we are able to offer machines and lines that are setting industry-wide standards on all aspects of sustainability.”

Martina Birk, enviro Officer



Standard of sustainability for machines and lines

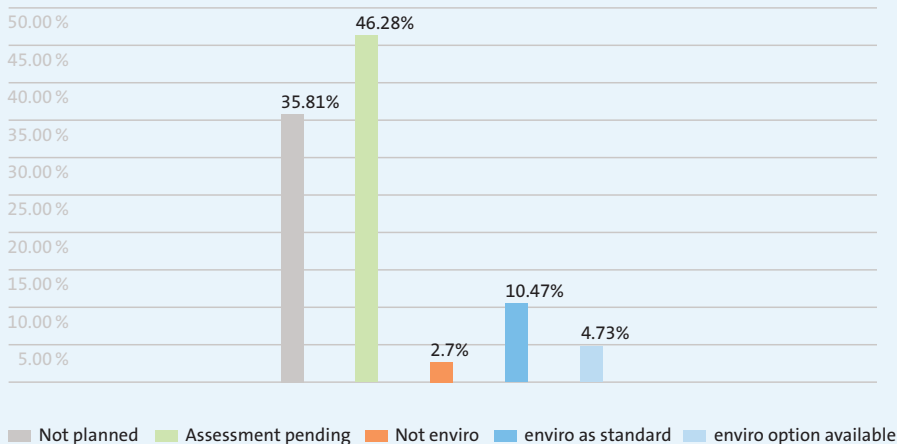
enviro informs the entire process of designing our machines and lines. The management and certification programme for environmentally compatible and therefore sustainable products was launched in 2008. It is a management tool that affects all stages of the design process.

As an independent auditor, TÜV SÜD has confirmed that KRONES has established a management system that results in energy and media efficient and eco-friendly machines and lines. The process is based on the Energy and Media Efficiency, Environmental Sustainability (EME) standard that TÜV SÜD developed as a basis for auditing and assessing resource efficiency and environmental compatibility.

In addition, the enviro programme also includes a product certification process for verifying the promised enviro consumption data and environmental criteria.



Status of enviro assessments at the end of 2013



In all, 296 machines have been assessed under enviro. Since the previous process required that each individual machine undergo the enviro assessment, the numbers are currently still rather low despite our extensive assessment activities in 2013. The enviro 2.0 process will enable us to assess complete series – and thus cover a considerable volume of machines.

We continued the process of assessing our portfolio in 2013. In all, another 30 individual machines were evaluated last year. That is far more than the 17 machines we had targeted for 2013.

Twenty-five of the machines assessed in 2013 met the stringent enviro criteria without requiring any design modifications.

The decision to present only enviro machines at the drinktec, the industry's premier trade fair, in September 2013 helped us along here and made a clear statement that sustainable machine design is a high priority in our company. KRONES documented the consumption values directly on the machines based on demonstration runs and showed great transparency in the information provided to visitors. A survey conducted among our staff during the fair showed that our employees consider the eco-friendliness and resource efficiency of our machines to be very important.

We have to balance this view with the demands of the market, which demonstrates a widely varying propensity to invest in energy-efficient machines. This willingness is closely related to the payback periods that customers are willing to accept for their machines and lines. For this reason, it is important that we offer appropriate products for all of our customers. We will continue to offer machines that are not enviro-quality in their standard model but that can be brought up to this level with options. Many of these options are available as retrofits so that our customers can have the prospect of adding enviro performance at a later date.

“Today’s customers want energy-efficient products and systems as well as excellent technical and technological characteristics for their machines and lines. Energy efficiency has become a key issue in our projects business in recent years as a result of energy price policies and trends. Manufacturers are called upon to make clear guarantees on consumption and, therefore, operating costs and to use this data to underscore their own products’ performance. KRONES has developed a solid expertise in this area through enviro and the company’s engagement in energy consulting. And that is proving very valuable in our sales process.”

Matthias Pohl, Sales Plants and Components Central Europe

In 2014, we plan to expand the strategy with the enviro 2.0 programme, which will support the systematic assessment of our machinery portfolio. Up to now, individual machines have been given an enviro certificate if they are identical to a previously certified model or if they have undergone an assessment of their own. That means that within the Contiform series only one size of machine was certified although the entire series shares many identical components. With the enviro 2.0 process, we will be able to assess KRONES’ broad range of products under enviro without having to repeat all of the certification steps for each individual model.

In addition to expanding the certification concept in this way, we are also continuing to carry out the machine assessments in 2014. We plan to assess a number of individual machines under the existing enviro system in 2014 but will begin work on the first series assessments under enviro 2.0 as soon as the new procedure has been approved.

We have been collecting enviro-relevant data from the suppliers of our third-party machines since 2013, thus expanding the programme’s reach. We are aware that we have only limited influence on these third-party machines. But we believe that our efforts certainly raise awareness of environmental impact and resource conservation as relates to machine components and assemblies.



Excerpt from the enviro assessment checklist

Energy and media use at the machine level

Compressed air	<ul style="list-style-type: none"> ■ Possible elimination of compressed air motors ■ Selection of suitable pipe diameter – Reduction of pressure level ■ Air recovery systems
Motors and drives	<ul style="list-style-type: none"> ■ Energy efficiency class IE 3 or comparable ■ Reduced moving masses and friction losses ■ Direct load transmission where possible
Pumps	<ul style="list-style-type: none"> ■ Minimisation of line-side losses ■ Optimum dimensioning while maintaining desired efficiency curve
Heat generation	<ul style="list-style-type: none"> ■ Optimised thermal insulation and minimised heat loss ■ Recovery and use of waste heat
Cooling	<ul style="list-style-type: none"> ■ Motors and pumps selected according to checklist ■ Possible use of waste heat

Eco-friendliness at the machine level (materials used)

Lubricants	<ul style="list-style-type: none"> ■ No harmful environmental impacts ■ No toxic, mutagenic, carcinogenic, or reprotoxic substances
Cleaning agents	<ul style="list-style-type: none"> ■ Biodegradable surfactants ■ No anorganic chlorides ■ Demulsifying effect
Disinfection agents	<ul style="list-style-type: none"> ■ No anorganic or organic chlorides ■ No toxic, mutagenic, carcinogenic, or reprotoxic substances
Adhesives	<ul style="list-style-type: none"> ■ Not subject to mandatory labelling under hazardous materials regulations ■ No toxic, mutagenic, carcinogenic, or reprotoxic substances or harmful environmental impacts

Energy and media at the system level

Compressed air	<ul style="list-style-type: none"> ■ Reduce pressure level and use air recovery systems
Heat	<ul style="list-style-type: none"> ■ Heat recovery
Special stations and conveyors	<ul style="list-style-type: none"> ■ Reduce need for conveyors and special stations
Eco-friendliness at the system level	<ul style="list-style-type: none"> ■ Targeted capture of media for reuse or recycling ■ Bundled circuits

enviro in the product development process

By integrating enviro into our design processes, we are ensuring that sustainability is taken into account in every phase of our machines' development. That means that we begin thinking about possible potential for conservation or increasing efficiency as well as potential for reducing environmental impacts when we are still developing our machines and systems. The workflows in the product development process (PDP) include checkpoints that verify a design's enviro compatibility. The guidelines set out in the enviro manual serve as the basis for the verification.



Every new design includes a targeted examination of the enviro criteria.

By weighting the individual environmental and resource-related testing criteria, we are able to draw conclusions early on about how the various factors will look in the overall machine evaluation.

This includes matters such as:

- Use of environmentally compatible materials and substances with low risk potential
- Promoting the recovery and reuse/recycling of materials generated and used
- Type, impact, and amount of emissions
- Consumption of materials
- Reducing accident potential and possible environmental impacts
- Type of energy supply, use of advanced processes and methods for efficient energy use
- Consideration of all materials that come into contact with the machine, e.g. lubricants

After reviewing all of these criteria, the results are weighted based on their estimated impact. The machine then either is included in the list of assessed machines or undergoes an optimisation process in which improvements are reviewed.

Only those materials that have been tested for their environmental impacts and hazardous materials class and are included in a whitelist/blacklist for engineers are used in enviro machines. In the product development process, these materials are systematically used to replace other materials in the standard machinery programme.

For existing machines and machine series, modifications are made to bring the technology into conformity with enviro wherever possible based on the given specifications. In the Hydronomic UF series of water treatment systems, for example, the disinfectant used previously (chlorine) has been replaced with hydrogen peroxide (H₂O₂) since chlorine does not meet the enviro criteria on environmental impacts.



enviro saves resources

LinaFlex tunnel pasteuriser

Pasteurising filled and closed containers is one of the most energy-intensive processes in beverage production and filling. The LinaFlex already had monitoring and control systems that gave it several characteristics needed for resource efficiency. But more measures were necessary in order to achieve the high standard of an enviro machine.

The LinaFlex is an example of how a standard machine can be fitted with enviro options for energy-efficient operation. Under these criteria, a larger number of recovery zones would be needed, which in turn might necessitate a longer machine design depending on the machine's performance category.

What measures make up the enviro option?

- Heat recovery through energy recovery zones

The enviro version requires 228 kW in heat energy, which corresponds to savings of 25% compared with the standard LinaFlex without the enviro option (303 kW).

- Insulation reduces the temperature of the machine's outer surfaces

Insulation saves another 15 kW and improves total heat energy consumption by an additional 4%.

As a result, the machine achieves a higher energy efficiency compared with the standard model. The combination of these two measures reduces the amount of heat required by around 30%. Heat recovery is improved by nearly ten percent, from around 60% to approximately 70%.

enviro machines available in all core segments

enviro is has been integrated across our entire portfolio of machines and systems. In process technology, we offer environment and resource-friendly machines and systems for producing beer in breweries, soft drinks in bottling plants, and milk-based drinks in dairies. In the area of bottling and packaging, we offer complete bloc solutions for manufacturing and filling PET bottles and for packing containers but we also provide individual stand-alone machines for filling, labelling, and inspecting. That allows users to make targeted investments in enviro solutions for individual areas of their production operations. The following are some examples of our many activities in 2013.



The sample calculation presented here is based on 0.25-litre cans at 40,000 cans per hour and a pasteurisation level of 10 PUS.

SyPro S sugar dissolving and pasteurisation unit

SyPro S is a compact machine for processing sugar for soft drink production. A sugar dissolving unit and a pasteurisation unit are mounted on a single frame. Both systems are classified as enviro efficient.

Factors for enviro certification

Energy efficiency	<ul style="list-style-type: none"> ■ Use of frequency-controlled IE 3 motors to drive the product pumps ■ Continuous monitoring of compressed air consumption in production by way of a flow meter in the infeed ■ Possible use of low-pressure steam or hot water as a more energy-efficient alternative to high-pressure steam
Media efficiency	<ul style="list-style-type: none"> ■ Water-saving system for axial face seals ■ Reduction of cleaning times and consumption
Eco-friendliness	<ul style="list-style-type: none"> ■ Use of environmentally compatible cleaning media

Consumption data – sugar dissolving unit

The values presented are based on machines in “production” status, operating at 15 m³ of product per hour.* Data is per 1 m³ product.

Electrical power	1.2 kWh
Thermal output (heat)	23.2 kWh
Low-pressure air	0.1 Nm ³
Process water	< 0.1 m ³

*under specific conditions

Ergomodul and Ergomatic labellers

These labelling machines feature a modular design with the option of permanently installed (Ergomatic) or exchangeable (Ergomodul) labelling stations and were designed in accordance with enviro criteria. A comparison with conventional table-top technology and among various versions of labelling stations shows that a number of individual measures affecting energy and media supply have yielded clear improvements in emissions.

Factors for enviro certification

Energy efficiency	<ul style="list-style-type: none"> ■ Use of energy-efficient direct drives and servodrives with an efficiency class of IE 3 or comparable ■ No compressed air consumption by base machine in production. Minimal compressed air consumption in set-up operation. ■ Energy recovery through oscillating glue roller drive (Ergomatic) ■ Replacement of pneumatic glue pump with electric pump (Ergomatic)
Media efficiency	<ul style="list-style-type: none"> ■ Use of enviro-approved lubricants
Eco-friendliness	<ul style="list-style-type: none"> ■ Reduced number of lubrication points through the use of direct drives ■ Significant noise reduction through the elimination of gearwheel coupling

Consumption data

The values presented are based on machines in “production” status, operating at 30,000 containers (1) or 14,000 containers (2) per hour handling 0.5 litre containers.* Data is per 1,000 containers.

(1) Ergomodul with Ergomatic Cold-glue labelling station	
Electrical power	0.1 kWh
Low-pressure air	0.4 Nm ³
(2) Ergomatic	
Electrical power	0.3 kWh
Low-pressure air	2.2 Nm ³

*under specific conditions

Linatronic 774 FBI – full-bottle inspector

We redesigned the Linatronic full-bottle inspector and thus achieved a high standard in detection accuracy. Another focus of the redesign was to enable flexible retrofitting of camera units and make the conveyor belts and camera positions automatically adjustable. Long-lived LED lighting and an air-free rejection system contribute to the system's high energy efficiency.

Factors for enviro certification

Energy efficiency	<ul style="list-style-type: none"> ■ Use of energy-efficient servodrives with an efficiency class of IE 3 or comparable ■ Continuous centralised detection of compressed air leaks by means of a flow meter on the main air line ■ Use of an Ecopush or Varioglide rejection system, which do not consume any compressed air
Media efficiency	<ul style="list-style-type: none"> ■ Use of enviro-approved lubricants
Eco-friendliness	<ul style="list-style-type: none"> ■ Significant noise reduction compared with customary rejection systems on the market thanks to the use of an electric rejection system (Ecopush or Varioglide)

Consumption data

The values presented are based on machines in "production" status, operating at 40,000 containers per hour. Data is per 1,000 containers.*

Electrical power < 0.1 kWh
Low-pressure air 0.1 Nm³

*under specific conditions

Modulpal Pro palletiser

Our packing and palletising engineers have also been working to design machines that meet our enviro standards. The Modulpal Pro high-speed palletiser achieves speeds of up to 600 layers per hour when working without layer pads. New drive technology enables the machine to operate without any compressed air – with the exception of layer pad handling.

Factors for enviro certification

Energy efficiency	<ul style="list-style-type: none"> ■ Use of energy-efficient synchronous servodrives ■ Minimal moved masses, no pivoting or turning movements ■ Elimination of compressed air use during production
Media efficiency	<ul style="list-style-type: none"> ■ No additional lubrication required
Eco-friendliness	<ul style="list-style-type: none"> ■ Exclusive use of lifetime lubricated bearings and chains ■ Lead-free counterweight

Consumption data

The values presented are based on machines in "production" status, operating at 400 layers per hour (3x2 shrink packs of 1.25-litre PET bottles).

Data is per 100 base and intermediate layers.*

Electrical power 0.8 kWh
Low-pressure air 2.0 Nm³

*under specific conditions



enviro requires close communication between the developers in every product area. Inclusion of the enviro point persons ensures ongoing support for monitoring and assessment of machines. By bringing together all information on the enviro projects, the enviro point persons also support our sales force on customer-specific questions relating to the enviro machines' energy and media efficiency.

The enviro team from left to right:

Ernst Dinter, Dr. Ulrich Buchhauser, Gottfried Gunser, Karl Gorbunov, Dr. Markus Zölfl, Christian Gebauer, Martin Kloska, Astrid Kadlubski, Martina Birk, Walter Pöppel, Ulrich Schlieper, Antonia Niemann, Daniela Haupt.

enviro team members not pictured: Falko Jens Wagner, Stefan Hauke, Rudolf Fiegler.

Direct and indirect CO₂ emissions at all German sites were reduced by 1,696 tonnes in 2013 – a decrease of 4.87% year-on-year.

“The switch to operating our own cogeneration plant for energy supply at our Neutraubling facility has had a positive impact on our CO₂ emissions.”

Thomas Arnold, Energy and Systems Management

Transparency in resource consumption

Insight into resource consumption is indispensable for assessing the economic and environmental sustainability of processes at KRONES. The energy management system in accordance with ISO 50001 that we have in place at all of our German sites gives us reliable information about energy consumption. In 2013, we were able to obtain a body of data covering energy consumption across all of these sites, including details within the premises, for the first time. The key performance indicators derived from this data and a targeted look at all of our energy supply options will inform our actions with respect to an energy supply strategy and the emissions data that can be achieved with it. These findings were among the factors that prompted us to change the energy provider concept for our Neutraubling plant in 2013. Since then, we have once again been operating the cogeneration plant on our premises ourselves.

Overall, our approach to optimising resource consumption is to pursue a policy of small steps, which includes numerous individual measures at all of our plants. For every construction project, we choose the most energy-efficient building technology and machinery options that fit within a workable financial framework.

In our effort to define targets for reducing CO₂-emissions, we are currently developing scenarios that take into account both the existing buildings at our production sites and our continuous revenue growth. A report on this process is slated to be put before the CSR Committee in 2014.

Of course, we also include our employees in all of our activities relating to all aspects of resource stewardship. For this reason, this aspect has also been included in KRONES' new mission statement and thus made an integral part of the principles informing our employees' actions. Our employees make improvement suggestions through the "Brainpool" platform. Moreover, we maintain close contact with the communities in which we operate in order to reach the broadest possible consensus on our environmental efforts.

As part of the ongoing process of making our company more international, we have conducted IMS certifications for our sites in Brazil and China. This certification process also entailed quality, occupational safety, and environmental management in accordance with ISO 9001, BS OHSAS 18001, and ISO 14001. Upon completion of all planned certification processes – certification of the USA plant is planned for 2014 – we should have a comparable data basis for all of these sites for the first time in 2015.

In 2013, no administrative or judicial sanctions were levied for failure to comply with environmental laws and regulations.

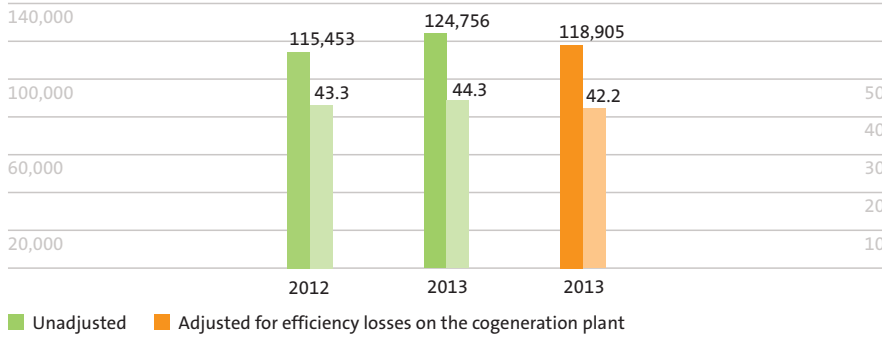
The energy and environmental data presented here relate to the production sites in Germany and therefore cover the activities of 75% of the KRONES Group's employees.

In order to share in an intensive dialogue on energy and environmental topics, we are members of regional associations such as Energieagentur Regensburg, which looks at energy and environmental issues in the region.

Company-owned cogeneration plant for power supply

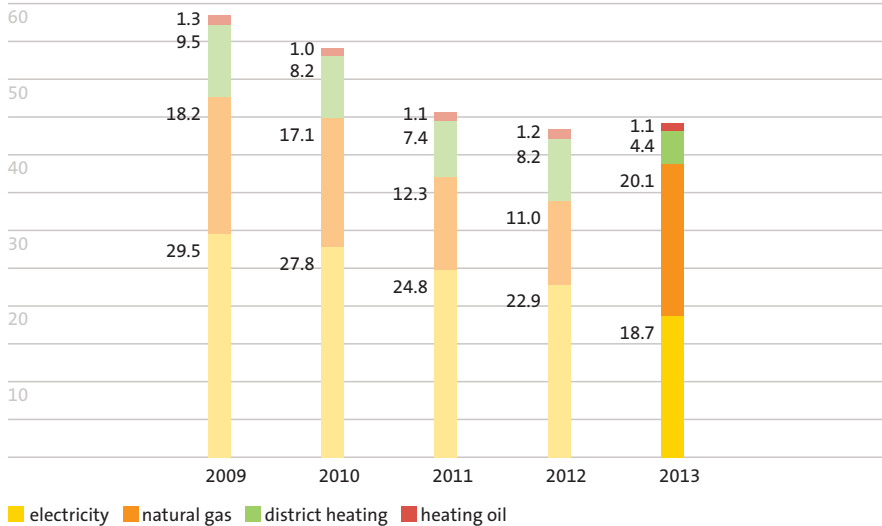
Changing the energy supply matrix at the Neutraubling site has affected the presentation of data for 2013. At the start of 2013, KRONES AG took over operation of the on-site cogeneration plant that had previously been operated by the utility company. Total energy consumption in 2013 was 124,756 Mwh. Adjusted for 5,850 Mwh in efficiency losses on the cogeneration plant (documented in actual measurements), the calculated energy consumption comes to 118,905 Mwh. This indicates a 2.9% increase in energy consumption. If we take into consideration the increase in revenue in the same period, we see that specific energy consumption was down to 42.2 Mwh per €1 million in sales revenue (previous year: 43.3 Mwh). The 124.756 Mwh total of energy drawn from external sources – which includes efficiency losses – yields a specific value of 44.3 Mwh per €1 million in revenue.

Energy consumed, absolute Mwh and Mwh per €1 million in KRONES AG revenue



The data presented relate to consumption in our own buildings at the five German sites: Neutraubling, Nittenau, Flensburg, Freising, and Rosenheim. Leased buildings are only partially included since some are leased at a flat rate that includes electricity, heating, and water or are shared with other users.

Energy drawn from external sources – electricity, natural gas, district heating, and heating oil (Mwh per €1 million in KRONES AG revenue)



The presentation of energy drawn from external sources includes all energy types, including unusable energy that results from efficiency losses on the cogeneration plant. In sum, this overview shows 44.3 Mwh energy drawn from external sources per €1 million in revenue based on a total energy draw of 124,756 Mwh.

Current and future presentations include efficiency losses. That will result in a change in energy data, which can be attributed to the changed energy production concept.

Because of this change in energy sources, the shares of direct and indirect consumption by primary energy sources have also changed. We posted an 82% increase in natural gas consumption to 20.1 MWh per €1 million in revenue. However, this figure should be viewed in direct connection with a sharp reduction in electricity drawn from external sources. Our use of heating oil decreased by 8.3% year-on-year to 1.1 MWh per €1 million in revenue. Use of district heating was also down in relation to €1 million in revenue and is now at 4.43 MWh. That is a decrease of 43%. This reduction resulted from the elimination of district heating use at the Neutraubling plant. Of the district heating at the Nittenau plant, 100% was from biogas as before. The Rosenheim plant uses district heating that is 100% CO₂-neutral and is generated without the use of a primary energy source. The Flensburg and Freising plants are operated without the use of natural gas or heating oil and draw district heating from local utilities.

Apart from the switch to operating our cogeneration plant ourselves, the increases in energy consumption also result from a 9,340 m² increase in the size of our Rosenheim plant – that is an increase of around 33%.

With the commissioning of another cogeneration plant in Neutraubling that is planned for 2014, the shares of primary energy sources will shift further in 2014.

Individual measures are yielding improvements in energy efficiency on an ongoing basis. For example, heat recovery systems were installed in the newly constructed EVOGUARD GmbH facility at our Nittenau plant. The systems reuse waste heat from the air compressors to heat the production halls. The same system was also put into use in the Neutraubling plant and has replaced around 15% of natural gas used in the relevant area, for savings of 257 MWh.

The figures for the cogeneration plant are as follows for 2013: 34% electricity production, 46% heat production, 20% efficiency losses.

Electricity use reduced further

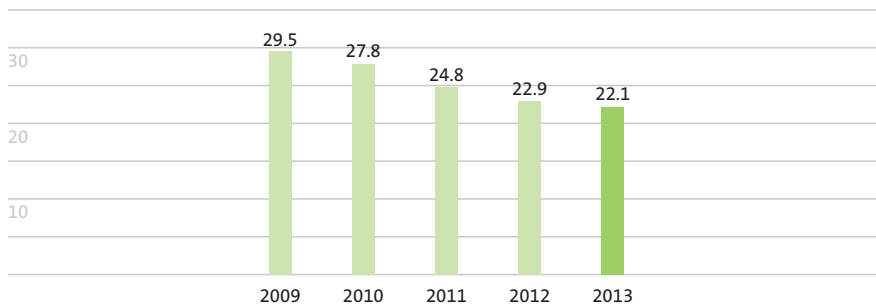
The trend in electricity drawn from external sources benefited from the change in our primary energy source matrix since we now generate a portion of our electricity in our own cogeneration plant. Total energy consumption in 2013 was 62,369 MWh (previous year: 60,961 MWh). That corresponds to 22.1 MWh per €1 million in revenue, for a 3.5% reduction in specific electricity consumption. Electricity drawn from the utilities came to 52,726 MWh in 2013, which represents savings of 13.5% and is due to the fact that we are generating our own electricity in our cogeneration plant.

According to information from the utility company, renewables accounted for 40.3% of the electrical power used at KRONES AG.

Looking at our 5.7% revenue growth, we see that electricity consumption (+2.3%) increased less than revenue. Thus, we achieved a 3.5% reduction in electricity consumption per €1 million in revenue.

With our energy management system, we are able to continuously review electricity loads and peaks. We are currently looking into possible improvements aimed at reducing electricity consumption in the paintshop ventilation systems at the Nittenau plant. Energy recovery technologies were included in the construction of the new building at the Rosenheim plant. Braking energy from the storage and retrieval systems in the new high-bay warehouse is recovered in the form of electricity. This reduces the warehouse's electricity consumption overall.


Electricity consumption in MWh per €1 million in revenue at KRONES AG



The presentation of electricity consumed includes the electricity generated in our own cogeneration plant. It also represents total consumption for KRONES AG.

This report does not include consumption data for our vehicle fleet (fuel) or data for energy consumed at installation sites.



A man in a dark grey suit, white shirt, and striped tie is sitting on a wooden bench in front of a modern glass building. The building has multiple stories with large windows and a blue-framed entrance. A young tree is visible to the right of the man. The ground is paved with light-colored tiles.

“With the cogeneration plant, we have shifted our energy sourcing away from externally generated electricity to natural gas. The advantages are the lower price of natural gas and the better CO₂ emissions profile compared with electricity. The electricity produced by our cogeneration plant covers a large part of the base load for the Neutraubling plant, which represents 25% of total electricity consumed at this site.”

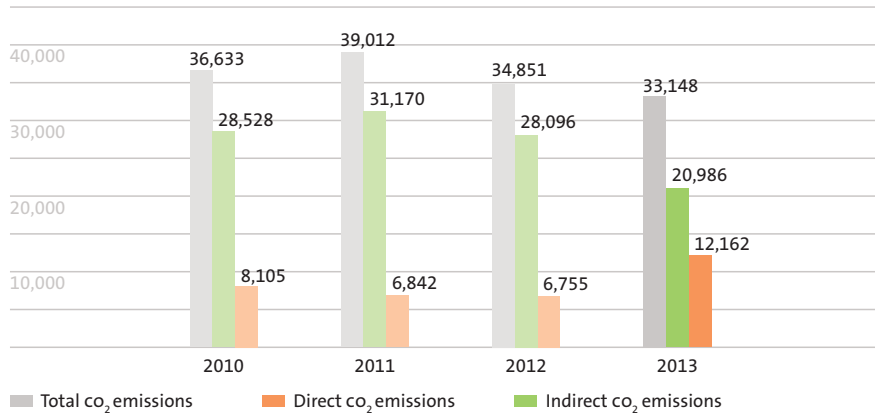
Thomas Arnold, Energy and Systems Management

Overall, CO₂ emissions came to 33,148 metric tonnes in 2013. That is a reduction of 4.8%. Switching over to operating the cogeneration plant ourselves resulted in a shift in direct and indirect CO₂ emissions. Because the site where the energy is converted, the cogeneration plant, is our facility under our responsibility, we have a higher share of direct CO₂ emissions for the first time in 2013 while the share of indirect CO₂ emissions was lower. This due to the shift in energy sourcing as we are now operating the cogeneration plant ourselves. Thus, direct emissions came to 12,162 metric tonnes. Indirect emissions, which arise from purchased electricity and district heating, came to 20,986 metric tonnes.

KRONES reports its environmental data within the framework of the Carbon Disclosure Project (CDP), therefore making our data comparable with other companies in other industries.

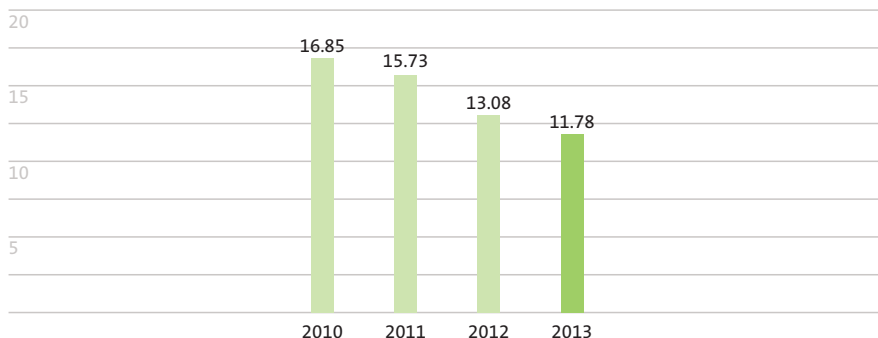
The reduction in CO₂ emissions resulted in part from the more favourable CO₂ emissions figures achieved by switching over to the natural gas-powered cogeneration plant, the increased share of renewable resources in our utility provider's energy mix, and internal optimisation measures taken to reduce consumption. In relation to revenue, direct and indirect CO₂ emissions amounted to 11.77 metric tonnes per €1 million in revenue, compared with 13.08 metric tonnes in the previous year.

Direct and indirect emissions according to GRI calculation (metric tonnes), KRONES AG



Looking back over three years, the steady pursuit of optimisation measures both in terms of energy and electricity consumption is showing its effect: We reduced CO₂ emissions by 12.5% compared to 2011.

Even compared with 2010, when CO₂ emissions came to 36,576 metric tonnes, we have achieved a reduction of 9.4%. If we take into account the 29.6% revenue growth between 2010 and 2013, the reduction of CO₂ emissions comes close to 10%.

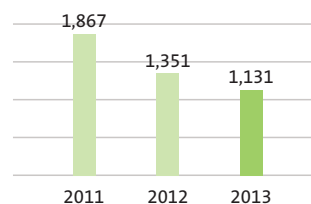
CO₂ emissions (metric tonnes per €1 million in revenue), KRONES AG

Other substances known to have an effect on climate

With respect to other substances known to have an effect on climate, we reduced the use of foaming agents by 16% to a total of 348.3 kg. Consumption of R365 was 303 kg and R227ea was 45.3 kg. Because of the mechanical characteristics needed for the plastic parts used in our machines and lines, substitution of these substances is possible only to a limited degree. By switching the manufacture of some parts from foaming to injection moulding, we were able to reduce our use of these substances from 574 kg in 2011 to 416 kg in 2012 and now to 348 kg. That is a reduction of 39.4% since 2011. We plan to convert one more type of parts. However, it is not yet possible to eliminate foam-moulded parts altogether. We do not use other greenhouse gases. We had no emissions of ozone-depleting substances.

Other air emissions

Emissions of NO_x and SO_x are not measured continually. No measurement was required for 2013 for our facilities that are subject to a requirement that these emissions be measured every three years under the German Emission Control Act [Bundesimmissionsschutzgesetz]. In 2012, such a measurement was taken at our Freising plant. In 2012, 0.345 metric tonnes in emissions were reported for NO_x and 0.054 metric tonnes for HF. The next measurements for the Neutraubling facility are slated for 2014. The most recent mandatory measurements showed the following annual emission loads: < 0.088 metric tonnes HCL, < 0.109 metric tonnes dust, and 0.00016 metric tonnes Ni particulate.

Other relevant greenhouse gas emissions, in CO₂ equivalents (metric tonnes)

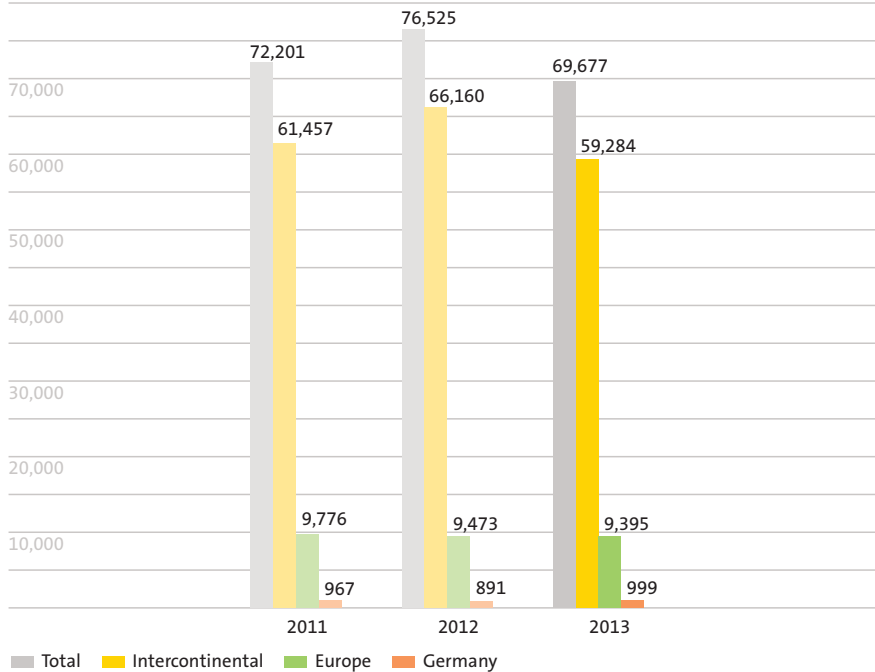


“In all, we reduced CO₂ emissions by a further 4.87% compared to the previous year. Direct and indirect CO₂ emissions came to 33,148 metric tonnes in 2013. As we continue to identify additional savings potential, such as in our consumption of electrical power, we plan to make further progress in the years ahead. We have to bear in mind, though, that this absolute reduction in our CO₂ emissions is being achieved despite continuous growth – that is, increased production output.”

Bertram Pretzl, Safety Engineer, Safety and Security Management

CO₂ emissions from work-related travel reduced

Work-related travel in miles flown (thousand miles)



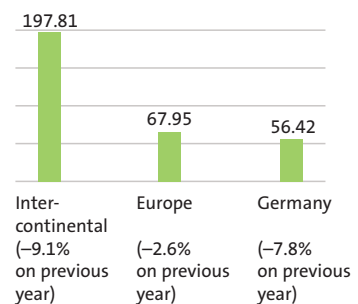
The increased expansion of our LCS Centres is showing its effects: Our total miles flown in 2013 were down 8.95%. In 2013, we were below the 70,000,000 mark for the first time in the past three years, even though our revenue growth was achieved predominantly outside Germany.

Miles flown by KRONES Group employees were down to 69,677,113 in 2013. The number of miles flown on long-haul flights was reduced by 10.4%.

Miles flown on domestic flights within Germany were up. However, as these flights make up only 1.4% of all flights, the increase of just under 12% is hardly relevant.

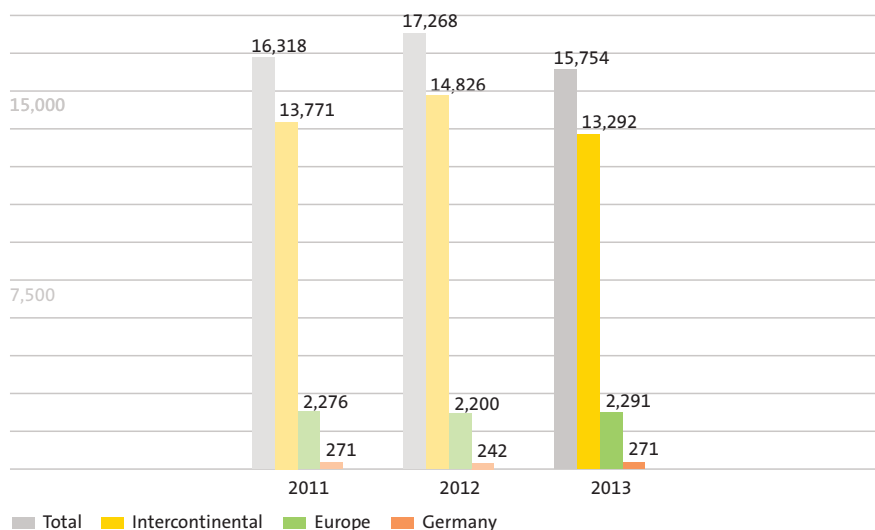
Average CO₂ emissions in 2013

(kg, per one-way flight)



In keeping with this development in miles flown within the group, we were able to reduce the CO₂ emissions from air travel by 1,514 metric tonnes. That is a year-on-year reduction of 8.8%.

CO₂ emissions resulting from air travel (metric tonnes)



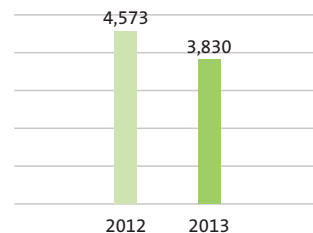
In our last report, we had stated that we would increase our use of rail travel for domestic travel within Germany. We kept this in mind when planning business trips. In 2013, our employees travelled 219,925 km by train. A calculation by Deutsche Bahn, Germany's rail operator, provides an overview of the CO₂ savings of 35 metric tonnes compared with comparable trips taken by one person in a passenger car. We do not have year-earlier figures for comparison.

Compared with the previous year, we were able to reduce CO₂ emissions from our company vehicle fleet by around 25%.

CO₂ emissions arising from car travel were also down. In 2013, these emissions totalled 3,830 metric tonnes (2012: 4,573 metric tonnes). We believe this value – which was achieved with almost the same fleet of vehicles as in the previous year – is closely related to the fact that this was our first full year using the shuttle service for airport trips. The total reduction was 16.2%.

By making our vehicle fleet more flexible and gradually increasing our use of externally provided vehicles, we are making processes more uniform, which we expect will further reduce CO₂ emissions from car travel.

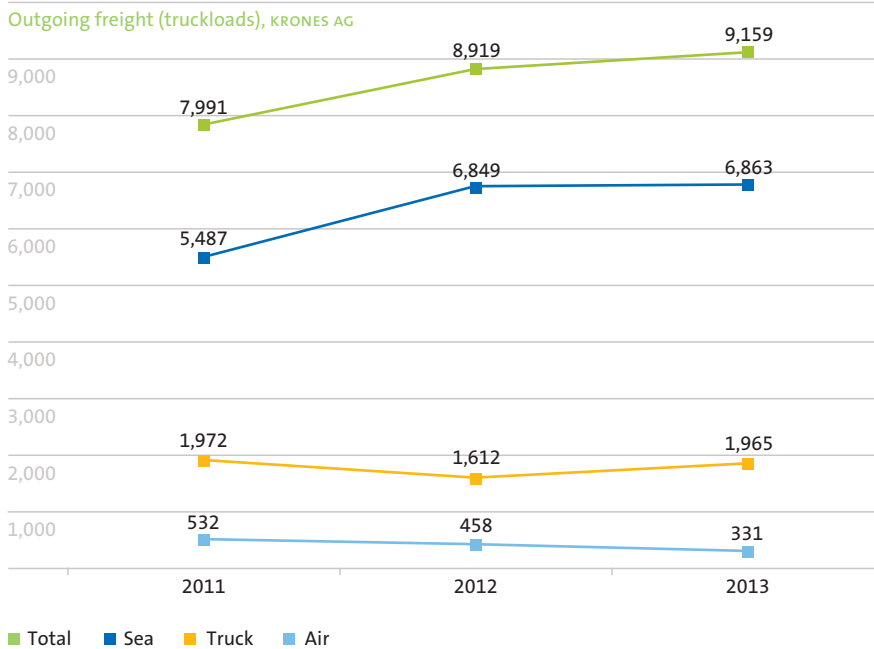
CO₂ emissions resulting from car travel (metric tonnes)



Freight forwarding logistics

To ensure a high level of cost-effectiveness in transporting our machines and lines, all factors must work together perfectly. For example, production planning must be well coordinated with data from our freight forwarding logistics, as must the lead times needed for certain modes of transport. In certain cases, these conditions may necessitate last-minute changes in transport logistics in order for shipments to make their connections further down the line. Precisely these factors shape the data for the individual modes of freight transport.

The data show that KRONES used these flexible concepts in 2013. As a result, we are posting a 21.9% increase in road freight year-on-year. The share of loads forwarded by sea freight was up 0.2%. In contrast, air freight was down nearly 28%. Over the past three years, the share of air freight is down 38%.



The total number of loads forwarded was 9,159, an increase of 2.7% over the previous year. That shows that freight transport logistics, which grew slower than revenue (5.7%) achieved a high level of cost-effectiveness and thus also improved resource conservation.

A large part of the freight forwarded by sea – 5,038 containers – begins its journey to our customers around the world at our site in Neutraubling. Nearly 60% of these containers first travel by rail to ports on the North Sea. For those shipments whose dimensions required heavy cargo transports to the North Sea ports, emissions came to 693 metric tonnes of CO₂ (previous year: 520 metric tonnes).

A total of 1,353 truckloads reached other destinations by road, not by sea freight. Information on CO₂ emissions resulting from these shipments is not available.

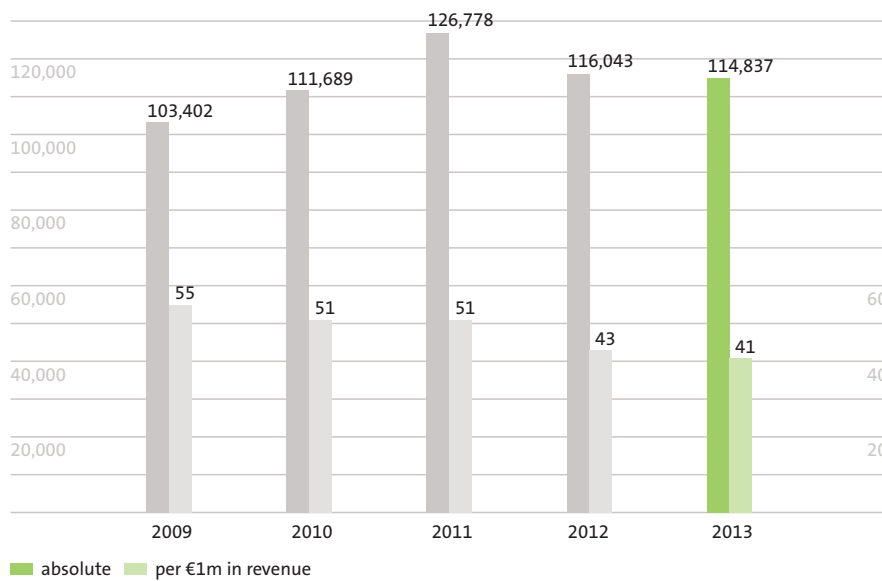
Containers shipped by KRONES AG in 2013 (containers departing Neutraubling plant for North Sea ports)



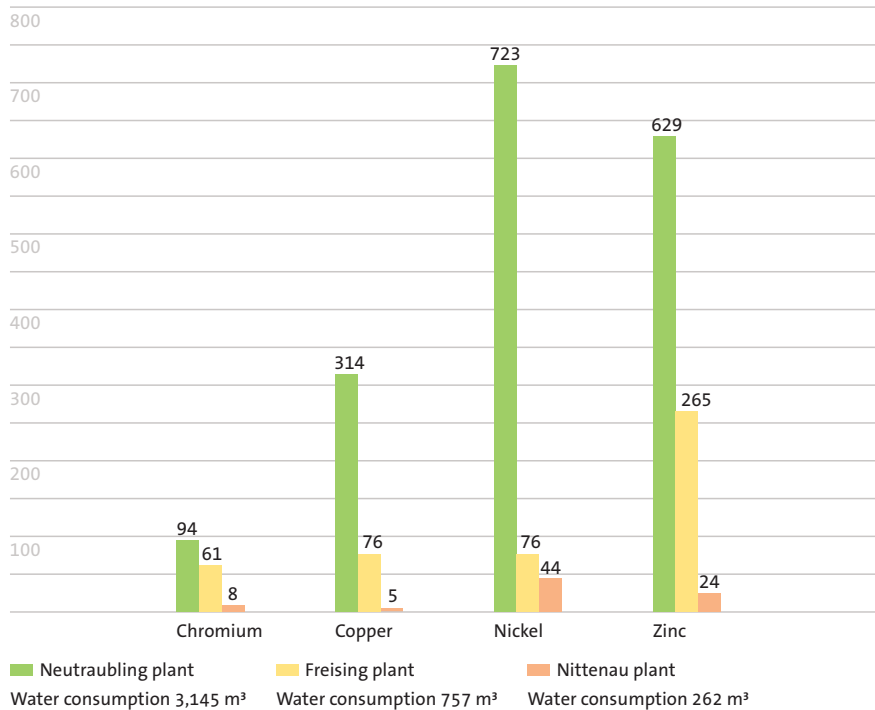
Down once again year-on-year

We drew 114,837 m³ of water from the municipal water supply in 2013. This is down roughly 1% from the year-earlier figure. Viewed against revenue, and taking revenue growth into account, water consumption per €1 million came to around 41 m³, a year-on-year reduction of 4.6%. Besides this water drawn from the municipal water supply, we also withdrew 1,429,533 m³ of groundwater for cooling our buildings at our Neutraubling plant. Optimisation of our building control systems enabled us to permanently reduce water consumption from the high year-earlier levels. All of this volume is fed back into the groundwater supply.

Water consumption (m³ and m³ per €1m in revenue) KRONES AG



Contaminant loads in waste water from installations subject to licensing (grams per year) KRONES AG, 2013



The wide variation in contaminant loads in the waste water from the different plants is due to the different volumes of water flowing through the equipment there and the flows that are defined in the permits for each individual system. This, in turn, is based on the varied sizes of the components being manufactured at the plants.

Limits for chromium, copper, nickel, and zinc

Neutraubling plant	Chromium, copper, nickel	each 1,572.5 g per year
	Zinc	6,290 g per year
Freising plant	Chromium, copper, nickel	each 378.5 g per year
	Zinc	1,514 g per year
Nittenau plant	Chromium, copper, nickel	each 131 g per year
	Zinc	524 g per year

The discharged volume equals the volume withdrawn less any losses due to diversion, disposal, or evaporation. Waste water that must be treated came to a volume of 4,164 m³.

This waste water is treated either in internal physical/chemical processes or in neutralisation systems. The discharge of this waste water is subject to testing under the German Self-Monitoring Ordinance [Eigenüberwachungsverordnung] or external checks. Contaminant loads in waste water from installations subject to licensing are far below the legally mandated limits.

The data collected for the purpose of our environmental reporting did not reveal any significant spills in 2013.

Materials consumption

Stainless steel is our material of choice. We use high-quality stainless steel of various compositions to manufacture machines used in the food and beverage industry. The material specifications depend on the concrete use and the requirements that the respective component must meet. For sourcing our stainless steel, we use major European manufacturers with high production standards, the majority of whom also report their output in a sustainability report.

Apart from its high resistance and robustness in food and beverage applications, stainless steel is also highly recyclable. According to information from our biggest supplier, the share of recycled material in stainless steel is 83%. Of that, 32% is what is known as pre-consumer material – that is, raw material waste generated during manufacturing processes. Another 51% of the content is post-consumer material, which is defined as materials available at the end of a product's use.

Apart from stainless steel, significant materials used in our operations include copper, plastics, and aluminium. We have not collected data on the share of recycled content in these materials.

Key raw materials sourced in 2013

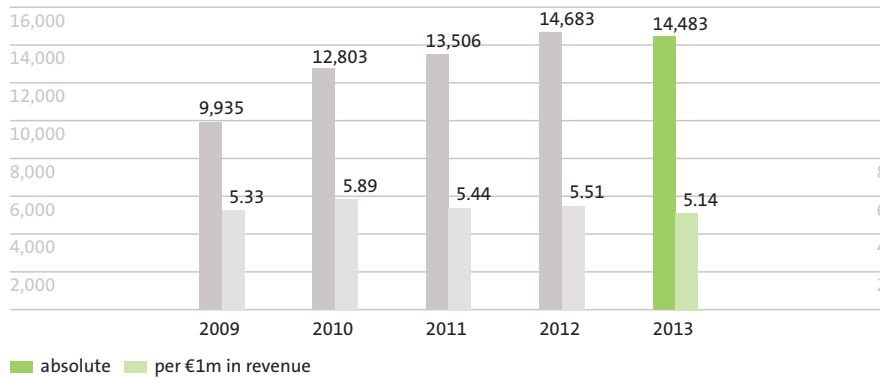
Stainless steel	13,000 metric tonnes
Plastics	500 metric tonnes
Aluminium	800 metric tonnes
Copper	1,000 metric tonnes

Most of the waste and scrap material generated during production is reused as secondary raw materials as shown below.

Downtrend continues

In 2013, we generated 14,483 metric tonnes of waste at our German plants. That is around 200 metric tonnes fewer than in the previous year. If we take into account the increase in revenue in 2013, we generated 5.14 metric tonnes per €1 million in revenue. A software solution installed in 2013 at our Neutraubling plant has lent transparency to our waste streams. It also has enabled us to monitor the amounts of waste that are approved and the amounts actually disposed of and to integrate quick-access documentation on the validity of our waste management records.

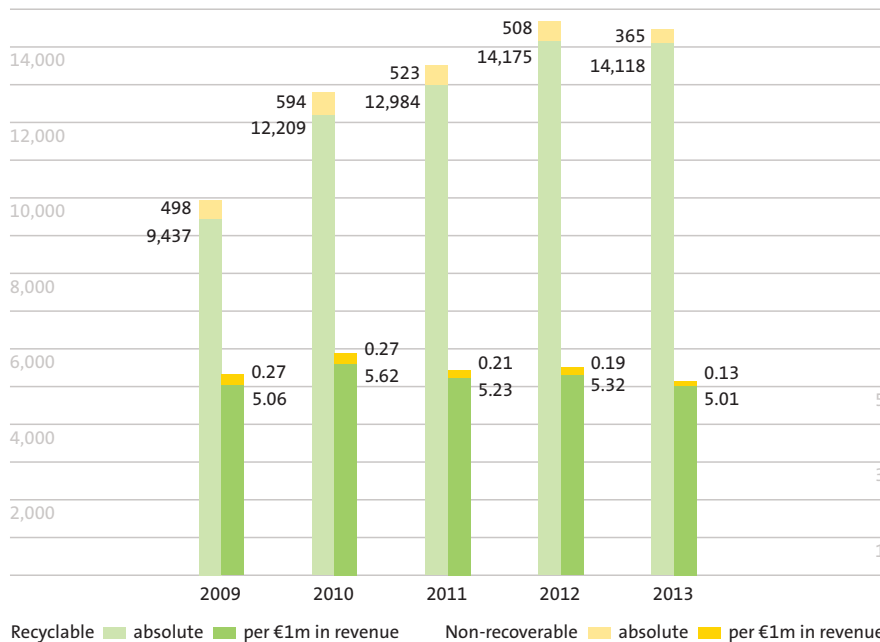
Total waste generated (metric tonnes and metric tonnes per €1 million in KRONES AG revenue)



The 5.14 metric tonnes of total waste generated per €1 million in revenue in 2013 is the lowest waste figure achieved in the last 10 years.

The amount of hazardous waste transported by licensed haulers came to 1,267 metric tonnes, which represents a 10% reduction from the previous year. KRONES did not import or export any hazardous waste in 2013. KRONES also did not treat any hazardous waste.

Recyclable and non-recoverable waste (metric tonnes and metric tonnes per €1 million in KRONES AG revenue)



Disposal methods include composting, reuse, recycling, incineration, landfill, and interim storage at waste disposal facilities depending on the type of waste.

Our international sites employed 3,187 people – 25.9% of our total workforce – in 2013.

“Our machines and lines are in demand worldwide. We generate around 90% of our revenue outside Germany. As we develop our workforce structure, we are steadily increasing the share of international employees so that we can be a powerful presence in all markets.”

Andreas Horn, Senior Vice President, Head of Human Resources and Social Affairs

Establishing structures for international HR development

Our business is becoming increasingly international, as are our target markets. As such, we will gradually build up staff at our locations abroad. We have been pursuing this HR strategy for several years already and will continue to do so. We had announced changes in our group structure toward a more international orientation for 2013. Since the beginning of 2014, our new group structure has been handling our activities worldwide independent of legal units as an international process organisation.

This means that our human resources management has to further internationalise its activities. We have to gear our HR processes to creating more local expertise in personnel development at our international locations. To this end, it is important to establish group-wide standards with highly transparent personnel development processes. This includes recruiting and qualification processes that are as uniform as possible as well as specialist training to address core subjects of HR organisation. We intend to pursue this strategy of gradually internationalising our HR processes and creating decentralised HR positions at our locations across the globe over the next few years.

We are constantly striving to offer our employees individual solutions for their personal future development; be it in professional qualification, health maintenance, or life plans. These offerings are to help keep our staff socio-culturally varied with a healthy gender balance.

Our markets expect a high degree of flexibility in realising innovative solutions adapted to the respective country as well as in the bidding process and job performance. For this, we need a corresponding flexibility reserve in our human resources. That means we will have to continue using temporary staff to some extent. We agreed on rules for limiting such temporary work contracts and taking the respective persons over into permanent employment with our Works Council last year.

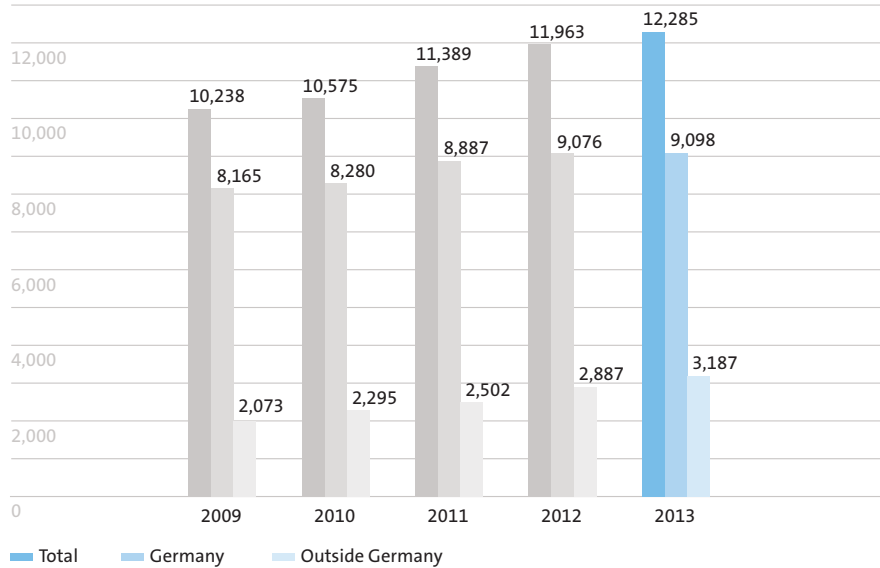
We are growing even more international

KRONES hired 325 new employees in 2013. That brings our workforce up to 12,285 employees for a year-on-year increase of 2.7% over the previous year’s 11,963. In keeping with our strategy to bring our activities closer to our customer markets, almost all of the workforce growth took place outside Germany. In this way, we are increasing our local value creation, particularly in the International Operations and Services business unit and significantly improving our ability to respond to customers’ needs.

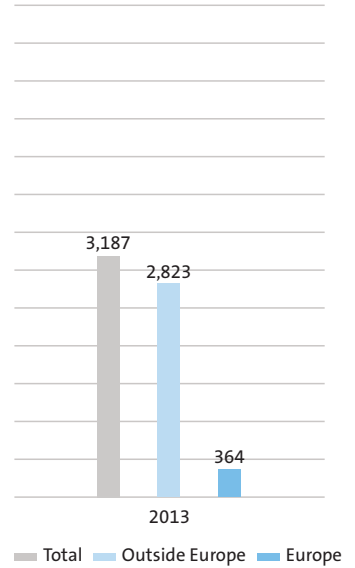
Within five years, we have increased the share of employees abroad by 56% to 3,187.

Employees outside Germany now make up 25.9% of the KRONES Group’s workforce, which is once again up year-on-year (previous year: 24.1%). Of our 3,187 employees working abroad, 364 are in Italy, Spain, France, the UK, the Netherlands, and Scandinavia. The number of employees working abroad within the parent company, KRONES AG, has remained constant at 3.3%.

Employees by region



KRONES employees outside Germany



Whereas the number of people working for KRONES AG is down slightly (-7) year-on-year to 8,819, the KRONES Group team at our German sites has increased to 9,098 employees (previous year: 9,076).

In order to ensure a high level of continuity and comparability of the data we report, the following disclosures are based on KRONES AG and a workforce of 8,819 people.

The increase in our workforce in Germany is largely due to changes in our German subsidiaries KIC, ECOMAC, MAINTEC, and NEUSPED.

Staff continuity

The fact that our ratios of staff in terms of function, leadership, and work categories has hardly changed year-on-year speaks to the stability of our human resources planning. We can expect a significant change in our leadership structure in 2014, as the new group organisation has allowed us to trim down our leadership structures. In 2013, we employed 720 persons (2012: 722) in task-force management positions. We are already seeing the effects of further internationalisation in our job categories. As functions move to our locations around the globe, both administration and production at KRONES AG became a little leaner.

Temporary work contracts will remain a topic of discussion. We announced in last year's report that we are working on a solution to reduce the share of temporary staff in our company. For the time being, however, we expect an increase in temporary work contracts to 13.1% due to high capacity utilisation at our Freising and Flensburg factories.

In 2014 and 2015 we will be taking over 100 temporary staffers per year into regular employment. This gradual reduction of temporary work contracts and the regular employment of former temporary staff give us better planning security on the human resource side.

We also agreed that the share of temporary staff on annual average may not exceed 8% of total staff per location by 2015 and should fade to 6% from 2016 onwards. The Works Council may agree to a higher share in individual cases. We will have to adapt our processes to meet these targets.

A voluntary commitment of KRONES AG – as stated in a works agreement – stipulates that from April 2014 employees shall be paid according to the compensation schedule of the general pay agreement.

KRONES AG workforce

	2013	2012
Executive Board members	5	5
Employees	8,814	7,197
Temporary workers pursuant to the German Labour Leasing Act (Arbeitnehmerüberlassungsgesetz)	1,156	1,109
Apprentices	526	515

KRONES AG management structure

	2013	2012
Total workforce (all employees and supervised workers)	8,819	8,826
of which members of the Executive Board	5	5
of which senior managers (Senior Vice President)	23	24
of which mid-level managers (Vice President)	86	80
of which department managers	239	248
of which team managers	367	365

KRONES AG employs 8.16% of its staff at various management levels to coordinate organisational and operating processes.

Employment types at KRONES AG

	2013	2012
Total workforce (all employees and supervised workers)	8,819	8,826
of which sales	581	577
of which technical	1,881	1,847
of which production	3,520	3,548
of which administrative	2,837	2,854

KRONES does not use many freelancers; we contract service providers for narrowly described tasks at our factories. This applies to janitorial services, transport packaging for our plants and machinery, and some site security. KRONES does not state the number of contracted employees in its reporting.

We stand behind our staff

Our structural human resources plans are generally very constant. KRONES AG takes responsibility for its employees quite seriously and will implement all corporate decisions on restructuring production or work processes in a socially responsible way. We have not laid off any staff for operating reasons in recent years. We intend to generally work out agreements with any affected staff should a business decision to restructure work processes or organisational units become necessary in the future. Such agreement may include flexible deployment to other positions within our company or qualification for other jobs. Thanks to our flextime accounts, we are prepared for a possible capacity reduction for economic reasons if we face underutilisation. We will coordinate any and all measures in works agreements with employee representatives.

Volker Kronseder, Chairman of the Executive Board, and Norman Kronseder, Member of the Supervisory Board, are making arrangements to ensure the future orderly transfer of their KRONES shares to their children. With that, they have taken proactive steps to continue the company's tradition as a successful family enterprise. The existing pooling agreement, under which the voting rights of all members of the Kronseder family and their enterprises are exercised as a voting trust, remains unaffected by the transfer agreements described above. In this way, the Kronseder family retains a 51.85% stake and remains a stable majority shareholder of KRONES AG.

One example for our approach to strategically necessary restructuring measures is the 2012 works agreement on the establishment of EVOGUARD GmbH as an independent company for our valve technology domiciled in Nittenau, Germany. The agreement regulated the transition of jobs to the new company and included compensation measures for the 47 affected employees. Similarly, when we began cooperating with KLUG GmbH of Teunz, Germany, and ceased our own material flow/intralogs activities, we offered the 70 or so affected employees equivalent jobs in other areas of KRONES AG's operations.

KRONES AG values high job stability and has entered into works agreements on job security to run for several years, respectively. Revised agreements were adopted in 2014.

To revamp our logistics activities in Project Logistics 2015+, we are collaborating with the Works Council on concepts for transitioning affected staff to other group operations. We will waste no time in finalising the works agreement planned for this, since it will serve as a clearly defined base for plans and actions going forward.

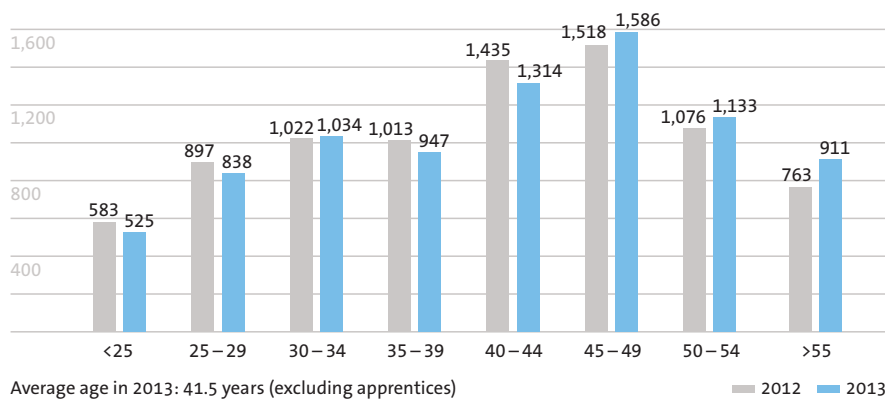
Variety and equal opportunity

KRONES AG has to face demographic reality. A glance at the age structure of our staff clearly shows a high proportion of employees 45 years and older. Many of these employees will remain in the workforce until they reach retirement age at 67 according to current legislation. That means we can continue to benefit from their experience for quite some time going forward. We are closely collaborating with our Works Councils and in-house medical service as well as our respective corporate departments in developing measures to appropriately consider the needs of these employees.

The back health awareness days in April and June 2013 showed that our health maintenance offerings are reaching their target group. The average age of persons taking advantage of this offering by KRONES AG's corporate health insurance came to 42.01 years.

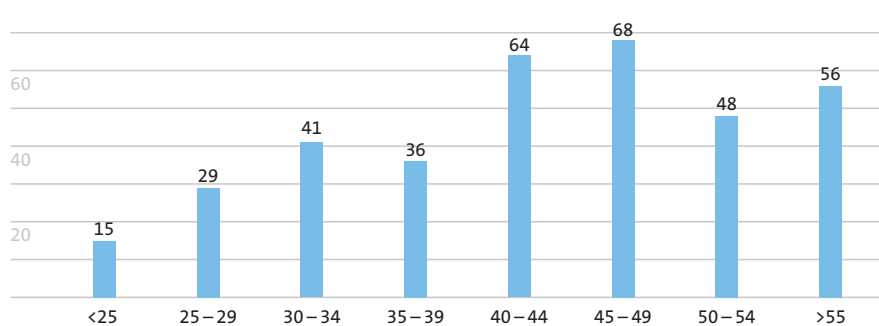
We are also offering our older employees an early retirement option that allows them some freedom for individual retirement planning independent of legislation. The works agreement on partial retirement provides for gradually phasing down work life. At 31 December 2013, 266 employees were in partial retirement. That is 3.4% of our workforce.

Age structure at KRONES AG



The average age of KRONES AG's workforce – excluding trainees – is 41.5 years.

Age structure in KRONES' European offices in 2013



The share of women in our workforce held steady at 13%. Although our recruiting efforts and hiring have increasingly focused on integrating female employees, our progress is slow in this regard. We are continually increasing the number of female apprentices, which reached a share of 22.1% in 2013 (previous year: 20.4%). Based on the total number of employees, the share of female apprentices comes to 1.3%. That explains why the steady increase in the share of female apprentices and their permanent hiring does not make a bigger impact on the overall ratio of women in our workforce. Women hold 5.9% of management positions in the company (previous year: 5.8%).

As part of KRONES AG's involvement in the programme entitled "ffrauen führen – Regionale Bündnisse für Chancengleichheit" ("Women in Leadership – Regional Alliances for Equality"), KRONES has entered into a works agreement in which we undertake to:


- *set appropriate and realistic goals for increasing the share of women in management positions and*
- *develop concrete HR policy measures to achieve this goal.*

The increase in the share of women in management is to come primarily from within our own ranks. Our target is to bring the number of women in management up from the current 42 (5.8% of our 724 management personnel) to 52 in 2015.

We fundamentally welcome a steady increase in the share of female employees at KRONES AG. However, mechanical engineering is still largely a male domain so that forming mixed teams is a gradual process. The pay parity of male to female employees stands at 1:0.98 for unionised and exempt personnel and 1:0.91 for management.

According to the Association of German Engineers (VDI), only 17% of all actively employed engineers in Germany were women in 2010. The share of women in mechanical and electrical engineering is below 10%.

The share of women employed at KRONES' locations in Western Europe is 17.8%



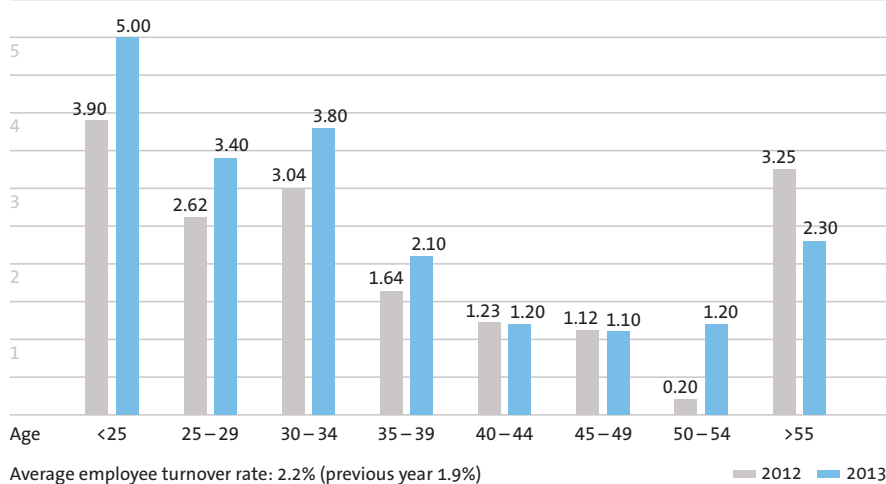
“Women can do the same jobs as men in technical professions, too. However, they may not immediately realise that themselves. It often takes some initial awareness work to break down popular prejudices. It is important to me that female employees get a chance to evolve their careers by tackling new tasks and issues. One should just take an objective look at their skills and talents. And, of course, there must be opportunities for women to contribute these skills and talents. It is not even a gender matter but generally a good idea that the needs of the individual and the company should be in harmony.”

*Diana Kraus, Head of Order Management,
Lifecycle Service Europe*

High company loyalty

At 2.2%, our 2013 employee turnover rate again reflects the strong loyalty of our employees to KRONES AG. And this rate includes all reasons for termination. Although the turnover rate has increased 0.3 percentage points year-on-year, it is still far below the 6.5% average for the mechanical engineering sector, indicating a very loyal workforce. We think that a higher turnover rate in the younger age groups is only natural. Younger people often have much more volatile lives both privately and professionally and their greater mobility exacerbates that.

KRONES AG employee turnover in 2013 (% based on the average number of employees)



The turnover rate based on employees who quit or resign is 1.4%

In line with the targets set out in last year's CSR report, we have also collected the employee turnover data for our European business locations. In some cases, the underlying data was not comparable. We have therefore opted not to present the data in this report.

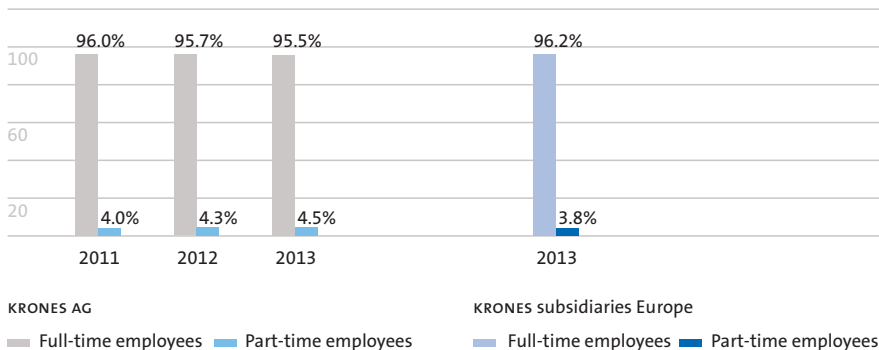
Work is a fundamental part of everybody’s life concept. As such, KRONES does not see work and life as opposing forces that need to be equalised. We consider it our duty to formulate meaningful jobs and work concepts that best meet the needs of our employees.

Balancing work and family

Using flexitime to help employees balance work and family is an important part of our HR management. This gives our employees the peace of mind to focus on their jobs. Standard flexitime accounts that allow employees to accumulate a surplus or deficit of up to 300 hours, long-term flexitime accounts, and the option of part-time work are traditional tools for enabling employees to shape their working and free time.

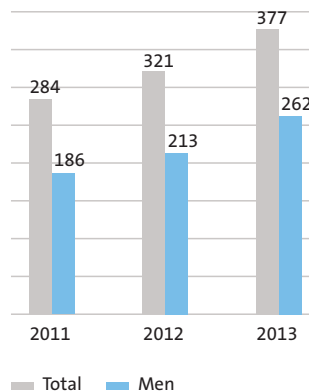
The concept and support structure for our Kroki day care facility are presented at www.kroki-neutraubling.de.

Full-time and part-time employment



Of our part-time employees, 75 (20.3%) are men. – KRONES supports its employees in taking statutory parental leave. The steady rise in employees going on parental leave shows that balancing work and family is important to them. KRONES helps parents stay in the workforce by supporting the KROKI daycare centre. KRONES entered into an agreement with a daycare centre in Raubling so that its Rosenheim staff can rest assured that their children are in good hands.

Employees on parental leave



Keeping your professional life flexible

Rebuilding your strength, reorienting your life, or gearing up for the next professional level ... there are many reasons to take a break from your current job. In 2013, 98 KRONES employees made use of our sabbatical option to take a time out from work. The corresponding works agreement took effect in 2008 and helped KRONES save costs in the crisis year of 2009. That our staff so broadly accepted this offer shows their strong need for new professional inspiration. The sabbatical option is open to employees that have been with KRONES for two or more years. Eligible employees can apply to take up to six months off at reduced pay and then return to the same job afterwards.

The reception of parental support and sabbaticals have alerted our HR management to the fact that helping our staff balance work and the rest of their lives is important and requires programmes that best allow them to do that. For 2014, we are planning to develop a programme for our exempt employees to take time off for personal reasons. We believe this group of employees especially deserves a dependable framework for flexible work time. Telecommuting has so far been handled without a fixed standard. We are planning to formulate uniform regulations for telecommuting group-wide.

Fair working conditions and cooperation based on trust are a fundamental part of our activities. Our participation in the UN Global Compact documents this commitment as we have made its ten universal principles the very basis of everything we do.

Freedom of assembly and fair and appropriate working conditions are an integral part of our Code of Conduct and binding for all KRONES employees. Employees whose pay is determined by collective agreement total 6,199 and make up 74.8% of KRONES AG's workforce (previous year: 75.1%). They are paid on the basis of a recognition agreement with the metalworkers' union IG Metall. The remaining 25.2% of our employees are exempt from collective agreements.



The provisions of the German Code-termination Act (Mitbestimmungsgesetz) ensure that KRONES AG employees are represented in the company's supervisory and monitoring body. The individual representatives are listed in KRONES AG's annual report. Thus, employee representatives can discuss and influence key business decisions with an impact on employment policy early in the process.

Comprehensive employee benefits

KRONES offers an extensive range of employee benefits. These are available not only to full-time employees but also to part-time employees. These benefits and the conditions attaching to them are available for all employees to see on our Intranet and are identical for all of our sites in Germany. With the revision of our conditions for temporary employment, we have also opened up access to KRONES AG's community facilities to our temporary employees. That is in keeping with § 13b of the German Labour Leasing Act (Arbeitnehmerüberlassungsgesetz).

Major benefits provided to employees include travel health insurance, group personal accident insurance, the in-house medical service, and access to the company health insurance fund. In addition, we also offer our employees a hardship bonus for shift work, a commuting allowance, and reimbursement of travel costs. The Hermann-Kronseder-Unterstützungskasse assistance fund paid out around €170,000 to employees to assist in circumstances of special need in 2013.



“Given the increase in the number of employees overall, the Central Works Council of KRONES AG will consist of 83 members, of which 17 are exempted from their regular work, as of the 2014 Works Council elections. Of these, 31 members of the Central Works Council are elected at the Neutraubling site. The remaining Works Council seats are distributed among the other sites in Germany. The regular meeting of the Central Works Council in April 2014 passed a resolution on establishing a Group Works Council.”

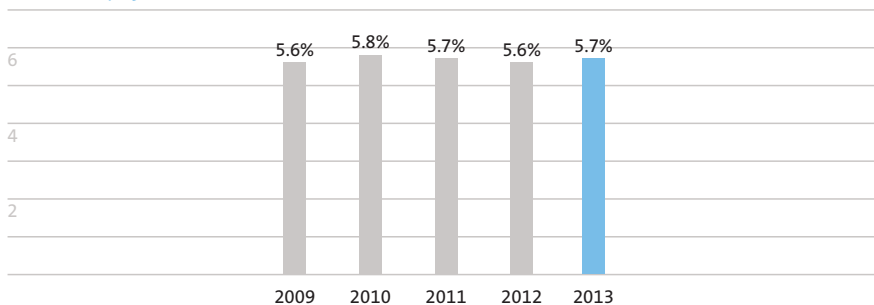
Werner Schrödl, Chairman of the Central Works Council

Health programmes draw strong interest

Many factors influence people and we can't always avoid getting sick. KRONES offers an extensive array of health services to help our employees get advice on staying healthy and implement that advice in their day-to-day work. The Works Council, company counselling service, in-house medical service, and company health insurance fund (BKK KRONES), are all involved in developing these programmes.

Our human resources department has set a goal of coordinating and expanding the variety of programmes offered to support employees who are unable to work as well as prevention programmes. The aim is to establish a company-wide occupational health management system at KRONES.

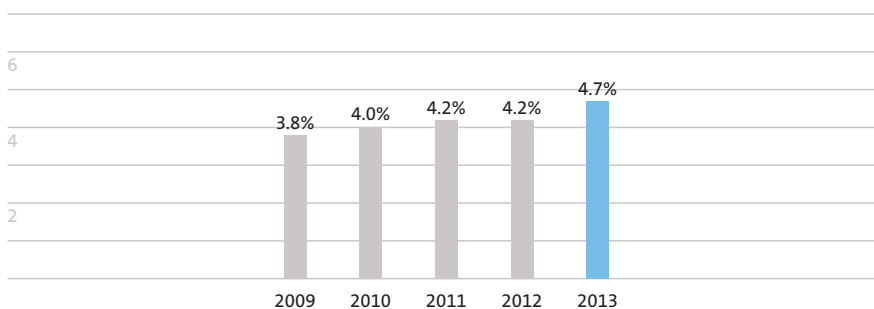
Disabled employees at KRONES AG



Of course, KRONES also includes employees with disability or equal status in its activities. These employees made up 5.7% of our workforce in the year under review. The disabled employees' representatives convene for regular meetings to discuss this employee group's working conditions and needs.

Providing health services to employees at risk of addiction is a difficult task for supervisors and HR business partners alike. KRONES has signed a works agreement that lays out the individual steps involved in working with these employees and gives clear guidelines for how to best support at-risk employees.

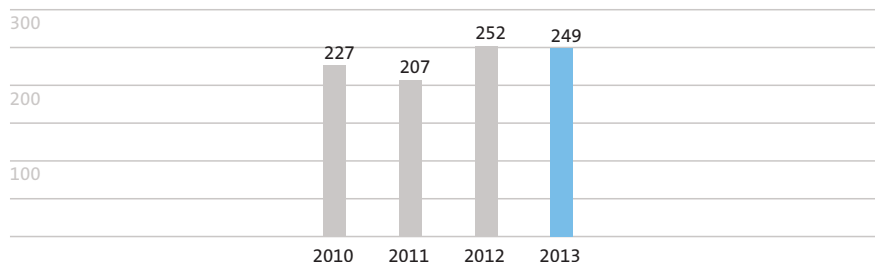
Absenteeism at KRONES AG



In the medium term, we will develop a detailed program for health management in collaboration with employee representatives, the counselling service, and the in-house medical service.

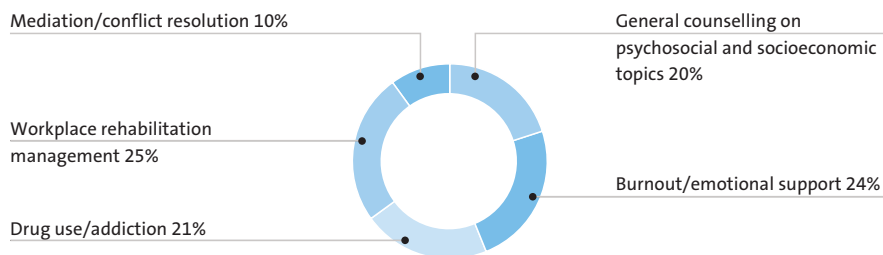
10 years of in-house counselling service

Counselling cases at KRONES AG



KRONES AG has been offering its employees discrete and unbureaucratic help through its in-house counselling service for ten years. The counselling service offers assistance for both professional and personal problems, initiates support measures, or arranges professional assistance for tasks outside the sphere of KRONES corporate responsibility.

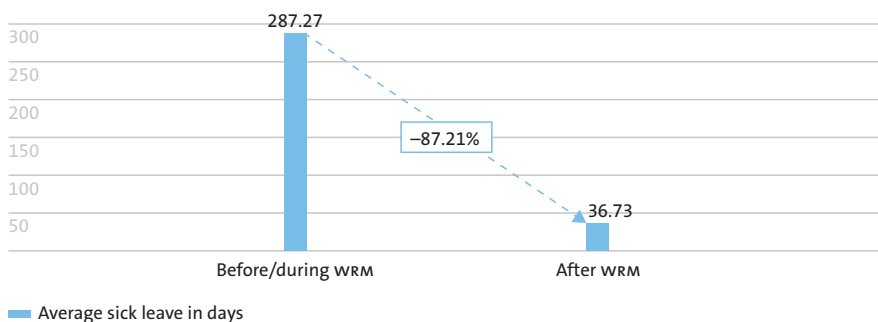
Main counselling topics in 2013, KRONES AG



A primary focus of the counselling service is on workplace rehabilitation management (WRM) for employees that have been on sick leave for more than six weeks and need to be gradually brought back into their work routine. The employee, the counselling service, an HR business partner, the Works Council, and a disabled employees' representative collaborate in this process. The corporate WRM guideline regulates the rehabilitation process through a set of steps referring to the respective contacts. In 2013, this programme helped 15 employees take on new tasks or activities compatible with their abilities and, when necessary, with special equipment adjusted to their physical needs so that their know-how and skills remain with our company. We can already see that there will be even more need for this programme in 2014 just based on the first-quarter case load.

Since 2004, employers have been legally required (according to § 84 (2), Volume nine of the German Social Security Code) to offer workplace rehabilitation management (WRM) for long-term sick employees. WRM serves to maintain an individual team member's employment and employability through early intervention.

Workplace rehabilitation management (WRM), result of measures



Before WRM measures, the disability absence of long-term sick employees averaged 287.27 days. After the measures were implemented, disability absence of the affected employees averaged 36.73 days.

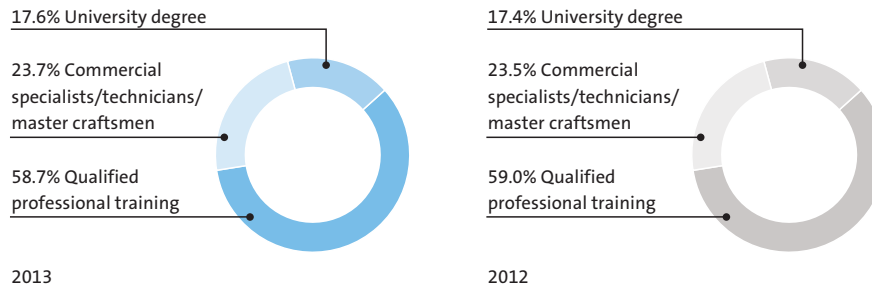


“Workplace rehabilitation management demonstrates that we have a good chance of reintegrating some long-term sick employees into our work organisation. A thorough analysis of their needs and requirements is a good basis for finding suitable and workable solutions for them. This is a very satisfying way to help them regain and secure employees and their ability to work.”

Wolfgang Bernkopf, Counselling Service

Our focus is on qualification – having employees who are optimally prepared to handle the tasks involved in their work in all areas of production and business enables us to deliver top performance in terms of quality, speed, and service.

Employee qualifications in Germany



Identifying and promoting competence

In 2013, we conducted career development reviews with 4,600 employees (2012: 4,500 employees). In addition, 450 employees (previous year: 270) participated in group development reviews. This form of competence management is designed for production staff involved in group work.

In these development reviews, employees and their supervisors work together to identify any need for further training or qualification for the year ahead. This approach helps us ensure that all employees have access to targeted, strategically appropriate development opportunities. In addition, a catalogue of existing competences and needs is presented in a transparent way. This results in efficient use of our continuing education and training budget.

In all, participation in various courses and seminars to support the development of our employees' skills and expertise totalled 20,300 in 2013 (2012: 18,200) and the budget came to €2.9 million (2012: €2.5 million). These course offerings were utilised by 5,930 employees (2012: 5,820 employees), who booked their courses from a catalogue of 570 options through our training portal.

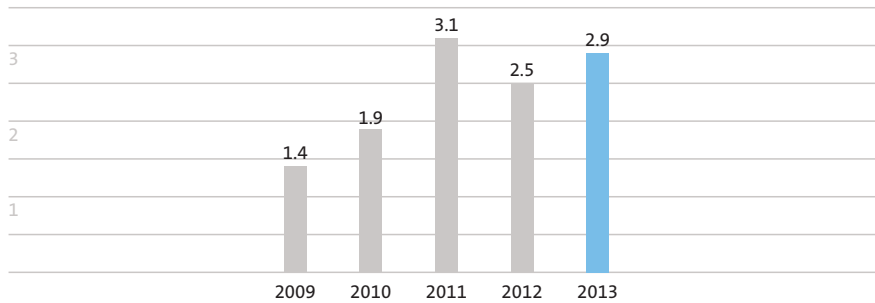
On average, €490 of the total continuing education budget went towards each participant in a continuing education or training course in 2013.

Every training measure will be monitored and evaluated: The participants complete a questionnaire in which they rate the items “information and topicality”, “content”, “practical relevance and applicability”, and the lecturer. In interdisciplinary courses, we furthermore send out questionnaires on the learning results after about three months that serve to rate the applicability of the learned content in practice.

The continued learning measures focused, among other things, on integrating KRONES colleagues from our locations abroad: The product portfolio courses on new machinery and LCS courses attracted a total of 66 international participants. Other key subjects included TPM and lean management, quality management, presentations for product specialists, and systems and software.

We are also offering a topical curriculum of our corporate continued learning courses at our locations abroad. In 2013, we went international with our KRONES Service Code course that teaches our sales force valuable communication tools for working with customers and on-site teams.

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



Leadership development is another core feature of our continued learning activities. These courses have been supporting our managers in their tasks since 2005. In 2013, 160 employees enrolled in the leadership seminar and a follow-up session for in-depth discussion of leadership and communication tools to use in their management tasks.

We supplement this course with management feedback where the participants get anonymous feedback from their staff to promote reflection and leadership competence development. This gives our management talent a differentiated and comprehensive picture of how their staff perceives their leadership style and inspiration for their management techniques. It also gives the staff an opportunity to communicate their impressions, expectations, and needs to the manager through the feedback process.



“We have established a feedback process as a key component of our leadership development to help managers in their professional growth. In 2013, 86 managers used the feedback process for the first time. Some 600 staffers had the opportunity to anonymously give their managers systematic feedback.”

*Doris Pechler, Vice President,
Head of Personnel Development*

Expanding international horizons

Another option for KRONES employees to develop professionally and gather experience is our international exchange programme, Across Borders. This programme allows our employees to gather professional experience at KRONES locations abroad. New workplace requirements often include international communication skills. In 2013, KRONES launched its Across Borders programme to promote international exchange among KRONES employees around the globe.

Last year, 15 of our employees went abroad to another KRONES location for six months, where they got to learn new processes and work on projects with their colleagues on site. The spirit of the programme is that colleagues from all over the world will be able to work well together on future projects when they learn to communicate know-how both ways. In 2013, the Across Borders programme sent employees to Kenya, South Africa, Brazil, Thailand, Denmark, China, and Indonesia. KRONES employees from China and South Africa came to Neutraubling to expand their professional horizons and make friends with their German colleagues.



“Africa is one of the most important target markets for KRONES cleaning machinery. That is why I applied for a work exchange to Kenya through the Across Borders programme. I learned much there about the local conditions for our machines on customer sites. As a result, I will be able to better assist in the development of machinery optimised for this market going forward. Over numerous meetings with customers in Kenya, I also learned a lot about the needs of our customers there. I was even able to help my Kenyan colleagues with technical tips, for instance, in service and repair, upgrade installations, or water saving measures.”

Frank Hartmann, Order Clarification and Order Processing, Product Treatment and Cleaning Technology

Africa and China – Qualification and training projects



Our Nairobi training programme offers local service staff a compact course on metalworking and wiring basics. The participants are KRONES employees in extended job training.

KRONES team member, Ishmael Nyasani, is working on electrical installations at our Neutraubling factory.

In the second half of 2013, we launched a project to improve training structures in Africa for a broader technical qualification of our local employees. Our modular training series teaches about 25 employees at our Nairobi, Kenya, location the fundamentals of technical requirements they need to know for servicing our machines and plants. When the programme finishes at the end of 2014, we will have a local staff with uniform technical expertise to serve our customers on site. One of the long-term objectives of this programme is to collaborate with local technical schools and the Kenyan government to improve training structures there. Our goal is to establish a 2-year training programme by the end of 2015. This is how KRONES supports the revamping of the local training system.

In contrast to Africa, where our qualification programme trains service staff who are already active, our Chinese programme offers vocational training to high-school graduates. We are continuing the vocational training programme that we started in 2012 in China. Last year, we admitted a total of 72 new students, who will get their professional qualification over a period of three and a half years. The new students are 39 future mechatronics engineers and 33 aspiring metal milling machinists.

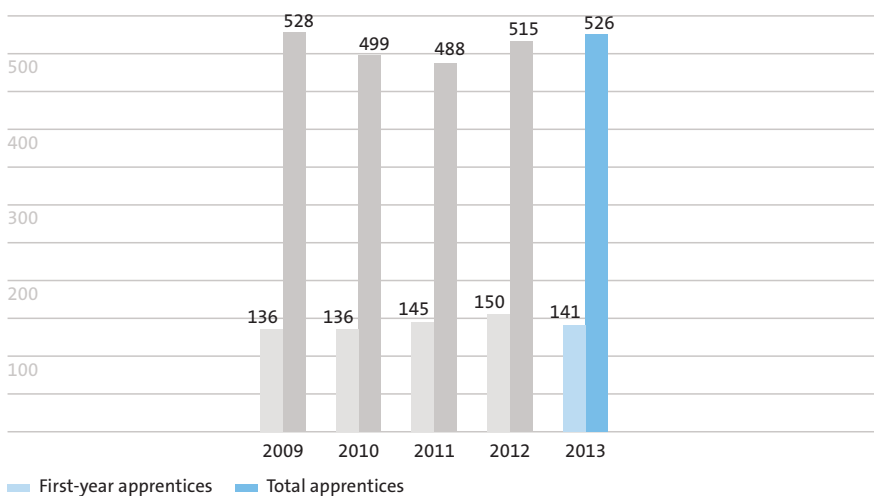
Constant commitment to training

With a training rate of 6.0% (previous year: 5.8%), we continue to pursue a strategy of growing most of our young talent in our own apprenticeship programmes. This ensures the highest possible knowledge and understanding of the work involved in our industry. With these apprentices and trainees, we have a supply of highly motivated young people who are acquiring the skills and knowledge they will need for manufacturing and marketing our machines and lines right from their first day of training. In 2013, 141 new apprentices started their careers at KRONES.

Of the young people employed in vocational training programmes, 377 (previous year: 368) were in industrial/technical fields and 69 were in commercial programmes. Eighty (80) young people are currently pursuing a dual course of vocational training and university study at KRONES. We were able to once again increase the share of female apprentices to 22.1% (2012: 20.4%).

We were able to offer all of our apprentices jobs upon completion of their vocational training again in 2013. Going forward, the company's policy for hiring apprentices will be closely linked to our growth strategy since we do not intend to pursue further growth in Germany. We do not plan to further grow our workforce in Germany. However, given the low rate of age-related attrition, this is precisely what would happen if we were to permanently hire all of our apprentices. For this reason, we will have to revamp our hiring policies with this in mind. However, to offset this change and support school leavers, we have increased the number of spots in our vocational training programmes. We are confident that young people who have trained at KRONES will leave with outstanding qualifications and the skills they will need to have the best chances of a good start to their careers.

Apprentices at KRONES AG (total and first-year)



KRONES permanently hired all trainees completing their vocational training in 2013.

Apprentices starting in 2013, after secondary school

Level of school completed	Number	Percent of total
Completed middle school	13	9%
Completed mid-level secondary school or equivalent	95	67%
University entrance qualification or entrance qualification for studying at a university of applied sciences (Abitur/Fachabitur)	33	24%
Total	141	100%

Excluding MAINTEC, including the apprentices taken over from other companies (2 apprentices)

Optimum conditions for vocational training

Our vocational training programmes are continually benefiting from building optimisation measures. KRONES AG invested €211,000 in a state-of-the-art training centre at its Freising site. The most important goal of the conversion of the 315 square meter hall was to create optimum working conditions for the apprentices. Merging the separate work areas for welding and machining into a single complex including a training classroom and an office for the master craftsmen has brought everything much closer together and simplified supervision of both areas. At present, 25 young people are in vocational training at Freising – primarily in the fields of plant fitting (with a focus on sheet metal working and welding) and milling machine operation (with a focus on turning and milling). In addition, the site has three technical product designers, who must also complete a basic course in metalworking, and a warehouse logistics specialist.



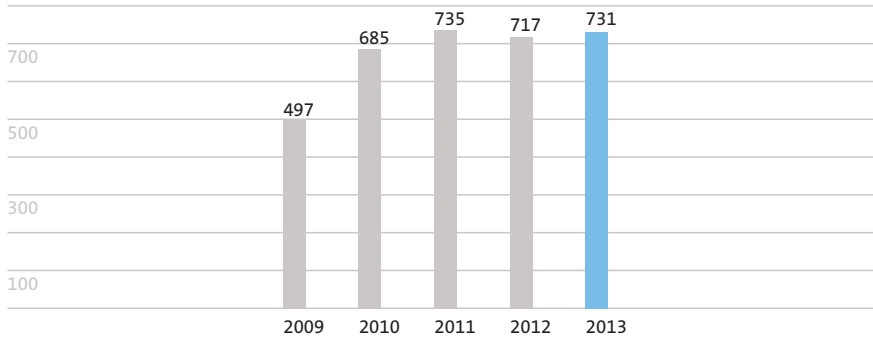
Varied training programme

Our need-oriented staff development is constantly adding new programmes that are custom-tailored to individual interest groups and requirement profiles. Last year, for instance, we integrated the first four trainees into our distribution organisation after 15 months of training. After this intense on-the-job training they are now working on project business in China, North America, and Japan. A second group started training in February 2013. From 2014 onwards, we will start two trainee programmes in project management distribution per year thanks to the highly positive experience with the initial programme both on the part of trainees and the company alike.

According to information from the German Engineering Federation (VDMA), the training ratio in Germany's machinery sector has for years been over 6%.

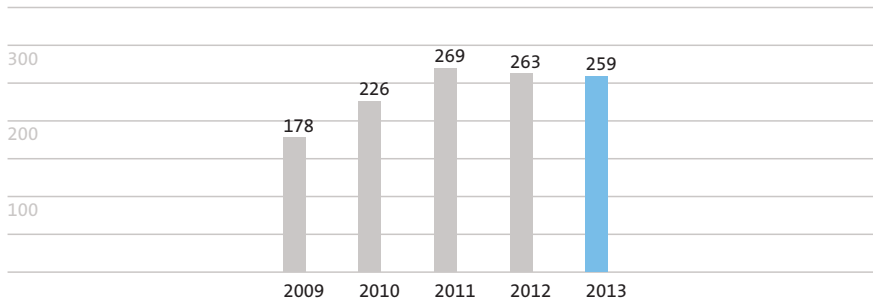
The Start-Up Engineering programme launched in March 2013 and will take a very different approach. Four graduates of the dual course of vocational training and university study and scholarship recipients from KRONES AG in the mechanical and electrical engineering departments will receive extensive engineering training during a work-study tour de force through various technical departments, making them well-rounded generalists. The graduated engineers can then go on troubleshooting in various product areas as needed.

Interns at KRONES AG



The granting of internships and thesis-writing opportunities is another important aspect of training and recruiting at KRONES. We offer around 1,000 career entrants and students a look into specific job profiles and thus first opportunities to apply their theoretical knowledge in practice with numerous topics from the various areas of our business – in close collaboration with the respective universities.

Theses written at KRONES AG





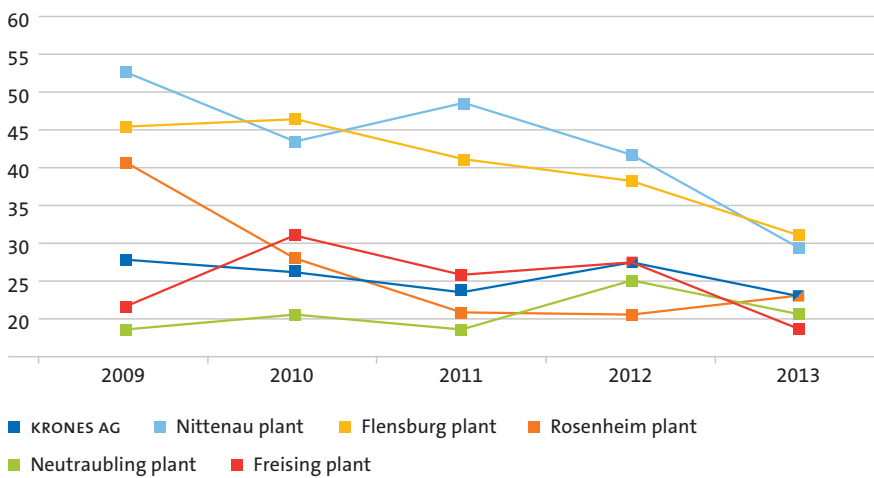
“Constancy in human resources policy is one of the keys to our success. We are always collaborating as partners with our employee representatives in developing long-term concepts that give KRONES visibility in human resources planning and our staff job security. Our employees’ strong loyalty and dedication to KRONES as well as our reputation as a desirable employer confirm us in this approach.”

Andreas Horn, Senior Vice President, Head of Human Resources and Social Affairs

Work-related accidents down considerably

The success of our vigilance with respect to all aspects of occupational safety is clear in our accident rate of 23.1 reportable accidents (1 or more days of lost time) per 1,000 employees for all of our German plants (representing 75% of KRONES Group employees). That is a 15% reduction from 2012. All of our plants, with the exception of Rosenheim, have reduced their accident numbers significantly from the previous year. Considerable progress towards reducing work-related accidents was achieved in Nittenau and Flensburg. In the previous three years, there have been around 40 work-related accidents per 1,000 employees each year here. Targeted measures in the area of occupational safety at these sites, such as the introduction of TPM Pillar 8 (Safety, Health, Environment) and stepped-up, systematic workplace inspections, are yielding effects. For 2013, both plants were able to achieve accident rates of 30 or fewer.

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



The accident rate for three or more days of lost time provides a good basis for comparison since our membership in the Berufsgenossenschaft Holz und Metall (employers' liability insurance association for wood and metal workers) gives us a rate for comparison. With 17.1 reportable accidents resulting in three or more days of lost time per 1,000 employees (2012: 18.8), KRONES has less than half as many such accidents as the industry average reported by the employers' liability insurance association (40.9 in 2012).

With IMS certification for our site in São Paulo, Brazil, complete, we now have occupational safety data for a site outside Germany: The rate of accidents per 1,000 employees resulting in 1 or more days of lost time came to 14.3 there (previous year: 12.6).

Occupational health and safety management is certified under BS OHSAS 18001. This covers all of our German sites as well as, currently, the production sites in Brazil and (since December 2013) China. That means 9,421 of our employees are covered by these occupational safety and health activities.

For 2014, we are working to extend these measures to our production site in the USA and to obtain certification there as well. Our other LCS Centres are not yet included in this programme and base their efforts on local laws. We are working to include these sites by establishing uniform standards and processes in a multi-year project.

In absolute terms, the data from our Rosenheim plant show two more accidents than in the previous year – the increase can be attributed to the high level of capacity utilisation and construction projects underway to expand the facility.

Regulatory framework for occupational safety and health

The safety and health of all of our employees is a top priority for KRONES. This principle is firmly established in our Code of Conduct. All of KRONES' activities are in keeping with uniform, externally certified rules for occupational safety, which were defined as part of the OHSAS certification and the Occupational Health and Risk Management System (OHRIS). These provisions go above and beyond regulatory requirements. In addition, we influence our external partners' occupational safety and environmental protection activities.

Every employee is instructed on general and workplace-specific safety topics by their manager or supervisor at least once a year. This also includes new hires and temporary employees. Comprehensive rules and standards govern the way we handle occupational safety at our German sites. As a result, no formal agreements with trade unions are needed. Employee representatives exercise their legal right to be involved in matters of occupational health and safety by way of the committee on "occupational safety, health protection, workplace design, and environmental protection at work" as well as participation in the legally mandated formal occupational safety committees for each individual plant. As a result, 100% of the total workforce is represented on KRONES AG's occupational health and safety committees.

Targeted actions and competent teams ensure safety

Our emergency response team in Neutraubling provides rapid assistance when something happens. Whether it's a fire alarm, water damage, hazardous weather, or a work-related accident, the team handles the situation for those crucial first minutes following the event until external help arrives on the scene. In all, 11 employees from the central company safety and health department and 25 external factory security personnel make up the team in cooperation with the in-house medical service.

KRONES organises regular safety training courses on specific topics, which are then held at all of the German sites.

In 2013, fire safety days and "light week" were held at all five German plants. In addition, evacuation drills were conducted in accordance with a group policy to prepare employees for such a situation.

The LCS Centres conduct their own training sessions and focus activities in accordance with local requirements. In Brazil, for example, this also includes information about AIDS.

KRONES AG donated €275,000 to victims of the one-hundred year flood of the Danube and Inn Rivers. Employees showed great solidarity with their fellow citizens and opted to forgo their annual company parties at all sites and instead have those funds donated.

“Good relationships with our neighbours and the surrounding communities become apparent not only in our day-to-day business but especially when the unexpected happens. At these times, want to stand by our fellow citizens, making unbureaucratic decisions and getting help to them fast.”

Roland Pokorny, Vice President, Head of Corporate Communications

Engaging with all stakeholders

KRONES maintains intensive communication with all stakeholders about company activities. We see our relationship with each stakeholder as a partnership, which means we pursue an open and constructive dialogue with them – a policy that is also incorporated into our Code of Conduct.

Corporate compliance plays a direct role in all of our business processes. In 2013, we fundamentally reorganised this aspect of our business, integrating a Compliance Officer to meet proper process requirements. Our CSR Committee handles socio-political and social issues, addressing current questions and assessing their relevance to our business. We use these assessments to develop proposals that are then introduced by the responsible committees. For example, our charitable giving committee, which coordinates all charitable giving and sponsorship activities, was established this way. The committee follows our charitable giving policy, which includes specific fund allocation guidelines. Our management approach to community involvement excludes donations to political parties. We refuse to support any political party and have stipulated such in our charitable giving policy.

An important aspect of our external communications and our dialogue with the various stakeholders is our collaboration with associations. We are involved in many technical and scientific committees, which facilitate and support the advancement of science while ensuring that our employees have access to information on cutting-edge research.

We are open to new forms of communication and integrate them into our communications system. This is also how we connect with interested parties and offer fast and timely information.

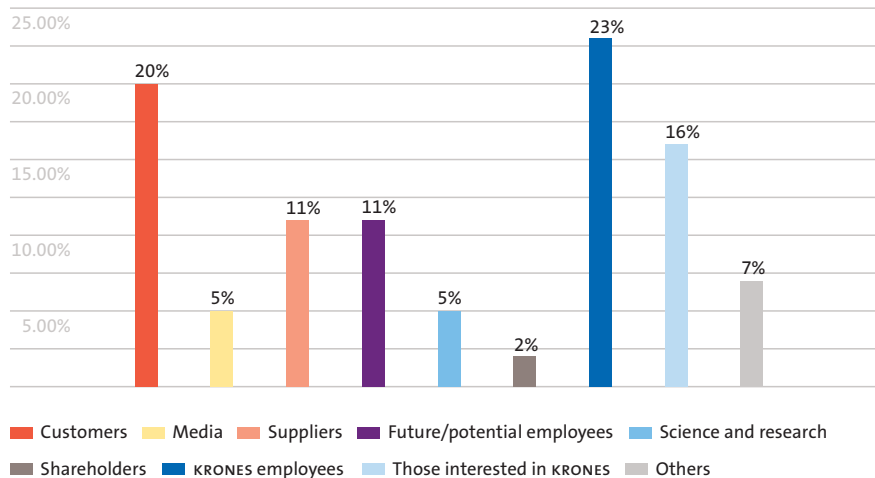
In order to ensure that we are engaging our stakeholders properly and responding to their concerns in the medium and long term, we conduct online and in-person surveys on a variety of topics. We use the results of these ongoing activities to further develop our stakeholder dialogue strategy.

Because of the importance of all aspects of compliance, we discuss corruption, proper competitive behaviour, and compliance with the law in the general portion of this Sustainability Report.

Offering multiple paths to dialogue

Our goal is to fully engage each individual stakeholder and deliver comprehensive information, and we use a tailored communications approach to achieve it. In August and September 2013, we surveyed our stakeholders in an effort to evaluate our external communications and gather insights about the importance of our various communications channels. We chose three different ways to connect with our stakeholders, placing the survey on the KRONES homepage, our Facebook page, and on iPads at the drinktec 2013. Of the 2,983 people who clicked on the survey, 545 completed it.

Evaluation of the KRONES Group's external communication – survey participants



40% of shareholders, customers, and members of the scientific/research community alike considered the Sustainability Report an important communication medium.

In addition to asking about current preferences for receiving information, we also inquired about future expectations and shifts in how a number of information channels are being used. We found that 55% of respondents anticipate sourcing their news more from social media channels and newsletters in the future.

There is also growing interest in the Sustainability Report as a source of information. While 31% of those surveyed currently use this medium, 37% indicated they would reference it more in the future.

People continue to place importance on personal contact with companies. Our survey showed an interest in taking greater advantage of road shows, symposiums, conferences, and expert dialogues in the future.

Seeing our sustainability through the eyes of others

KRONES chooses to pursue sustainable activities because we believe that protecting resources is an important aspect of our corporate strategy and not because it might improve our image among stakeholders, investors or analysts. We understand that sustainability is a permanent part of doing business – and that there is still much room for improvement. Yet when we score better than other companies in this area, can't help but feel good. It reaffirms our choice.

In November 2013, KRONES AG received the German Investor's Award for Responsible Business Practices. Volkswagen AG shared the honour with KRONES. Companies were analysed on the basis of the "key performance indicators for extra/non financials" from DVFA/EFFAS and Sustainalytics core data. Prof. Dr. Alexander Bassen of the University of Hamburg provided accompanying scientific support for the survey. The recipients of the award also had to fulfil qualitative requirements of the Environmental, Social & Governance Panel, which ultimately decided on the prizes awarded.

By having our sustainability activities assessed by external rating agencies, we also obtain important suggestions for how to handle matters relating to all aspects of sustainable business practices and potential for further development in this area.

We also offer a continuous supply of investor relations information, including traditional financial market information and all of the key performance indicators relevant to a listed company.

Associations – a platform for dialogue

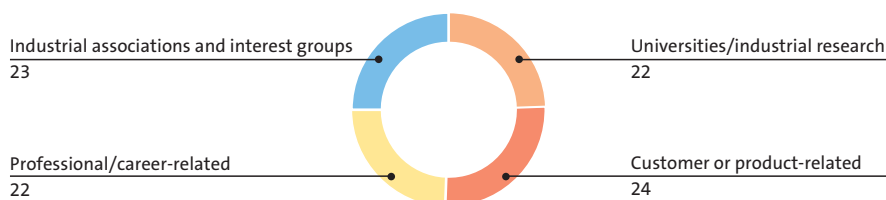
By maintaining memberships in select associations, we ensure that our employees have useful and precise information on relevant topics. These memberships also provide the opportunity to portray our company to the outside world. We are represented in the industry's most important boards and use them as a platform for ongoing dialogue on the latest developments. For example, our Executive Board Chairman sits on the Board of the German Engineering Federation (Verband Deutscher Maschinen- und Anlagenbau or VDMA). This allows us to help promote the image of the member companies in the industry as well as inform and shape policymaker opinion. We do not take individual positions, but instead participate in the discussion and the formation of an industry opinion.

Thus, under no circumstances does KRONES take a separate, formal position on current issues.

KRONES is one of Germany's top employers. That was the conclusion that the news magazine Focus in collaboration with the online portal Xing and employer rating portal Kununu drew based on an independent survey. In the industry ranking for "machinery and systems engineering, multiple technologies", KRONES AG ranked 18th in Germany and 4th in the state of Bavaria.

Beyond this important membership in our broad-based industry organisation, we are involved in many other associations in order to take advantage of the opportunity to further advance research and keep up with the latest in administrative and organisational issues.

Memberships in associations in 2013, by focus



Strong employee integration

The strong sense of identification with the company among our employees – also reflected in our very low turnover – is a valuable component of our corporate identity. We foster this by keeping our staff regularly informed in our employee magazine Inside KRONES, which is published three times a year. Beyond reporting on the company's strategic focus, we also highlight employee accomplishments – everything from winning professional competitions to achieving results that move the company forward.

The magazine also devotes, for example, a lot of space to the sustainable use of our resources. Topics like these are maintained and rated in our KRONES Brainpool platform. We publish the best proposals in Inside KRONES.

In 2013, our staff submitted around 3,400 ideas that resulted in a total company savings of €4.37 million. These creative people developed 340 ideas for improvement in quality, energy and environmental protection alone, some 190 of which were put into practice in the same year. The proposals included everything from complex ideas for optimising the separation of shredded test bottles or improving the control of refrigerant dryer systems to simple ideas for reusing packaging and transport materials or extending the life of coolants.

All employees can actively suggest improvements, including those relating to all aspects of sustainability, through the Brainpool.

Plant tours provide first-hand look

KRONES is a major employer at each of its sites. The company's importance in each region is also reflected in the continued interest state governments and local communities have in our facilities. In 2013, Torsten Albig, Premier of the State of Schleswig-Holstein, visited our plant in Flensburg. Gabriele Bauer, the Mayor of Rosenheim, is in close contact with Rosenheim plant management and has been present on several occasions to celebrate new construction projects.

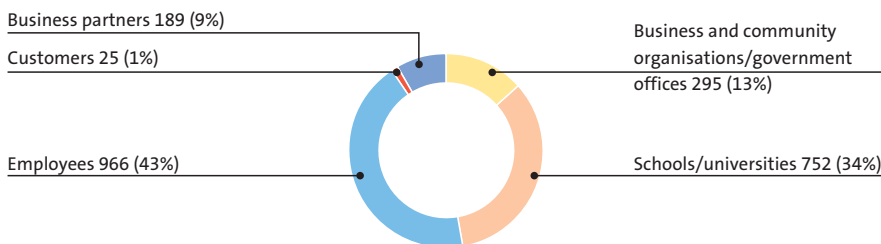
Other stakeholders who reside near our plants – such as family members of employees or regional organisations – continue to show an interest in our company.

As a result of this high interest in our production facilities, we offer tours of our Neutraubling site to employees and their family members. In 2013, the high demand for these tours made it necessary to reorganise the visitation process. In order to make the tours as readily accessible as possible to our employees without the need for additional staff, we were able to bring on a team of company pensioners to be guides.



Rosenheim Mayor Gabriele Bauer (centre), Dr. Götz Brühl, CEO of the Rosenheim public utility company (left), and Dr. Helmut Schwarz, Senior Vice President Rosenheim plant (right), open the pedestrian bridge linking the Rosenheim plant to the district heating.

Visitor groups in 2013 – Number of groups by category (% of total)



Visitors total 2013: 2,227

We also receive visits from groups of university students. Our recruiting specialists generally handle these tours.

As a B2B company, we always assess visitor groups in terms of their relevance as stakeholders as part of the scheduling process. Only very limited access to the plant floor is permitted in order to avoid compromising our production operations. In 2013, we welcomed 2,227 visitors in 84 groups.

Another way we recruit young people is to participate in recruiting and university events. As in 2012, we took part in a total of 63 recruiting events and one business simulation in 2013.

Our central visitor management system documents all tours for groups that represent stakeholders interested in our company. Customers who wish to visit and have a look at our production processes are given tours by the sales team and therefore do not normally appear in the general visitor register.

In addition to our routine visitation schedule, we give tours to pupils led by master craftsmen from our training workshops.

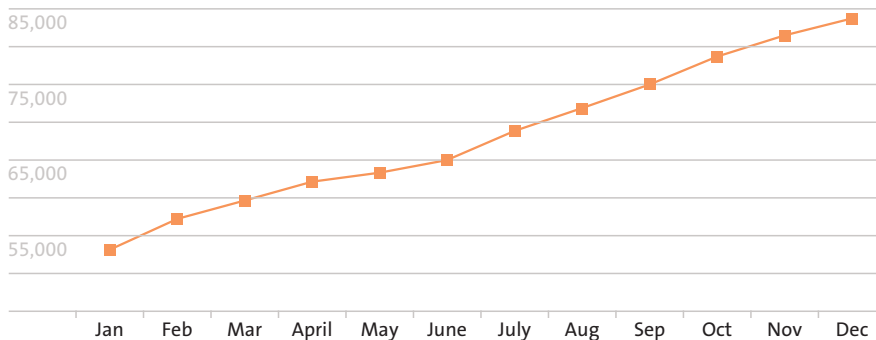
Social Media – an important communications tool

Corporate Social Media is a very important tool at KRONES to reinforce our employer brand. Our social channels are places where lively discussions take place between internal communicators and external stakeholders. This dialogue bolsters our brand reputation, a trend also reflected in the quantity and quality of the applications we are receiving. The positive image KRONES enjoys is a primary reason for the high interest from applicants. The excellent communication and human approach on our social channels are the result of the close cooperation between Corporate Communications and Human Resources.

We employ a Social Media mix that covers all contemporary channels, allowing potential new recruits to decide for themselves how to get an impression of our company. With the goal of reaching a wide target audience, we offer diverse, informative, and entertaining content on Facebook, Twitter, and our blog, among others.

According to www.karriere.de, 98% of applicants take reviews from social media into account in their job search – whether from career pages on Facebook or business platforms like Xing.

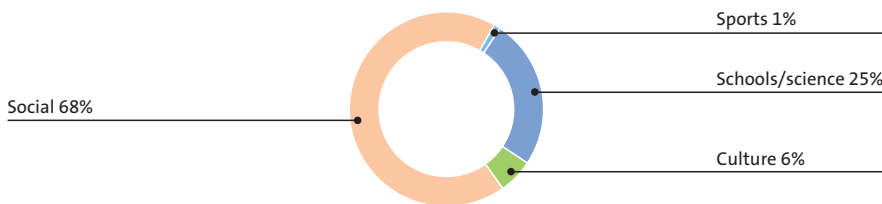
KRONES AG's Facebook fans in 2013



KRONES has a charitable giving policy for all charitable giving and sponsorship activities. It is binding for all decisions made by the charitable giving committee. In 2013, around €553,000 was made available to a number of interest groups. A portion of the budget is used for day care centres in Neutraubling and Rosenheim. These day care centres offer childcare to the children of KRONES employees as well as other community members in accordance with the local community operating license. In that respect, our funding also contributes to the community as a whole.

No donations are made to political parties. That is specified in our charitable giving policy.

Beneficiaries in 2013, by focus



When allocating other funds for charitable giving, we generally look for a connection to the company and try to involve our other plants in addition to Neutraubling. This is also stipulated in the charitable giving policy.

We made a special, unplanned donation in the wake of the flood, which engulfed wide swaths of land and the homes of many members of the community around the Danube River as well as the Inn River near our production facility. In an unprecedented act of solidarity, KRONES employees at all sites cancelled the annual company party and as a result we were able to donate €275,000 to rebuilding in the affected regions. KRONES also gave its employees time off work to volunteer with the volunteer fire brigade, THW (Federal Agency for Technical Relief), water rescue, DLRG (German Life Saving Association), and other aid organisations. If we take into account the resulting 560 or so absences – costs that will not be passed on to the communities – KRONES ultimately contributed another more than €200,000 to the flood relief.

The promised donations exclude administrative costs and will be paid in full to the recipients.

After the devastating Typhoon Haiyan in the Philippines, KRONES provided rapid aid outside its charitable giving budget, with no red tape.

Due to the poor drinking water conditions caused by the typhoon, KRONES chose an unconventional form of aid, purchasing 180,000 water bottles for €30,000.

The bottles were filled locally by Philippine Spring Water Resources Inc. and Nature's Spring. Together with the Philippine National Red Cross and the ABS-CBN Sagip Kapamilya Foundation, Alberto Diego, Head of Philippine Representative Office, helped distribute the water to the affected cities.



Dialogue with our stakeholders is a very important aspect of our presence at drinktec. Our fair concept included the presentation of our machinery programme, with all of the new developments, as well as information about our LCS programme and the extensive range of services we offer our customers after they purchase their machines and lines from us. In a survey conducted among employees surrounding the fair, our sales staff confirmed that aspects of sustainability were an important factor for our customers.

Company/Economic – Goals and actions

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	Topics integrated into editorial calendar
	■ Annual sustainability report	Ongoing, yearly May 2016	Sustainability Report 2013 and 2014 in accordance with GRI Guidelines, Version 3.1 Sustainability Report 2015 in accordance with GRI Guidelines, Version 4
	■ Ongoing updates to the “sustainability” section of our Intranet	Complete 2014	Restructured this area and added current information Update area to match current CSR issues
	■ Develop a universal CSR campaign for internal use	2013 2014	No concept for has been developed for CSR campaign (priority went to quality-gates campaign) Define framework for CSR campaign
Include KRONES' European sales organisations in our sustainability reporting	■ Information on requirements under GRI Guidelines	Complete 2014	Information on selected indicators gathered from our European offices Data survey on selected indicators
	■ Define first indicators	2014 May 2014	Data delivery partially complete Data delivery on the same basis possible only starting in 2014 Presentation of some individual indicators in CSR report 2013 complete
	■ Develop sustainability topics relevant to the company and prepare action plan	June 2013 2014–2015	Draft action plan developed Further development and verification needed
Develop CSR Strategy 2015	■ Develop sustainability topics relevant to the company and prepare action plan	June 2013 2014–2015	Draft action plan developed Further development and verification needed
Improve our sustainability rating	■ Communicate with analysts and investors on sustainable investment	Ongoing 2014–2015	Participating in informational events on a regular basis Stepping up communication with analysts
Launch KRONES Intranet at our sites worldwide	■ Develop a concept	2015	Concept phase begun
	■ Pilot project at KRONES Inc.		Pilot project in development

Goals	Actions	Target date	Status
Evolve enviro	■ Transfer aspects of enviro onto LCS services	Ongoing	Retrofit packages with high energy and media efficiency are available, categorised by purpose; retrofit services are being expanded continuously
enviro assessment of all machine types by 2015	■ Expand machine programme to include 30 upgrades	2013	Assessment of 60 machines complete
	■ Conduct 12 more individual assessments	2014	Assessments begun
	■ enviro assessment of 2 Contiform 3 series (H and SC)	September 2014	Partially complete, Contiform C3 and C3 Asept were assessed under enviro for drinktec Assessment of Contiform C3H and SC still outstanding; C3H not yet on the market
	■ enviro assessment of 4 products in process technology for breweries	Complete	Assessments completed for drinktec: CombiCube B, F, Stromboli, EquiTherm
	■ enviro assessment of 4 products in labelling technology	Complete	Assessment of 2 modular labellers and cold-glue, Autocol, and Controll labelling stations
	■ enviro assessment of 4 monitoring/inspection systems in inspection technology	Complete	Assessment of individual Checkmat models EB1 and FB1

Goals	Actions	Target date	Status
	<ul style="list-style-type: none"> enviro assessment of 3 products in process technology for non-alcoholic beverages 	Complete	Assessment of VarioSpin, SyPro S, and Hydronic
	<ul style="list-style-type: none"> Develop filling technology with lower compressed air consumption 	Complete	Presentation of pneumatics-free PFR filling valve
	<ul style="list-style-type: none"> Reduce amount of media used in filling technology 	Complete	Continuous optimisation
	<ul style="list-style-type: none"> Examine sustainability strategies of third-party machinery suppliers and their documentation 	In progress	Supplier survey conducted, analysis in progress, no further steps planned at this time
	<ul style="list-style-type: none"> Improve resource efficiency of bottle washers 	Ongoing	First improvements achieved, further optimisation in progress such as conversion to IÆ3 drives
Launch enviro 2.0	<ul style="list-style-type: none"> Assess process models instead of individual machines Transferability of assemblies to machine, system, and line level Step up communication of the added value that enviro offers customers 	mid 2014 – 2015	Project begun
Product optimisations through enviro programme	<ul style="list-style-type: none"> Ongoing improvements to energy and media efficiency and environmental compatibility in our machinery portfolio Reduce standby losses Evolve EquiTherm series for combined heating and cooling 	Ongoing 2015 2015	90% of drinktec exhibits were enviro classified Standby status included in evaluation since enviro 1.1 EquiTherm Brew launched very successfully
Increase order quality	<ul style="list-style-type: none"> Make quotation system faster and more transparent 	June 2014	Introduction of quality gates complete, Training and introduction of Q-Gate system in SAP IT landscape as sustainable, systematic tool along the value chain in implementation phase
Optimisation of project processes on the basis of the new corporate structure	<ul style="list-style-type: none"> Closely link contract clarification and design teams Establish interdepartmental responsibilities for product-related manufacturing and installation activities Increase linking of in-house assembly work and on-site installation activities 	2014 2014 2014	Project started, shortened processing times and revision processes for improved order execution Project started, using considerable depth of value creation to establish product-related planning and steering across processes Project started, implementation particularly on bloc machines, Incorporating service technicians' ideas for optimisation and project experience during in-house assembly and commissioning work
Increase profitability, bring pre-tax return on sales up to approx. 7%, Value targets 7+/7+/20+	<ul style="list-style-type: none"> Implement "Value" strategy programme with defined programmes and initiatives Develop catalog of criteria for assessing R&D projects within the Value target "Innovation" 	Ongoing 2013	Continually improving key performance indicators (see KRONES AG annual report) Catalogue launched, targeted consideration of sustainability aspects in development projects
Introduce a CRM system across our entire sales organisation	<ul style="list-style-type: none"> Train sales workforce in-house and at international sales offices Define key performance indicators and factors for assessing customer satisfaction data 	Complete 2014	Training and roll-out stage 1 complete Stage 2 went live on 13 December 2013 Project started
Roll out an integrated management system (IMS) and certify LCS Centres worldwide	<ul style="list-style-type: none"> Certification of LCS Centre in Taicang (China) Certification of LCS Centre in Franklin (USA) 	2013 2014	Certification audit conducted in December 2013 Preliminary audit March 2014

Goals	Actions	Target date	Status
Establish an energy management system	■ Measure energy data	Complete	Measuring points (electricity, heat) installed site-wide at all sites, expansion in connection with construction projects ongoing Ongoing expansion in connection with construction projects and increasing level of detail
	■ Establish performance indicators	Complete	Uniform performance indicators for energy and electricity consumption across all plants Communicated annually in management report
		Ongoing	Monitoring and continually comparing actual value with forecast (energy baseline)
Conserve energy	■ Determine energy consumption per m ³ of compressed air generated in production	Ongoing	Recording compressed air consumption and the corresponding electricity consumption as part of energy data collection
		2014	Using measurement process for measuring compressed air in all plants
	■ Use heat recovery systems at compressors; use recovered heat in heating systems	2013	Heat energy savings of 15% in Neutraubling plant Installed an additional heat recovery system on the compressor unit in the newly constructed EVOGUARD GmbH facility at our Nittenau plant.
	■ Turn off production hall lighting when sufficient daylighting available in test areas	2013	Conducted trials of new lighting products; partial renovation of lighting in Hall 9.2 Using LED technology for outside lighting of new buildings at the Nittenau and Rosenheim plants
		2014	Equipped (test) areas of halls with LED technology
	■ Nittenau construction project: Prepare brightness adjustment for lighting	Complete	Action complete
	■ Examine paint shops to determine lowest possible drying temperatures	Complete	Adaptation of drying temperatures complete; shortening of drying operation times partially complete Converted paintshop to heat recovery at Flensburg plant
■ Reduce electricity consumption in paintshop	2014	Retrofitting ventilation systems with performance-adjusted units	
Environmentally responsible behaviour among employees	■ Train and inform employees, giving concrete guidelines for environmentally responsible behaviour	2014	Integrating “energy” topic by revamping employee information Incorporating ideas from “Brainpool” employee innovation portal

Goals	Actions	Target date	Status
Procure resource-friendly materials	■ Develop a concept for giving higher priority to resource consumption in procurement	Complete	Process has been implemented
	■ Optimise energy supply concepts	2013–2014	Operating our own co-generation plant in Neutraubling for efficient use of primary energy Constructing another co-generation plant with electricity output of 400 kW
Conserve resources	■ Reduce water consumption	2014	Identifying and verifying points with high water consumption and developing a concept for reducing consumption
		2013	Multiple reuse of water used for container pressure tests at Freising plant
	■ Recycling – further analyse possibilities for recycling	In progress	Preventing raw materials consumption Verifying improved material efficiency
	■ Reduce the amount of waste generated	In progress	Increased sorting and separation of materials at on-site collection station
		In progress	Intensified sorting and separation of waste materials
	■ Reduce paper documents for commissioning and documents accompanying shipped goods	2015	Launch of a pilot project for an area of production
■ Rebuild the central collection station for solid waste and recyclables at our Neutraubling site	2013	Construction project started	
Reduce emissions	■ Reduce coolant emissions	In progress	Continuous monitoring of coolant emissions
	■ Reduce PU foam containing climate-relevant greenhouse gases	2014	Reviewing conversion of other production processes
Reduce emissions due to work-related travel	■ Develop a new mobility concept for business travel within Germany	Complete	German rail network integrated into work-related travel
		In progress	Roll-out among service technicians
Systematically collect and calculate environmental performance indicators in a database module	■ Introduce a database module	2010–2012	Project was checked and postponed again in 2012
		Complete	SAP waste module launched at Neutraubling plant
		2014	Roll-out of SAP waste module to all German sites

Labour practices – Goals and actions

Goals	Actions	Target date	Status
Internationalise HR activities	■ Define and implement international processes	2017	Launch and concept development phase
	■ Establish HR expertise at our international sites		
Increase employee qualifications	■ Introduce KRONES competence management company-wide	2013 and ongoing	Approx. 4,700 competence management (career development) reviews planned and implemented; approx. 450 employees have taken part in group development reviews
	■ Expand training and continuing education offerings	2012	By 2012, courses were available on around 450 topics
		2013	Training offerings expanded to include 120 more topics, for a total of 570 courses
		Ongoing	Continually expanding the training offerings
	■ International workforce structures	Complete	Management training seminars planned for another 80 employees in 2013; implementation of management training seminars and follow-up measures for 160 employees in 2013
Ongoing		Ongoing continuation of management training seminars	
Secure access to the next generation of specialists	■ Accept apprentices in a variety of fields	Ongoing	140 new apprentices were accepted for 2013
	■ Increase service focus with Profil 21 professional training option	Launched	Integrating Profil 21 employees in the service departments
Promote and recruit specialists and skilled workers	■ Collaborate with colleges and universities	Ongoing	Budget available for informational events at colleges and universities as in 2013
		Ongoing	Number of trainees increased to 10 in 2014
	■ Promote intercultural understanding among our skilled workers	In progress	Across Borders programme offered for the first time in 2013
Occupational health management	■ Coordinate all actions (in-house medical service, company health insurance fund, counselling service, and human resources)	Launched	Second round of this programme for German and international employees in 2014
		In progress	Prioritisation of areas ongoing
	■ Speed reintegration of employees who have been on long-term sick leave	End of 2014	Developing a concept for occupational health management
		In progress	Analysis of causes and identification of possibilities for significantly reducing reintegration times has begun
		2013	Applied Workplace Rehabilitation Management (WRM) policy
2013	Successfully completed WRM effort for 15 employees		
Work-life balance	■ Support employees and their families on assignments abroad	Ongoing	Employee support programme available through HR
	■ Support management employees' use of sabbatical	Ongoing	In all, 227 employees have taken sabbatical up to and including 2012; in 2013, 98 employees made use of this option
Reduce accident rates (per 1,000 employees)	■ Systematic accident analysis	2013	Deriving remedial actions from incidents
		In progress	Using and piloting a software tool for accident analysis and incident-related communication within KRONES AG Using new tools for hazard assessment in pilot programme

Goals	Actions	Target date	Status
	<ul style="list-style-type: none"> Step up hazard assessment 	<p>In progress</p> <p>Ongoing</p> <p>2015</p>	<p>Involving employees in TPM in manufacturing</p> <p>Ensuring compliance with existing rules by way of more frequent workplace inspections</p> <p>Roll-out of revised hazard assessment at all sites</p>
	<ul style="list-style-type: none"> Optimise workplaces with raised platforms 	<p>Complete</p>	<p>Works agreement on preventive occupational health screenings for operators and for working at height has been signed</p>
	<ul style="list-style-type: none"> Further develop systems for employee training and guidance 	<p>2014</p>	<p>In progress</p>
	<ul style="list-style-type: none"> Establish more standards that apply internationally 	<p>2017</p>	<p>In progress</p>
Reduce lost working days in general	<ul style="list-style-type: none"> Train managers and supervisors in how to deal with illness-related absences 	<p>Ongoing</p>	<p>400 managers trained in 2012/2013</p>

Goals	Actions	Target date	Status
Intensify stakeholder dialogue	<ul style="list-style-type: none"> Conduct surveys 	<p>Ongoing</p>	<p>Customer survey to evaluate external communication conducted in 2013</p>
	<ul style="list-style-type: none"> Establish and continue social media activities 	<p>Ongoing</p>	<p>Social media concept implemented and updated continually</p>
Training measures on anti-corruption policy	<ul style="list-style-type: none"> In-person training for our management team 	<p>2014</p>	<p>Training programme began in February 2014</p>
	<ul style="list-style-type: none"> E-learning programme on compliance management 	<p>2014</p>	<p>Training programme to begin in June 2014 to impart basic knowledge about compliance</p>
Provide information for employees' family members	<ul style="list-style-type: none"> Technical training for sensitive areas 	<p>2014</p>	<p>Training programme to begin in the third quarter of 2014</p>
	<ul style="list-style-type: none"> Regular tours of the production facilities 	<p>Ongoing</p> <p>2013</p> <p>2013</p>	<p>84 tours conducted for groups of visitors in 2013</p> <p>Reorganised division-specific tours</p> <p>Retired employees involved in order to expand employee tours</p>
Support schools and universities at the regional level	<ul style="list-style-type: none"> RIS Regensburg International School 	<p>2013</p>	<p>This engagement was ended due to a change in the concept and restructuring of the school as of the end of 2013</p>
Conduct university marketing at the national level	<ul style="list-style-type: none"> Participate in university job fairs, field trips, and lectures 	<p>Ongoing</p>	<p>Continuous use of recruiting and higher education events to gain new recruits</p>
Develop a sponsorship concept	<ul style="list-style-type: none"> Design guidelines for sponsorships 	<p>Complete</p>	<p>Development and internal coordination of sponsorship guideline completed</p>
	<ul style="list-style-type: none"> Make sponsorship guidelines available online 	<p>2014</p>	<p>In progress; integration into newly designed CSR page on KRONES website</p>
Improve presentation of sustainability topics on our website	<ul style="list-style-type: none"> Develop new concept for sustainability section of our website 	<p>2013</p> <p>May 2014</p>	<p>Concept and page contents have been developed</p> <p>New sustainability page went live</p>
Develop an assistance project using our own components and products	<ul style="list-style-type: none"> Review calculations and feasibility 	<p>Ended</p> <p>Shelved</p>	<p>Cannot be implemented due to internal organisational constraints</p> <p>Development of corporate volunteering programme</p>

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.

Section, GRI guidelines	Reporting element	Page	Reporting level
1. Strategy and analysis	1.1 Statement from the most senior decision-maker	4–5	●
	1.2 Key impacts, risks, and opportunities	4–8, 11–12, 28, 36, 39–40, 122–127	●
2. Organisational profile	2.1 Name of the organisation	Cover 6 – back	●
	2.2 Primary brands, products, and services	Cover 4, 14–16, AR 24–30	●
	2.3 Operational structure	16, AR 142, 174	●
	2.4 Location of headquarters	16	●
	2.5 Number of countries	16–17, 42, 44	●
	2.6 Nature of ownership and legal form	18, AR 157	●
	2.7 Markets served (by region, customer type)	17	●
	2.8 Scale of the organisation	16–17, www/Products	●
	2.9 Changes regarding ownership	18	●
	2.10 Awards received	116	●
3. Report parameters	3.1 Reporting period	3 – above table of contents	●
	3.2 Date of most recent previous report	3 – above table of contents	●
	3.3 Reporting cycle	3 – above table of contents	●
	3.4 Contact point for questions	Cover 6 – back	●
	3.5 Process for defining report content/materiality	19–21	●
	3.6 Report boundaries	19–20	●
	3.7 Specific limitations on report's scope	19–20	●
	3.8 Comparability	19–20	●
	3.9 Data measurement techniques	19–20	●
	3.10 Reasons for re-statements of information	19–20	●
	3.11 Significant changes	19–20	●
	3.12 GRI content index	128–131	●
	3.13 Assurance	Cover 5	●
4. Governance	4.1 Governance structure	18, 29, AR 8–9, 175	●
	4.2 Independence of Supervisory Board Chair	18, AR 13, 129, 169, 175	●
	4.3 Independent members of highest governance body	AR 13, 128–131, 175	○
	4.4 Mechanisms for shareholders/employees to make recommendations to Executive Board/Supervisory Board	18, AR 116	●
	4.5 Linkage between Executive Board compensation and company's performance	18, AR 118–120, 169	●
	4.6 Mechanisms to avoid conflicts of interest	22–26, AR 129 point b)	●
	4.7 Expertise of members of the highest governance bodies with respect to sustainability	AR 126–130	●
	4.8 Mission statement, values, codes of conduct	22–26	●
	4.9 Procedures of the highest governance bodies for overseeing sustainability-related risks and opportunities	29, 35, AR 130	●
	4.10 Processes for evaluating management's own performance	AR 118–120	●
	4.11 Precautionary approach	22, 35, AR 126, 128, 130	●
	4.12 Support of external initiatives	4–5, 22, 23, 28, 46, 95	●
	4.13 Memberships in associations and advocacy groups	18, 116–117	●
	4.14 Stakeholder groups engaged	10–12, 30–31, 114–119	●
	4.15 Basis for identification of stakeholders	10, 30–31	●
	4.16 Stakeholder dialogue	30–31, 114–119	●
	4.17 Response to key concerns raised by stakeholders	10–12, 30–31, 114	●

Economic

Economic performance		Management approach	4–5, 34, AR 32–44, 112–115	
	EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations	36–38, 120	●
	EC2	Financial implications and other risks for the organisation's activities due to climate change	39–40	●

Section, GRI guidelines	Reporting element	Page	Reporting level	
Market presence	EC3	Coverage of defined benefit plan obligations	37, AR 160–163	○
	EC4	Significant financial assistance received from the government	38	●
	EC5	Range of ratios of standard entry level wages compared to local minimum wage at significant locations of operation		□
	EC6	Business policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	42	○
	EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation		□
Indirect economic impacts	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit		□
	EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts		□

Environmental

Materials		Management approach	68	
	EN1	Materials used by weight or volume	82	○
Energy	EN2	Volume of materials used that are recycled input materials	82	○
	EN3	Direct energy consumption by primary energy source	69–71	●
	EN4	Indirect energy consumption by primary energy source	69–71	●
	EN5	Energy saved due to conservation and efficiency improvements	69–71	●
	EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and resulting reductions in energy requirements	56–65, 117	●
Water	EN7	Initiatives to reduce indirect energy consumption and reductions achieved		□
	EN8	Total water withdrawal by source	80–81	●
	EN9	Water sources significantly affected by withdrawal of water	80–81	●
Biodiversity	EN10	Percentage and total volume of water recycled and reused		□
	EN11	Land in or adjacent to protected areas		☑
	EN12	Impacts of activities, products, and services on biodiversity in protected areas		☑
	EN13	Habitats protected or restored		☑
	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity		☑
Emissions, effluents and waste	EN15	Red List species affected by operations		☑
	EN16	Total direct and indirect greenhouse gas emissions by weight	73	●
	EN17	Other relevant greenhouse gas emissions by weight	74	●
	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	73–74	○
	EN19	Emissions of ozone-depleting substances by weight	74	●
	EN20	NO, SO, and other significant air emissions by type and weight	74	●
	EN21	Total water discharge by quality and destination	80–81	●
	EN22	Total weight of waste by type and disposal method	83	●
	EN23	Total number and volume of significant spills	81	●
	EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII and percentage of transported waste shipped internationally	83	●
Products and services	EN25	Identity, size, protected status, and biodiversity of water bodies and related habitats significantly affected by discharges of waste water and run-off		☑
	EN26	Initiatives to mitigate environmental impacts of products and services and extent of impact mitigation	50–54, 56–65, 117	●
Compliance	EN27	Percentage of products sold and their packaging materials that are reclaimed by category		□
	EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	68	●
Transport	EN29	Significant environmental impacts of transporting products and other goods and materials used for operations and transporting employees	76–79	○
Overall	EN30	Total environmental protection expenditures and investments by type		□

Section, GRI guidelines	Reporting element	Page	Reporting level
Labour practices and decent work			
	Management approach	86	
Employment	LA1 Total workforce by employment type, employment contract, and region	87–88, 94	●
	LA2 Total employee turnover in percent by age group, gender, and region	93	●
	LA3 Benefits provided to full-time employees only, by significant locations of operation	88, 94, 96	●
Labour/ management relations	LA4 Percentage of employees covered by collective bargaining agreements	95	●
	LA5 Minimum notice periods for operational changes, including whether it is specified in collective agreements	89, 96	●
Occupational health and safety	LA6 Percentage of total workforce represented in occupational health and safety committees	111	●
	LA7 Rates of injury, occupational diseases, lost days, and work-related fatalities by region	110–111	●
	LA8 Education, training, counselling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members regarding serious illness	96–100	○
	LA9 Health and safety topics covered in formal agreements with trade unions	111	●
Training and education	LA10 Average hours of training or education per employee by employee category	90–91, 106–108	○
	LA11 Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	90, 95, 101–105, 106–108	●
	LA12 Percentage of employees receiving regular performance and career development reviews	101	●
Diversity and equal opportunity	LA13 Composition of governing bodies and breakdown of employees by category according to gender, age group, minority group membership, and other indicators of diversity	88–91, 96–98	●
	LA14 Ratio of base salary and remuneration of women to men by employee category	91	●

Human rights

	Management approach	46	
Investment and procurement practices	HR1 Percentage and total number of significant investment agreements that include human rights clauses or have undergone human rights screening	46	○
	HR2 Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken	46–47	○
	HR3 Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained		□
Non-discrimination, freedom of association/ collective bargaining	HR4 Total number of incidents of discrimination and corrective actions taken	47	○
	HR5 Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights		□
Child labour	HR6 Operations and significant suppliers with risk of child labour, and measures taken to contribute to the abolition of child labour	47	●
Forced and compulsory labour	HR7 Operations and significant suppliers with significant risk of forced or compulsory labour and measures to contribute to its abolition		□
Security practices	HR8 Percentage of security personnel trained in policies or procedures concerning aspects of human rights that are relevant to operations	48	●
Indigenous rights	HR9 Incidents of violations involving rights of indigenous people and actions taken		☑

Section, GRI guidelines	Reporting element	Page	Reporting level
Society			
	Management approach	114–115	
Local communities	SO1 Programmes and procedures for assessing and regulating impacts of operations on local communities	24–27, 102–106, 108–109	●
Corruption	SO2 Percentage and total number of business units analysed for risks related to corruption		○
	SO3 Percentage of employees trained in anti-corruption policies and procedures	26	◐
	SO4 Actions taken in response to incidents of corruption		□
Public policy	SO5 Public policy positions and participation in public policy development and lobbying	114, 116–117	●
	SO6 Contributions to political parties, politicians, and related institutions, by country	114, 120	●
Anti-competitive behaviour	SO7 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	24	●
Compliance	SO8 Monetary value of fines and total number of non-monetary sanctions for non-compliance with laws and regulations		□
Product responsibility			
	Management approach	50–51	
Customer health and safety	PR1 Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	50–53, 58, 61	●
	PR2 Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services, by type of outcomes		□
Product and service labelling	PR3 Type of product and service information required by law and percentage of significant products and services subject to such information requirements	51	◐
	PR4 Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes		□
	PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	50–53	◐
Marketing communications	PR6 Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship		□
	PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, by type of outcomes		□
Customer privacy	PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data		☑
Compliance	PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services		□

CDP (Carbon Disclosure Project)	Non-profit organisation providing a standardised system for measuring, analysing, and comparing environmental data for companies and communities worldwide
Corporate governance	Responsible corporate management and supervision that is oriented toward long-term value creation
Corporate social responsibility	Voluntary corporate initiative to take responsibility for the company's effects on social welfare and to integrate environmental aspects above and beyond legal requirements
German Emissions Control Act	Short form for the German Act for the Protection against Harmful Environmental Effects Caused by Air Pollution, Noise, Vibration, and Similar Factors
GRI (Global Reporting Initiative)	An international network that supports companies in their efforts to measure, understand, and report on their performance with respect to sustainability. GRI has established a reporting framework that serves as a guideline for companies and is free of charge. GRI reporting relies on transparency and aims to provide standardised, comparable information.
Integrated management system (IMS)	A single system that incorporates the requirements and specifications from various areas such as quality, environment, occupational safety, and security into a uniform structure and documents the methods used for oversight
SMETA (Sedex Members Ethical Trade Audit)	Audit procedure that comprises good practices for conducting ethical trade audits and reducing duplication of effort in auditing. The documents enable auditors to conduct standardised audits that will be accepted by multiple retailers and brands.
Sustainability	Fundamental concept for shaping economic, political, and social developments so as to meet the needs of the present-day generation while keeping ecological, social, and economic structures intact for future generations
Total Cost of Ownership (TCO)	Takes into all costs associated with an investment, including all expenses that arise during its use over its entire service life such as energy costs and maintenance and repair costs
TPM (Total Productive Management)	Concept for continuous optimisation of production processes in manufacturing in order to achieve the highest possible efficiency and tap unused potential in manufacturing processes
UN Global Compact	The United Nations Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment, and anti-corruption.
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.

KRONES offers 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. The company is organised in three segments:

Product filling and decoration

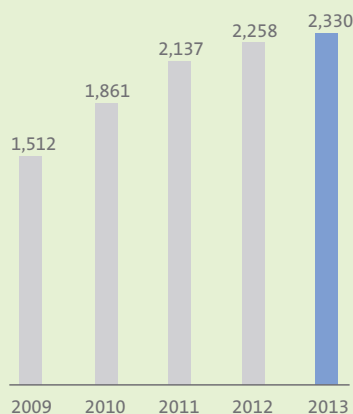


This segment is by far KRONES' largest and most profitable segment. It offers machines and complete lines for filling, packaging, labelling, and conveying products. Machines for producing PET containers and converting used plastic bottles into food-grade recycled material (PET recycling systems) are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

	2013	2012
EBT (€ million)	174.5	120.4
EBT margin (%)	7.5	5.3
Employees*	10,841	10,513

*Consolidated group

Revenue (€ million)



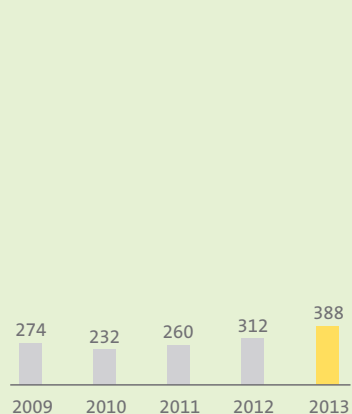
Beverage production/process technology



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

	2013	2012
EBT (€ million)	-2.5	-13.6
EBT margin (%)	-0.6	-4.4
Employees*	620	671

Revenue (€ million)



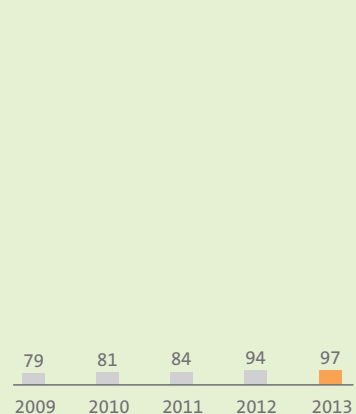
Low output range (KOSME)



Our subsidiary KOSME offers a product range similar to that of our "machines and lines for product filling and decoration" segment, but for the lower output range. With KOSME, we are able to serve smaller and mid-sized companies that do not need high-speed machines but nevertheless are committed to quality. Thus, KOSME perfectly complements KRONES' core business.

	2013	2012
EBT (€ million)	-2.3	-7.6
EBT margin (%)	-2.3	-8.1
Employees*	503	495

Revenue (€ million)



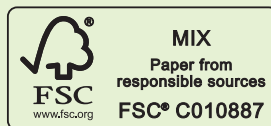
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This English language report is a translation of the original German KRONES AG Nachhaltigkeitsbericht 2013.

In case of discrepancies the German text shall prevail.

This Sustainability Report 2013 is also available in German. We would be happy to mail you a copy on request. You can also find it in the Company/Sustainability section at krones.com.



The production of and the paper used for the KRONES Group's 2013 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 CO₂ 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.

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 and the GRI Content Index. 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 methodology for 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.

Our review was conducted on the basis of Global Reporting Initiative Sustainable Reporting Guidelines 2001 (GRI G3.1).

The objective of the audit was to:

- Confirm fulfilment of the criteria of GRI application level B+
- Confirm KRONES AG's self-declaration of application level B+ under GRI G3.1

The following aspects were examined in spot checks:

- Stakeholder process and CSR materiality matrix
- Review of data and records underlying the reporting
- Appropriate and balanced presentation of performance in the selection of performance indicators
- Role of CSR performance indicators with respect to decision-making process

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 2013 Annual Report.

The following sites were included in the audit:

- 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

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 and fulfils the requirements under GRI application level B+. Availability of this report to the general public is guaranteed.

TÜV SÜD Management Service GmbH
Munich, 22 May 2014



Dipl.-Ing. Wolfgang Brandl
Corporate Social Responsibility Auditor
Environmental Auditor



Dipl.-Ing. Ulrich Wegner
Head of the Certification Body
Environmental Auditor



Management Service

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.

KRONES AG

CSR Officer

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