

Continuity
guides our actions



2014 highlights

- KRONES increased value creation by 5.5% to €1,038 million, of which €853 million went to employees.
- 34% of our machines meet enviro's strict criteria in their standard model or by incorporating optional components.
- In terms of absolute consumption data, energy consumption was reduced by 8.5% and now comes to 38.7 MWh per million euros of revenue.
- We employed 3,280 people at our international sites in 2014. That is 2.9% more than in the previous year.
- 75% of our charitable donations and sponsoring budget went towards social causes, the rest towards civic, academic/scientific, and athletic projects or events.

		2014	2013	Change
Revenue	€ million	2,953.4	2,815.7	+4.9%
EBT	€ million	191.8	169.7	+13.1%
Consolidated net income	€ million	135.7	119.4	+13.6%
Value added	€ million	1,038	983	+5.6%
Capital expenditure for PP&E and intangible assets	€ million	94.6	108.1	-€13.5
Equity	€ million	988.5	954.2	+3.6%
Total CO ₂ emissions	metric tonnes	35,311	33,148	+6.5%
Total CO ₂ emissions per € 1 million in revenue	metric tonnes	11.95	11.78	+1.4%
Water consumption	m ³	115,948	114,837	+1%
Water consumption per € 1 million in revenue	m ³	39	41	-4.9%
Total waste generated	metric tonnes	16,099	14,483	+11.2%
Total waste generated per € 1 million in revenue	metric tonnes	5.45	5.14	+6.0%
Employees at 31 December				
Worldwide		12,624	12,285	+339
Germany		9,344	9,098	+246
Outside Germany		3,280	3,187	+93
Employee turnover rate	%	1.7	2.2	-
Women in the workforce	%	13.6	13.0	-

“Continuity guides our actions”

Reliability plays an important role in the world, and naturally that includes the world of business. To us, it’s a core value – an integral part of our daily business affairs. It involves developing a real partnership with our customers, a trustworthy relationship with our employees, and a long-term alliance with our suppliers.

This continuity, which we have cultivated since the company was founded, has allowed us to achieve a strong position in the global marketplace as a supplier of machines and lines for the beverage and food industry. As we move forward, continuity will remain our guiding light, informing our attitude and approach with respect to all of our partners. This means that we will also remain true to our social responsibility and continue to follow our sustainable business strategy.

KRONES’ Sustainability Report is intended to illustrate and clearly communicate our achievements in sustainable corporate governance to our employees, customers, and partners. In it you will find the most important information about these achievements and discover the paths we took to reach them.

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 2014 to 31 December 2014. The previous report was published in May 2014 for the year 2013. The Sustainability Report is published annually.

Labour practices and decent work

Society

Other

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Dear Readers,

The 2014 Sustainability Report that you hold in your hands represents the latest account of our activities surrounding sustainable corporate governance. Reporting our activities to the world is only one aspect of drafting this annual document. Another is self-reflection, which is an integral part of each and every subject covered in our Sustainability Report. This includes defining goals and actions. However, it also involves discussing key issues in our CSR Committee and developing further actions and approaches. We then augment this sustainability agenda and focus our corporate strategy systematically on what is essential for our company's a long-term development. This is the star that guides our every decision on the Executive Board, and it provides the common thread that runs through every project in every department.

Solid economic performance in line with the targets in our Value programme is also at the heart of our corporate sustainability activities. We can report that in 2014 we once again made good progress toward achieving these goals despite the difficult economic environment. A solid economic foundation is required if we are to continue our commitment to innovation and maintain our position as a global market leader in the medium term. Our innovations help our customers run more environmentally friendly and socially responsible businesses. In 2014, we once again saw a number of these bear fruit. Examples include our new Viscofill filler and the new energy concept for Murau, an Austrian brewing company. Our employees aspire to be the best – and this passion shapes our product development. And the best is and remains a solution that gets high marks for low energy and media consumption, operator friendliness, and long life. We prove this every day with our line of enviro products, state-of-the-art technology, and many options for improving efficiency and conserving resources. Right now we are focusing on how we can raise the profile of these products – how we can build a better sales and marketing showcase for our customers. In this Sustainability Report, we illustrate our plan for “enviro 2.0”.

The technical solutions and offerings for our customers are not the only things we look back on in this report. Conserving resources at home is also important to us. All in all, we achieved this in 2014 as evidenced by our environmental results per million euros in revenue. I am happy to report that we have now set a target for CO₂ emissions after an extensive internal evaluation process. By 2020, we want to reduce our emissions (Scope 1 and Scope 2) by 30 to 40 percent compared with the 2010 baseline. Reducing CO₂ emissions has the greatest impact on climate change. And like many other listed companies, we want to do our part for the climate as well.



We want to raise the profile of our enviro products.

Our sustainability policy is guided by the 10 principles of the UN Global Compact (UNGC), and part of the policy involves integrating environmental aspects into the way we do business. We have been a member of the UNGC since 2012, and we pursue these principles both internally and externally. We value the fair treatment of our employees and are proud of our new post-employment benefits agreement as well as the extensive career development support options and opportunities available to our staff members. One ongoing task is to consistently foster our international employees – a development project we will expand in the coming years. In terms of our suppliers, we expect them to match the standards we have set for ourselves. We make sure that conditions at our suppliers comply with the UNGC as a matter of course during the procurement process. This is only the beginning, and understanding our suppliers' economic, environmental and social responsibility will remain an important part of the business relationship.

Acquisitions made over the past year give our group the opportunity to add expertise to our portfolio so that we can continue to offer our customers state-of-the-art and forward-looking solutions for years to come. More details can be found in our latest Annual Report. These acquisitions enable us to continue to play an active role in shaping the requirements in our customer markets and to supply them with powerful innovations.

Please allow me to also take this opportunity to send my heartfelt thanks to our employees. They do outstanding work both in Germany and around the world and breathe life into our sustainability activities every day.



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

By defining our CO₂ reduction target for the year 2020, we are doing what we can to help slow climate change.



Christoph Klenk
Finance, Controlling and
Information Management

It's quite simple. We have to meet market demands if our lines are to endure for years to come. Our goal is to help beverage production and bottling facilities operate efficiently and sustainably. We want to ensure that our customers maintain value, so we offer uncompromising quality down to the smallest detail. We are also always working on innovative solutions tailored specifically to the needs of our customers.

Yet it would be a mistake to focus entirely on the market. After all, we are only as strong as we are because our employees dedicate so much attention to detail and to the quality of our products. To safeguard and reward their years of loyalty to KRONES, we have established a new pension plan that offers excellent post-employment benefits, is financially sustainable, and is suitable for employees of all ages.

Christoph Klenk



Rainulf Diepold
Sales and Marketing

Beyond the introduction of new products, packaging plays an important role in the race to win over consumers. It needs to be attractive, lightweight, and easy to use in order to appeal to buyers. If nothing else, consumers want packaging that fits their lifestyle. Beyond consumer demand, we also focus on production requirements. We see ourselves as advisors, tapping our expertise in machinery and systems engineering to support our customers' entire production operations. We help them plan new bottling facilities, expand capacities, or find a solution to optimise production, all the while looking hard for ways to reduce energy and media consumption. And we have a strong history of driving market trends – such as the ultralight PET lite 9.9 carbonated bottle. At only 9.9 grams, it is suitable for carbonated products and uses less PET material.

Rainulf Diepold



Thomas Ricker
Bottling and Packaging Equipment

Alongside quality, innovation is a cornerstone of our Value strategy programme. That's why we have anchored this into our mission statement: We will continue to further expand our technology leadership in order to consolidate our position – with the power of innovation, a passion for change, and a commitment to performance. Our enviro programme guides our entire development process. As the world's resources become scarcer, sustainability is definitely gaining importance among our customers. We help them reduce their resource consumption with our process technology solutions, bottling and packaging equipment as well as energy consulting services. enviro means more than environmental solutions. It also includes economic aspects and ergonomics, for example, reducing noise emissions or the weight of wear parts. At the centre of everything are people and our actions must carry a long-term benefit.

Thomas Ricker



Markus Tischer
International Operations
and Services

By making our organisation more international, we have laid the foundation to further increase our competitiveness and our customers' satisfaction. The new structure allows us to take advantage of potential to work closely together across borders throughout a customer's entire project. Using the most suitable technical solutions and our reliable after sales service, we are able to maintain strong contact with our customers and offer the right approaches throughout the entire life of our machines. This maintains maximum efficiency with regard to both performance and consumption data.

Our international employees are our experts on the ground. They know exactly which products and services are needed in each market to achieve this level of efficiency.

Markus Tischer




Ralf Goldbrunner
Plants and Components

Systems reliability is essential to the bottling and packaging industry. At KRONES, our goal is to manufacture components, machines, and systems that are highly available. That's why it is important that we develop the framework, improve products, and support processes that deliver this high level of availability. Our entire business aims directly and systematically at this target.

We work as a team to develop the right means and solutions to improve our entire manufacturing process step-by-step. Naturally, it is also important to us to explore and take advantage of all available options in our production to conserve resources and reduce media and consumables. We want not only to sell resource-efficient machines, we also want to manufacture them using as few resources as possible.

A handwritten signature in blue ink that reads "Ralf Goldbrunner". The signature is fluid and cursive.

Ralf Goldbrunner

A man in a blue KRONES uniform is focused on his work in a factory. He is leaning over a machine, and his hands are visible as he works. The background shows industrial equipment and a bright, well-lit environment. A semi-transparent text box is overlaid on the right side of the image.

Sustainability is a team effort. That is why the ongoing development of our sustainable business model is based on our people and their commitment. Our accomplishments demonstrate that this approach is working. It will take the dedication and ideas of our entire team in Germany and around the world to ensure that resources are conserved in our own production processes and at our customers' plants. And that is an obligation we will continue to strive to fulfil as a team.

As a full-service provider, KRONES delivers complete production plants from a single source to customers in the beverage industry. A KRONES filling line for producing, filling, packaging, and storing beverages consists of innovative individual machines and systems. Custom IT solutions control and document all processes within the line.

The following is a complete brewery that we delivered to our customer Petropolis in 2014 and serves as an excellent example of our whole-plant expertise. The beer is bottled in returnable glass bottles. The line produces 62,000 bottles per hour.



Process technology

KRONES offers all of the products a brewery needs to produce beer. That includes the brewhouse ①, in which the beverage is brewed in several stages from the basic ingredients water, hops, and malt. The brewhouse consists of various systems and tanks such as the malt silo, mash tun, lauter tun, wort kettle, whirlpool, and wort chiller. But the beer isn't ready after passing through these stages. Before filling, it also passes through fermentation and conditioning tanks ② and filters. KRONES delivers it all from a single source.

Filling and packing

A Pressant series depalletiser **3** lifts crates containing empty returnable bottles from a pallet, a layer at a time, and sets them on the conveyor table.

In the next step, a fully automatic Smartpac unpacker and packer **4** lifts the bottles out of the crates and places them on the conveyor belt (blue). The empty crates are sent on a different path, to the crate washer **5**.

The used glass bottles must be absolutely clean before they can be refilled. A Lavatec bottle washer **6** handles this task while conserving water and chemicals.

To ensure that no residue remains in the cleaned bottles, the containers are run through a Linatronic empty bottle

inspector **7**. Cameras and sensors detect even the most minute contaminants. Any bottles that are not impeccably clean are safely removed from production.

The beer flows through pipes leading from the brewery into the bottling hall and is filled into the clean bottles by a Modulfill HRS filler **8**. This powerful machine has 176 filling valves.

A Checkmat FM-G monitoring system **9** verifies whether the bottles have been filled and crowned properly.

To give the beer a longer shelf life, the filled bottles are run through a tunnel pasteuriser featuring various temperature zones **10**. The beer's temperature is then brought back down in a cooling unit **11**.

The Solomodul modular labeller **12** places labels on the bottles. The versatile machine can handle a range of bottle decoration.

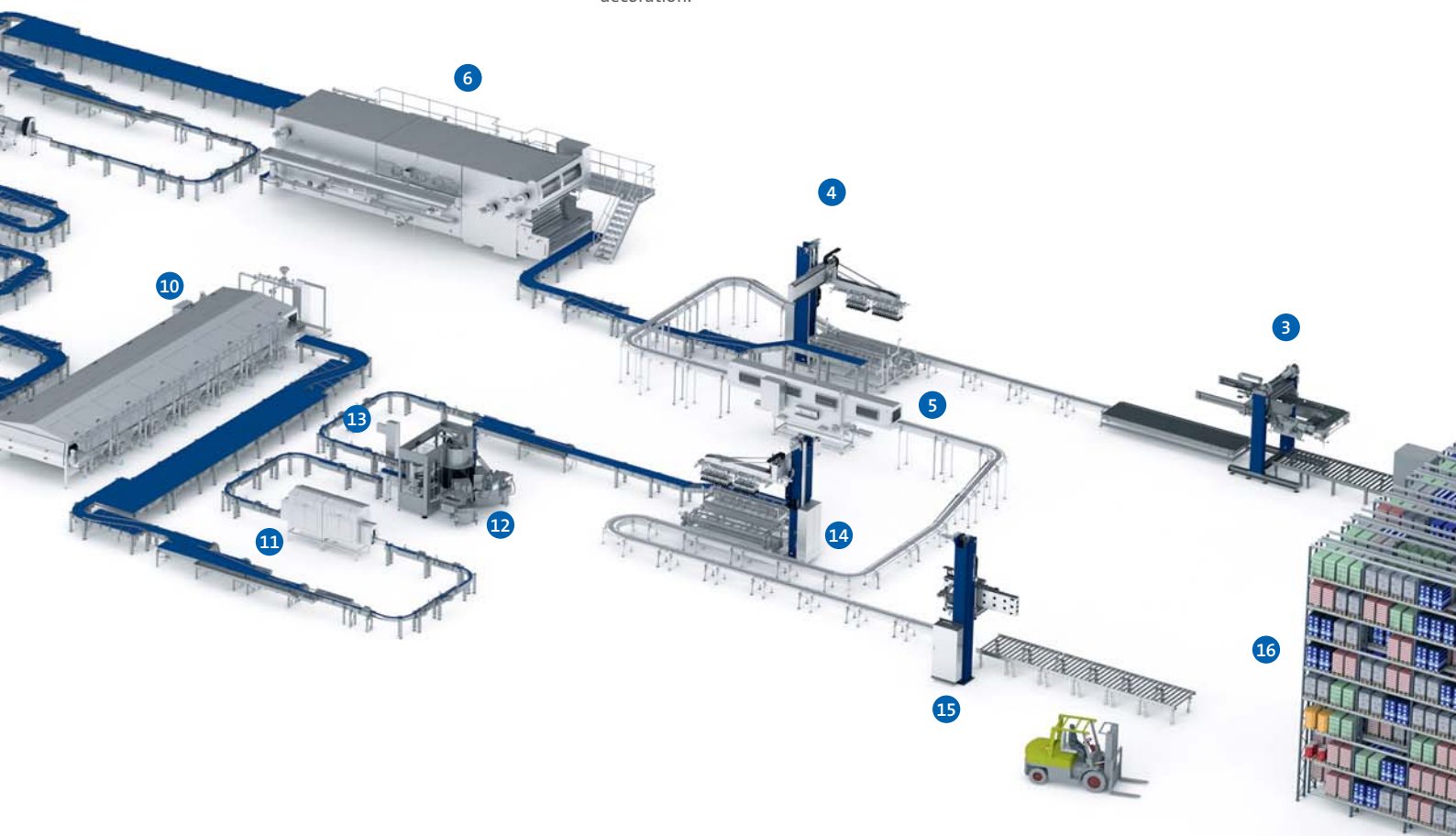
A Checkmat series monitoring unit **13** verifies whether the label has been applied correctly.

The Smartpac **14** then picks up the bottles and places them in clean crates coming out of the crate washer **5**.

A Modulpal robot **15** places the crates on pallets in layers. The pallets are then conveyed to a high-bay warehouse **16** that was delivered and installed by KRONES Intralogistics.

KOSME

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



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

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

KRONES posted sales revenue of around €2.95 billion and generated consolidated net income of €136 million in 2014. The company generated 90 percent of revenue outside Germany in 2014.

At 31 December 2014, the KRONES Group employed 12,624 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 revenue in the company's history in 2014, just under three billion euros.

KRONES is committed to Germany as a business location for new machine production. Because exports make up a large share of the company's revenue, KRONES is steadily expanding its workforce at sites worldwide.

Key figures for the KRONES Group

		2014	2013
Revenue	€ million	2,953	2,816
Export share	%	90	90
Earnings before taxes	€ million	192	170
Consolidated net income	€ million	136	119
Earnings per share	€	4.30	3.84
Total assets	€ million	2,428	2,238
Equity	€ million	989	954
Employees (at 31 December)		12,624	12,285
In Germany		9,344	9,098
Outside Germany		3,280	3,187
Dividend per share	€	1.25*	2.00**

* As per proposal for the appropriation of retained earnings

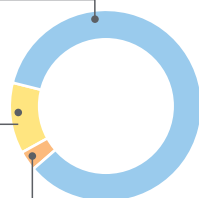
** Includes €1.00 special dividend

KRONES Group revenue by segment

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

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

Machines and lines
for the low output range
3.5% (€102.0 million)

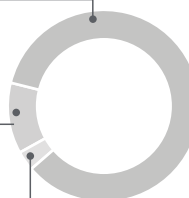


Revenue in 2014: €2,953.4 million

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
3.4% (€97.2 million)



Revenue in 2013: €2,815.7 million

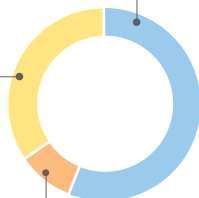
Our core segment contributed 84.4% of consolidated revenue in the reporting period.

KRONES Group revenue by industry

Non-Alcoholic beverages
56.0%

Alcoholic beverages
34.4%

Food, chemicals,
pharmaceuticals,
cosmetics
9.6%

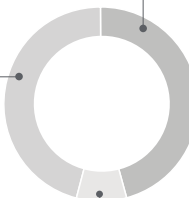


Revenue in 2014: €2,953.4 million

Non-Alcoholic beverages
45.6%

Alcoholic beverages
46.0%

Food, chemicals,
pharmaceuticals,
cosmetics
8.4%



Revenue in 2013: €2,815.7 million

KRONES Group revenue by region

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

More figures and information about our business development are in the 2014 Annual Report.

KRONES generated 60.4% of consolidated revenue in the emerging markets in the reporting period. Particularly in the Asia-Pacific region, revenue was up considerably.

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

Thomas Ricker, Bottling and Packaging Equipment

Markus Tischer, International Operations and Services

Ralf Goldbrunner, Plants and Components

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

Supervisory Board

Pursuant to Section 8 (1) of the articles of association, six members are elected by the shareholders in accordance with the German Stock Corporation Act (Sections 96 (1) and 101). Six members are elected by the employees pursuant to Section 1 (1) and Section 7 (1) Sentence 1 Number 1 of the Codetermination Act.

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 126 to 128 of KRONES' 2014 Annual Report.

Shares

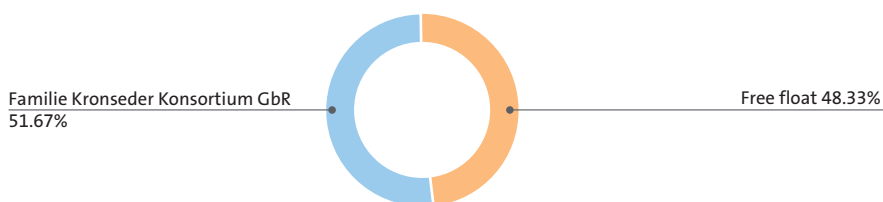
KRONES shares are no par value ordinary bearer shares. Each share carries one vote. The stock has been listed and available for trading on all German stock exchanges since 29 October 1984. KRONES' share capital of €40.0 million is divided into 31,593,072 shares. KRONES is included in the MDAX share index,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

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

Information on shareholder rights pursuant to Section 121 (3) Sentence 3 Number 3 of the German Stock Corporation Act (AktG) can be found at http://www.krones.com/downloads/150505_Erlaeut_Akt_Recht_fin_e.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_20150421.pdf

Shareholder structure as of March 2015



The Kronseder family consortium retains a 51.67% stake and remains a stable majority shareholder of KRONES AG. The free float (those shares not held by the family) comes to 48.33%.

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.

Our Code of Conduct is rooted in our corporate mission statement and gives clear, unequivocal rules of conduct both within the company and in external dealings. 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 the Code of Conduct is to establish clear rules that are easy for anyone to understand and follow and therefore serve as a guide for one's daily activities. It ensures compliance with laws, standards, policies, and guidelines company-wide. With it, we have established a working environment that is based on integrity, respect, fairness, and accountability and ensures reliability in our internal and external activities.

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 third-party 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.

Welf Kramer, Head of Compliance and Corporate Governance, on ensuring compliance

Mr. Kramer, you have been in charge of compliance management at KRONES since the beginning. Where are we now?

Our employees are highly aware of the importance of compliance. That is reflected in the fact that fellow employees reach out to me when they are uncertain about a situation's compliance-related implications and we are then able to look at the situation, analyse it, and develop a recommended course of action together.

What are some of the most important things that still need to be done in the area of compliance?

We have to keep this knowledge and awareness alive and not let it stagnate into theory. That is why I will take up current issues in our refresher courses

for managers, to relate the theory to day-to-day business within the company. It is essential that all employees know their legal obligations and act accordingly.

In order to move ahead at the same level of knowledge at the international level, we will be rolling out training programmes at our LCS sites in the months ahead.

How does KRONES handle external reporting of violations of our compliance policies?

Infringements or violations of laws that might be of import to shareholders, analysts, or other stakeholders as a result of their economic impact are reported in our annual report. There were no known infringements or violations in the reporting period.



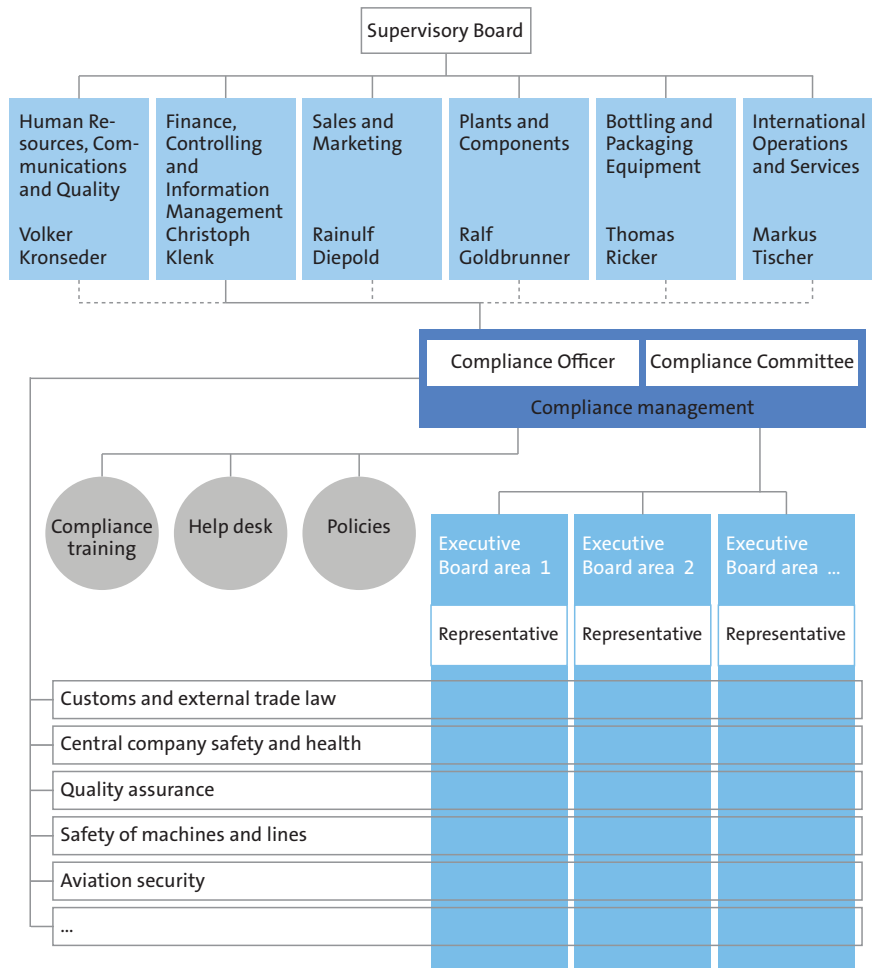
Corporate governance

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 2014 Annual Report (pages 132 to 134 and 126 to 128) and online (www.krones.com).

Compliance processes launched successfully

Our Compliance Management System, which was launched in mid-2013, is moving along as planned. Compliance includes adherence to all laws, regulations, and internal and external policies. It also applies to the fulfilment of all contractual and voluntary commitments. We have now embedded compliance management and compliance reporting in our organisational structure. As such, we are able to track all business processes in accordance with statutory and voluntary requirements and ensure clear accountability for oversight.

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.

The Compliance system covers the entire group of companies and is comprehensive, effective, and transparent. It serves as a security framework for all business activities. The concept includes prevention, detection, and response and provides a defined framework for all areas and processes as well as for all levels of management and staff within the group. The Compliance system also applies to all laws affecting KRONES AG and its subsidiaries in any way.

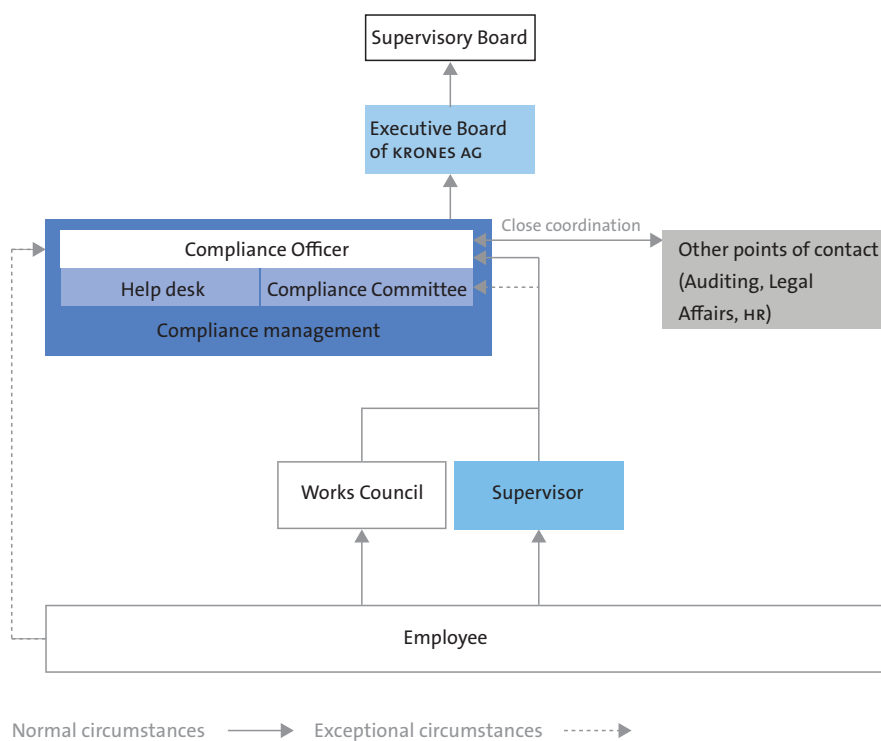
A predefined reporting process covers every step along the way, from receipt of a tip to review of the matter to a possible investigation, through to development of an action plan at the conclusion of the investigation.

We foster a culture of trust when it comes to receiving tips about possible infringements. Suggestions, tips, and complaints go to the relevant supervisor, the Works Council, or Compliance Officer. Members of the Compliance Committee also receive tips in person, in writing, or by phone. We also give whistle-blowers the option to use anonymous email aliases, which maintain their anonymity.

We will use the same concept for our sites worldwide, with some slight modifications. Appointing regional point persons for Compliance matters puts us close to the day-to-day operations in the regions, enabling us to quickly address individual issues within the business processes.

No incidents of corruption are known to have occurred in 2014. Likewise, no legal actions were initiated for anti-competitive behaviour, anti-trust, or monopoly practices.

Reporting process within KRONES AG



Compliance training largely complete

Employee training on the topic of compliance was carried out as planned in 2014. At the end of the year, 6,489 employees had completed the e-learning programme. That is 95% of the employees assigned to the programme (6,810 total). The remaining 5% who had not completed the programme at the end of the year were urged by their supervisors to do so. Employees who do not have a PC received instruction about the process from their supervisors. This method was used to inform 2,963 employees about compliance. All management-level employees were required to complete in-person training, in which 736 managers took part.

Thus, a total of 10,188 KRONES employees have received training on compliance. For the e-learning programme, each employee's successful completion was registered within the programme. For in-person instruction, attendance was documented.

The content of the e-learning programme is based on the company's Code of Conduct. The Code of Conduct was translated into additional languages in 2014 and is now available in German, English, Portuguese, Russian, Spanish, Thai, and Chinese.

For 2015, we plan to expand the training to cover offices outside Germany. The first sites will be our offices in the USA and India, which will reach 500 employees abroad. These offices can use the e-learning programme that is currently available in English.

Regular integration of compliance topics in our employee newsletter, Inside KRONES, is another way that we maintain awareness of the topic among our staff.


The Code of Conduct is available to employees in German, English, Portuguese, Russian, Spanish, Thai, and Chinese.

Code of Conduct sets clear standards

The Code of Conduct provides a good, fundamental guide for our actions and is binding for all employees worldwide. With it, we cover all aspects of doing business. In individual cases, the Code of Conduct is supplemented by specific policies that provide detailed, expanded guidance on certain areas. In 2014, we drafted a policy on handling situations with the risk of corruption as well as a gifts and gratuity policy, both of which have been submitted to the Executive Board for approval.

Our Suppliers' Code, which is an integral part of our General Terms and Conditions of Purchase, establishes all of the ground rules for compliance in our dealings with suppliers. Export control audits under tariff law are conducted in accordance with statutory requirements.

Matters such as processes for intra-group deliveries and services are handled in accordance with OECD Guidelines. Internal prices are agreed that are essentially the same as those for arm's length transactions and are documented in a listing of pricing standards that is updated continually.

A man with dark hair and blue eyes, wearing a grey blazer over a red button-down shirt and dark trousers, stands in front of a modern building facade with horizontal slats. He is looking slightly to the right of the camera with a neutral expression. The background is a dark grey wall with white horizontal lines. There are some green leaves in the foreground, slightly out of focus.

“Compliance training at KRONES has given us a very good overview of which aspects are important for our overall business operations, both internally and externally. Of course, we always act in accordance with the Code of Conduct in our daily work. But it is very helpful to have an overview of how everything ties in for ensuring compliance. The information was well-structured, enabling us to better assess our own activities and seek guidance from the Compliance Officer if needed. This compact training package has prepared us well for our day-to-day business activities.”

*Dr. Patrick Engelhard, Head of Process Technology,
Corporate Research and Development*

Ladies and Gentlemen,

KRONES AG's CSR Committee bundles all of the company's activities relating to sustainability. The Committee addresses current issues from daily business dealings as well as long-term trends. Inclusion of Executive Board Chairman Volker Kronseder ensures that all topics and ideas reach the group's most senior decision-maker. Inclusion of specialists from various areas of the company ensures that the discussion of topics is based on extensive specialist knowledge. The CSR Committee uses this basis to issue recommendations for action, which are then followed up on at the various levels of decision-making within the company.

In its first meeting of the year, in March 2014, the CSR Committee appointed Compliance Officer Welf Kramer as its newest member. Committee members were also informed about the status of the enviro assessments of KRONES' machinery portfolio. KRONES' enviro Officer, Martina Birk, explained plans to cease assessment of individual machines in favour of assessing entire series. Under the enviro 2.0 concept, assessment can be expanded from process models to bloc systems, lines, and entire plants. Under another agenda item, the Committee discussed how CO₂ emissions in the company's German plants can be brought into compliance with the federal government's 20/20/20 energy concept. Environment and energy management specialists Bertram Pretzl and Thomas Arnold presented worst-case and best-case scenarios to help determine targets for reducing CO₂ emissions. The decision was made to develop an action plan for reducing CO₂ emissions. Finally, a current assessment of KRONES AG was presented: In an employer ranking, KRONES was rated the fourth-best employer in Bavaria.

In the Committee's second meeting, in June 2014, Welf Kramer explained how the newly established Compliance Management System works. To raise employee awareness of potential risks within the company's business processes, a mandatory training programme for all KRONES AG managers and employees was launched, which was to be completed by the end of December 2014. The Committee also discussed the presentation of data in the 2013 CSR Report and its areas of focus. The third topic of this meeting was the use of communication campaigns to support the company's internationalisation efforts and quality offensive within the Value strategy. Ingrid Reuschl presented the results of a survey conducted at the 2013 drinktec trade fair in order to give the Committee a better sense of what communications are needed to improve the company's dialogue with stakeholders. The growing importance of mobile devices was very clear. Social media, the CSR Report, and newsletters as well as symposia, conferences, and expert dialogues will be essential for sharing information with stakeholders. The Internet will remain the most heavily used channel for information sharing. In conclusion, the Committee voted to bring Nico Irrgang, a member of the CSR Team, on board to the CSR Committee.

Worst-case and best-case scenarios were used to determine a target for reducing CO₂ emissions through 2020.

The Committee's second meeting included an explanation of activities within the Compliance Management System and a presentation of the newly launched compliance training programme.

The Committee held its third meeting in September 2014. Helmut Kammerloher, a member of the team of brewing technology experts, presented the Murau Brewery as a case study. Following the installation of a KRONES EquiTherm system, the brewery now operates completely without fossil fuels, saving around 700,000 litres of heating oil each year. One focus of this meeting was the status report on the compliance programme. Another agenda item was a presentation on expanding the company's CSR reporting to include Scope 3 emissions. The CSR Team will survey the individual departments about possibilities for collecting emissions data in 2014 and 2015. Ideas for expanding the scope of reporting to include information on subsidiaries were also presented. The Committee was informed that reporting for 2015 would be in accordance with GRI G4 standards. To strengthen the company's activities with respect to sustainable business practices, it was decided that workshops would be set up to cover the areas of Environment, Labour practices, and Society. Beginning in 2015, these workshops will meet twice yearly to look at trends and tendencies among stakeholder groups and to develop CSR strategy goals and actions. The Value strategy programme covers the Economic field, which is considered a passive area in this context.

An important focus of the third meeting was the expansion of CSR Report content to include Scope 3 emissions.

In the fourth meeting, in December 2014, participants were informed about the company's sustainability rating upgrade by oekom research, to "B- Prime". With that, KRONES is now listed as an "Industry leader" in the "Machinery" category. The second item on the agenda was the presentation of the action plan for reducing CO₂ emissions and setting an official target. The CSR Committee and Chairman of the Executive Board Volker Kronseder expressed their support of adopting the action plan. The target for reducing CO₂ emissions through 2020 is a 30 to 40 percent reduction in emissions per one million euros of revenue – taking into account such factors as the CO₂ rating of electricity coming from utility providers. The proposal has been submitted to the Executive Board. Further topics of this meeting were the goals and actions laid out in the 2013 CSR Report and the presentation of a campaign that KRONES AG carried out in collaboration with Regensburg's District Department of Youth Services around the Christmas holidays. In a brief retrospective of the BrauBeviale trade fair, the CSR Team informed the meeting about the "Trainee at Fair" project, through which a group of trainees were engaged in preparing for and executing the company's presence at the fair.

A holiday campaign in collaboration with Regensburg's District Department of Youth Services engaged KRONES employees and demonstrated KRONES' close ties to the region.

In light of the newly launched CSR Workshops, three Committee meetings are planned for 2015.



Volker Kronseder



Prof. Dr.-Ing. Erich Kohnhäuser



Prof. Dr. Thomas Schwartz



Ingrid Reuschl



Welf Kramer



Claudia Islinger



Philipp Graf von und zu Lerchenfeld



Roland Pokorny



Nico Irrgang



KRONES AG's CSR Committee:

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), Prof. Dr. Erich Kohnhäuser, Philipp Graf von und zu Lerchenfeld, Prof. Dr. Thomas Schwartz, Welf Kramer, Ingrid Reuschl, Claudia Islinger, Roland Pokorny, and Nico Irrgang.

From left to right:

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

Prof. Dr.-Ing. 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.

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

Volker Kronseder, Chairman of the Executive Board of KRONES AG, bundles all of the Committee's initiatives and represents shareholders in the Committee.

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

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

Welf Kramer, Compliance Officer, as a specialist in commercial law, shares his knowledge of the relevant aspects of legal standards with the Committee.

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

Not pictured:

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

We use the ten principles of the UN Global Compact as a guide for our sustainability policy. We are committed to these principles and use them as the guideline for all actions. Our annual CSR Report contains all of our activities relating to sustainability and thus serves as the annual Communication on Progress required as part of our participation in the UN Global Compact.

Our overarching corporate strategy programme Value stands on four pillars: quality, profitability, growth, and innovation. Each of these pillars contains themes of sustainable business practices. We consider it our duty to convey and implement the economic, environmental, and social aspects of doing business sustainably through our Value strategy. That is our aim in our four annual CSR Committee meetings, in which we address current topics relating to sustainability and further develop them across the company. In this way, we encourage sustainable practices and raise awareness among our employees, so that sustainability becomes an integral part of their day-to-day work.

Our employees are the most important force for driving our company's sustainability efforts. By providing training and professional development for staff at all of our sites worldwide, we are ensuring that we can deliver the best technology and optimised machinery and lines to our customers. We place great importance on excellent training for our employees and continually developing their skills. Our Human Resources department's activities highlight our markets' international focus (pages 96 to 119). This is reflected in the list of goals and actions in the area of labour practices and decent work.

Environmental awareness informs all of the processes within our production sites. We assess our sites in terms of resource conservation. When making new capital expenditures, we take consumption of raw materials, consumables and supplies into account in pursuit of a far-sighted strategy for ensuring the eco-friendliness of our operations. KRONES acknowledges the potential consequences of climate change for individuals and the business community and therefore strives to conserve resources as much as possible in all of our activities. As a company, we defined a CO₂ reduction target in April 2015. Our aim is to reduce our CO₂ emissions per million euros of revenue by 30 to 40 percent by 2020. That will require changes within our own production sites. In addition, we will also support our customers on all aspects of resource conservation going forward.

The goals and actions laid out on pages 132 to 133 show that we are consistently working to fulfil our obligation. These efforts also include our own requirements of our suppliers.



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 <http://www.krones.com/en/responsibility/global-compact.php>.

Our products and innovations are the cornerstone of our success as a business. For seven years now, we have consistently pursued a strategy of designing sustainable machines with the best available technology through our enviro programme. To this end, we have developed a certified management system for ensuring energy and media-efficient machine design. In this time, we have progressively raised the profile of our enviro-rated products. The process of assessing our machines under enviro is slated for completion in 2015. We want to improve market penetration of our enviro machines and will be providing our sales teams with better tools for marketing them. With that, we will continue to lead the way in our industry and bring together environmental considerations and economic goals (pages 130 to 131).

In 2014, we created a series of CSR Workshops to complement our existing CSR activities. The first of these workshops took place in March 2015, bringing in experts from the various technical departments to brainstorm ideas and identify what needs to be done. The workshops are intended to address the topics of labour practices and decent work, society, and environment. They are meant to be a means for collecting ideas and initiatives, to be followed up on by the CSR Committee.

Developing sustainability topics broadly

Continuity is an important part of our company and our culture. This is reflected in the CSR strategy that we are progressively implementing. Our aim is to collaborate and cooperate on the development of all sustainability-related themes – as we have with our CSR Teams and the newly launched CSR Workshops. Part of this process is understanding that some things take time. It is important to us that all of our employees are included in the process in such a way that they can integrate the ideas and decisions into their daily work and truly identify with our sustainability efforts. The attitude of our workforce, which includes taking the long view on things, is certainly a boon to these efforts.

Of course, some ideas will take a bit longer to implement than others. In the end, slow and steady is the best approach for ensuring continuity and for establishing a strong, broad foundation for sustainability. The accomplishments we have made so far with this gradual approach – for instance, reducing our own consumption and developing resource-efficient machines for the long term – demonstrate how our employees appreciate our trust in them. Awareness and appreciation of the precautionary principle informs our actions, in both our internal projects and our external activities.

**Ingrid Reuschl, Head of Public Relations and Web Solutions,
Corporate Communications, on our CSR strategy**

Ms. Reuschl, what prompted the launch of the CSR Workshops?

We wanted to bring the individual technical departments deeper into the process and find out, sooner rather than later, what their needs are with respect to sustainability. We hope to get an impartial look at the various points and a lively discussion. It's not so much about developing solutions as it is about gathering ideas and suggestions that might be important for the company in the future.

What happens with those ideas and suggestions once they are gathered in the workshops?

We will use them in the CSR Committee. They will help us to figure out where we stand and, then, where we need to go from there. For example, we might ask

specialists within the company to provide us with more details on certain topics. It will help us further fine tune our CSR efforts.

Looking back at 2014, what do you feel were the most important CSR activities?

I'd say two things: A big topic that will likely continue to demand a lot of our technical experts is our CO₂ reduction target for KRONES AG. Considering our building infrastructure, which has been built up bit by bit over the last 50 years, calculating a realistic reduction target was certainly no small task. The second topic is evolving our portfolio of enviro-certified machines and lines. Incorporating enviro criteria into our product development process in such a way that the entire design and construction process is geared towards conserving resources is quite an accomplishment.



Future areas of focus

For 2015 and the years ahead, we will continue to develop our environmental focus by more deeply examining Scope 3 emissions in our value chains. Our subsidiaries, too, have confirmed that stakeholders are increasingly demanding attention to CSR topics. Customers worldwide are asking us directly about CSR and CSR topics are a growing presence within country-specific legislation. Tracking this development will remain on our list of action items. By implementing the CSR strategy and reporting in our offices worldwide, we are progressively generating a comprehensive picture of our activities.

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

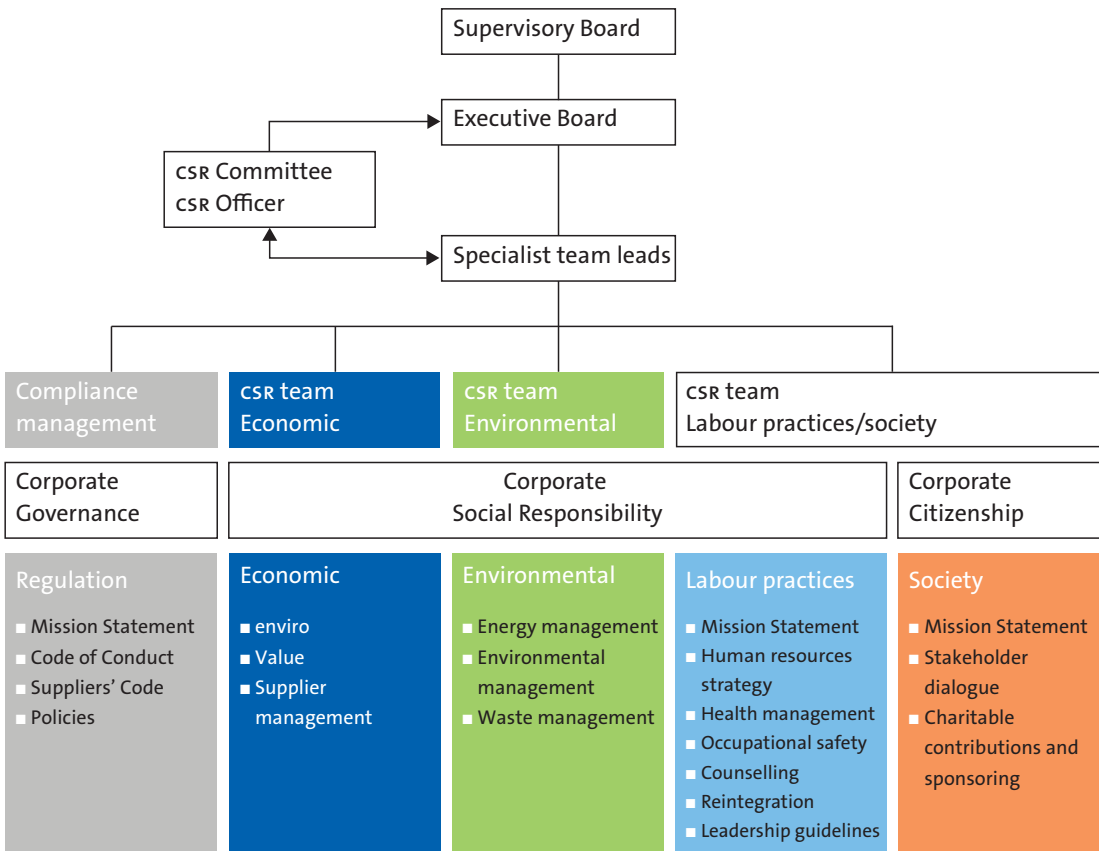
The CSR Committee is the most important body for implementing and realising the company’s sustainability strategy. The Committee’s task is to inspire and initiate action in the various areas. The Committee also drafts policies and guidelines for all aspects of the sustainability strategy. In its monitoring 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.



“Sustainability has to be tangible!”

Mr Baumann, how do you view KRONES' progress on all aspects of sustainability?

A company should never offset economic, environmental, and social considerations against each other. Economic concerns cannot take priority over all else. KRONES is in an exemplary position in terms of economic and social aspects. The company still has work to do on the environmental front. With enviro, we have brought a series of products to the market that the Executive Board fully stands behind. The enviro machines enable our customers to better meet consumers' growing demand for more ergonomic and environmentally friendly production. The markets are becoming increasingly aware of these machines and that is supporting KRONES' development in terms of environmental accountability.

Where do you see potential for KRONES to improve its environmental profile?

Sustainability is a competitive factor. KRONES has to continue to maintain its strengths. To be sure, we are in a very good position with respect to shareholders, employees, and society at large. Looking at the markets, I see that the field of PET recycling has been very well received by the general public and our customers are very interested, but they need more convincing. Our recycling technology sets us far apart from the competition. We hope to make a breakthrough on this.

Energy-efficient solutions often come in a close second when customers are deciding on capital investments because they take longer to pay for themselves. How can we change this?

Clearly, a customer will at first glance choose the machine with the lower price tag. But when they look at uptimes and system costs, customers can really see just how good KRONES is. The payback on thinner walls in PET bottle production or reduced consumption is considerable. These are selling points that we can use to market these products. Of course, this is all linked with the question of how much pressure from society can impact our customers' willingness to invest in energy-efficient technologies. Our view is that products always have to be competitive from a financial standpoint and we are offering added value that can be taken into that calculation.

What are the limits to transparency with respect to sustainability topics within a company?

Transparency has a great deal to do with tangibility and has a strong impact on how a company is perceived within the market. All of the Supervisory Board's work and decisions are always informed by the aim of transparently presenting how KRONES is assuming responsibility. The only limits I see here are on matters of strategy. Otherwise, we always strive to be open in our communications.



Ernst Baumann Chairman of the Supervisory Board of KRONES AG

The Sustainability Report

New topics and changes in presentation

This CSR Report for 2014 is a continuation of KRONES AG's reporting in previous years. This is the last year in which we will report in accordance with the Global Reporting Initiative 3.1 standard. For the 2015 reporting period, we will transition to Version 4 of the GRI Guidelines.

In determining the material aspects for reporting, we have largely retained the same areas of focus that were covered in the previous years. A review of the materiality matrix by representatives from the individual technical departments resulted in slight shifts in the position of certain points. The adjustments were made as part of the meeting held to kick off our work on the 2014 Sustainability Report. This process has enabled us to include the stakeholder group "employees", as they contribute ongoing feedback in the technical departments and input on our sustainability reporting. The materiality matrix also allows us to take into consideration our customers' expectations and interest about various topics such as the quality of our products and safety standards during project fulfilment.

Economic topics rate as highly significant, both with respect to stakeholders and with respect to the company's development. All items relating to customer service are considered highly important both from a stakeholder perspective and with respect to the company's development. A noticeable shift is the higher prioritisation of compliance. We have taken these assessments into account in preparing this report. We have dedicated considerable space in this report to aspects relating to production and products as well as to quality. Aspects relating to employee development and satisfaction have also been integrated in keeping with the priorities identified here.

This report covers all of KRONES AG's activities. In the economic section, we provide information that extends beyond the parent company and includes the activities of the KRONES Group. The environmental section contains data from our production sites in Germany. The indicators LA1, LA2, and LA13 for labour practices and decent work are presented at the group level. All other indicators in this section relate to our German sites and therefore cover around 75 percent of our total workforce. Certain content areas also cover information that we are able to collect through our IMS processes at our certified LCS Centres. These aspects and their coverage are noted accordingly in the report.

Significant changes to the report content can be found in the presentation of compliance data, where we are now also including quantitative data on workforce training following the launch of our compliance management system. In preparation for transitioning the reporting structure to Version 4 of the GRI Guidelines, we have expanded the items covered under "supply chain". In particular, we have expanded the information reported on travel and the freight forwarding logistics within our environmental indicators. Under "travel", we are now presenting a

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

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.

specific figure for CO₂ emissions in order to show the development of this data per million euros of revenue. In the interest of improved readability, we have also simplified the individual charts for this reporting element while still basing them on GRI Guidelines. For the first time, we are also reporting emissions data for shipping our products in addition to travel-related emissions. The data presented includes freight forwarded from all German production sites. In previous years, we had only included our Neutraubling plant in the detailed presentation. We have also expanded the data presented under labour practices and decent work. We have included data for the group in this section for the first time: the number of employees in the regions, their age structure, and the share of management level employees and women in the workforce. The data on occupational safety includes information from our IMS-certified plants for the first time.

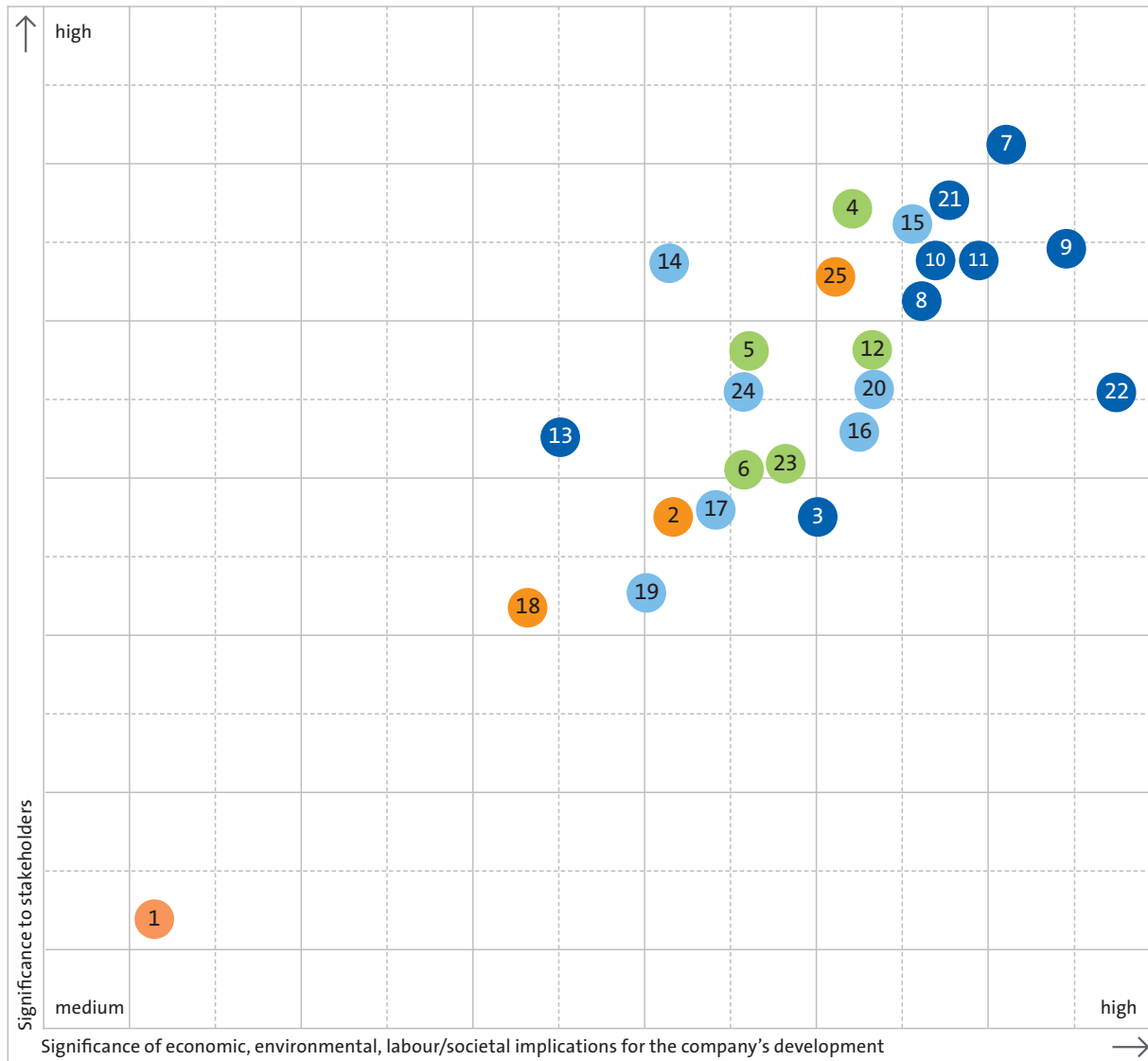
Collection of data is based on our internal accounting systems. Any estimates are noted as such. We have worked with estimates and approximations particularly for our first-time treatment of Scope 3 emissions from sea freight. Whereas we can use emissions data from the respective carriers or vehicle manufacturers for data on air and car travel, such information is not available for each individual sea freight shipment. For this reason, we have used the EcoCalc emissions calculator from Hapag-Lloyd, with which we can set a sea freight container's starting point and destination and then calculate the CO₂ emissions based on data in the system. Because we were not able to perform a separate calculation for each and every container transport, we clustered our shipments by destination region based on our freight accounting and linked the freight volumes to a single port in the region. The result is a qualified estimate of Scope 3 emissions from sea freight for our overview.

The calculation of CO₂ emissions for sea freight is based on the EcoCalc programme from Hapag-Lloyd.

Comparability of this year's report with the previous year's is ensured as we include the prior-year figures in our presentation of the various reporting elements. For items that are presented for the first time this year, there is no prior-year reference data for comparison.

Those cases in which the presentation of data has changed or the scope of data collection for certain indicators has been expanded for CSR reporting under GRI G4 have been presented to the relevant teams. For our reporting for 2015, we intend to include energy and resource-related data from IMS certified sites. This aim has been added to our management approach. There is still room for further development of data collection at our international sites for the reporting elements relating to labour practices and decent work. The presentation of this data is based largely on the HR department's roadmap for internationalising our HR activities.

Materiality matrix for KRONES AG



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



Ilse Aigner, Bavaria's State Minister for Economic Affairs, Media, Energy and Technology, visited KRONES' plant in Rosenheim in March together with Rosenheim Mayor Gabriele Bauer and District Administrator Josef Neiderhell. On the tour of the plant, Dr. Helmut Schwarz, Head of Packaging Technology, explained the site's production portfolio and presented our EvoLite packing technology. Ms. Aigner also spoke with employees and learned about various models in the training hall. *From left to right: Gabriele Bauer, Oliver Grober (Works Council), Dr. Helmut Schwarz, Ilse Aigner, Josef Neiderhell, and Michael Fischer (HR Business Partner).*

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 dialogue 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 magazine, KRONES intern) ■ Providing information about the company through social media channels ■ Up-to-date information on KRONES' website

What economic results did KRONES achieve in 2014?

What portion of value added goes to employees?

How does KRONES share its profit with shareholders?

Last year, revenue growth, EBT margin, and ROCE came to +4.9%, 6.5%, and 16.4%.

KRONES increased value creation by 5.6% to €1,038 million, of which €853 million went to employees.

KRONES paid out €63.2 million (or 6.1% of value added) to shareholders in the form of dividends in the reporting period.

Economic responsibility

The Value strategy programme and its four pillars of innovation, growth, profitability, and quality are crucial to KRONES' success. 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, customers, business partners, and shareholders and to the environment and society.

We have accomplished much in all four areas of the strategy programme in the past several years and will continue to consistently base our activities on the goals of Value. Of course, we do not look at our options from just one, economic, perspective. Instead, we also take into account social and environmental factors.

Our new corporate structure, which was launched in 2014, supports Value. Although implementation of the new organisational structure has not yet been perfected in all areas, it is clear that these leadership structures are enabling us to operate more efficiently and flexibly and putting us closer to customers so that we can better address their specific needs. By taking this approach, we are also transferring some responsibility to our offices worldwide since they are best able to develop and maintain close relationships with our customers.

Our products and services enable the company to benefit from three major megatrends for the long term:

- A growing middle class in the emerging markets
- Urbanisation
- An expanding variety of packaging forms

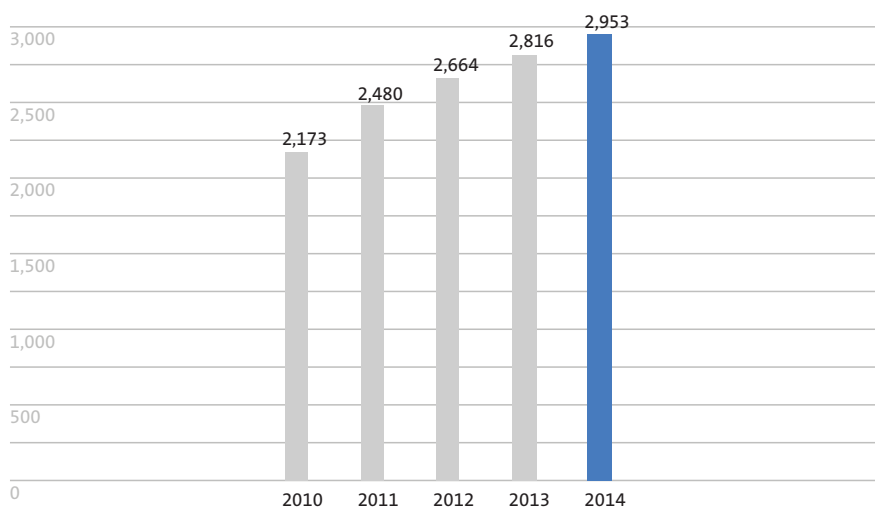
We will take these trends into account in developing and designing our products and services purposefully, to ensure our company's continued existence and viability on the one hand and to support our customers' efforts to develop their own viability on the other.

The Industrial Internet of Things, the digitalisation of the manufacturing industry, holds enormous opportunities for optimising manufacturing and value chain processes throughout industry. KRONES took up the challenge of this fourth industrial revolution quite some time ago and has been working on many new product ideas. To this end, we are collaborating with a renowned research institute to develop algorithms that will yield great advantages for our customers. These products are not yet ready for market but we view Industry 4.0 as an important topic that will generate great benefits for our customers going forward.

KRONES continued profitable growth trend in 2014

Overall, KRONES is satisfied with its business development in the reporting period. Despite the challenging macroeconomic environment, capital expenditure among customers in the beverage and food industries was satisfactory. Our markets were stable overall in 2014. Regional economic fluctuations offset each other.

KRONES Group revenue (€ million)



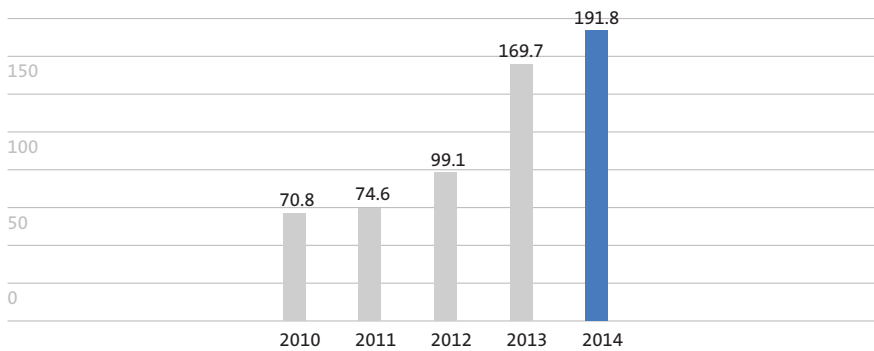
KRONES continued to grow in 2014.

As a provider of innovative products and services, we were able to increase revenue by 4.9 percent year-on-year from €2,815.7 million to €2,953.4 million. Thus, KRONES exceeded its growth target of 4 percent for 2014. The company's complete range of products and services for producing and packaging liquid foods and its broad international diversification through LCS Centres and offices had a positive impact.

Both new machinery and services business contributed to our growth. Revenue in the emerging markets improved more steeply than KRONES' overall revenue last year. The revenue share from these markets increased to 60.4 percent (previous year: 58.2 percent).

We improved earnings before taxes (EBT) in highly competitive markets by 13.1 percent year-on-year, from €169.7 million to €191.8 million in 2014. EBT is an important performance indicator for the group. KRONES improved its EBT margin – the ratio of earnings before taxes to revenue – from 6.0 percent in the previous year to 6.5 percent in 2014. With that, we exceeded our forecast of “around 6.2 percent” and moved closer to our medium-term margin target of 7.0 percent.

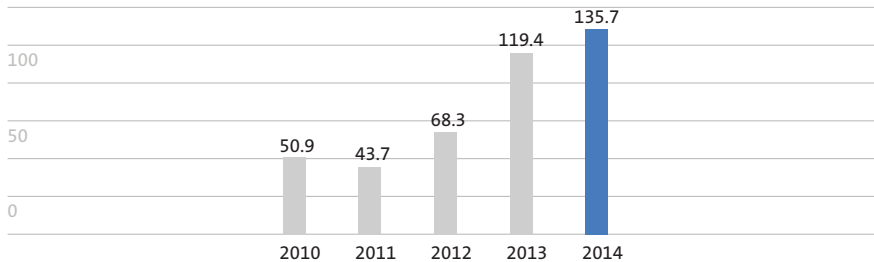
KRONES Group EBT (€ million)



KRONES increased EBT by 13.1% to €191.8 million in 2014.

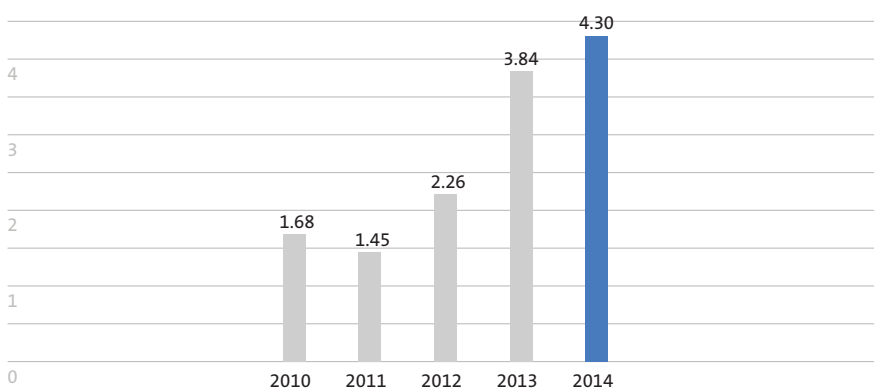
Because KRONES' tax rate decreased slightly to 29.3 percent in 2014 (previous year: 29.6 percent), consolidated net income increased a bit more steeply (13.6 percent to €135.7 million) than earnings before taxes in the reporting period. Earnings per share were up from €3.84 in the previous year to €4.30.

KRONES Group net income (€ million)



KRONES' consolidated net income improved to €135.7 million in the year under review.

KRONES Group earnings per share (€)



Significant progress towards our 7/7/20 target

Our medium-term target of 7/7/20, which stands for

- 5 to 7 percent revenue growth per year on average
- 7 percent EBT margin (pre-tax return on sales)
- 20 percent ROCE (return on capital employed)

is now within reach thanks to our strong overall performance in 2014. KRONES met all predictions for key financial performance indicators last year and has once again set ambitious targets for 2015.

KRONES met or exceeded all predictions for the group's key financial performance indicators in 2014 despite the difficult economic environment. The medium-term goal of 7/7/20 is within reach.

	Forecast for 2014	Actual value 2014	Forecast for 2015
Revenue growth	+4%	+4.9%	+4%
EBT margin	approx. 6.2%	6.5%	6.8%
ROCE	> 16.0%	16.4%	17%

Since we can expect only meagre support from prices in 2015, reducing costs, developing new products and services, and further improving quality remain important items within Value for achieving steady and sustainable profitable growth.

Subsidiary KOSME restructured

We restructured KOSME, our segment for the low output range, in mid-2014 in response to its unsatisfactory business development. Only KOSME Italy was affected by the reorganisation. In order to safeguard the future of operations in Roverbella, Italy, and achieve profitability there, packing and palletising operations were discontinued and capacities adjusted accordingly. Sadly, we had to release 100 employees at the site. KOSME has since focused on its core expertise, filling and labelling technology. Labelling technology activities in particular will be expanded at our Italian site in the years ahead. The subsidiary is strategically important to KRONES as it strengthens our market position in the key field of smaller and mid-sized applications.

Value creation at KRONES increased further

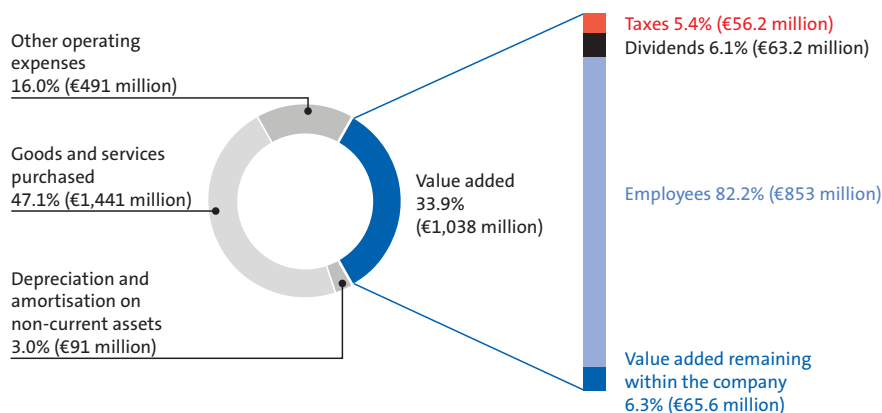
The value added calculation presented here shows the KRONES Group's contributions to the economy and society. It documents the value created by the company and how that value is distributed. A company's value added is calculated by deducting the expenses for production – that is, cost of goods and services purchased, depreciation and amortisation on non-current assets, and other operating expenses – from total operating performance (including other income). KRONES' value added for 2014 comes to €1,038 million (previous year: €983 million).

The lion's share of value added at KRONES (82.2 percent or €853 million) went towards our employees. Besides wages and salaries (€714.6 million), KRONES spent €138.7 million on social security contributions, pension plans, and employee benefits. In addition, €56.2 million or 5.4 percent of value added went to the state in the form of tax payments. The company distributed €63.2 million in dividends to its shareholders. In the year under review, €65.6 million in value added remained within the company. This figure is available for investment in future growth.

KRONES increased value creation from €983 million to €1,038 million in 2014.

Of this, 82.2 percent went to our employees in the form of wages, salaries, social security contributions, retirement benefits, and other benefits.

KRONES Group value added calculation



Total operating performance, including other income, 2014: €3,061 million (100%)

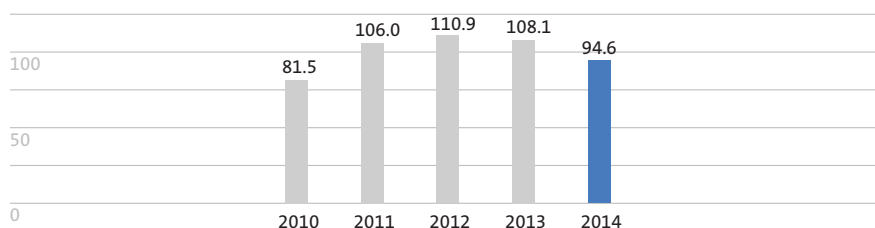
More information on the tax payments made by the KRONES Group can be found in the notes to the consolidated financial statements, under "Income tax" (page 163), in our 2014 Annual Report.

High capital expenditure and dividends

Leading technology and solutions are essential to achieving sustainable value added. That is why the company invests not only in its workforce but also in new plant and equipment and in the development of new products and solutions. Last year, €94.6 million went into property, plant and equipment and intangible assets (previous year: €108.1 million). The slight decrease in capital expenditure in 2014 from the high year-earlier figure was as planned. In the reporting period, KRONES stepped up investment in information technology and in streamlining processes.

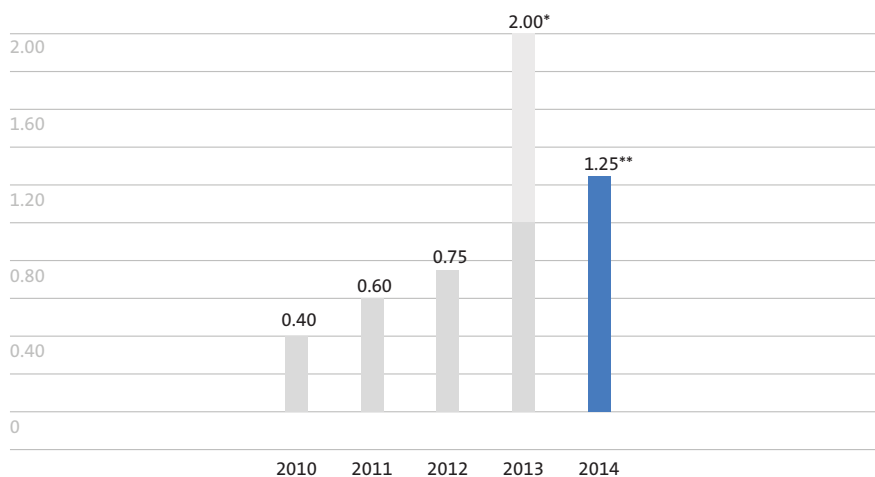
KRONES received no significant financial assistance from the government for its capital expenditures. KRONES will continue to invest to the extent necessary to maintain our leadership of the market for the long term – and that includes external growth through acquisitions.

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



KRONES' shareholders should also benefit from the company's success and receive financial consideration for the risk they undertake as equity investors. That is why KRONES' dividend policy is to pay out 25 to 30 percent of consolidated profit to shareholders. In June 2014, KRONES paid its shareholders a dividend of €2.00 per share (previous year: €0.75) for the financial year 2013. The dividend included a "special dividend" of €1.00 per share to pass some of the proceeds of the sale of our treasury shares in 2013 on to shareholders. The total payout to shareholders for the reporting period was €63.2 million (previous year: €23.7 million).

Dividend per share (€)



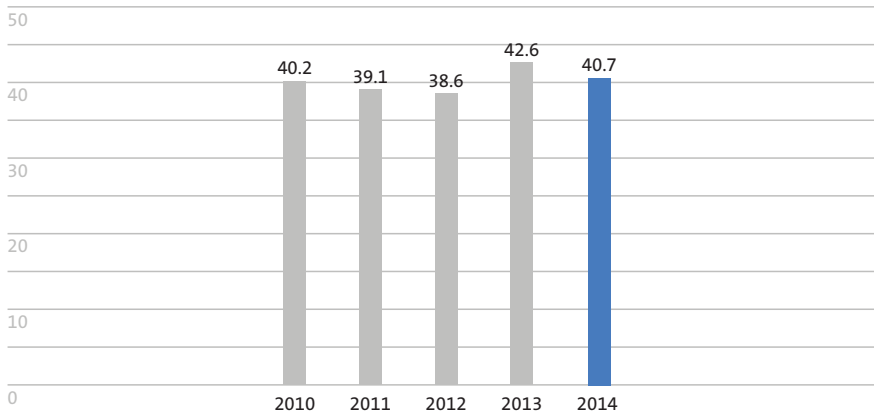
KRONES paid out €63.2 million in dividends to shareholders in 2014. This extraordinarily large dividend included a "bonus" of €1.00 per share (€31.6 million).

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

Strong balance sheet and financial structure

Despite the company's high consolidated net income, equity increased by "only" €34.3 million to €988.5 million in 2014. The €45.9 million in measurement changes on pension obligations that are recognised in equity had a negative effect on equity in the reporting period. At the end of 2014, the equity ratio was 40.7 percent, which is very good compared with industry peers (previous year: 42.6 percent). With net cash and cash equivalents (that is, cash and cash equivalents less bank debt) of €336.4 million (previous year: €239.9 million), KRONES still has an extremely robust balance sheet and capital structure and remains a stable, dependable company for all stakeholders.

KRONES Group equity ratio (%)

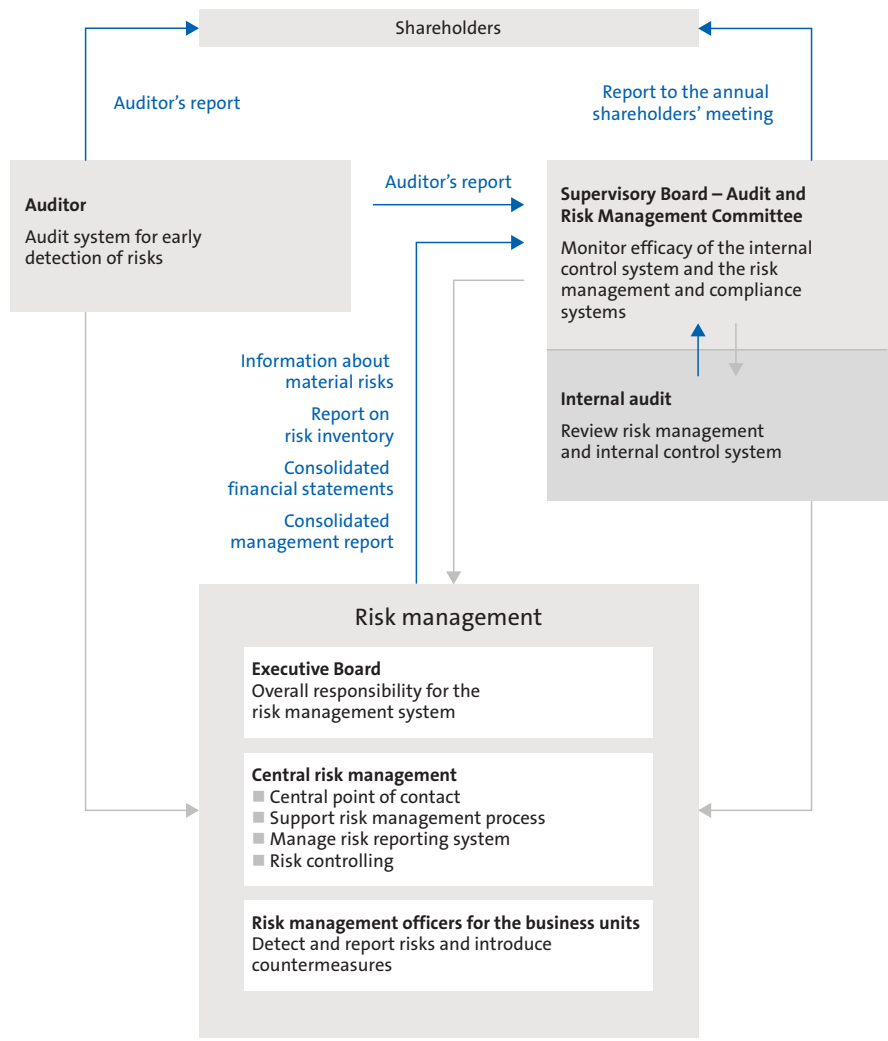


At 40.7%, our equity ratio is still at a comfortable level.

Actively managing risks

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

Risk management organisation at KRONES



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

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

We assess risks on the basis of the likelihood of an event and its potential financial impact 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 and opportunity report in our 2014 Annual Report (pages 106 to 117).

KRONES not only monitors existing, quantifiable risks but 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.

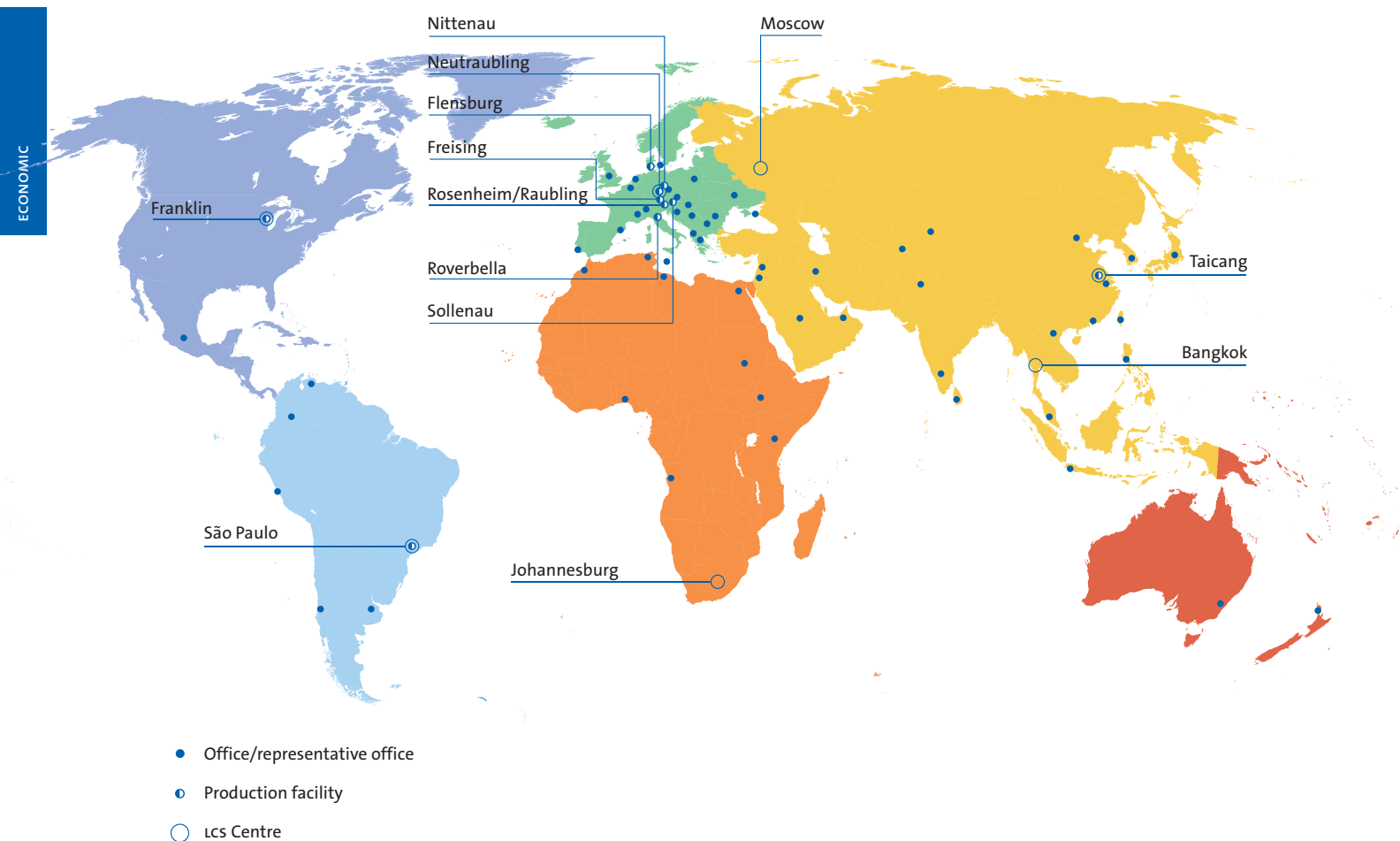
Climate change presents potential opportunities for KRONES thanks to our enviro sustainability programme. The enviro label identifies resource-friendly machines and lines, which customers are increasingly asking for due to economic and environmental considerations. We also see the development of megacities as a source of strong development potential for our markets since packaged beverage consumption is higher in such areas. Growing interest in closed-loop recycling of PET bottles is an opportunity for us since our MetaPure recycling technology produces food-grade recycled PET material.

“Our new corporate structure addresses the different aspects of our business and brings us closer to our customers. It makes process flows more efficient and reduces the number of interfaces, enabling us to position ourselves more clearly with solutions for our customers. Our processes are managed by way of individually defined performance indicators that cast a critical light on resource consumption. By strengthening our Lifecycle Services at our sites worldwide, we are fostering professional growth and development among our colleagues worldwide and also reducing business-related travel.”

Dr. Stefan Schunck, Head of Corporate Development

KRONES produces most of the core modules for its high-quality, high-technology machines and systems in Germany. All significant manufacturing steps are carried out in one of our German plants, in Neutraubling, Nittenau, Rosenheim, Flensburg, or Freising. KRONES is committed to its tried-and-true production matrix in Germany for the manufacture of its core components. The only exception here is our subsidiary KOSME (3,5 percent of revenue in 2014), which produces its machines and lines for the low output range in Italy and Austria.

KRONES Group sites



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

The standards that govern our actions integrate the ten principles of the UN Global Compact. We have been participants in this initiative since 2012, basing our business practices on its principles.

Introducing our management processes at our IMS-certified international sites has enabled us to achieve a high level of transparency about process flows there and gives us certainty that they are in keeping with ISO standards. Evaluating our procurement processes is another important aspect of applying the principles of the UN Global Compact. New suppliers and service providers must commit to abide by these rules on human rights, labour standards, environmental protection, and fighting corruption. We evaluate these aspects in system audits and renewal audits, which we conduct as part of our sourcing process.

We have included this topic in our CSR Workshops to help us gain a better overview of how sustainability matters are tracked within our supply chain. We were able to gather some initial ideas on how we can manageably track sustainability factors within our supply chain and at the same time duly recognise the specific environment in which our suppliers operate.

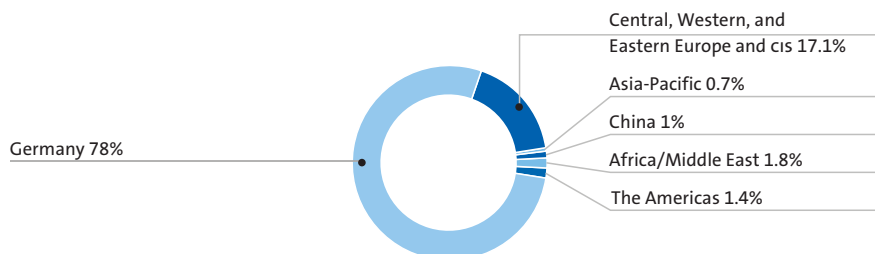
Similarly, our sustainability performance is also assessed in audits or on the basis of information that we make available on various sustainability platforms. In 2014, a number of customers queried KRONES' sustainability data on such platforms as EcoVadis, SEDEX, and CDP.

Our supply chain

More than three-quarters of our purchasing volume is sourced from Germany. That gives us fast access to needed parts and materials in our plants. It also means that we rely on companies that meet high standards of occupational safety and health and decent work because of the laws to which they are subject operating in Germany.

We have no major investment agreements with partner companies.

Purchasing volume by region of origin (% of total)



KRONES is a member of various organisations that make available transparent data on aspects of sustainability. These platforms enable our customers and other platform members to track our annual sustainability data. The biggest platforms of this kind are EcoVadis, SEDEX, and CDP.

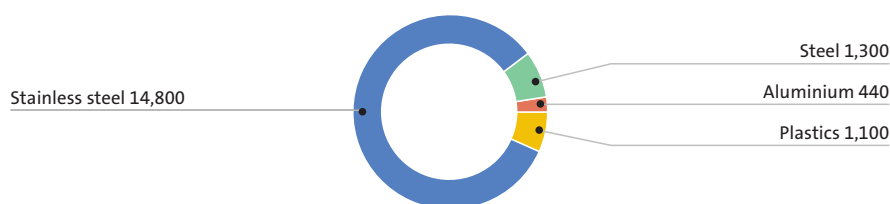
All new and prospective suppliers are subject to a system audit. Renewal audits are primarily conducted on strategically important suppliers. In addition, suppliers are audited if there is a problem with quality.

For semi-finished products, the quality system uses documentation that is delivered with the goods. In the reporting period, 84 new suppliers (previous year: 76) underwent this standardised process, including audits in China. As part of the process, the suppliers also were tested on their knowledge of our Suppliers' Code. Unlike in the previous year, we are now able to document that our suppliers have been informed about our Suppliers' Code because providing instruction on the Code's requirements is now standard practice for our auditors during the audit process. In order to further strengthen our focus on sustainability topics within our system audit, we expanded the self-assessment forms given to suppliers to include questions relating to occupational safety and environmental management in 2014.

Compliance with the Suppliers' Code was made a basic requirement for establishing a supplier relationship under KRONES' procurement policy, which was revised in 2014. That ensures due consideration of the basic principles of human rights, decent work, environmental protection, and the fight against corruption in all of our procurement activities. The procurement policy covers 100 percent of purchasing transactions within the KRONES Group worldwide.

Our production processes are based on four main material groups, which we buy directly from producers or through trading partners. We do not audit the suppliers of the raw materials themselves but rather the companies that process or machine the materials.

Key raw materials sourced in 2014 (metric tonnes)



Both our Code of Conduct and our Suppliers' Code require that all decisions relating to our partners must be based exclusively on appropriate factual considerations. The principle of non-discrimination is a binding guideline for all business transactions and activities. No incidents of violations of the non-discrimination principle were reported to us in 2014.

According to information from one of our biggest suppliers, the share of recycled material in stainless steel is around 90%.

The suppliers of our primary raw materials have environmental standards and energy management standards in place. Fifty-six percent of our purchased stainless steel comes from ISO 14001 or ISO 50001 certified suppliers. The level of certification is at 40 percent for purchased steel. For aluminium, 60 percent of the total volume came from certified vendors. The certified share of processed plastics is 13 percent. Because a large part of our purchased plastics comes from distributors and processors, who source the raw materials largely from the same raw materials suppliers, the ISO 14001 and ISO 50001 certificates actually cover a larger share of the raw material purchased.


Further developing the way we address social and environmental aspects within our supply chain has been placed on the agenda for our CSR Workshops in 2015. Including these themes in our career development efforts in the future will support our efforts to raise awareness of environmental and social aspects within the supply chain among our procurement team. That notwithstanding, we see our most important duty here in examining and evaluating the risk of child labour as part of our system audits. We have not detected any activities with significant risk of child labour.

Sourcing at KRONES Taicang: We introduced the audit module of our management software at our Taicang, China, site as part of the site's IMS certification. KRONES Taicang used this tool to perform system audits on seven existing suppliers in 2014. In addition, six first-time audits were conducted on new parts suppliers. With this module, our colleagues in China are using the same procedures as those used in Germany for conducting and documenting their audits.

As we work to internationalise our organisational structures, we will have to step up our activities relating to the qualification of service providers. Assembly and installation work at our construction sites worldwide is often performed by local companies that are contracted by our local offices. That means more responsibility lies with those regional offices. To ensure that our high standards for quality and working conditions are met, we will increase our evaluations of service providers. That will include system audits, product audits, and service provider training conducted by KRONES, either at our construction sites or at the service provider's facilities.

The conflict materials listed in the Dodd-Frank Act are not material to KRONES since they are not used or included in our products.



A photograph of three men standing outdoors in business attire. The man on the left is wearing a dark blue suit jacket over a white shirt. The man in the middle is wearing a blue suit jacket, a white shirt, and a blue patterned tie. The man on the right is wearing a grey blazer over a white shirt and tan trousers. They are standing on a light-colored tiled floor with greenery in the background.

Quality, the environment, and health and safety take highest priority at KRONES. By systematically continuing development of our Integrated Management System (IMS) and launching it at our sites in São Paulo, Taicang, and Franklin, we have established a uniform system for managing these aspects. That is an important part of our internationalisation strategy. With it, we are steadily moving towards our goal of establishing a single solution across the entire group.

Albert Bauer (middle), Head of Quality Management, with his colleagues Markus Maier (left) and Daniel Weinzierl (right)

IMS certification of our US site completed

In 2014, KRONES' third international production site underwent the IMS certification process in accordance with the global standards DIN EN ISO 9001 and DIN EN ISO 14001 and OHSAS 18001. Just as they had been in the LCS Centres in Brazil and China, processes at our site in Franklin (Wisconsin, USA) were documented and optimised. The local legal requirements relating to our products (ASME/NAD, ETC.), occupational safety, and environmental protection were loaded into the system to serve as a basis for these processes.

First, a current status report was run, for instance, on systems that may have a negative environmental impact. Then, the applicable regulations were reviewed, an action plan defined, and the corresponding processes established. Throughout this process, the IMS team benefited the experiences gained in China and Brazil. Processes launched in China could be used in the USA. The result was a shared process model for the LCS Centres worldwide that meets both local and group-wide standards.

And so, we now have three IMS-certified sites outside Germany operating in accordance with uniform processes and practices that are also documented in a master documentation and management system. The internal audits relating to the management system are conducted in the USA by ten qualified auditors. Five employees in China and ten in Brazil have been qualified to perform such audits. Internal system audits are conducted at all sites twice yearly. Within our certification process, which since 2014 is now designed as a matrix certification, all business areas must be reviewed within a 3-year cycle.

Quality and safety at our construction sites

Our quality assurance team inspected 121 construction sites in 2014 (previous year: 120). The inspections focused on quality assurance in aseptic installations, recording cases of loss or damage, loss or damage in transit caused by a third party, inspecting welded components on KRONES machines, and product audits of work done by subcontractors. Besides the construction site inspections, the department focused increasingly on development among subcontractors in 2014. Ten subcontractors were inspected for the purpose of training and qualification.

Andreas Nageler, Site Manager, on construction site safety

Mr. Nageler, how important is safety when our machines are being installed at the customer's plant?

Whenever I am working at a construction site, a major focus is on monitoring all activities and ensuring compliance with safety regulations. Hazard assessment has to be ongoing at construction sites because the variables are constantly changing throughout the installation process.

When it comes to safety, what phase of installation demands the most attention?

Hazards are the highest during the first phase of work, when the equipment is being unloaded and positioned. The lifting equipment and cranes that are used have to move their loads safely. The hoisting and sling gear are always inspected visually.

How do you ensure that safety requirements are always met?

First, all new employees at the construction site are instructed about all potential hazards on site. These instructions include how to handle hazardous materials, what to do in the event of an accident, how to use the hoisting platforms, and how to operate equipment safely. The site supervisor demands and monitors compliance with these requirements on the part of all service technicians, vendors, and installation firms.



Occupational safety at construction sites is continually monitored by on-site managers and site supervisors. These oversight duties are based on the KRONES Health and Safety Manual and an e-learning programme on the manual that all assembly and installation employees working in the field must complete on a yearly basis. Specially trained safety experts review compliance with safety rules on site. In some cases, customers may have their own specific procedures with respect to construction site safety, which KRONES then also applies to those sites.

New products that appeal to customers are essential for long-term profitable growth. That is why KRONES has a team of nearly 2,000 people working on innovations for our customers. In addition, our professional innovation management system, which includes company-wide ideas competitions and inter-divisional developer fairs, strengthens KRONES' innovative power. Quite successfully. KRONES' patent holdings grew by nearly 20 percent in 2014 to 3,730. That puts KRONES in the lead among German machinery manufacturers.

Including capitalised development expenditure, KRONES spent a total of €149 million on research and development in 2014 (previous year: €132 million). That corresponds to 5 percent of revenue.

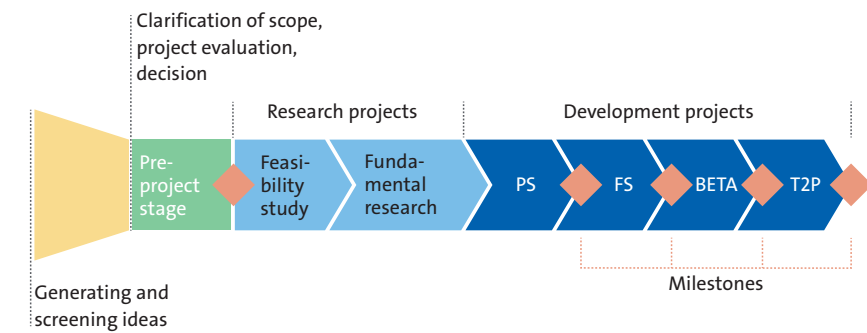
As part of our enviro sustainability programme, we are further reducing our machines' energy and media consumption and helping our customers achieve even more resource-friendly production. (Read more about enviro on pages 66 to 79).

Every phase of the product development process at KRONES covers sustainability criteria. That is because enviro considerations are part of the design process. The enviro manual integrates individual innovation management tasks to support eco-friendly design as part of our developers' standard workflows.

enviro-based innovation management tasks include:

- Anchoring the enviro processes in the product development process
- Taking enviro into consideration when selecting projects and Brainpool ideas
- Taking enviro specifications into account on projects
- Taking enviro specifications into account during project monitoring and managing enviro specifications throughout development projects

The product development process at KRONES



Every stage of development projects is tracked closely by means of milestones, in the parts specifications (PS), functional specifications (FS), beta testing (BETA), and transition to production (T2P).

To further grow our capacity for resource-efficient design, we have focused on expanding our methodological expertise in development and design. In this way, we are tapping additional potential for cost savings while at the same time improving resource efficiency. Examples of these efforts include posting methodology outlines in our Intranet and methodology training to support our engineers' efforts to reduce costs and conserve resources for the long term.

Our development framework is formed by laws and regulations as well as the standards applicable to the production and operation of our machines and systems. Collecting and documenting information about our products and services is standard practice throughout the product development process. We use this information to derive efficiency data.

Plant planning conforms to all legal requirements

All of the activities relating to construction planning at KRONES are in bundled in our plant planning team. Engineers, architects, and layout planners ensure compliance with all applicable European norms and regulations. Alongside DIN/EN standards, they also apply various directives (e.g. Industrial Building Directive, Association of German Engineers (VDI) standards, ASR, etc.) and guidelines (e.g. EHEDG Hygienic Design Principles for Food Factories). The workflows are defined in KRONES' process model.

As a rule, KRONES only creates preliminary designs or draft plans for the buildings, which will serve as the "shell" that will hold the planned equipment. Detail and execution planning on building construction are the customer's responsibility. Our plant planning team interacts with the customer's engineering firm, which is usually hired locally, throughout the project. That ensures that the project meets or can be adapted to local norms and regulations.

If KRONES is meant to assume the role of general contractor for a customer project and take on construction planning and execution, the company contracts the corresponding project phases to external firms that are part of an established network of business partners. These firms then guarantee compliance with applicable building standards and codes in collaboration with KRONES.

Training supports sustainable operation of our lines

The efficiency of processes and machine operation depends on the operator having precise knowledge of how the system works. In order to support customers in ensuring that their employees have the necessary qualifications, KRONES offers appropriate training options for all groups of employees within a beverage plant through the KRONES Academy. The program is divided into levels: Level 1 is on-site training for machinery operators and Level 5 entails the provision of training equipment for in-house training, so customers can design their own customised training courses. The

The requirement that fundamental elements of enviro be incorporated in our product development process covers 75% of our sales volume. The workflow for all design engineers across the group is defined by way of guidelines from the innovation management and enviro teams.

**Katja Kola, Head of Innovation Management,
on sustainable product development**

Ms. Kola, how does KRONES ensure that developments always achieve optimum results in terms of the sustainability of machines and lines?

Implementing the enviro process gives us a certified standard that defines the management process for new-product development. Every new design is evaluated for resource and media efficiency very early on. In other words, addressing enviro themes is standard procedure in our development process.

How do you ensure that new information is gained that supports machines' environmental efficiency?

We foster communication among developers working in different product areas by way of interdisciplinary technology and developer conferences that reach

across projects. The concept includes examining and presenting new materials and technologies in a forum. Exhibits are used for presenting new ideas innovative solutions. The knowledge transfer between the various specialist areas can help generate ideas and identify potential benefits in the various machinery portfolios.

Can you give us an example?

The recently developed proportional valve that we began integrating into our water fillers in April 2015 was presented at our developer conference because it can also be of interest for other machinery divisions. It could be used to regulate not only various product flows but even other process media. The presentation prompted numerous inquiries from other product divisions.

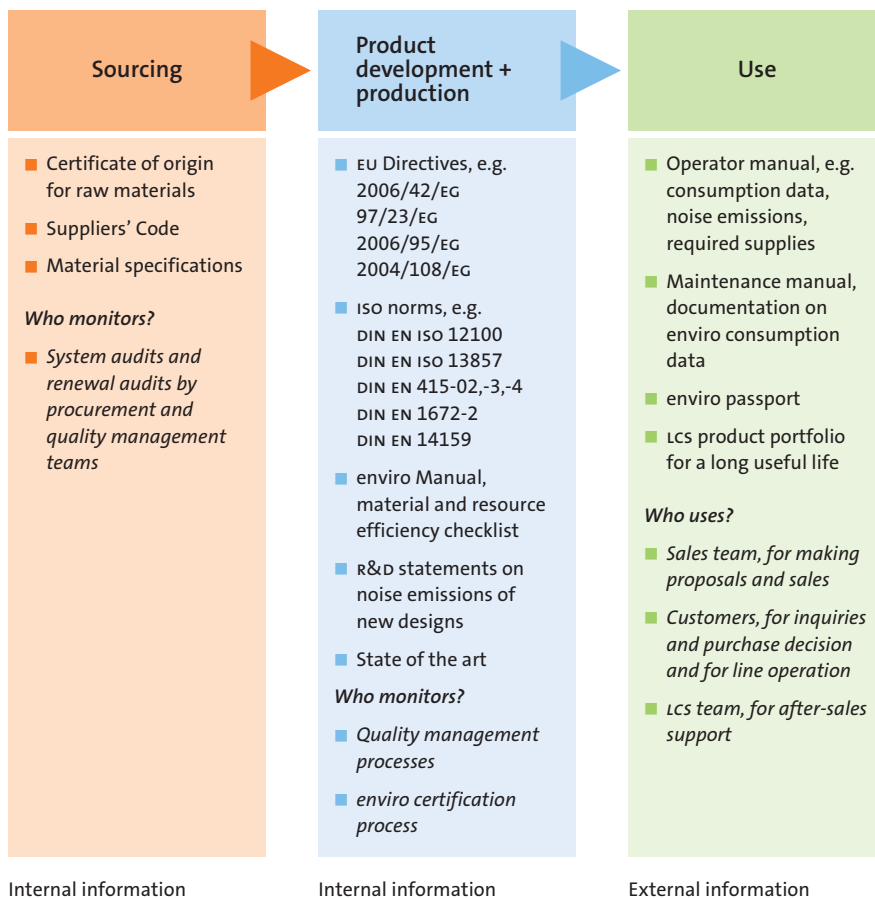


programme not only enables customers to achieve a high level of line efficiency. It also allows them to tap potential for resource conservation by setting optimal machine and production parameters.

We advanced the regionalisation of the KRONES Academy in 2014 and now offer training at additional centres that are located closer to customers. These local Academies are in Franklin (USA), Bolton (GB), Johannesburg (ZA), Lagos (NG), Nairobi (KE), Taicang (CN), Bangkok (TH), São Paulo (BR), and Bogotá (CO). The new centres make it easier for customers to obtain training for their personnel – not only because it entails a shorter journey but also because more trainers are available who speak the local language.

A 28 percent increase in consolidated revenues from KRONES Academy training from 2013 to 2014 bears witness to how well KRONES customers appreciate this support.

Fundamentals and information about product design and development



Besides the overarching EU Directives, we also apply the country-specific laws and regulations of our target markets.

We estimate the share of products that must be in conformity with these information requirements with respect to product safety at 70%. The remaining 30% consist of consultancy or services that do not fall within the scope of these standards and directives.

Brainpool brings all employees into the process

Sustainability and resource efficiency are a regular part not only of our research and development work. They are relevant and present for everyone at KRONES. All employees can contribute their suggestions through the company's improvement suggestion system, otherwise known as Brainpool. In this way, they help to improve processes and work safety, quality, environmental performance and energy efficiency, and the benefit to our customers. In 2014, a total of 2,046 ideas relating to CSR topics were submitted. Of those, 1,018 were implemented.

CSR-relevant ideas submitted and implemented in 2014	Submitted	Implemented
Occupational safety and health	188	114
Customer benefits	88	30
Optimising processes	1,545	804
Quality	152	58
Environment and energy	73	12
Total	2,046	1,018

Lifecycle Service

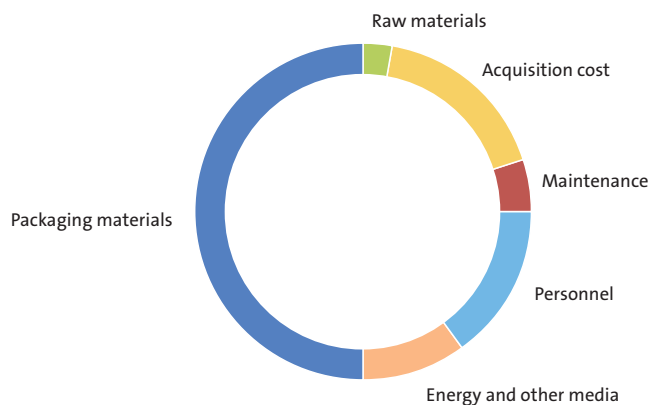
Rapid response is essential to the success of any service business. KRONES' LCS strategy is designed to ensure that our products and services are as close to our customers as possible. LCS projects are now largely being implemented in our LCS Centres and branch offices using local resources. KRONES will systematically continue its strategy of internationalising by further building and expanding local resources and expertise.

Customers focus on low operating costs

Customers in KRONES' markets are increasingly shifting the criteria by which they assess machines and equipment. In the past, acquisition cost and performance data were the decisive factors. Now, operators are increasingly focussed on efficiency – how much a machine or line actually produces in relation to nominal output. Keeping malfunctions and downtimes to a minimum not only increases efficiency. It also reduces costs per bottle produced (i.e. total cost of ownership).

KRONES sees considerable opportunity for Lifecycle Service (LCS) in the changing market demands. We offer our customers a bundle of products and services with which they can optimise the performance of their machines and lines throughout their entire useful lives. For instance, a service contract with KRONES can provide a strong basis for ensuring continuous operation and sustainable use of our machines. Our retrofits keep our customers' machines adaptable so that they can bring just the right products to market.

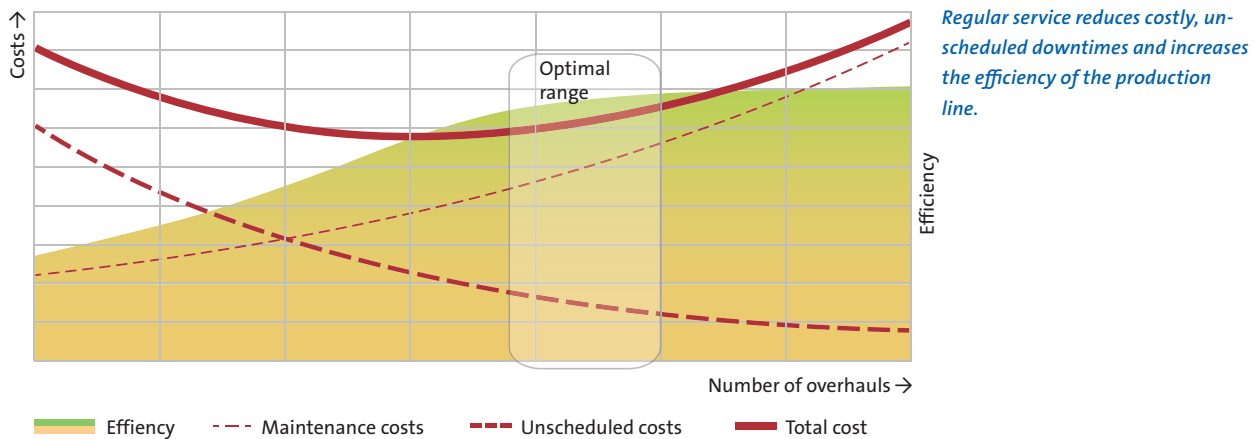
Share of total cost of ownership per filled 1.5-litre PET water bottle



Our LCS products offer customers solutions for extending the useful lives of their existing KRONES machines as much as possible. In all, around 360 upgrades offer opportunities for bringing many machines up to the current state of the art. To make it clear before a customer makes an investment decision which impact these measures can have, we list benefit categories for the upgrade products. We can select

options for upgrading machines based on efficiency, quality, materials, and personnel as well as on environmental and media efficiency criteria. At present, we offer more than 100 options across our portfolio that can contribute to improving our customers' environmental performance and media efficiency.

Analyses show that maintenance costs make up only a small part of the total cost per bottle filled, depending on the product and packaging type. However, with this relatively small outlay, customers can reduce bigger expense items such as staff, energy and media, and packaging material.



Options for improving raw materials use

Raw materials suppliers are continually advancing their developments and enabling KRONES to design solutions for reducing raw materials consumption. When we identify potential for savings, the LCS Team designs an upgrade package that is then actively offered to customers. One example of such a package is the option to retrofit a PET line to handle PET bottles with a short neck finish. The shorter neck finish significantly reduces the amount of granulate used to produce the bottles.

For the line operator, that means a neck finish that is four millimetres shorter than a conventional neck finish, and 1.7 grams less weight (i.e. material) per bottle. On a stretch blow-moulder running 36,000 bottles per hour, that saves around 61 kilograms of PET per hour. And with the machine operating 2,000 hours per year, the beverage plant can save more than 120,000 kilograms of PET.

Many bottlers have expressed an interest in this upgrade package. Our team must look at each individual case to be sure that all of the products that will be filled on the line are suitable for filling into bottles with a shorter neck finish. We have to ensure that uniform bottle and neck finish sizes can be run on a line.

Veronika Furtmayr, Head of LCS Strategic Product Management and Tools, on improving machines' environmental performance

Ms. Furtmayr, how can users run their KRONES machines optimally?

Regular maintenance is essential to achieving high machine efficiency for the long term. We often see a direct correlation between line uptime and investment in scheduled maintenance. But unscheduled machine downtimes can still happen. In this case, it is extremely important that we can provide rapid assistance.

What support does KRONES offer customers in these situations?

We offer our customers a variety of LCS products that can be tailored to their needs. For example, our 24-hour support package offers fast troubleshooting, either over the phone or through remote service, in which our technicians have remote access to the machine. This support package offers advantages in terms

of the time it takes to get the machine back up and running. It is also an environmentally friendly option since it reduces our service technicians' travel to the site. Another package we offer covers scheduled overhauls, which includes proactive replacement of parts depending on their condition. That reduces the risk of unscheduled line downtimes. It also extends the useful lives of machines and therefore makes for very sustainable operation.

Can you give us an example of how long a customer can run a machine?


Useful lives will vary from one customer to another and depend on the type of machine, shift model, external conditions, and maintenance strategy. So, we can't give you a number that would apply across the board. But we have seen machines operating 15 years or more at customers' plants.



Being close to customers is an important factor for success

We conduct regular surveys among customers to keep abreast of their level of satisfaction and their needs. We might survey customers upon completion of a project or in between projects in an effort to analyse their needs with respect to certain product groups or services. Questions relate to how satisfied customers are with our project execution, how well our products met their expectations, or how important documentation in the form of quality, environmental, and occupational safety certificates is to our customers.

Alongside the high quality and efficiency of our products and systems, responsiveness to our customers is one of the most important factors for our business. Thus, besides designing energy and resource-efficient machines, our development efforts also focus on providing cost-effective, dependable machines that meet varying regional needs. One example of this is the ErgoBloc L, a compact system that produces, labels, fills, and caps PET containers. We have now expanded this series to include an entry-level model that meets the needs of customers in the emerging markets.

A portrait of Caroline Herbst, a woman with dark hair pulled back, smiling warmly. She is wearing a dark brown long-sleeved top and a bright orange scarf. The background is a bright, out-of-focus office space with large windows and indoor plants.

“Our defined process for analysing customer satisfaction relating to a specific order is closely linked with our new machinery and LCS activities. We have determined two ideal times for surveying customers: immediately following final acceptance and one year following. Sales team members invite customers to participate in the survey. Customer responses are then evaluated and charted by our CRM tool. A colour-coded system shows whether the survey results indicate that action is needed.”
Caroline Herbst, Head of Global Sales Marketing

The following pages present machines and lines that exemplify our successful innovations and increase the benefit for our customers.

Double Filling Valve

The diversity of beverage products is growing rapidly and our twin-flow Double Filling Valve provides the flexibility needed for filling. Reliable flow meters ensure precise dosing for multi-ingredient beverages regardless of their viscosity or composition. For example, when filling fruit juices with fruit chunks, fibres, or pulp, the new filling valve delivers the juice and the fruit content separately. That allows the two components to be heat treated separately and then filled together in the aseptic filling unit. This process offers considerable advantages. One significant benefit is that both product components can be processed with a single filling valve. The same valve can also be used to add flavouring components.



Sleevematic TS

Consumption of milk and dairy drinks as well as RTD (ready-to-drink) teas is growing rapidly, particularly in the Asia-Pacific region and China. Demand for shrink sleeve labels that protect light-sensitive products is also increasing at the same pace. The new Sleevematic TS from KRONES gives customers an even more economical means to label their containers. The machine can apply shrink sleeves to as many as 50,000 containers per hour. Previously, two labelling stations were needed to achieve this level of performance. Thus, the Sleevematic TS saves customers an entire labelling station. It also makes for faster labelling. That is because, unlike previous Sleevematic models, which require “stop-and-go” operation of the film feed drive, the sleeves are pre-perforated and then torn off by the transfer roller on the new machine.



Contiroll ED

We have developed yet another module for labellers in our Ergo series, the new Contiroll ED labelling station for reel-fed wrap-around labels. The Contiroll ED (Ergonomic Design) features a simple, ergonomically enhanced design and excellent accessibility. Customers also benefit from low consumption and operating costs. The gluing unit ensures lower consumption of both energy and adhesives than on comparable machines. Shorter changeover times also contribute to more economical operation.



ECONOMIC

KRONES

Varioline

Module 4



Linear full-bottle inspectors

The latest generation of empty bottle inspectors (Linatronic 735) and full bottle inspectors (Linatronic 774-FBI) is based on a modular concept. The linear machines are inexpensive and give bottlers optimum product reliability. Linatronic 774-FBI full bottle inspectors detect even the smallest foreign objects or particles and remove compromised bottles from the production line. No special change parts are needed for inspecting bottles of different sizes, making changeovers very quick. Additional modules can be retrofitted to meet future inspection needs. As a result, our customers retain plenty of flexibility after buying a full-bottle inspector from KRONES.



Hydronomic

For KRONES, beverage production starts at the water source. KRONES offers a broad range of water treatment options, with the various designs of our Hydronomic water treatment system featuring membrane technology. The system is based on a modular design and can be configured to deliver the precise water quality needed for beverage production operations. The modular design makes it possible to adjust the Hydronomic's capacity without interrupting production. The entire system, from the water source to the product tank, can be sterilised using hot water. That largely eliminates the need for chemicals. Combined with the innovative water treatment process itself, that increases the useful life of the membranes and reduces operating costs. In addition, the machine is designed to ensure ease of access and maintenance.



Varioline

KRONES has added new functionality to its Varioline packaging line. KRONES Varioline combines various modules to create a compact packaging line tailored to customers' individual needs. The system is designed to handle up to 52,000 containers per hour. A small footprint, quick changeovers, and high operational reliability make the Varioline an attractive all-in-one solution for handling all packaging trends. Customers like North America's numerous craft brewers greatly appreciate this solution as they use customised packaging to appeal to consumers.

How is KRONES pursuing sustainable product development?

What share of machines currently meet enviro criteria?

What sort of savings can be achieved with enviro machines?

The enviro management system is our standard for developing resource-friendly products and is an integral part of the entire product development process.

34% of our machines meet enviro's strict criteria in their standard model or by incorporating optional components.

Savings vary by machine but can be as much as 90% of energy consumption, as is the case with our PFR valve.

Continued focus on resource-friendly machines

Sustainable production is gaining increasing attention in the food and beverage industry. Achieving it requires optimisation of machine and line technology. That is the only way to make production conditions as energy and resource efficient as possible. With enviro, KRONES has had a management and certification process for eco-efficient products in place since 2008. The enviro process is a management tool that helps ensure that the utmost possible resource efficiency is accomplished across the entire product development process.

Certification of the system is a process of evaluating our comprehensive system for planning, assessment, implementation, and rating our products with respect to energy and media efficiency and eco-friendliness. We use the enviro management system to ensure our ability to develop and build EME machines. The system has been certified by TÜV SÜD.

The assessment of process models enables KRONES to identify which machines within a family meet enviro criteria and to tap potential for further improvement. We use enviro as a tool for launching solutions that go above and beyond legal requirements and for using the best available technology for energy-efficient machines and lines.

We made further progress with our programme for assessing individual machines in 2014. The results show that 24% of the machines assessed meet enviro criteria in their standard model, without any design modifications. That means that one-quarter of our machines (relative to revenue) are also classified as enviro machines without design changes. We will continue to perform enviro assessments across our entire product range through the end of 2015.

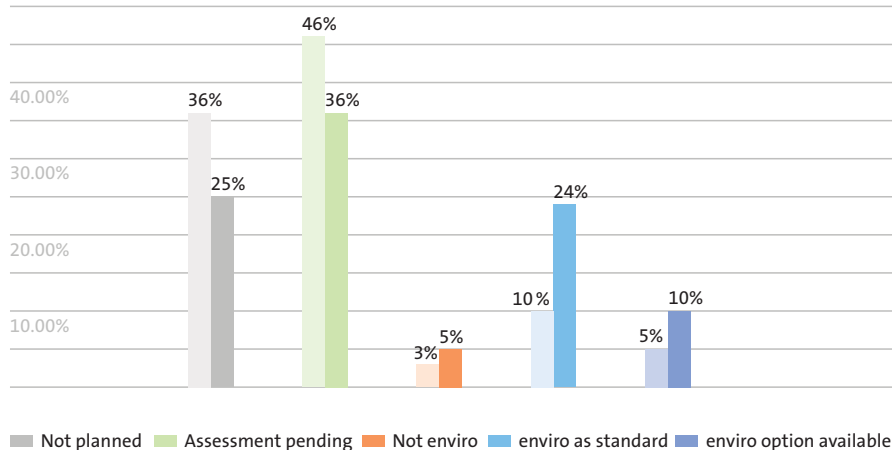
The enviro label is available for machines that pass the assessment. This symbol can be used both for process management purposes and for product classification.



The EME standard (Energy and Media Efficiency, Environmental Sustainability) is a standard developed by TÜV SÜD that integrates all industry-specific parameters for the operation of machines and lines. As such, it is suitable for evaluating the resource efficiency and environmental compatibility of production lines.

Status of machine assessments

Status of enviro assessments at the end of 2013 and 2014



To maintain certification of the enviro process, an annual external monitoring audit must be performed. Recertification is done every three years. The monitoring audits are performed at the individual plants in alternating years by an independent auditor. KRONES is responsible for ensuring that additional internal monitoring audits are performed on a regular basis. All areas are subject to an internal review at least once every three years. The aim of this review is to monitor whether KRONES is working in accordance with the certified processes and the system is subject to a continuous improvement process.

Assessment of process models

In our last report, we had stated that we would be changing our assessment strategy. The new approach allows us to certify our portfolio on the basis of entire process models under enviro 2.0 instead of individual machine sizes. The adjustments and reconciliation needed within the management system in order to make these changes work are currently being tested on two pilot machines. When this is complete, the process will be certified.

These changes to the enviro system enable us to expand our assessment to include sustainable components. In this way, we are adding the possibility to quickly configure machines with enviro-suitable components from the bottom up within our proposal-making process. For our sales team, that means it will be easier to identify the most media-efficient machines. At the same time, this new functionality will help us calculate sample payback periods that make the benefits of enviro technology more clear and support customers choosing enviro machines. In this way, the enviro programme, originally conceived as a special category of machines with environmentally friendly characteristics, is increasingly evolving into a tool for identifying potential for improvement in the areas of energy and media efficiency and environmental sustainability.

A process model includes machines and lines that perform the same or similar functions and share the same product structure.

enviro manual serves as basis

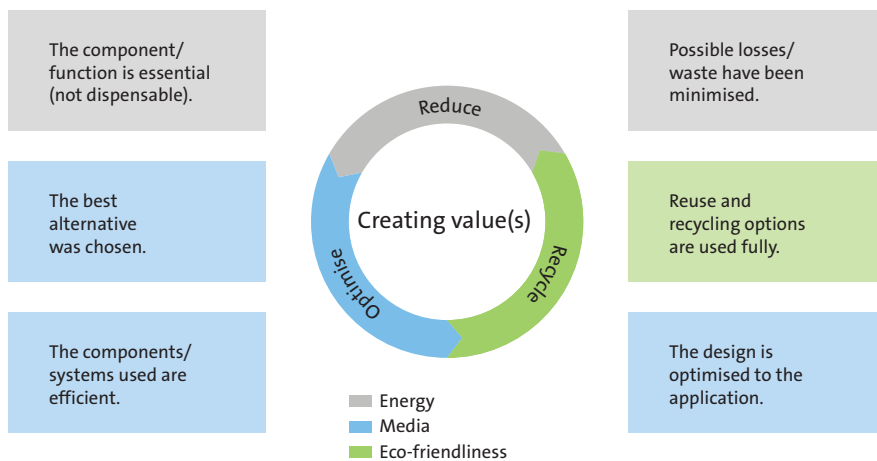
The necessary workflows for our Plants and Components and Filling and Packaging Technology business units have been compiled in the enviro 2.0 manual in order to present a clear, uniform picture of our new management process.

As a result, we have defined a uniform process for configuring resource-efficient machines that applies to 75 percent of our machines and lines.

The current version of the manual is available to all employees in KRONES' Intranet. The aim of the manual is to provide an overview of responsibilities within the enviro management system and to describe and regulate the necessary activities, duties, and responsibilities. The manual describes the processes necessary for assessing products. It serves as the basis for guiding, managing, and monitoring as well as describing the processes and responsibilities within the enviro management system.

Use of the enviro checklist is also stipulated in the manual. The checklist summarises the relevant questions for each function within a machine, targeting relevant topics and tasks. The questions must be reviewed and commented on within the checklist during machine development or assessment. In this way, we have standardised the development process and the use of resource-efficient solutions across the company. Six main criteria for energy consumption, media consumption, and environmental sustainability are reviewed in detailed checklists. The enviro criteria are met if all of the questions can be answered with a "yes". This review process is applied to all enviro-relevant components and machines.

enviro: What makes for energy and media efficiency?



If all of these items hold true, the enviro criteria for energy and media-efficient and environmentally sustainable systems or components have been met.

Pilot project: Modulfill

In order to test the enviro 2.0 processes before introducing them company-wide, we have launched a pilot project using our Modulfill filling system. By the middle of 2015, we will have tested all procedures under enviro 2.0. That includes examining the individual assemblies for energy and media efficiency and environmental sustainability, looking at the entire system's use of compressed air and media, and identifying options for an enviro machine. The machine is then mapped as an enviro model within the SAP sales configuration, which makes it possible to present the machine's added value to customers.



Minimised energy and media consumption*

- Energy consumption reduced by up to 10%
- Reduced consumption of compressed air
- Water consumption reduced by up to 75%
- Reduced CO₂ consumption

Leakage detection

- Identify increased consumption
- Leaks account for as much as 30% of overall compressed air consumption

Reduced consumption of compressed air*

- By up to 10% in operation
- By up to 90% on standby

Energy efficient drives

- PM drives for carousel and starwheels
- Frequency-controlled pumps

Measuring energy and media

- Monitoring energy and media consumption
- Detecting possible increase in consumption
- Taking countermeasures

Water-saving, energy-efficient vacuum pumps*

- Water consumption reduced by 95%
- Conserving energy with frequency-controlled motor

Environmental sustainability

- No-lube distributor gaskets
- Use of enviro-compliant lubricants

Cleaning-in-Place (CIP)

- Zero cleaning media consumption through closed-loop cleaning

*Example: Modulfill HES – 21,025, rated for 30,000 bottles per hour, bottle size: 0.5 litre, product: beer

Considerable resource savings with enviro machines

The assessment process and inclusion of review criteria make it possible to assess individual components for potential improvement. Individual case studies clearly illustrate the potential enviro machines offer users in terms of resource savings.

Cleaning technology

Depending on the beverage line's output and the bottles in use, a bottle washer will sometimes go into standby mode. In order to significantly reduce the amount of electrical power used during these periods, all integrated pumps have been equipped with frequency converters.

This measure has reduced the amount of electrical power consumed in standby operation by more than 70 percent.

Filling

The proportional flow regulator (PFR) is a solution for regulating product flow upstream of the filling valve. Electronic controls and an integrated stepper motor make it possible to fill a wide variety of products. The system completely eliminates the need for compressed air in the filling valve for bottling still water. On a line running 48,000 bottles per hour, conventional filling technology has previously required 6.5 kWh per filling valve for the filling process. The PFR valve is able to do the job with just 0.65 kWh. That means the amount of energy consumed by the filling valves during filling process is reduced by 90 percent.



With the Proportional Flow Regulator (PFR), KRONES has developed a component that ensures maximum performance and the highest possible operational reliability for the future. The PFR can be combined with all common measuring systems such as flow meters, load cells, or probes.



“In enviro 2.0, the machine’s individual components and functions are assessed on the basis of criteria that apply across the board. The detailed look at the assembly or component level ensures that the best available technology is used in machines classified as enviro machines, in all areas. At the system level, topics such as reuse of media, energy recovery, and minimising waste are taken into account.

enviro 2.0 enables us to show customers the advantages of an enviro machine right in the proposal and to present the added value proactively and transparently.”

Christian Gebauer, Process Engineering, Product Division Filling Technology, enviro point person

Product treatment technology

The new CLEAR system for the LinaFlex Pro pasteuriser makes possible fully automatic cleaning of the pasteuriser during production. The cleaning concept entails rotating spray heads and fixed spraying units as well as a sedimentation unit for removing broken glass, even small fragments. As previously, the system features a central filtration system and integrated UV treatment of the water used for cleaning, which is recycled in a closed loop, in order to prevent build-up of biofilm on the interior of the pasteuriser as a result of constant water contact.

This design eliminates the need for biocides and anti-corrosion media and reduces water consumption because of longer cleaning cycles. In addition, treatment of interior of the pasteuriser is no longer necessary, saving energy and resources. Depending on the configuration of the pasteuriser, this treatment entailed heat sterilisation at 80 °C for four hours, which is now no longer necessary. That eliminates the need for the steam that had been required for water heating. It also saves the 20 m³ of water previously needed for refilling the pasteuriser following sterilisation. Another benefit is that cleaning the interior no longer requires operator intervention.



Inspection technology

We have been able to completely eliminate the need for cooling air on our empty bottle inspector by changing the controls for the lighting units and using the latest LED technology. Whereas, illumination of the bottle's screw thread and base was constant regardless of the type of bottle being inspected, the new base lamp now allows the exposure time to be adapted by bottle type and automatically adjusted at changeover. This optimised exposure uses less energy, which translates to reduced cooling needs. In addition, a new generation of surface LEDs provides better brightness values compared with its predecessor.

The combination of these two measures eliminates the need for active cooling and yields savings of around 4 percent of total compressed air consumption. Moreover, the new generation of LEDs saves 15 percent in electrical power compared with previous base lighting units. A welcome side effect of this improvement is, of course, that it also eliminates potential air leaks and 30 percent of the machine's wiring. Although the total savings here are small, it must be borne in mind that the Linatronic empty bottle inspector is one of the smallest consumers within the entire production line.





KRONES AG's enviro team

The enviro team includes a specialist from every product division. That ensures quick communication and detailed presentation of enviro information during the assessment process.

From left to right: Michael Auburger, Dr. Markus Zölfl, Stefan Hauke, Ulrich Schlieper, Walter Pöppel, Daniela Haupt, Berta Lux, Karl Gorbunov, Christoph Marquardt, Gottfried Gunser, Antonia Niemann, Christian Gebauer, Martina Birk, Ernst Dinter, and Martin Kloska

Not pictured:

Dr. Ulrich Buchhauser, Rudolf Fiegler, Veronika Knöchel, Falko Jens Wagner, and Carsten Winkelmann

Murau Brewery now uses 100 percent carbon-neutral thermal energy

Achieving energy efficiency in beer production presents a special challenge. The various stages of the brewing process require precise, very high temperatures. In a showcase project for brewing technology, the Austrian Murau Brewery and KRONES collaborated to bring the brewery's consumption of fossil fuels down to zero in 2014. As of May 2014, the brewery is now powered 100 percent by renewable, carbon-neutral thermal energy generated by a biomass cogeneration plant of the municipal utility, Stadtwerke Murau. The wood used to fuel the plant comes from forest thinnings and timber processing and is supplied exclusively by local forestry firms.

Energy vision for Murau

The brewery's migration to regionally sourced, carbon-neutral thermal energy is part of a larger movement within the Murau region, which is a member of the Climate Alliance. The region is pursuing a vision, which it has entitled "Energy Vision for Murau – a district on its way to energy independence!" The region has made steady progress towards this goal by integrating all major consumers into the overarching energy supply concept. As a result, value added stays in the region and the security of the energy supply for both electricity and heat is ensured with renewable resources such as water and wood. The brewery has been converted to use only low-temperature process heat so that the energy used in the brewhouse now comes from hot water instead of steam.



Far left: Kurt Waitischek, Director of Stadtwerke Murau, commissioned the project.

Left: To maintain the brewhouse's traditional character, KRONES integrated the ultra-modern technology into the existing copper tanks.



Far left: Use of the thermal heat from the local utility's cogeneration plant reduces heating oil consumption by 2 million litres

Left: The idyllic town of Murau intends to become completely energy independent by 2015.

Right: Murau Brewery's Managing Director Josef Rieberer (left) and Technical Director Günter Kecht.



Holistic optimisation of the thermal balance in beer production

The innovative STEINECKER EquiTherm system made it possible. The energy recovery system comprises three process units: a ShakesBeer EcoPlus mashing kettle, a layered energy storage tank with a stratified charging pipe for density and temperature-dependent use, and a lautered wort heater in conjunction with a Stromboli wort boiling system featuring an external boiler. The linking of these three components makes possible the targeted use of thermal energy at different temperatures in the appropriate process steps. As a result, the brewery no longer has to produce steam at a temperature of 160 °C for generating hot water. Instead, the energy recovery system supplies the various consumers within the brewhouse: The EquiTherm system withdraws energy from the brewing process at a specific point and feeds it back in to the areas with high energy needs. EquiTherm makes it possible to holistically optimise the thermal balance in the production process. It also prevents the excess of warm water encountered in most brewhouses and makes it possible to use energy from the local district heating network.

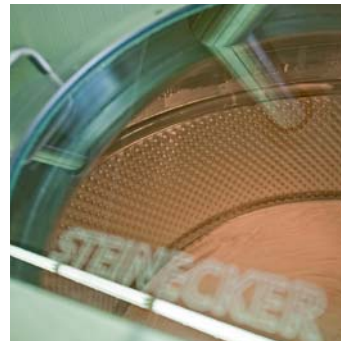
enviro technology for sustainable brewing

The STEINECKER EquiTherm system bears the enviro seal and is setting the standard in terms of sustainability. The technology is already in use in many breweries. Murau Brewery is the first complete conversion to renewables using our technology. The benefits in terms of energy consumption are quantifiable: Instead of using steam at 160 °C, the brewery now uses water at 115 °C in the brewhouse for wort boiling, 105 °C water for the bottle washer, and 95 °C water for all other processes. The savings in thermal energy at Murau Brewery come to around 30 percent.

Murau Brewery is a cooperative brewery with a strong commitment to sustainability. It was the first EMAS-certified brewery in Austria and has worked continually to optimise all of its environmental performance indicators. Following the conversion, the brewery reached a benchmark of using less than 19 kWh total heat energy per hectolitre of beer produced. Of the total savings of seven kWh per hectolitre of beer produced, the EquiTherm system accounts for around two kWh per hectolitre. This energy-efficiency upgrade saves the company the equivalent of around 210,000 litres of heating oil each year.

Murau Brewery facts and figures:

- 100 percent heat from biomass
- 30 percent less thermal energy
- 100 percent less fossil fuel



Above: Existing equipment was integrated into the conversion.

Center: The wort boiling process now uses heat supplied by EquiTherm.

Right: The ShakesBeer EcoPlus system is the interior and lower portion of the two mashing kettles.



Which environmental goal is most important for KRONES?

Was KRONES able to reduce energy consumption in 2014?

What progress has been made on water consumption?

In 2014, we developed a target for reducing our Scope 1 and Scope 2 emissions through 2020.

In terms of absolute consumption data, energy consumption was reduced by 8.5% and now comes to 38.7 MWh per million euros of revenue.

Water consumption came to 115,948 m³, which translates to 39 m³ per million euros of revenue. That is down 4.9%.

Continually addressing environmental topics

Our activities in the area of environment are aimed at achieving the highest possible levels of resource efficiency. For energy consumption, we set ourselves a target of reducing CO₂ emissions based on 2010 levels in 2014. The Executive Board approved the target at the recommendation of the CSR Committee. That makes reducing energy consumption a high priority among our environmental activities.

In order to deepen the provisions of our Code of Conduct with respect to environmental protection, our Executive Board will take a position on what climate change means for the company. This may include adding environmental criteria to our Code of Conduct. The need for this was identified in our newly launched CSR strategy workshops and addressed by the CSR teams.

Achieving savings wherever economically feasible is already part of our approach to doing business. We will continue to pursue such savings and, for instance, achieve energy savings on our own even if the results of our efforts will be tempered by external factors, as they were in 2014. We will step up collection of data on Scope 3 emissions, although we have already achieved a high level of transparency with respect to certain topics such as employee travel. Our next step will be to tackle data on emissions arising from freight forwarding.

We believe it is important to include our employees in our efforts to conserve resources. Our “Brainpool” platform is open to all employees as a way to suggest ways to improve materials use and energy consumption in our processes. Our goal is to further utilise the potential that is uncovered.

Following IMS certification of our offices in Brazil, China, and the USA, data on resource consumption at these international sites is now available for the first time beginning in 2015. Assuming that the data is consistent, we will integrate this information into our reporting for the first time in our CSR Report for 2015.

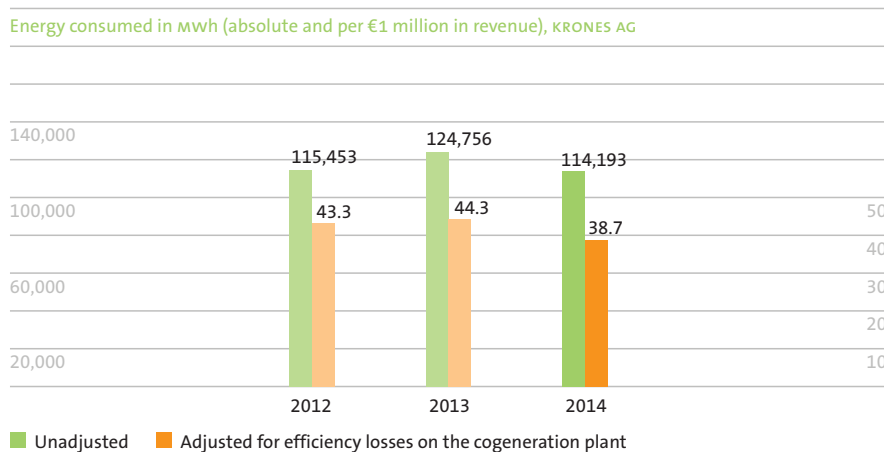
In 2014, no administrative or judicial sanctions were levied for failure to comply with environmental laws or regulations.

Energy consumption reduced considerably

Energy consumption was down once again in 2014. Total energy consumption at KRONES AG came to 114,193 MWh. In terms of revenue for 2014, energy consumption comes to around 38.7 MWh per million euros of revenue. This figure also contains efficiency losses from our cogeneration plant. In absolute terms, energy consumption was down 8.5 percent.

Reduced need for thermal energy as a result of relatively warm weather in the first quarter of 2014 was a key factor in this improvement. Germany's national weather service cites a regional correction factor of 1.12 for 2014 compared with previous years. That means the average annual temperature last year was 12 percent higher than the average for the last ten years. If we adjust our energy consumption data to account for this factor, our energy consumption in mathematical terms would be 121,405 MWh, which is still down 2.7 percent from the previous year. In terms of revenue, specific energy consumption would then come to 41.2 MWh per million euros of revenue (previous year: 44.3 MWh).

Thus, adjusted to account for the weather, our efficiency gain in energy consumption comes to 3.1 MWh per million euros of revenue, which indicates that we are further decoupling our sales volume from our energy consumption.

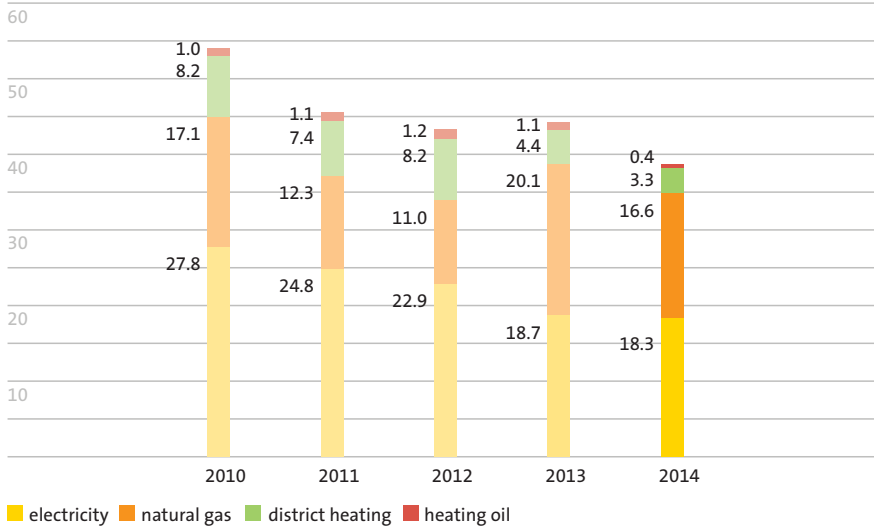


Key figures on our cogeneration plant for 2014:
 33% electricity production
 45% heat production
 22% efficiency losses

The shares of consumption by primary energy source largely remained unchanged compared with the previous year, with the exception of heating oil. At our Neutraubling plant, several oil-fuelled heat sources were converted to natural gas. The improvement in energy efficiency in 2014 was achieved by refurbishing a furnace and replacing and optimising controls in the Nittenau plant and by converting some of the halls at our Rosenheim plant from natural gas to district heating.

Energy drawn from external sources – electricity, natural gas, district heating, and heating oil

(MWh per €1 million in revenue), KRONES AG



The supply of district heating at our Rosenheim plant is 100 percent carbon neutral and uses no primary energy. The Nittenau plant is supplied with district heating that is generated 100 percent from biogas. The Freising and Flensburg plants are heated using district heating from local utilities.

In 2014, another CHP plant was put into operation at our Neutraubling plant. Its integration into our power supply was further optimised in the second half of the year. As a result, the share of internally generated power, currently 13%, can be increased considerably in 2015.

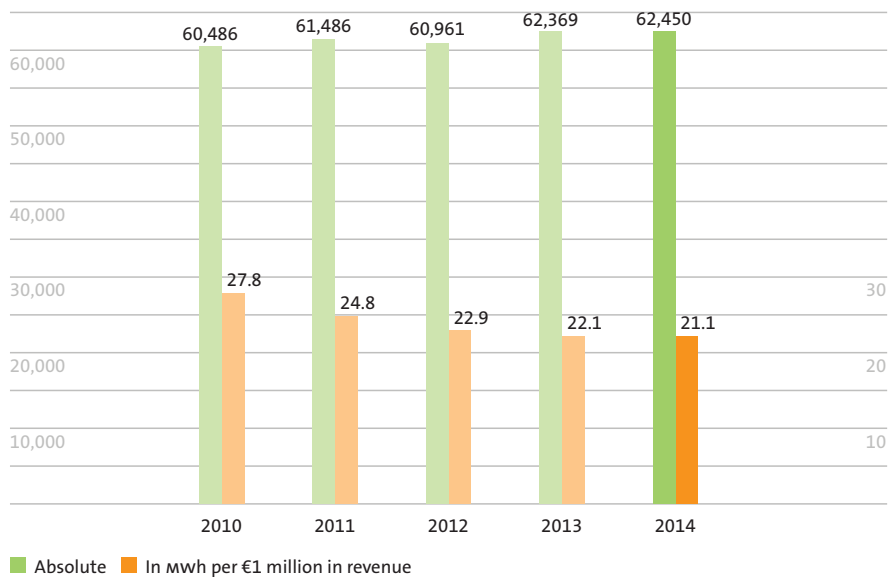
Electricity consumption steady despite increased revenue

Electricity consumption was virtually unchanged in 2014. Electricity consumption at our German sites came to 62,450 MWh (previous year: 62,369 MWh), which is an increase of 0.13 percent. Our electricity consumption consists of the electricity produced in our CHP plant (8,351 MWh, previous year: 9,642 MWh) and purchased electricity (54,099 MWh, previous year: 52,726 MWh). The increase in purchased electricity resulted from the fact that our CHP underwent scheduled maintenance in 2014 and was therefore not in operation for a portion of the year. In addition, mild temperatures shortened the period in which our heat-powered systems were in operation in 2014.

Relative to our increased output and the resulting increase in revenue, our specific electricity consumption per million euros of revenue came to 21.1 MWh (previous year: 22.1 MWh). That indicates a 4.5 percent reduction in electricity consumption over the previous year.

Our public utilities generated 40.5 percent of the power they supplied (previous year: 40.3 percent) from renewables. Thus, 21,901 MWh of the power used at KRONES came from renewable resources.

Electricity consumption in MWh (absolute and per €1 million in revenue), KRONES AG



The unchanged electricity consumption despite increased output can be attributed to our ongoing efforts to conserve energy in our compressed air networks, the use of efficient lighting technology in our production halls, and changes to standby operation in the high-bay warehouse at our Rosenheim plant. Under our action plan for achieving our newly defined CO₂ reduction target, we will be making additional modifications, particularly in our lighting systems and in the use of efficient motors and improving performance of existing motors.

Stakeholder dialogue: Energy supply in the Regensburg region

Fostering close communication with all stakeholders on the topic of energy supply in the Regensburg region is the basic tenet of the Energieagentur Regensburg organisation. In September 2014, the first such exchange forum was held at KRONES AG. It was clear from this meeting that the Regensburg region, where 12.5 percent of energy comes from renewables, is still at the beginning of the road to eco-efficient energy use. KRONES presented its own energy supply concept, which is highly efficient and helps reduce CO₂ emissions.



From left to right: Thomas Arnold, Olaf Hermes (Chairman of the Board of Rewag, the public utility), Andreas Krüger (Rewag), Ludwig Friedl (Managing Director of Energieagentur), District Administrator Tanja Schweiger, and Volker Kronseder

Our Executive Board's decision to set a goal for reducing CO₂ emissions is an important milestone. Our goal for cutting Scope 1 and Scope 2 emissions through 2020 is linked to our business development.

Scope 1 and Scope 2 emissions

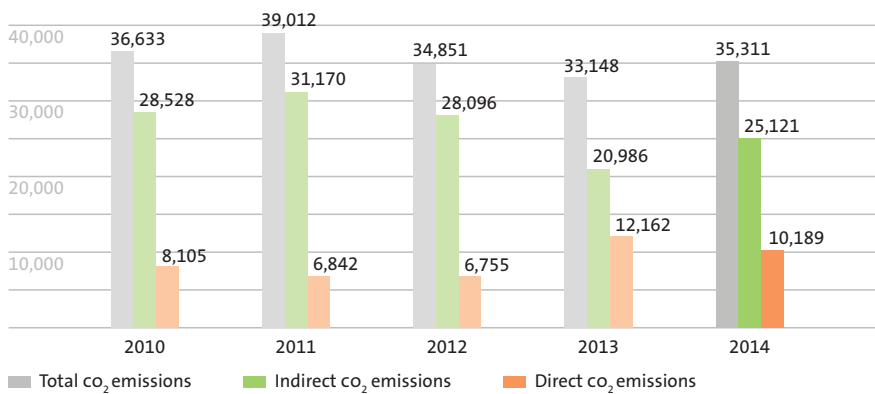
Our Direct and indirect CO₂ emissions came to 35,311 metric tonnes in 2014. That is an increase of 2,163 metric tonnes, or 6.5 percent, over the previous year. Direct emissions are down considerably, by 16.2 percent to 10,189 metric tonnes, while indirect emissions were up 19 percent to 25,121 metric tonnes.

Our data for direct emissions benefited from the positive development of our consumption data for heating energy. Indirect emissions, on the other hand, did not improve despite our unchanged consumption of electricity and improved share of electricity generated using renewable resources. The reason is that the electricity generated from non-renewable resources (59.5 percent of total electricity purchased) now has a different CO₂ rating.

The data provided by our electrical utilities have a weighted CO₂ value of 439.9 grams per kWh of electricity for 2014 while that figure was just 367.8 grams in 2013. That is due to the changed energy mix that is currently being marketed in Germany as part of the energy transition.

Based on the increase in revenue from 2013 to 2014, Scope 1 and Scope 2 emissions now come to 11.95 metric tonnes per million euros of revenue, an increase of 1.5 percent.

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



The CO₂ value of our electricity mix increased by 19.6% from 2013 to 2014.

Franz Zollner, Head of Building Engineering Services, on defining a CO₂ reduction target

Mr. Zollner, what target has KRONES set for reducing CO₂ emissions?

When defining a CO₂ reduction target, we have to take into account that we have steadily increased revenue in the past and aim to continue to do so in the future. Therefore, a reduction target for CO₂ emissions has to be per million euros of revenue. We use the year 2010 as our reference year for CO₂ emissions and have set a goal of a long-term reduction of 30 to 40 percent based on 2010 figures by 2020.

What decision-making processes went into defining the reduction target?

We used a variety of scenarios to define a target corridor in order to determine a realistic goal for reducing energy con-

sumption relative to our revenue targets. Our energy experts then used this as a basis on which to analyse our options for optimising individual production areas in each of our plants and calculated the associated costs.

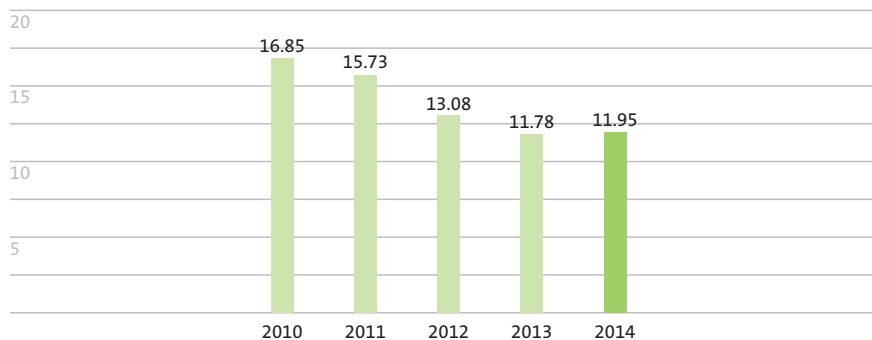
What actions are now being taken to achieve the reduction target?

Based on our research, we developed an ambitious action plan which was adopted in April 2015. The plan includes modernising the lighting systems in many production areas within our plants. We estimate that transitioning to LED technology will cut our CO₂ emissions by around 1,000 metric tonnes. Other actions include renovating building components and improving our ventilation systems in order to utilise heat recovery.



With our CO₂ emission target through 2020, we are now looking at our CO₂ value not only in comparison with the previous year but also with our base year, 2010. Comparison with 2010 shows that we have reduced the absolute amount by 1,322 metric tonnes of CO₂, a decrease of 3.46 percent.

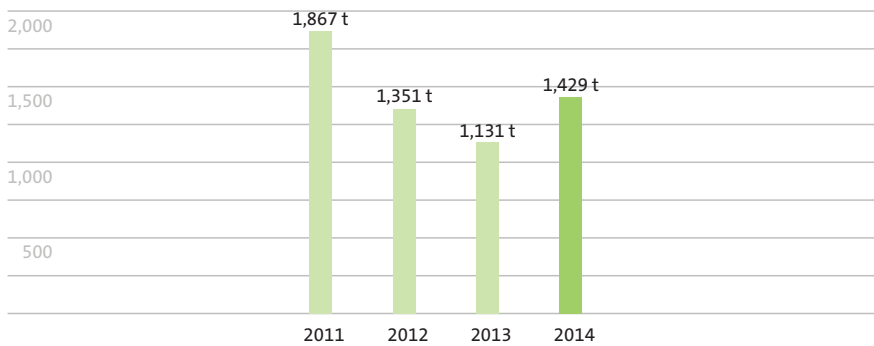
CO₂ emissions (metric tonnes per €1 million in revenue), KRONES AG



Other substances known to have an effect on climate

In producing plastic components for certain assemblies, we use flexible polyurethane foam (FPF) materials whose production entails the use of foaming agents. In 2014, consumption of such substances totalled 440 kg (previous year: 348.3 kg) and includes R365 (383 kg) and R227ea (57 kg). The 26 percent increase relates to a 35 percent increase in production volumes in one parts group.

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



Other air emissions

Some of KRONES' systems are subject to the provisions of the German Emissions Control Act [Bundesimmissionsschutzgesetz], which requires that emissions be measured every three years. In 2014, the measurement was carried out at our Neutraubling plant. The measurements showed 0.0383 metric tonnes dust and 0.000146 metric tonnes Ni particulate. The value for hydrochloric acid (HCl) was below the limit of quantification. No measurements were required for 2013. In 2012, such a measurement was taken at our Steinecker plant in Freising. In that measurement, 0.345 metric tonnes of emissions were reported for NO_x and 0.054 metric tonnes for HF.

Scope 3 emissions

We took up the task of presenting Scope 3 emissions back in 2012. To begin, we determined that work-related travel was among our biggest sources of Scope 3 emissions. That is due in part to the fact that we serve our customers worldwide primarily from our sites in Germany. This situation is gradually changing as we internationalise our operations, a process that we discuss at various points throughout this report. Similarly, because the majority of our machines and lines are produced in Germany, we have a high volume of shipping and freight forwarding. For the present, we are limiting our presentation of Scope 3 emissions to these two emissions sources. However, this alone provides a broad base of data.

Work-related travel

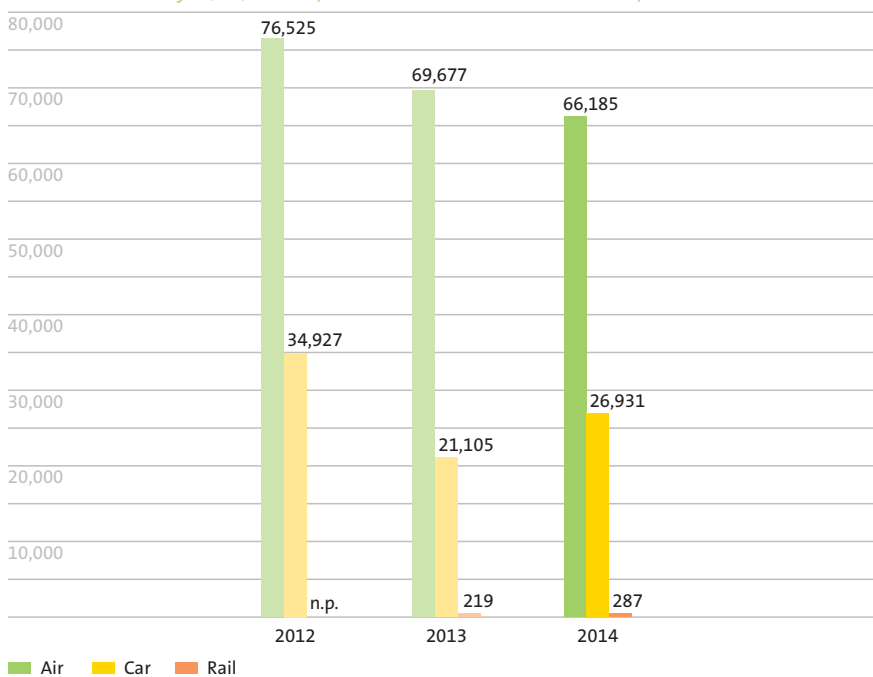
We reduced the total number of miles flown by employees for the third year in succession, bringing it down by 5 percent in 2014. Our employees logged 66,185,000 flight miles on their travels worldwide. We were able to reduce our mileage on inter-continental flights as well as on flights within Europe and within Germany. That reflects the increased transfer of tasks to our LCS Centres.

In recording the kilometres travelled by car, we include employees' work-related travel using our provider of mobility services as well as travel in vehicles from our own fleet and employees' own cars. In all, our workforce logged 26,931,852 kilometres of car travel (previous year: 21,105,437), which is an increase of 27 percent.

We are reporting a higher number of kilometres travelled by rail. In 2014, our employees travelled 287,240 kilometres by train. That is a year-on-year increase of 23.4 percent.

A look at car travel over the last three years shows a continued downwards trend. The number of kilometres driven in 2014 is down almost 23% from the 34,937,375 km driven in 2012.

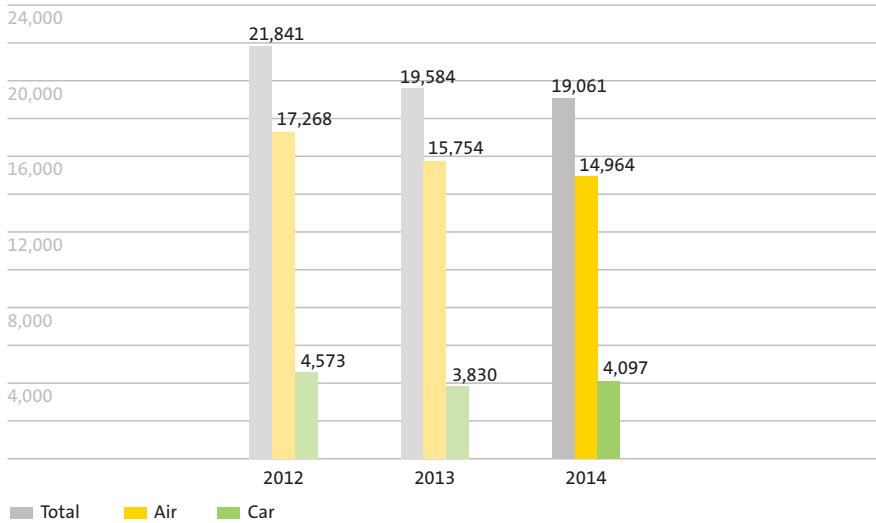
Work-related travel by air, car, and rail (thousand miles or thousand kilometres)



CO₂ emissions resulting from travel are closely linked to the mode of transport and number of kilometres travelled. When it comes to air travel, we have no way of influencing emissions. However, when it comes to car travel, we can choose cleaner vehicles wherever possible. And that is part of the agreement we have with the provider we use for mobility services.

The information provided from Deutsche Bahn, Germany's rail provider, includes a green energy guarantee for passenger travel. As a result, our employees' rail travel is emissions-neutral and not included in our overview of CO₂ emissions.

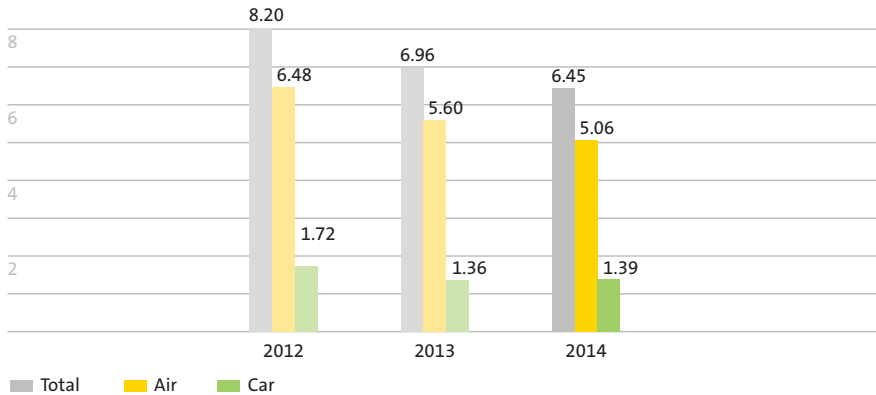
CO₂ emissions resulting from work-related travel (metric tonnes)



Our mobility service provider's quality and environmental management includes, as a primary goal, reducing the CO₂ emissions of their vehicle fleet to below the standard value stated in EU regulations. One way they are achieving this is by steadily increasing the number of eco-friendly vehicles in their fleet. In addition, the company's fleet consists exclusively of new vehicles – only about three months old on average – that are equipped with the latest technology.

According to this data, we were able to reduce the CO₂ emissions arising from work-related travel by 523 metric tonnes or 2.7 percent in 2014.

CO₂ emissions resulting from work-related travel (metric tonnes per €1 million in revenue)

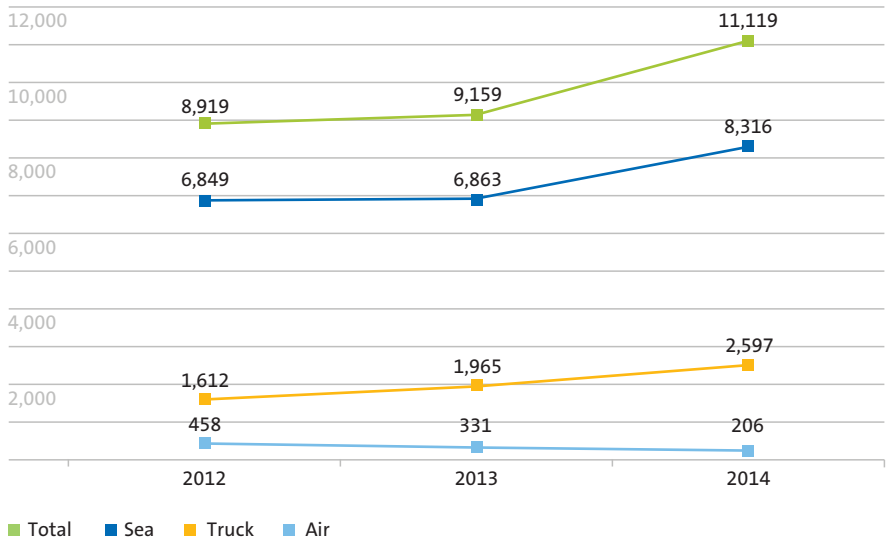


Deutsche Bahn's overview for 2014 provides a calculation for comparing rail travel with the emissions caused by car travel. According to this calculation, KRONES saved 46 metric tonnes of CO₂ (previous year: 35 metric tonnes) by choosing rail travel in 2014.

Shipping and freight forwarding logistics

Our production sites in Germany dispatched 11,119 truckloads in 2014 (previous year: 9,159). The majority of these containers or crates were forwarded from our plants to the sea ports by train and continued on to their destinations by sea freight. As in the previous year, this combination of rail and sea freight accounted for a stable 75 percent of the total freight volume while around 23 percent travelled by road freight from our production site to the customer's site. Our efforts to continually reduce the share of air freight were successful once again. Only 1.8 percent of our freight volume (206 containers) was forwarded by air freight. This is the fourth year in succession that we have reduced our use of air freight. Compared with the year 2011, we have reduced our use of air freight by 61 percent.

Outgoing freight (truckloads), KRONES AG

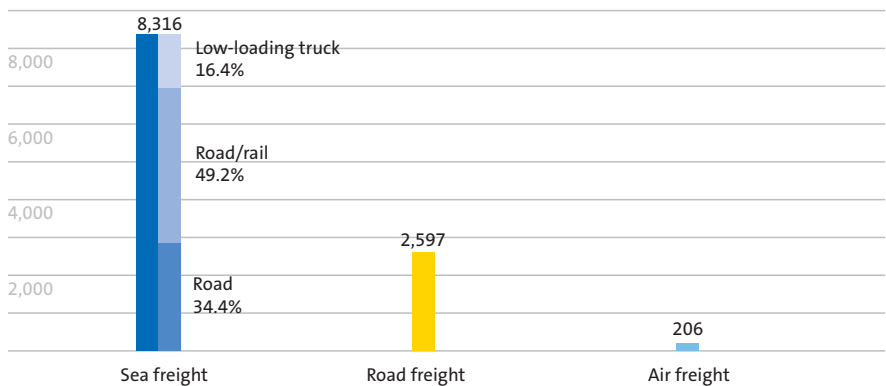


We utilise the full extent of options available for efficient packaging. The 21.4 percent increase in shipping volume, from 9,159 containers in 2013 to 11,119 in 2014 is due primarily to the fact that we shipped large-volume machines and lines.

In order to ship our containers in the most efficient way possible, we have established a hub near the North Sea ports for coordinating all shipments to the various destinations overseas. This transfer site is also increasingly used for receiving and forwarding parts we buy in from suppliers, thus relieving the capacities for packaging, loading, and freight forwarding at our production sites.

With the exception of shipments from our Flensburg plant, preference is given to forwarding containers from our production sites to the North Sea ports (or the hub) by rail. In cases in which the dimensions of the shipping crate make rail transport impossible, we use low-loading trucks. In certain cases, a last-minute change from rail to road freight is necessary in order for a shipment to make its sea freight connection. Shipments bound for air freight are forwarded to cargo centres by road.

Shipments by mode of transport in 2014 (number of containers and % of total number of containers)



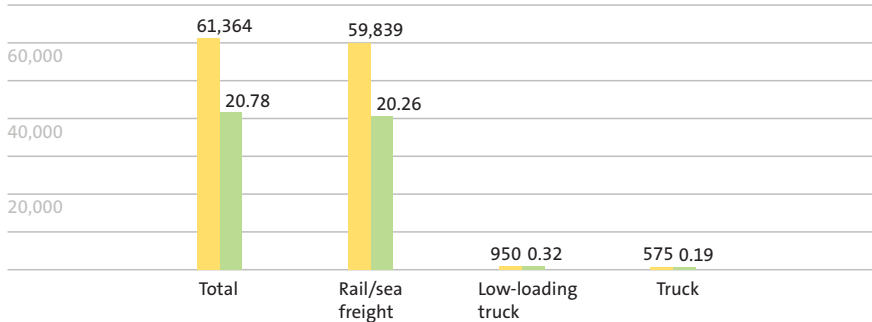
The relatively high share of shipments forwarded by road to sea (34.4%) is due to the fact that all shipments from our Flensburg plant are forwarded to the North Sea hub by road. All other plants have a road-freight share of around 10% for forwarding to the hub.

We will further improve on the 50 percent share forwarded by road/rail to the North Sea hub from 2015 onward. That is because a new rail connection inside our Neutraubling plant will eliminate the need for most of the truck transports to the container terminal in Regensburg. We estimate that around 3,000 containers will then be loaded onto rails directly in our plant.

We are reporting the CO₂ emissions arising from our sea freight shipments for the first time for 2014. The CO₂ figures for our shipments were not calculated individually. Instead, we clustered all shipments by destination region and selected a single destination from the region for calculating emissions. The rail portion of the journey from our production sites to the North Sea ports is stored in the calculation programme and therefore included in the emissions calculation.

For shipments forwarded by low-loading truck, we have estimated the emissions for the journey from our plants to the hub in previous years and continue to use the same calculation. For the 34.4 percent share of shipments forwarded by road to the hub, we have used the different distances from the individual plants – our Flensburg plant in particular – to the hub and the same base data on diesel consumption and CO₂ emissions as for the shipments forwarded by low-loading truck. In this way, we are able to report an approximate figure for CO₂ emissions for shipments forwarded by sea freight, which make up 75 percent of our total freight volume.

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



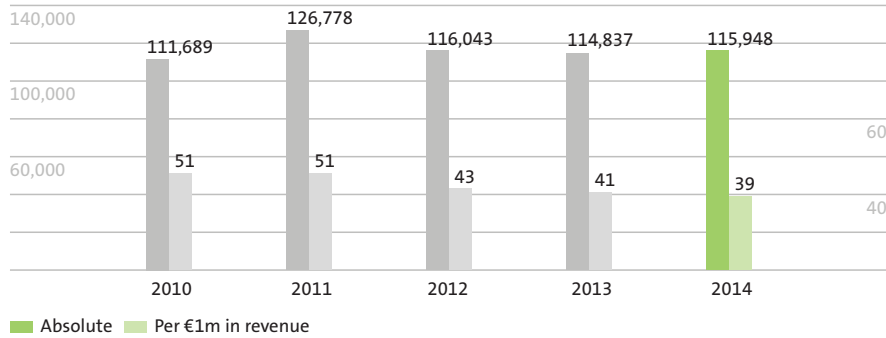
Further steps towards determining Scope 3 emissions

In the Environmental CSR Workshops, we have begun to discuss options for how we can obtain information about other emissions sources and values upstream and downstream of our own operations within our value chain. The first points on this topic will be presented in our Sustainability Report for 2015. The main focus right now is on determining the relevance of different emissions sources and our options for obtaining valid data.

For Scope 3 emissions from freight forwarding, we will begin to increase the level of detail in collaboration with our freight forwarding partners.

Our water consumption from the municipal water supply came to 115,948 m³ in 2014. That is a year-on-year increase of 1 percent. Looking at this figure in terms of revenue, consumption came to 39 m³ per million euros of revenue in 2014. That translates to a 4.9 percent reduction in our specific water consumption. The volume discharged into the public network largely equals the volume withdrawn, less any losses due to diversion, disposal, or evaporation. We withdrew 1,275,380 m³ of groundwater for cooling buildings at our Neutraubling plant (previous year: 1,429,533 m³). This volume is fed back into the groundwater supply.

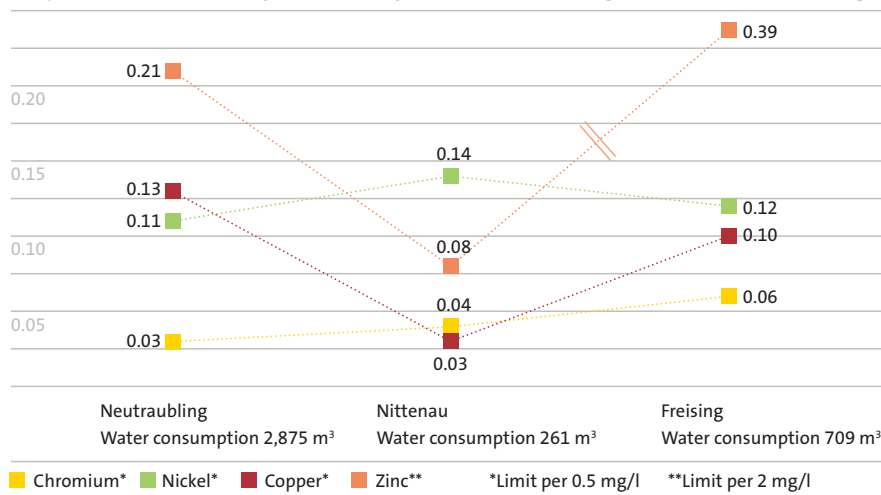
Water consumption (m³ and m³ per €1m in revenue) KRONES AG



The volume of waste water from installations that are subject to licensing came to 3,845 m³ (previous year: 4,164 m³), a reduction of 7.7 percent. This waste water is treated, either in internal physical/chemical processes or in neutralisation systems, before it is discharged into the public network. The discharge of this waste water is tested under the German Self-Monitoring Ordinance [Eigenüberwachungsverordnung] and subjected to external monitoring. Contaminant loads in waste water from installations subject to licensing remain far below the defined limits.

The data collected in accordance with our duty to document waste water that must be treated did not contain any significant spills in 2014.

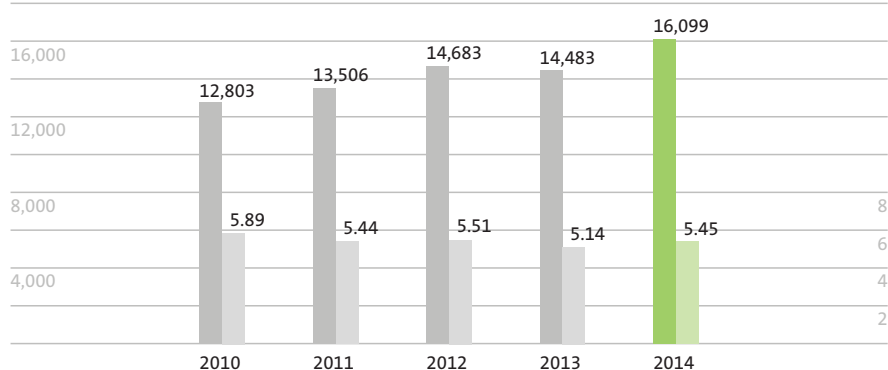
Components of waste water subject to mandatory treatment in 2014 (average mean contaminant load in mg/l)



The trend in our waste data is closely linked with the increase in our production volume. For this reason, the volume of waste generated at our German sites increased in 2014 to 16,099 metric tonnes (previous year: 14,483 metric tonnes). In absolute terms, this is an increase of 11 percent. Waste per one million euros of revenue came to 5.45 metric tonnes, an increase of 6.7 percent in specific terms.

Looking now at the reported materials consumption, the ratio of materials consumed to waste generated comes to around 1:1. This ratio is largely unchanged from previous years.

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

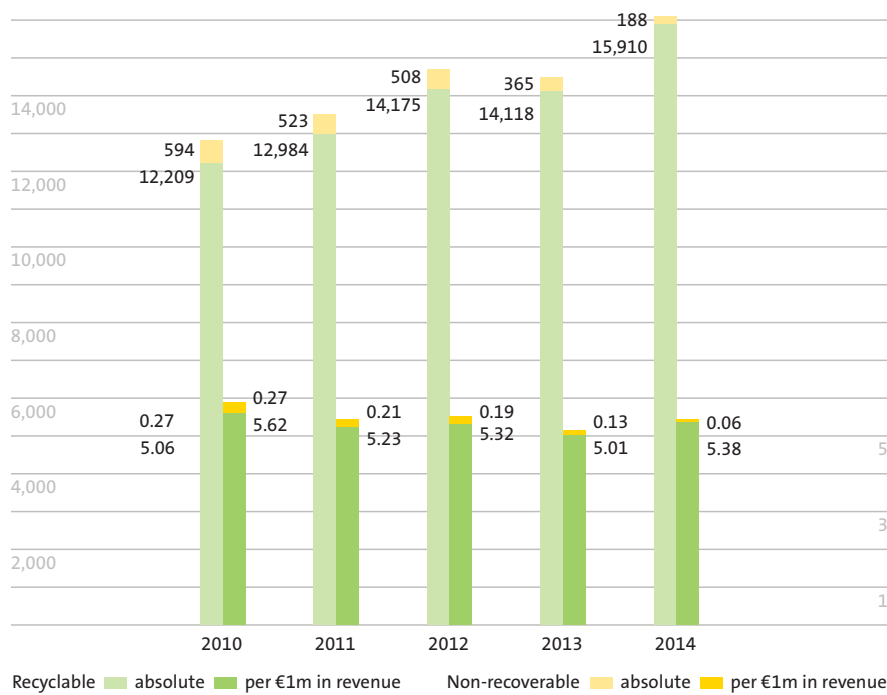


The increase in waste generated is proportionate to the increase in production volume.

We reduced the amount of hazardous waste by 8.5 percent. The amount of hazardous waste transported by licensed haulers, who are our partners for this task, came to 1,159 metric tonnes (previous year: 1,267 metric tonnes). In 2014, KRONES did not import, export, or treat any hazardous waste.

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

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



Due to a new regulation on giving materials to employees, which entered into force in December 2014, we expect the volume of metal and wood waste to be significantly higher in 2015 and beyond. Based on what we know now, we expect this to impact the figures for non-recoverable waste.



We are working toward achieving extremely high efficiency in our use of raw materials by employing a high level of automation and state-of-the-art processing methods, for instance in our Freising plant.

How is the development of KRONES' international sites coming along?

What aspects are important from an international perspective?

How much continuing education did KRONES provide in 2014?

We employed 3,280 people at our international sites in 2014. That is 2.9% more than in the previous year.

Around 57% of our international workforce is under age 40 and will be able to support our international development for the long term.

The average amount of continuing education per employee at KRONES AG came to 14.6 hours.

Labour practices and decent work

Stepping up our site-based HR development

Our international approach continues to inform the development of all of our human resources (HR) activities. Our efforts to strengthen the structures in our offices worldwide are ongoing. Since we are seeing higher rates of employee turnover at these sites, we have decided to focus not only on growing the number of people employed there but also on increasing the loyalty of these new team members.

To this end, we are reviewing our training programmes and seeking ways to retain newly trained and skilled employees within the company for the long term. For our sites in Eastern Africa and China, we will continue to base our efforts on the programmes that are already in place for initial career training, which have proven very successful.

Our strategy of creating jobs where our customers are means that we are recruiting fewer employees in Germany. We aim to strike a balance between the number of employees retiring due to age and new recruits from our own training programmes. That means that our trainee numbers will decrease in the years ahead, as long as the number of employees entering retirement stays low. In order to generate a broad base of experience and expertise among our employees in Germany, we have made a strategy shift and will in future be increasingly recruiting candidates from outside the company. Thus, we are no longer filling all new positions from within.

Specialisation in certain, clearly defined fields will become increasingly important in Germany. Companies' focused concentration on their core business will be a crucial competitive factor for developing the German economy in the future. At KRONES, we, too, are systematically examining activities that lie outside our core business and considering outsourcing them to specialists in these fields. In this way, we are ensuring that our actions make economic sense for the long term.

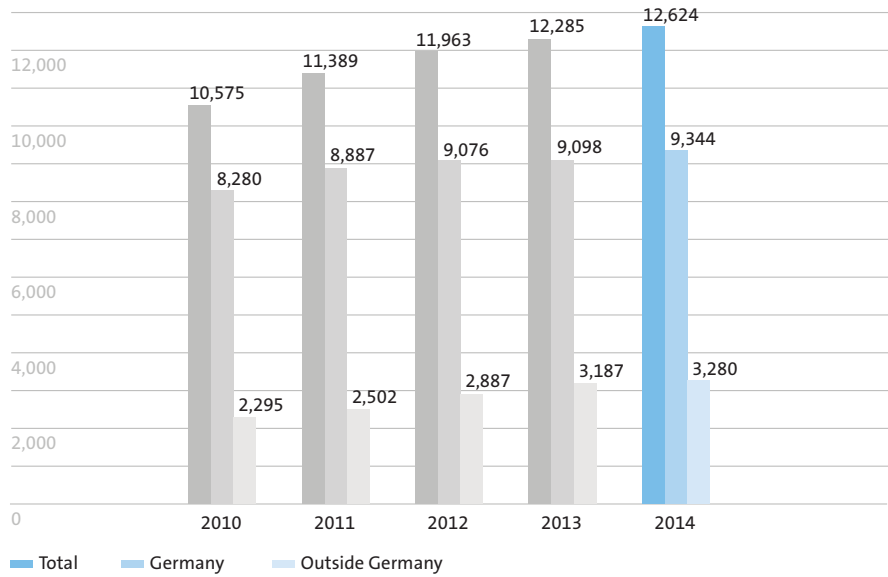
The high priority given to developing health programmes and making working time models more flexible as well as our undiminished efforts to improve the share of women in our workforce remain key components of our management approach.

For organising our internal HR processes, we will map the changes that were made to our corporate organisation structure at the start of 2014. We will adjust the assignment of our HR business partners to these structures in stages and thus align our HR development more specifically with the business units.

Further developing our strong international employee base

In 2014, KRONES had 12,624 employees in Germany and abroad. That is 339 more than in the previous year (+2.7 percent). A breakdown of this number shows 8,936 people at KRONES AG, an increase of 117 (or 1.3 percent). The total workforce of KRONES Group companies in Germany increased by 246 people (+2.7 percent). The Group employed 3,280 people at its international sites (+2.9 percent).

Employees by region

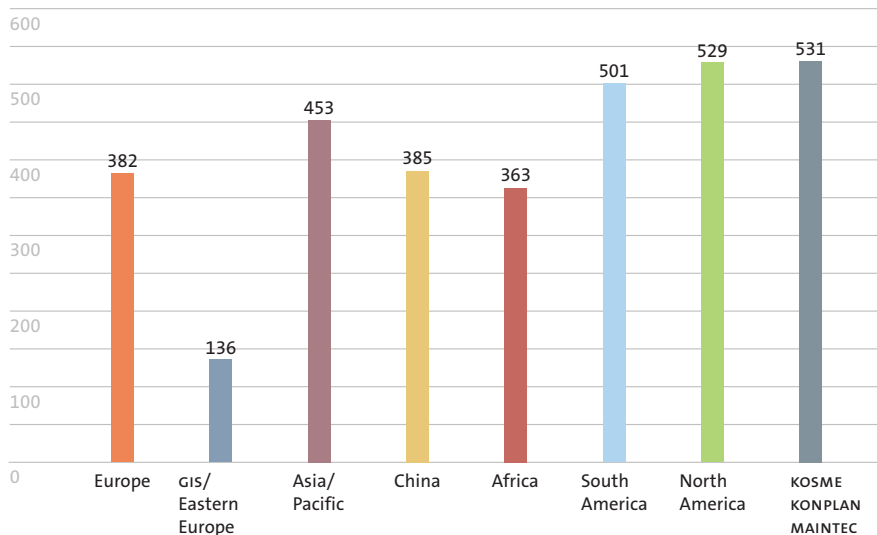


By adding the logistics subsidiary SYSKRON to the KRONES Group, KRONES has rounded out its product range in materials flow technology (internal logistics) following the insolvency of our investee Klug GmbH. Around 90% of the employees for SYSKRON were recruited from outside the group.

The workforce trends are within our plan of pursuing little growth in Germany and instead focusing on increasing our presence at our international sites. The higher headcount for the KRONES Group companies in Germany resulted largely from the spin-off of our valves business into EVOGUARD GmbH. The establishment of SYSKRON GmbH and the acquisition of HST GmbH and TILL GmbH are also reflected in these figures.

Unfortunately, we did not achieve our targets for growing our staff numbers at our international sites. The number of employees outside Germany was up by 93 over the previous year. As a result, the share of international employees within the KRONES Group is now 25.98 percent. This is virtually unchanged from the previous year (+0.08 percent), due in large part to significantly higher rates of employee turnover (sometimes over 10 percent) at the sites outside Europe. The highly dynamic labour markets there make it easy for employees to quickly opt to change employers. In addition, KRONES' training programmes make these employees particularly attractive recruiting targets for other employers. Thus, the planned workforce growth at our sites abroad took a back seat to efforts to fill vacancies in 2014. In comparison, the number of employees at our offices in Europe grew by a strong 4.9 percent to 382.

International employees by region



The share of non-German citizens working at KRONES AG is unchanged from the previous year, at 3.3%.

New corporate structure implemented successfully

The year 2014 began with a new, revamped corporate structure. In realigning our internal activities along the value chain, we bundled many functions and were able to reduce the number of interfaces within the new workflows. The changes are reflected in the overview of employment types. The process includes leaner management structures, as we had mentioned in the previous year's report. As a result, KRONES AG now has 686 management employees (previous year: 720) responsible for strategic and operations management. That corresponds to a 7.67 percent share of the workforce (previous year: 8.16 percent). In all, around 65 managers were moved back into line functions or into specialist tracks. With this new organisational structure, we have also eliminated the distinctions between the various levels of management. We now only differentiate between the Executive Board, senior management, and management instead of, as previously, four levels of management under the Executive Board. At our international sites, the share of managers is 6.43 percent.

KRONES AG employees whose pay is determined by collective agreement are paid on the basis of a recognition agreement with the metalworkers' union IG Metall. The recognition agreement was updated and countersigned again in 2014. It applies to 75.3 percent of employees at KRONES AG (previous year: 74.8 percent). Correspondingly, 24.7 percent of KRONES AG employees are exempt from collective agreements.

Employment types at KRONES AG

	2014
Total workforce (all employees and supervised workers)	8,936
Business units	7,220
Human resources, communication, quality	754
Finance and controlling	409
Sales and marketing	553

KRONES AG management structure

	2014	2013
Total workforce (all employees and supervised workers)	8,936	8,819
Executive Board	6	5
Senior management	26	23
Management	654	693

Our workforce structure and numbers are marked by a high level of continuity. The conditions for reducing our use of temporary staff need to be developed further. In 2014, we permanently hired 100 temporary employees in accordance with a works agreement signed to that effect. We had 1,154 temporary staffers in 2014, for a share of 12.9 percent (previous year: 13.1 percent). This figure is still far from the target corridor of 8 percent that we want to achieve by the end of 2015.

We will continue to work to reduce the share of temporary employees. In 2015, we will once again offer regular employment contracts to 100 temporary staffers. In order to further reduce the share of temporary workers, we are changing organisational structures in some areas and outsourcing activities that fall outside our core business. We mentioned these plans in last year's report in relation to the project Logistics 2015+. The 170 employees who had worked in our internal logistics operations were trained and transferred to other value-creating functions.

In accordance with our works agreement on job security, which was renewed in 2014, there will be no lay-offs through 2018.

A revised version of the works agreement on job security was adopted in 2014.

Alois Bachfischer, Head of Strategic Purchasing, on contracts for work and services

Mr. Bachfischer, what procedures does KRONES follow when awarding contracts for work and services?

In full awareness that this requires a very sensitive and clearly defined procedure, our procurement and HR management teams have developed a list of questions relating to such contracts that must be applied when awarding contracts for work on our premises to external companies.

How do you ensure compliance with all legal and regulatory requirements for the execution of the work?

By including exclusion criteria and a point system into the list of questions, we can examine whether the conditions for a service contract are met before awarding the contract. There are also exclusion criteria that make it clear if the

requirements are not met. Especially important are the questions about whether the service provider can independently decide whether to render the service and whether the employees of the provider are subject to the instructions of the contracting party.

How many people are working for KRONES under contracts for work or services?

The biggest groups working under such contracts are our security service, which supports our own security staff, the employees of the company that operates our food services, the employees of our packaging and shipping partner, and our cleaning services. The general agreements that we have with service providers for these tasks do not include a specific number of people but rather relate only to the services to be rendered.



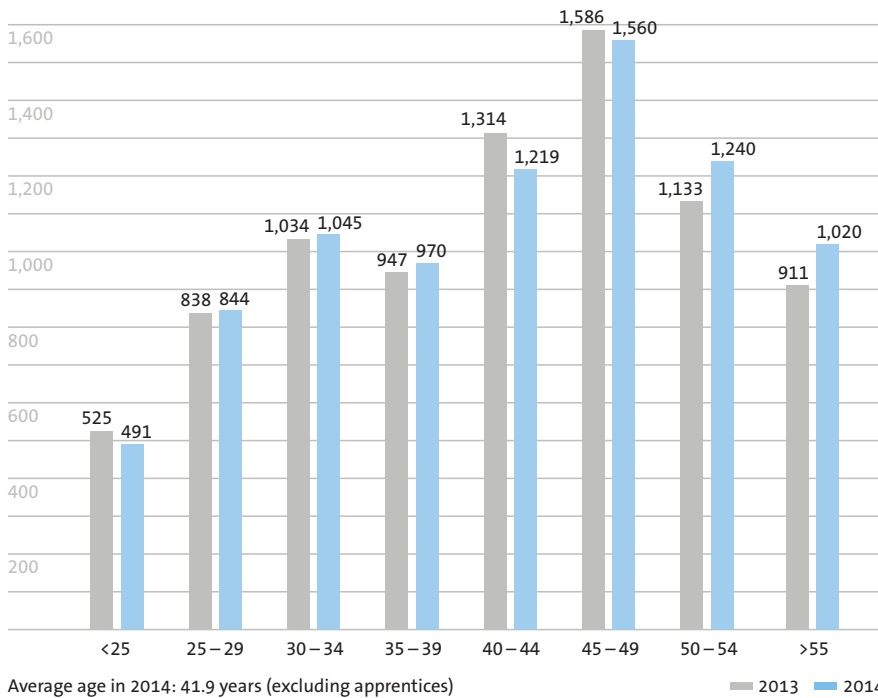
Focussing on our core business

The use of contracts for work and services gives us a high level of flexibility in specific areas and enables us to achieve a high level of cost effectiveness. KRONES adheres strictly to the legal requirements associated with issuing contracts for work and services. Since Germany's Minimum Wage Act entered into force, we must also take this aspect into account when entering into such contracts. Because the act makes KRONES liable for the service provider's compliance with the minimum wage law, we requested of all of our contract partners at the start of 2015 that they submit a signed statement that their employees are paid the minimum wage. In addition, we also pay attention to whether the contracting companies are subject to our own collective agreements when issuing contracts for work or services.

KRONES complies with the rules under paragraphs 631 to 651 of the German Civil Code (BGB) in handling contracts for work and services. We follow the procedures relating to the minimum wage under paragraph 13 of the Minimum Wage Act (MiLoG).

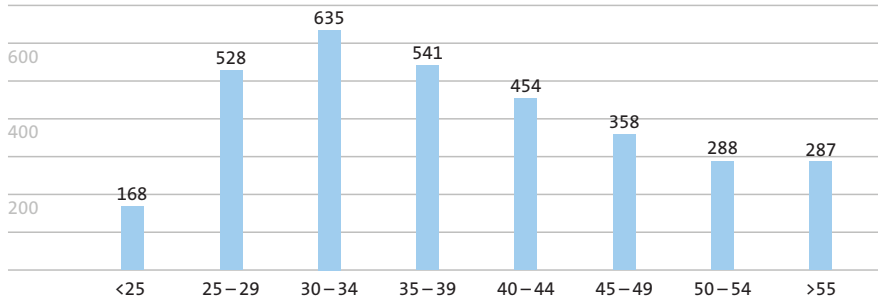
A broad and diverse workforce structure is important for KRONES. That is why we rely on developing our own young talent in a variety of fields, recruiting experts with extensive experience from outside the company, and continually promoting women in the workforce. The principle underlying all of our activities is to provide our existing employees with targeted professional development as well as support in health matters.

Age structure at KRONES AG



The average age of KRONES AG's workforce, excluding trainees, is 41.9 years (previous year: 41.5 years).

Age structure in KRONES' European offices in 2014



According to the Association of German Engineers (VDI), only 17% of all actively employed engineers in Germany were women in 2010.

Andreas Horn, Head of Human Resources and Social Affairs, on developing the share of women in our workforce

Mr. Horn, the share of women at KRONES is not increasing. What actions are you taking to improve the current share of 13 percent in the medium term?

We can't be satisfied with the current share of women in our workforce. Since 2012, we have been implementing a programme aimed at recruiting more young women. In Regensburg, we presented our training and career options at four schools for girls. We also participate in the Girls' Day programme. Our Research Camp for Girls gives young women a first-hand look into engineering careers.

How can you recruit women who are already skilled in their field?

For management-level employees, we ask our recruiting partners to send us female candidates as well as males. But in all of our efforts, we are finding that

there simply are not enough qualified women in our technical sector. In general, we are not receiving enough applications from women.

What does professional development for women who are already at KRONES look like with respect to management positions?

We offer numerous opportunities for all employees to structure their day to day work flexibly. We are definitely doing well in this respect. Individual work structuring also makes it possible for women in management to work part-time. In order to promote our existing potential in a more targeted manner, we are launching a talent management programme aimed particularly at supporting the professional development of women in our workforce.



Including more women in all levels of the company remains an important task. In 2014, women made up 13.6 percent of the workforce at KRONES AG (previous year: 13.0 percent). The share of women in management positions was 5.3 percent (previous year: 5.9 percent). In 2014, there were 36 women in management positions at KRONES (previous year: 42).

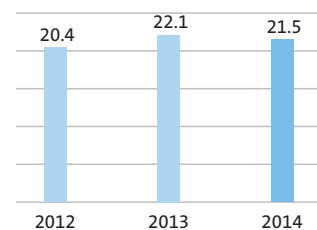
The share of women at our international sites is 18.4 percent.

We have been able to maintain a high share of women in our training programmes. Women accounted for 21.5 percent of apprentices in 2014 (previous year: 22.1 percent).

The pay parity of male to female employees stands at 1:0.98 for unionised and exempt personnel and 1:0.91 for management in terms of base pay.

With the election of Dr. Verena Di Pasquale at our 2014 annual shareholders' meeting, we now have two women on our Supervisory Board, our highest governance body.

Women in apprenticeships at
KRONES AG (%)



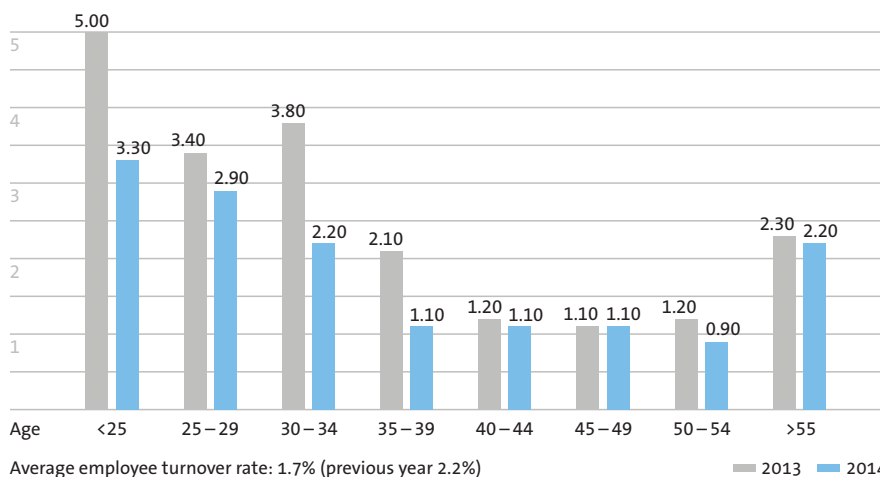


More details on our Research Camp for Girls can be found at: blog.krones.com/blog/technology/mouthful-by-mouthful-for-a-krones-alternative

Regardless of whether male or female, the opportunities for professional development at KRONES AG are great. Our employee turnover rate, just 1.7 percent across the entire workforce (previous year: 2.2 percent), supports this claim. The turnover rate includes all reasons for employees leaving the company, such as expiration of a limited employment contract, termination by the employee or by the employer, retirement, and death. The turnover rate based on employees who quit or resign is 1.0% (previous year: 1.4 percent).

The employee turnover rate is lower for all age groups and is returning to the levels from 2012 and earlier. We know that the new organisational structure and events running up to its introduction resulted in some employees finding employment elsewhere in 2013, a fact that can never be avoided completely when undertaking such projects.

KRONES AG employee turnover in 2014 (% based on the average number of employees)



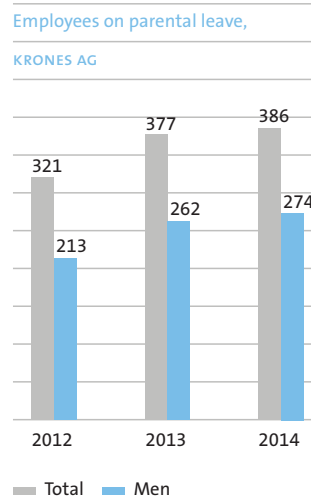
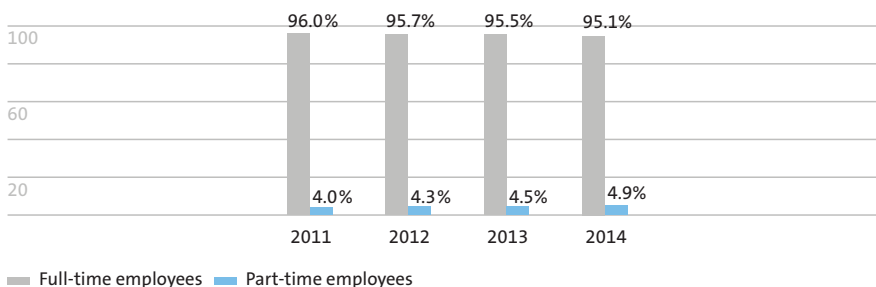
The turnover rate based on employees who quit or resign is 1.0%

Flexible life planning is popular

The various programmes we have in place to enable employees to individually arrange their own working lives are an important part of our HR policy. They apply to young employees looking to gain further qualifications as well as employees wishing to start a family or long-time employees who need a career change – and, of course, employees preparing to leave the workforce. In addition to flextime accounts that can accommodate a surplus or deficit of up to 300 hours, KRONES offers options for full-time or part-time work. Employees who have been with the company for more than two years are entitled to take a sabbatical of up to six months – and return to their old job afterward. In 2014, 128 employees (previous year: 98) took personal time off in the form of a sabbatical.

Beyond the standard working time account, employees can arrange to have a long-term flextime account that allows them to have current pay converted and saved up to be used for longer-term paid time off, for example for early entry into retirement, sabbatical, continuing education measures, or to care for a family member. As our overview of part-time and full-time employment shows, customising one's working conditions to one's life situation is very popular at KRONES. We have been seeing a small, slow, and steady increase in the number of part-time employees since 2011. Eighty-seven (87) male employees (previous year: 75) have opted for part-time employment and make up 21.4 percent of the total number of part-time employees (previous year: 20.3 percent). Similarly, our figures for employees on parental leave also suggest that men in our workforce want to assume more responsibility for raising their families. Older employees can elect to make a progressive transition into retirement. In 2014, 286 employees took advantage of our partial retirement option (previous year: 266). That is a rate of 3.7 percent (previous year: 3.4 percent).

Full-time and part-time employment



These arrangements for increasing flexibility during employees' working lives are complemented by the works agreement on "personal time off" that was signed in 2014. This agreement offers employees who are exempt from collective bargaining agreements a means to take individual days of paid time off from work without having to use vacation days. As a rule, these employees are given two "personal days" per calendar year, with the possibility of additional days as arranged with one's supervisor.

Childcare is a continued focus at our German sites. KRONES supports employees with young children through the KROKI daycare centre and another daycare centre in Raubling. For school-aged children of employees, the "Summer Kids" programme offers care during school holidays.

The involvement of our Group Works Council and Central Works Council ensure that employees' interests are continually safeguarded within the KRONES Group. In April 2014, general Works Council elections were held for four-year terms on the Works Councils at all of our German sites. A Group Works Council was formed for the first time following last year's elections. It ensures that all work-related topics and employee matters apply uniformly across the group companies KRONES AG and Evoguard. The employees of ecomac and KIC KRONES are also represented by the Works Council. This was established by defining cooperation with both companies in accordance with the Works Council Constitution Act.

Employee benefits expanded

In 2014, KRONES introduced a newly designed post-employment benefits plan to complement the employee benefits that have already been in place for quite a long time: travel health insurance, group personal accident insurance, the in-house medical service, and access to the company health insurance fund. The new pension plan serves as the second pillar of retirement funding in Germany alongside the statutory pension scheme. Demographic development and declining net benefits will result in significant decreases in the amount that individuals receive from the statutory pension scheme. A company pension plan can supplement the basic benefits of the statutory scheme. Because the pension models currently offered by the company were outdated, our HR and financial experts designed a new plan in collaboration with employee representatives. It is a variable model that can be adapted to changes in an employee's life plan.

As of 1 January 2015, KRONES has been paying a percentage contribution of the individual gross monthly base pay into the plan for each employee as a base contribution. In addition, beginning next year each employee will be able to make additional payments into the plan directly by converting a portion of their gross pay, free of tax and other social security contributions. This option for pay conversion enables employees to further build up their own post-employment benefits.

KRONES matches employees' contributions to the plan. Prerequisite to contribution matching is that the company generated a positive EBT (earnings before taxes) in the preceding financial year.

Employees can also customise their packages to suit their own individual situation, choosing various additional modules such as additional disability benefits or a surviving dependant's pension.

The Hermann-Kroneder-Unterstützungskasse paid out €185,211 in 2014 to assist employees in circumstances of special need (previous year: €170,000).

The company's employee benefits are available to both full-time and part-time employees. Employees at all of our German sites can find information about employee benefits in our Intranet.

**Werner Schrödl, Chairman of KRONES' Group Works Council,
on representation for international employees**

Mr. Schrödl, employees in Germany are actively represented. What options does the Works Council have at the international level?

KRONES' Works Council is established on the basis of the rules of the Works Council Constitution Act. Because different laws are in place outside Germany, we don't have any legal right to represent employees at sites abroad. Of course, the local unions are in contact with the members they represent and with the management of the KRONES office there.

You visited the plant in Taicang in China. What are conditions like there?

The entire plant is designed in accordance with Western standards. That is especially clear in terms of occupational

safety and the 40-hour work week that is in place there. Our colleagues in China are highly skilled specialists and our high standards help us maintain their loyalty to the company.

What options do employees in China have for co-determination?

Our employees in Taicang contribute ideas and improvement suggestions for optimising their workflows. At the employees' initiative, a committee was established in 2014 to address these topics and coordinate them with the plant management and the Chinese HR manager on site. The Taicang Continuous Improvement Committee consists of eight employees and represents the entire workforce in Taicang.



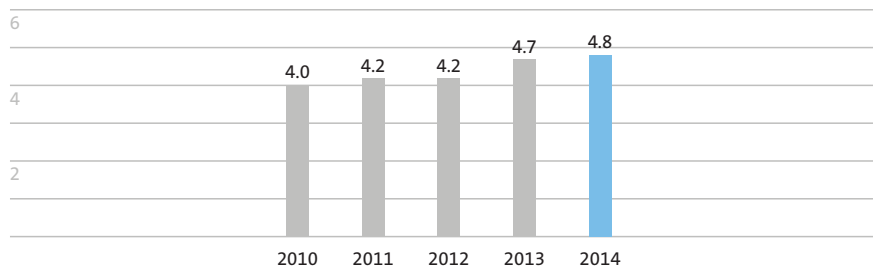
The requirements of the UN Global Compact are also met with respect to our sites outside Germany. Mandatory compliance with our Code of Conduct for all KRONES Group employees is our approach for providing the same working conditions worldwide. Thus, fair and appropriate working conditions are ensured at all of our locations.

A clear focus of our current and future activities is on promoting the good health of our employees. We have observed a rising trend in absenteeism and see the need to analyse all business units that have higher rates of absence due to sickness or disability. In close collaboration with the managers of these units, we will analyse what difficulties arise from the processes and take group-specific actions to support those employees. Complementing these efforts is a pilot project of KRONES's company health insurance fund (BKK). A BKK health manager will shadow the employees in selected areas and suggest practical measures that can be taken to support employees' health in those areas.

We hope to be able to make a positive impact on the absenteeism trend through our occupational health management programme, which was launched in 2014 as a strategy development project. For 2015, we plan to systematically coordinate and evolve the strategy structure, bringing in all relevant parties such as the in-house medical service, counselling service, human resources, and the Works Council. The first components of the occupational health management programme would then be defined in 2016.

The share of disabled and equal status employees at KRONES AG was 5.6% in the period under review. The elected disabled employees' representatives meet regularly to discuss the conditions and needs of these employees and develop appropriate measures to support them in collaboration with the company's counselling service and employee representatives.

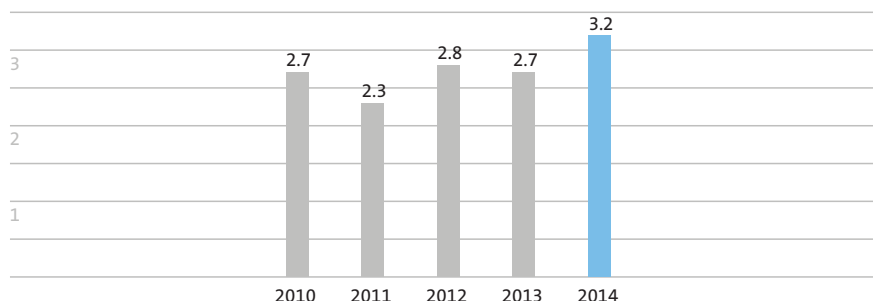
Absenteeism at KRONES AG (%)



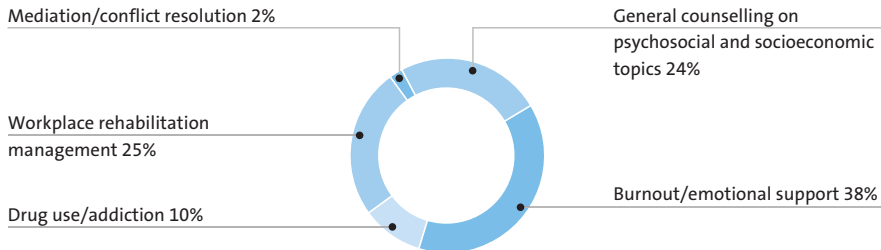
Counselling

Our counselling service uses a comprehensive network and numerous support measures to assist employees dealing with work-related or personal difficulties. Our counsellors work with the affected employees in confidential counselling sessions, developing individual solutions for their specific problems. Continuous, close care that gives the employee a high level of attention is key in this process.

Counselling cases KRONES Germany, based on total number of employees (%)



Main counselling topics in 2014, KRONES AG



The success of our workplace rehabilitation management (WRM) over the years is reflected in the number of employees who have been brought back to work with the help of our counselling team.

In 2014, we were able to place 24 employees in new positions and enable them to come back to work (previous year: 15).

Systematic care and support of these employees may be more work but it is a successful way to reintegrate long-term sick employees back into the process. At the end of December, the counselling service reported another 50 cases that are still being coordinated by the employee, HR business partners, the Works Council, and the disabled employees' representative.

We run regular outreach campaigns on preventing substance abuse in collaboration with the organisation DRUGSTOP Drogenhilfe e. V. to educate our trainees about the dangers of drugs. The 2014 campaign focused on illegal drugs. In the period from March through October 2014, we were able to reach 151 first-year apprentices at all of our German plants.

Forty-five employees participated in "addiction prevention and plant agreement" workshops in our Flensburg plant in September and October 2014. The two events raised employees' awareness of topics relating to substance abuse.

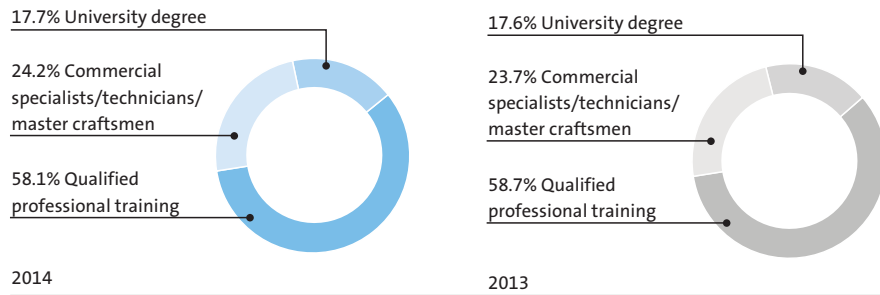
During implementation of WRM measures which were completed in 2014, the disability absence of long-term sick employees averaged 159.43 days. After the measures were fully implemented, disability absence of the affected employees averaged 15.29 days.

Since 2004, employers have been legally required (according to Section 84, Paragraph 2, Volume nine of the German Social Security Code) to offer workplace rehabilitation management (WRM) for long-term sick employees.



Employee development has to take into account changing markets and job profiles. That is why we attach great importance to providing an extensive continuing education programme that offers current, comprehensive options for updating knowledge and skills.

Employee qualifications in Germany



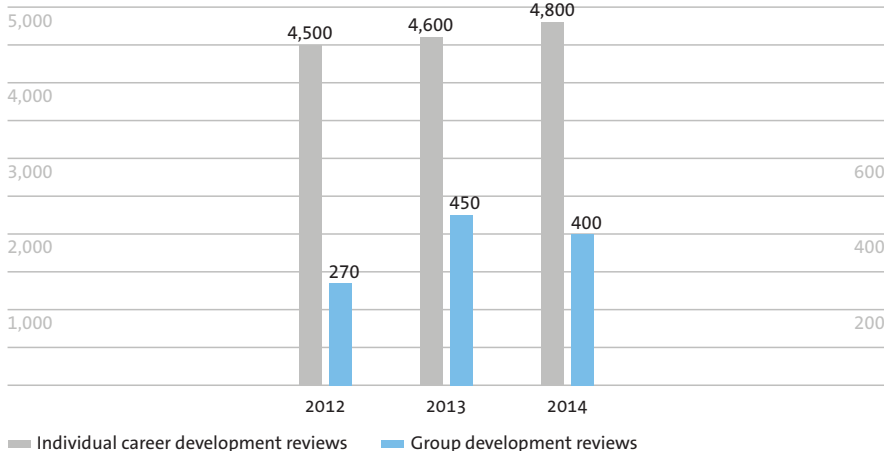
Continuing education is an ongoing responsibility

Our continuing education and training programme is based on four strategic aims: First, our focus is on continually evolving our people’s subject-matter expertise in order to maintain the KRONES Group’s position as technology leader. Second, the programme supports the process of internationalisation with continuing education options. These are aimed at assisting our employees where team members in different countries interact. Offerings include a broad range of language courses as well as training in intercultural communication various options for country-specific focus. We conduct large-scale training series in English and other languages as appropriate in order to make them available to colleagues in our offices worldwide.

The third element of the programme is increased customisation of continuing education for managers. A modular extension of our management training programme FK24 is the “management workshop”, which covers topics like “global management” and “managing work-related stress”. These offerings take both the internationalisation process and current social trends into account. The fourth point of emphasis of our training concept is the ongoing development of soft skills such as methodological skills, time management, organisational skills, and creativity.

We conduct career development reviews with our employees in order to offer them the most suitable concepts within these four strategic targets. These reviews are conducted annually and enable employees to work with their managers to identify individual potential for development and then to receive appropriate training. The aim of this process is to define a continuing education strategy that suits the employee and to foster each individual employee’s motivation for lifelong learning.

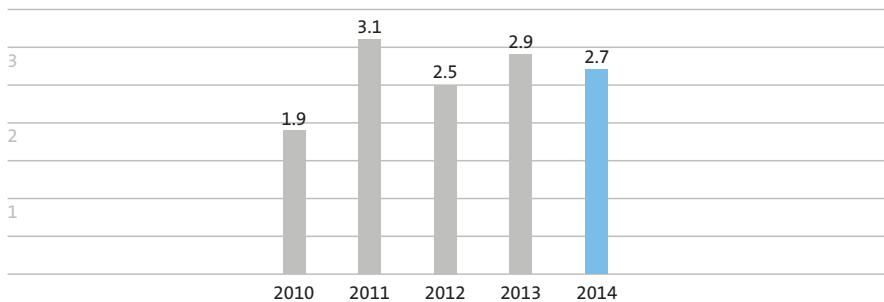
Individual and group development reviews at KRONES AG



In all, 5,200 employees have had a career development review, of which 4,800 were in individual competence management reviews and around 400 were in group development reviews. That covers 62% of KRONES AG employees in Germany.

Our continuing education offerings covered 600 different topics in 2014 (previous year: 570), for which employees could register via our continuing education portal. These classes are complemented by an extensive e-learning programme. Virtual learning environments enable flexible learning in terms of location and time and contribute considerably to building knowledge and expertise worldwide at low cost. KRONES uses virtual learning in particular for imparting technical knowledge, IT skills, or knowledge about legal topics such as compliance.

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



In 2014, we had 18,500 participants take advantage of training and development opportunities (previous year: 20,300). Roughly 14 percent of those are employees at our international sites. In addition, more than 20,000 participants registered for e-learning programmes, of which around 15 percent were employees at our international sites. After completion of a course, we ask participants to evaluate the course in terms of content, practical relevance, and instructor quality. This feedback enables us to review our courses in a timely manner, sometimes even over a three-month horizon, for efficiency and quality and to make any necessary improvements.

The average amount of continuing education per employee at KRONES AG came to 14.6 hours. Broken down by employee category, the average training and education provided to managers was 27.3 hours and 13.4 hours to non-management employees.

The development programme for managers continued. In all, we reached 105 managers in Germany and 50 participants from our international sites through the management training programme and the in-depth follow-up. Our management feedback tool enables us to give our managers systematic, anonymous feedback from their employees. Due to the new organisational structure and associated changes in management constellations, we did not run the management feedback programme in 2014.

Gathering experience in many ways

Our Across Borders programme, which was offered in 2014 for the second time, has become well established. We were able to integrate six employees from our international offices into our processes in Germany. These employees came from China, Thailand, Brazil, and Argentina. In exchange, some of our employees from Germany were able to gather international experience working at sites abroad. These five employees each spent six months in Japan, Russia, the USA, South Africa, and Indonesia, where they helped to strengthen cooperation between Germany and the company's sites abroad.



*Ariana Raina, KRONES Argentina
(LCS South America Field Service, Neutraubling)*



*Edna Anunda, KRONES Kenya (LCS Logistics
Management Africa, Neutraubling)*

In order to establish a systematic process for retaining knowledge when expert employees retire, we launched a pilot project called the “Leaving Expert Interview” in 2014. The interview is a means for us to preserve the knowledge of the many specialists who will be retiring in the years ahead. In the interview, we ask these experts questions relating to their knowledge and expertise and record their responses. Another key aspect is a moderated conversation between the retiring employee and his or her successor. The aim here is to transfer knowledge in a structured process.

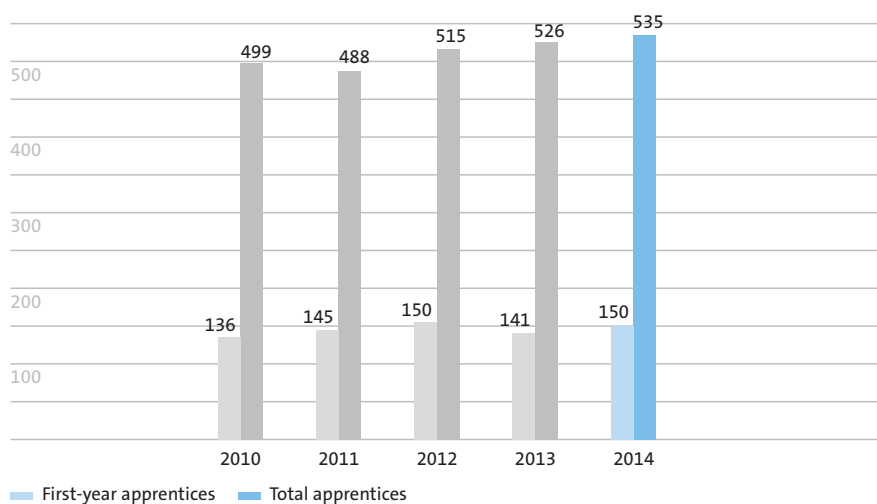
The “Leaving Expert Interview” is a newly launched concept for transferring knowledge from retiring employees to their successors

Recruiting young talent is a crucial factor

Our stable vocational training rate of 6 percent shows very clearly that we intend to continue to honour our obligation to the next generation. In our training centres, trainees and apprentices acquire thorough knowledge and skills in the fields of mechanical engineering and electronics. The results are continually substantiated by excellent results on examinations and in young talent competitions. Our trainees and apprentices regularly win prizes from the Chamber of Industry and Commerce and the Bavarian State Prize and take first place in various regional competitions. In 2014, 150 young people began training with KRONES. The share of female trainees was 21.5 percent (previous year: 22.1 percent). We permanently hired 156 trainees and apprentices upon completion of their vocational training in 2014.

The options provided at our training centre are also used by other companies: 35 guest trainees from some 20 companies took instruction in various areas there in 2014.

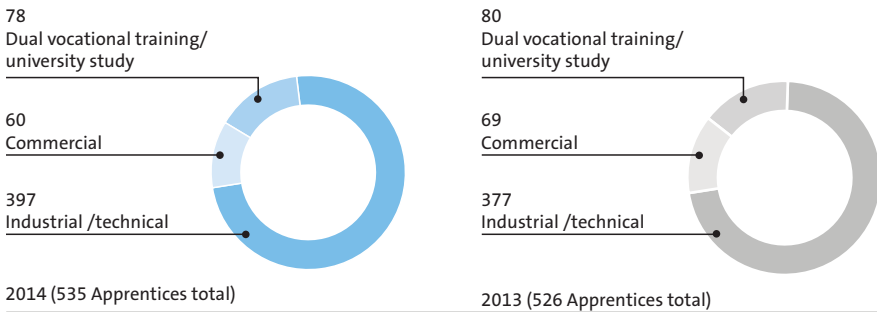
Apprentices at KRONES AG (total and first-year)



The high level of practical relevance of all training modules is crucial throughout our vocational training concept. For example, last year third-year apprentices from our Flensburg plant gained valuable practical experience by participating in the installation and commissioning of a bottle washer at a customer's plant. Practical experience was also the focus of our "Trainee at Fair" project, which was launched by our Corporate Communications department around preparations for the BrauBeviale trade fair in Nuremberg. Eight apprentices in various fields took part in the fair preparations. The high point of this experience was the participants' direct involvement at the fair, where they witnessed and supported first-hand the interaction between customers and KRONES employees.



Apprentices by field



At the international level, we support programmes for training specialists in collaboration with the brewing academy in Wuhan, China, as well as the training of service specialists in Nairobi, Kenya. Construction of a dedicated training centre in Nairobi, which was completed in September 2014, is one way that KRONES is expanding its options for skilling our own employees at our international sites.

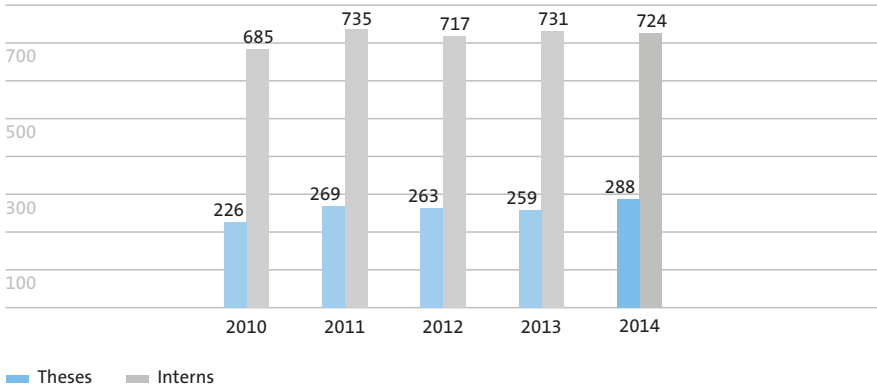
Apprentices and trainees starting after secondary school

Level of school completed	2014	2013
Completed middle school	6%	9%
Completed mid-level secondary school or equivalent	73%	67%
University entrance qualification or entrance qualification for studying at a university of applied sciences (Abitur/Fachabitur)	21%	24%
Total	150	141

Excluding MAINTEC

For university students and recent graduates, we continually offer internships and thesis-writing opportunities. These programmes enable us to give future recruits a first look at working life in various fields. Fields and topics are closely coordinated with the student's home university and the papers written often serve as a good starting point for future work within the company.

Interns and theses at KRONES



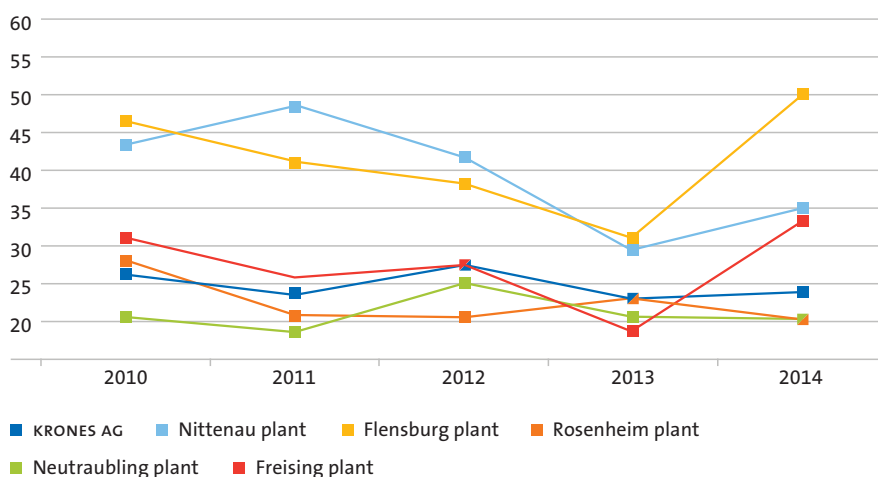
At our production sites in Germany, we had an overall rate of work-related accidents with one or more days lost time of 24.2 (previous year: 23.1) per 1,000 employees. This figure covers 75 percent of the KRONES Group's workforce. The figure above means we have seen a 4.8 percent increase in the number of accidents per 1,000 employees. The increase is due to the higher figure of 50.3 at our Flensburg plant and an increase by 19 at our Steinecker (Freising) plant to 33.3. We estimate that the causes of these accidents are related to the significant increase in work over the previous years. In Nittenau, we also saw an increase in the accident rate, from 29.4 in 2013 to 35 in the period under review. However, this increase is still within the corridor of a long-term downwards trend. Measures and poster campaigns aimed at increasing safety awareness among employees have been launched with the intention of bringing about a long-term reduction in accidents.

In Freising and Flensburg, we added staff capacity for occupational safety at the end of the reporting period in an effort to address the trend. In addition, we are using various tools, including detailed, standardised incident analyses to counter the trend, not only in Freising and Flensburg but in the other plants as well.

We can report success at our Neutraubling and Rosenheim plants, where we were able to further reduce the already low level of work-related accidents. We brought the rate of accidents per 1,000 employees down to 20.4 (previous year: 21.8) in Neutraubling und 20.3 (previous year: 23.9) in Rosenheim.

We continue to employ and establish standardised tools company-wide for optimising occupational safety and environmental protection, such as incident analyses and workplace inspections.

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

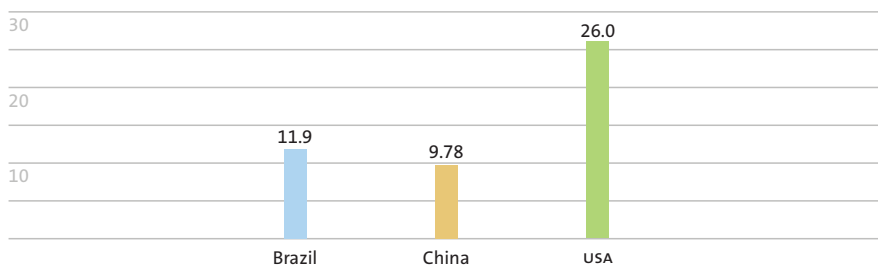


In order to compare our occupational safety activities with those of our industry peers, we regularly review the rate of accidents per 1,000 employees resulting in three or more days of lost time. We then compare them with the averages from the Berufsgenossenschaft Holz und Metall (employers' liability insurance association for wood and metal workers), which come out at mid-year for the calendar year. Our number of work-related accidents resulting in three or more days of lost time is 17.4 (previous year: 17.1), as compared with the Berufsgenossenschaft average of 38.3 for the year 2013.

Since integration of our production sites in Brazil, China, and the USA into our Integrated Management System, we are also able to track data for these facilities. In Brazil, the rate of accidents per 1,000 employees was 11.9. In China, it was 9.78 and in the USA 26.0. With BS-OHSAS-18001 certification of our occupational safety and health management system, these sites are subject to the same standards as our German production sites. Thus, our occupational safety activities reach 10,073 employees, or 79.8 percent of the KRONES Group's total workforce.

The accident rates for 2014 for our IMS-certified sites are being reported for the first time in this Sustainability Report.

Accidents per 1,000 employees in 2014 in Brazil, China, and the USA



There were no work-related fatalities at KRONES in 2014.

Regulatory framework for occupational safety and health

The safety and health of all of our employees is a top priority established in the Code of Conduct. KRONES uses uniform, externally certified standards for occupational safety such as those issued by the Occupational Health and Safety Advisory Services (OHSAS) and the Occupational Health and Risk Management System (OHRIS) of the Bavarian industrial inspectorate. The system sets requirements that go above and beyond statutory requirements, such as targets for reducing the number of work-related accidents or more frequent, standardised workplace inspections. Safety information for third-party providers is available on our website and generally part of any contract for work or services. It gives all of our external partners and suppliers clear rules for ensuring safety at our sites and for preventing risks to people and the environment.

Ulrich Schäfer, Head of Corporate Safety and Security, on the safety of our employees when travelling for work

Mr. Schäfer, how is the safety of KRONES employees on assignments abroad evaluated?

We use information sourced from the public domain as well as from private firms. We have a colour-coded system in our Intranet that gives employees an overview of the risk level in different regions. In the case of countries with a particularly high security risk, employee travel requires Executive Board approval, a process in which we first assess the specific travel plan, determine security measures, and submit our recommendation to the Executive Board. In rare cases, we travel to the site ourselves first and base our assessment on what we learn on our trip.

What risks are material to your assessment?

Everything that can compromise safety during travel to and from the site,

accommodations, the work on site, local transportation, and free time. We look at political instability, cultural relations, crime levels, and/or hygiene and medical aspects.

Often, the situation as it looks on paper isn't the whole picture. What additional measures do you and your team take to protect employees?

Besides our own preparatory travel to the site, we use our unofficial network and information from colleagues on the ground locally as well as information from talks with, for instance, embassies and consulates. We continually review and revise our assessments of the global security situation using the colour-coded system. These assessments apply to our own employees as well as third-party firms contracted to work on our behalf.



Every employee is instructed on general and workplace-specific hazards and rules of conduct by their manager or supervisor once a year. New hires and temporary employees receive this instruction when they start work at the company. 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 percent of the total workforce is represented on KRONES AG’s occupational health and safety committees.

What channels does KRONES use for sustainability-related communications?

Where does KRONES focus its charitable donations and sponsoring?

How does KRONES inform stakeholders about its activities?

We report on our activities in our Sustainability Report, on our corporate website, in presentations, and in meetings with customers.

75% of this budget goes towards social causes, the rest towards civic, academic/scientific, and athletic projects or events.

We offer informative tours of our plants. In 2014, we guided 2,286 visitors from various stakeholder groups on 84 different tours.

Engaging with all stakeholders

A good partnership with our stakeholders is important to us. For that reason, we foster a purposeful dialogue with our stakeholder groups and reach out to them about the most critical topics. We always seek direct contact and give preference to individual conversations about relevant issues. We focus on specific concerns and conduct the conversations with the support of KRONES' relevant technical specialists. We bring the ideas and concerns that arise in these conversations into our CSR Committee work so that we can further develop important issues internally.

With the establishment of our CSR Workshops, we have created another springboard for CSR-related issues for the future. We will also use this tool for assessing aspects relating to society.

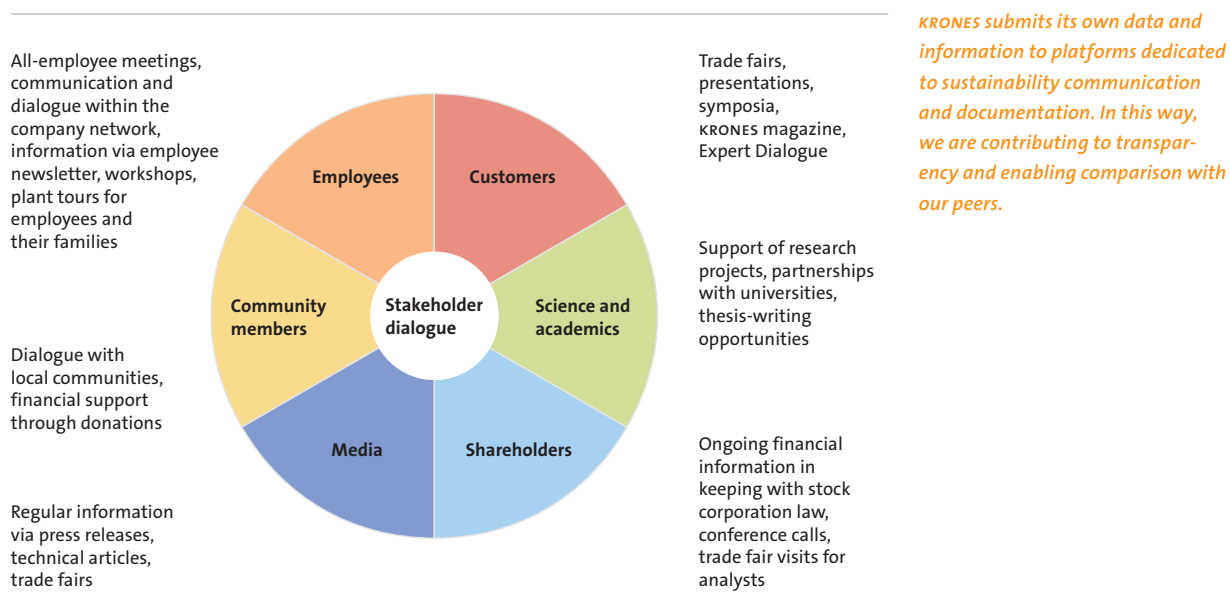
Because of its considerable, overarching importance, our compliance strategy is discussed in the general portion of this CSR report. For this reason, we will not address questions relating to compliance with statutory requirements and regulations, proper competitive behaviour, and measures for preventing corruption in the Society section of this report. Our position on political decision-making is clear: KRONES does not support any political parties and we have stipulated such in our charitable giving and sponsoring policy. As in previous years, KRONES made no payments to political parties in 2014.

As concerns our social engagement, we are working to increase our monitoring of these activities. In the interest of defining our charitable giving and sponsoring strategy in the medium term, we will continue to review our contributions on an ongoing basis. As a rule, we want to support social concerns relating to our plants and our people and support employees' taking initiative.

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.

Ongoing dialogue inspires

KRONES is part of the greater civic and business community. To honour that fact, we integrate communication with our various stakeholder groups into our activities on an ongoing basis. Our actions relating to society stem from direct dialogue. Of course, we also use social media channels for our own communications and for dialogue with our partners.



Sustainability activities thrive on comparison. Of course, we want our company to look good when it comes to corporate social responsibility. For us, that means we have to take a critical look at ourselves and let others do the same, so we know how others perceive our performance. We participate in ratings such as those of the CDP and Ecovadis platforms. In addition, our CSR Report is examined by analysts from various sustainability rating agencies, who then rate our performance. We know that investors use these assessments and we are always open in our communications.

The prestigious US business magazine Forbes lists KRONES among the 50 most trustworthy companies in Western Europe. With 98 out of a possible 100 points, KRONES rated highest of all the companies analysed. The list is based on a study conducted by GMI Ratings, a provider of analyses and ratings, evaluating risks in connection with business management and balance sheet probity. GMI analysed more than 4,000 companies listed on Western Europe's stock exchanges against around 60 different criteria and arrived at an "Accounting and Governance Risk" (AGR) rating.

Our investor relations specialists' close communication with financial market analysts is in compliance with legal regulations. The information defined here is made available on our website, under the heading "Investor Relations".

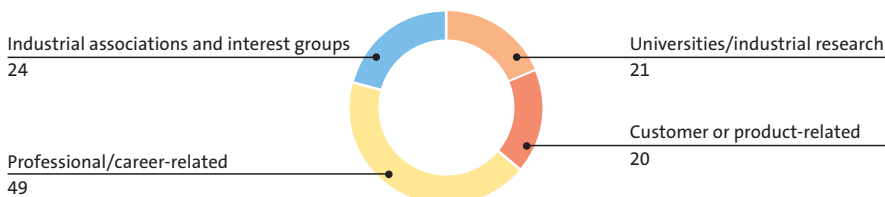
Stakeholder dialogue

KRONES is deeply embedded in economic life, both within the community and as an employer and commercial enterprise. We are members of the following trade associations: The German Engineering Federation (VDMA), the German Brewers Federation (DBB), the Chamber of Industry and Commerce (IHK), Forum PET, the German Association for Plastics Packagings and Films (IK), and the European Fruit Juice Association. In addition, we maintain memberships with a variety of professional associations through which our employees participate in continuing education and networking. Of course, we also participate in activities relating to our specific fields and technologies – such as developing standards – as a member of the German Institute for Standardisation (DIN) and the European Hygienic Design Group (EHEDG).

KRONES AG's Executive Board Chairman, Volker Kronseder, was chairman of the VDMA Food Processing and Packaging Machinery Association until mid-January 2015. He remains active in the association as deputy chairman. As part of his work with the association, our Executive Board Chairman made statements in 2014 on current economic topics including the TTIP agreement and participated in the efforts of the greater VDMA to formulate its position on matters such as inheritance tax and employee rights. As Chairman of the VDMA Food Processing and Packaging Machinery Association, Volker Kronseder also made a statement at the industry trade fair BrauBeviale in 2014.

KRONES AG is involved in the organisation Forum PET – a team member in our PET Recycling product division is on the organisation's board.

Memberships in associations in 2014, by focus



The company is not a member of any organisations of strategic significance. Moreover, KRONES does not make any additional contributions to organisations beyond normal membership fees. Because KRONES supplies its products and services to companies in the food and beverage industries internationally, our regional offices also have no representatives in government organisations or involvement in lobbying groups.

Our people are our opinion leaders

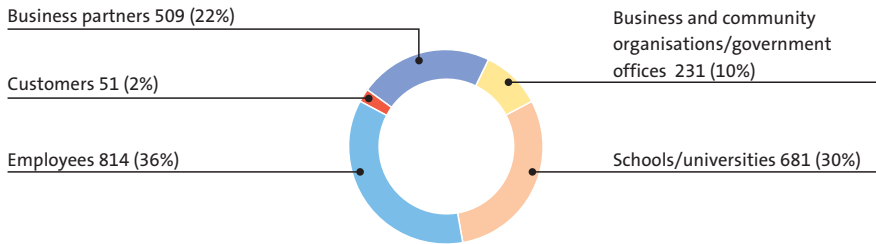
The ongoing, purposeful integration of our employees into our business processes helps us ensure the dissemination of information about KRONES. The traditional means of sharing information with employees is the all-employee meeting, which is held once a year at all sites in Germany. In this meeting, the Executive Board and Works Council inform employees directly about important business decisions. Complementing this information source is the employee magazine Inside KRONES, which appears three times a year. It is printed and made available in our plants, translated into English and transmitted to our offices abroad in PDF format, and made available for download in our Intranet. In 2014, we used Inside KRONES to inform employees about the measures relating to our Value strategy programme and our team's accomplishments in implementing the programme. It also includes current information on quarterly financial results and developments at our offices worldwide, giving employees a comprehensive picture of all major issues within the company.

Our Intranet is the source for organisational information and a platform for exchange within the company. Preparations for the group-wide launch of the Intranet were part of an Across Borders project in 2014. In a pilot project for the international offices, project team members defined the requirements at KRONES Inc. and also gathered input on the global portal from China, Canada, and Mexico.

Steady demand for plant tours

We led 2,286 visitors on tours through our plants in 2014. The majority of the visitors were employees and their families. A team of retired employees served as guides, with a wealth of personal experience and anecdotes to share with these visitors. Other visitor groups include students from schools, colleges, and universities, representatives from the business community, trade and professional associations, and government offices as well as business partners and customers. In all, 84 groups were guided through our plants in 2014.

Visitor groups in 2014 – Number of groups by category (% of total)



Visitors total 2014: 2,286

Customer visits are not recorded within our centralised visitor management. Customer tours are designed and conducted by our sales team in a targeted manner as part of talks relating an order and are therefore only rarely included in our general visitor overview.

Depending on the visitors' level of interest, we might also address specific topics and provide details relating to the topic as part of the general presentation about the company that precedes the tour. An important and popular topic is background information about the use of PET and PET bottles. For these presentations, we draw on current market research, data from environmental performance reports, and findings of academic studies. This broad base of information enables us to provide well-founded answers to questions on all aspects of PET's use.

In addition to factory tours, KRONES also reaches out to interested stakeholders at a variety of relevant events outside the company. These include presentations at conferences and seminars as well as participation in recruiting events at colleges and universities as well as job fairs. In 2014, KRONES took part in 73 events and once again participated in a business simulation game.



“Starting in summer 2015, our employee portal should be available as a centralised platform for information group-wide. The content is prepared and posted by editorial teams at our LCS Centres. We used the conceptual phase and a pilot project at KRONES Inc. to find out what our colleagues worldwide want and need from the portal and to bring that input into the Intranet solution. In that way, we’ve been able to ensure that we’re meeting the needs of all our colleagues worldwide.”

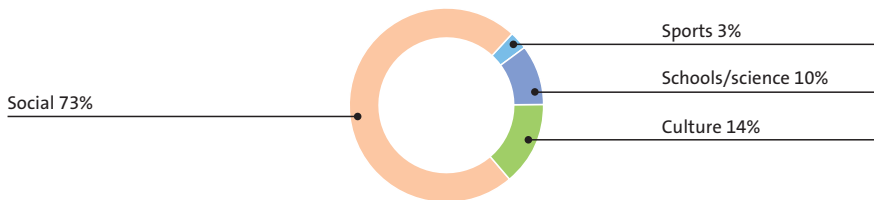
*Sabine Kolbe-Weber, Head of Web Solutions,
Corporate Communications*

Our charitable giving and sponsorship policy serves as the basis for our support of social and charitable projects relating to our production sites. In it, we have comprehensively defined the basic concepts and rules for charitable giving and sponsorship activities, thus ensuring that we follow a consistent policy across the board. These principles include the stipulation that KRONES does not make any contributions to political parties.

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

Our charitable giving and sponsoring budget was €570,000 in 2014 and, as in previous years, included support for the childcare centre in Neutraubling. KRONES' childcare centre is also a community childcare facility, offering secure, individualised care for children of our own employees as well as for families in the broader community.

Beneficiaries in 2014, by focus



Promised donations are paid in full to the recipients, with no deduction of administrative costs.

Our charitable giving and sponsoring budget also supports health-related campaigns and events. In 2014, our in-house medical service ran a tissue typing campaign in conjunction with the Stiftung Aktion Knochenmarkspende, a stem cell and bone marrow donor registry. One hundred twenty-seven KRONES employees participated in the campaign and are now registered as donors for bone marrow transplant.

Our employees' involvement in their local communities is also an integral part of our social engagement. For example, many of our employees are members of the volunteer fire departments in Neutraubling, Barbing, and Nittenau. When they are called to a fire, they know they are free to leave their posts at KRONES quickly, without clocking out. For this reason, it is not possible for us to report an exact number of hours or deployments. What we do know is that we grant those employees leave from work with pay when the alarm sounds during normal working hours.

Stefan Bader, Head of Accounting, on our charitable giving activities

Mr. Bader, what principles determine KRONES' activities with respect to charitable giving and sponsoring?

We have defined a framework for these activities with our charitable giving and sponsoring policy, under which we focus on groups and initiatives relating to social welfare, education, science and research, culture, and recreational sports. Furthermore, centralised management of a single overall budget is important as it gives us a good overview of activities and enables us to ensure that all sites follow a uniform policy. We expanded this approach in 2014 and aim to integrate our international sites' activities starting in 2015.

How do you handle administrative costs?

We don't charge any management costs. All donations and sponsorship amounts go directly to the respective organisations. The charitable donations and

sponsoring committee meets once a month during regular working hours. All processes and expenses relating to payment transactions are simply part of our internal administrative expenses.

What goals has the committee set for the years ahead?

We would like to become involved in another long-term project, like the dental clinic in Nepal which we have supported for many years now. We are still in the decision-making process here. Because of KRONES' position as a global company, we would like to take a more active role in supporting the communities where we have offices worldwide in the future. Another focus is on ensuring that we achieve a high level of transparency in our follow-up of activities. We will put in place a monitoring concept that allows us to better track the impact and success of our activities.



Our employees enthusiastically supported a special initiative last Christmas. In collaboration with the Regensburg's District Department of Youth Services, our staff made the wishes of around 200 children from three children's homes in the Regensburg region come true. The children's Christmas wish lists were hung on an enormous Christmas tree in KRONES AG's reception area. Within a day, all of the lists had been picked off the tree and each child had a KRONES employee as benefactor. Our employees purchased the children's presents themselves and the gifts were delivered to the children's homes shortly before Christmas.

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, completed yearly May 2016	Sustainability Report 2013 and 2014 in accordance with GRI Guidelines, Version 3.1 First steps taken towards preparing Sustainability Report 2015 in accordance with GRI Guidelines, Version 4
	■ Ongoing updates to the “sustainability” section of our Intranet	Complete Ongoing	Restructured this area and added current information Update to match current CSR issues
	■ Develop a universal CSR campaign for internal use	2014–2015	■ Action plan changed, CSR Workshops launched for Labour practices, Society, Environment ■ Discussion in CSR Committee on whether CSR campaign to be developed
Include KRONES' European sales organisations in our sustainability reporting	■ Provide information on requirements under GRI Guidelines	2014	Data survey on selected indicators expanded and made more detailed
	■ Define first indicators	2014	■ Completed the improved data survey on occupational safety with the help of IMS certified sites, reviewing data set for EN indicators ■ Using data set from HR ■ Action plan adopted for expanding data volume
Develop CSR Strategy 2015	■ Develop sustainability topics relevant to the company and prepare action plan	2014	Draft action plan developed
		Ongoing	Revision of CSR strategy complete; first CSR Workshop series for departments launched March 2015
Improve our sustainability rating	■ Communicate with analysts, investors, and customers on sustainable investment	Ongoing	Participating in customer events and providing information about sustainability activities
		2014–2015	Stepping up communication with analysts
Launch KRONES Intranet at our sites worldwide	■ Develop a concept	2014	Concept phase underway, preliminary project launched
	■ Roll out Intranet group-wide		
	■ Pilot project at KRONES Inc.	2015	Concept developed, currently transitioning to preliminary project

Goals	Actions	Target	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	■ Conduct 12 more individual assessments	2014	Assessment of 14 machines completed
	■ enviro assessment of 2 Contiform 3 series (H and SC)	September 2014	■ Partially complete, Contiform 3 and Contiform 3A were assessed under enviro for drinktec 2013 ■ Assessment of Contiform 3H under enviro 2.0 to be completed by May 2015
	■ Develop filling technology with lower compressed air consumption	2015	Market launch of pneumatics-free filling valve in May 2015
	■ Reduce amount of media used in filling technology	Ongoing	Continuous optimisation
	■ Examine sustainability strategies of third-party machinery suppliers and their documentation	In progress	Suppliers are being involved more in the enviro process so we can make concrete statements about energy efficiency and efficiency in general

Goals	Actions	Target date	Status
	<ul style="list-style-type: none"> ■ Improve resource efficiency of bottle washers 	Ongoing	Including new design details into resource efficiency review, generating performance indicators for enviro assessment and processing; e.g. transition to IE3 drives
Launch enviro 2.0	<ul style="list-style-type: none"> ■ Assess process models instead of individual machines <hr/> <ul style="list-style-type: none"> ■ Transferability of assemblies to machine, system, and line level <hr/> <ul style="list-style-type: none"> ■ Increase communication of the added value that enviro offers customers 	2014–2015	<ul style="list-style-type: none"> ■ enviro assessment of individual machines to be completed by the end of 2015 ■ enviro criteria being integrated into SAP quotation tool ■ Assessing pilot process models; product certifications as part of IMS certification in May 2015
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 <hr/> <ul style="list-style-type: none"> ■ Reduce standby losses <hr/> <ul style="list-style-type: none"> ■ Evolve EquiTherm series for combined heating and cooling 	Ongoing	enviro officers querying ongoing conservation measures by monitoring performance indicators
		2015	Wrapping up project, collaborating with colleges and universities
		2015	Assessment of EquiTherm Coldfill has begun, EquiTherm Brew successfully launched
Increase order quality	<ul style="list-style-type: none"> ■ Make quotation system faster and more transparent 	June 2014	Continuing introduction of Q-Gate system in SAP IT landscape and ongoing improvements to existing system
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 <hr/> <ul style="list-style-type: none"> ■ Establish interdepartmental responsibilities for product-related manufacturing and installation activities 	2014–2015	Project completed
		2014–2015	Project started, using considerable depth of value creation to establish product-related planning and steering across processes
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 	Ongoing	Continually improving key performance indicators (see KRONES Group annual report), KPIs per end of 2014
Introduce a CRM system across our entire sales organisation	<ul style="list-style-type: none"> ■ Define key performance indicators and factors for assessing customer satisfaction data 	In progress	Project started, customer satisfaction analyses in progress in various areas, results being interpreted, and recommendations for action being developed.
Roll out an Integrated Management System (IMS) and certify LCS Centres worldwide	<ul style="list-style-type: none"> ■ Certification of LCS Centre in Franklin (USA) <hr/> <ul style="list-style-type: none"> ■ Transfer certification type from “Community” to “Matrix”. Merge the two certifications for domestic plants and LCS Centres 	Complete	Certification audit conducted in December 2014
		2015	Certification audit slated for Q2 2015

Goals	Actions	Target date	Status
Establish an energy management system	■ Collect energy data	Ongoing	Ongoing expansion in connection with construction projects and increasing level of detail
	■ Establish performance indicators	Ongoing	Monitoring and continually comparing actual value with forecast (energy baseline)
		Ongoing	Determine energy consumption per m ³ of compressed air generated in production
		Complete	Compressed air measurement has been made a permanent part of monitoring at our Neutraubling, Nittenau, and Rosenheim plants.
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	2014	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	2014–2015	Equipped test areas with LED technology in Neutraubling and Rosenheim plants
		2015	Replacing existing hall lighting with LEDs
	■ Examine paint shops to determine lowest possible drying temperatures (conserve thermal energy)	Complete	<ul style="list-style-type: none"> ■ Converted ventilation system for the paintshop to heat recovery at Flensburg plant; 2014 savings: 60% ■ Equipping the ventilation system for the paintshop at Steinecker plant with heat recovery
	■ Conserve electricity	2014	Retrofitted ventilation system with performance-adjusted motors in Nittenau
	■ High-bay warehouse (conserve electricity)	2014	Reduced standby consumption by powering down units at Rosenheim plant. Measured reduction for the system 2014: 7%
■ Heating system (conserve thermal energy)	2014	Renovation of central heating system in Nittenau. Measured energy savings in central heating system for 2014 still being determined	
Environmentally responsible behaviour among employees	■ Train and inform employees, giving concrete guidelines for environmentally responsible behaviour	Ongoing	<ul style="list-style-type: none"> ■ Reviewing 73 ideas from Brainpool on the topics of environment and energy ■ Incorporating ideas from Brainpool employee innovation portal
Procure resource-friendly materials	■ Optimise energy supply concepts	2013–2014	Converted contract of CHP plant in Neutraubling (now operating it ourselves). Annual savings in CO ₂ emissions: 1,600 metric tonnes
		Complete	Commissioned another cogeneration (CHP) plant in Neutraubling with electricity output of 400 kW

Goals	Actions	Target date	Status
Conserve resources	■ Reduce water consumption	2014	Water consumption was determined on a per-building basis; significant potential for savings but not yet economically feasible; new cleaning system in Rosenheim plant with long useful life
	■ Recycling – further analyse possibilities for recycling	In progress	<ul style="list-style-type: none"> ■ Projects launched for improved use of materials, e.g. sheet metal and piping/tubing ■ Preventing raw materials consumption ■ Verifying improved material efficiency
	■ Reduce the amount of waste generated	Ongoing	Increased sorting and separation of materials at on-site collection station
		In progress	<ul style="list-style-type: none"> ■ Training documentation has been designed to improve education and motivation of employees ■ Intensified sorting and separation of waste materials
	■ Reduce paper documents for commissioning and documents accompanying shipped goods	2015	<ul style="list-style-type: none"> ■ Double-sided printing for job sheets. Partial transition to digital test protocols instead of hard copy ■ Launch of a pilot project for one area of production
	■ Rebuild the central collection station for solid waste and recyclables at our Neutraubling site	Complete	Construction project completed by the end of 2014
Reduce emissions	■ Reduce coolant emissions	In progress	<ul style="list-style-type: none"> ■ Additional measurements are being done ■ Continuous monitoring of coolant emissions
	■ Reduce PU foam containing climate-relevant greenhouse gases	Ongoing	<ul style="list-style-type: none"> ■ Conversion partially complete; climate-relevant greenhouse gases still present ■ Reviewing conversion of other production processes
	■ Develop CO ₂ reduction target	2015	CO ₂ reduction target adopted
	■ Reduce CO ₂ emissions by 30%–40% for KRONES AG	2020	Action plan adopted
Reduce emissions due to work-related travel	■ Develop a new mobility concept for business travel within Germany	In progress	Roll-out among service technicians
Systematically collect and calculate environmental performance indicators in a database module	■ Introduce a database module	Complete	SAP waste module launched at Neutraubling plant
		2014–2015	Roll-out of SAP waste module to all German sites
Reduce road-to-rail transports	■ Construction of rail connection within Neutraubling plant	2015–2016	Preparations in progress

Labour practices – Goals and actions

Goals	Actions	Target date	Status
Internationalise HR activities	■ Define and implement international processes	2017	Conceptual phase for deepening further internal HR processes
	■ Establish HR expertise at our international sites	2017	Implementing regional concept for North America, Latin America, Asia-Pacific, China, and Africa
Increase employee qualifications	■ Introduce KRONES competence management company-wide	Ongoing	Introduction of competence management system is complete; process for group development reviews is in progress
	■ Expand training and continuing education offerings	Ongoing Complete	Continually expanding the training offerings Conversion and user-friendly design of SAP training portal completed
	■ International workforce structures	Ongoing	Ongoing continuation of management training seminars
Secure access to the next generation of specialists	■ Accept apprentices in a variety of fields	Ongoing	150 new apprentices were accepted for 2014; 20 different fields of vocational training and university studies offered
	■ Increase service focus with Profil 21 professional training option	Launched	The first Profil 21 service graduates have been hired on; concept is being adapted and improved on a regular basis with active feedback from all participants
Promote and recruit specialists and skilled workers	■ Collaborate with colleges and universities	Ongoing	Budget for outreach events at colleges and universities was fully utilised in 2014 and 2013
	■ Trainee programme	Ongoing	10 trainees recruited in 2014
	■ Promote intercultural understanding among our skilled workers	Ongoing	<ul style="list-style-type: none"> ■ Across Borders successfully launched in 2014 ■ Number of Across Borders participants in 2014: 11 (5 participants from Germany; 6 from outside Germany)
Occupational health management	■ Coordinate all actions (in-house medical service, company health insurance fund, counselling service, and human resources)	In progress	Prioritisation of areas ongoing
		End of 2015	Developing a concept for occupational health management; development not yet complete
	■ Speed rehabilitation and reintegration of employees who have been on long-term sick leave	In progress	Analysis of causes and identification of possibilities for significantly reducing reintegration times has begun
		Ongoing	Workplace Rehabilitation Management policy is being applied
Work-life balance	■ Support employees and their families on assignments abroad	Ongoing	Employee support programme available through Human Resources and Social Affairs
	■ Support management employees' use of sabbatical	Ongoing	128 employees made use of this option in 2014
	■ Optimise parking situation	2015	Coordinating and implementing concept
Reduce accident rates (per 1,000 employees)	■ Systematic accident analysis	Ongoing	Deriving remedial actions from incidents
		In progress	<ul style="list-style-type: none"> ■ Each incident that results in injury or days of lost work as well as electrical accidents are analysed in detail and communicated within the German sites ■ Pilot programme completed; roll-out in all German plants has begun

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 all areas</p> <p>Workplace inspections are done 2–4 x per year in production areas</p> <ul style="list-style-type: none"> Roll-out has begun; completion date still unknown Roll-out of revised hazard assessment at all sites
	<ul style="list-style-type: none"> Further develop systems for employee training and guidance 	<p>In progress</p>	<ul style="list-style-type: none"> New basic instruction and additional instruction cards (1-point lessons) being produced Operating instructions for machines and hazardous materials are undergoing additional revision under a new system
	<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>Training concept consists of several modules; almost all managers have completed the training</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>Complete</p>	<p>Training programme began in February 2014</p>
	<ul style="list-style-type: none"> E-learning programme on compliance management 	<p>Complete</p> <p>2015–2016</p>	<p>Training programme to begin in June 2014 to impart basic knowledge about compliance</p> <p>Roll-out of compliance training at LCS sites</p>
	<ul style="list-style-type: none"> Technical training for sensitive areas 	<p>2014–2015</p>	<p>Training programme to begin in the third quarter of 2014</p>
Provide information for employees' family members	<ul style="list-style-type: none"> Regular tours of the production facilities 	<p>Ongoing</p>	<p>84 group tours conducted in 2014</p>
		<p>Ongoing</p>	<p>Retired employees involved in order to expand employee tours</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 charitable giving and sponsoring concept	<ul style="list-style-type: none"> Design guidelines for charitable giving and sponsorships 	<p>Complete</p>	<p>Charitable giving and sponsorship guidelines completed and adopted</p>
	<ul style="list-style-type: none"> Make charitable giving and sponsorship guidelines available online 	<p>2014</p>	<p>Decision made not to make guidelines public</p>
Improve presentation of sustainability topics on our website	<ul style="list-style-type: none"> Expand sustainability content on our corporate website 	<p>Ongoing</p>	<p>Content is being updated</p>
Develop a corporate volunteering programme	<ul style="list-style-type: none"> Develop concept 	<p>2015</p>	<p>This topic is slated for inclusion in the CSR Workshops</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, AR 4–5	●
	1.2 Key impacts, risks, and opportunities	4–8, 29, 13, 22–23, 25–27 38, 45–46, 130–135	●
2. Organisational profile	2.1 Name of the organisation	Cover 6 – back	●
	2.2 Primary brands, products, and services	Cover 4, 10–13, AR 22–29	●
	2.3 Operational structure	12–14, 41, 48, AR 22, 180	●
	2.4 Location of headquarters	12	●
	2.5 Number of countries	12, 48, AR 22	●
	2.6 Nature of ownership and legal form	14, AR 124	●
	2.7 Markets served (by region, customer type)	13, 48	●
	2.8 Scale of the organisation	12–14, 44, 99–100, www/Products	●
	2.9 Changes regarding size, structure, or ownership	41, AR 4–5, 148–149	●
	2.10 Awards received	22, 123	●
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	●
	3.5 Process for defining report content/materiality	30–32	●
	3.6 Report boundaries	30–32	●
	3.7 Specific limitations on report's scope	30–32	●
	3.8 Comparability	30–32	●
	3.9 Data measurement techniques	30–32	●
	3.10 Reasons for re-statements of information	30–32	●
	3.11 Significant changes	30–32	●
	3.12 GRI content index	136–138	●
	3.13 Assurance	Cover 5	●
4. Governance	4.1 Governance structure	14, AR 6–11, 173	●
	4.2 Independence of Supervisory Board Chair	14, AR 128–129, 178–179, 182	●
	4.3 Independent members of highest governance body		○
	4.4 Mechanisms for shareholders/employees to make recommendations to Executive Board/Supervisory Board	14, AR 16–17, 64	●
	4.5 Linkage between Executive Board compensation and company's performance	14, AR 126–128	●
	4.6 Mechanisms to avoid conflicts of interest	16–20, AR 134 point b)	●
	4.7 Expertise of members of the highest governance bodies with respect to sustainability	AR 132–137	●
	4.8 Mission statement, values, codes of conduct	15–17, www/responsibility	●
	4.9 Procedures of the highest governance bodies for overseeing sustainability-related risks and opportunities	14, 22–23, 28–29, AR 136	●
	4.10 Processes for evaluating management's own performance	14, AR 126–128	●
	4.11 Precautionary approach	15–16, 25–27, 45–46, AR 132, 136	●
	4.12 Support of external initiatives	4–5, 15, 25, 49, 108, 123	●
	4.13 Memberships in associations and advocacy groups	124–125	●
	4.14 Stakeholder groups engaged	22–24, 33–35, 122–127	●
	4.15 Basis for identification of stakeholders	22–24, 33–35, 122–127	●
	4.16 Stakeholder dialogue	22–26, 28, 112–127	●
	4.17 Response to key concerns raised by stakeholders	26, 112–127	●

Economic

Economic performance	Management approach	4–9, 38, AR 30–33, 120–123	
	EC1 Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations	39–46, 128, AR 148–149	●
	EC2 Financial implications and other risks for the organisation's activities due to climate change	4–5, 45–46	●

Section, GRI guidelines	Reporting element	Page	Reporting level
Market presence	EC3 Coverage of defined benefit plan obligations	6, 42, 107, AR 168–172	○
	EC4 Significant financial assistance received from the government	43	●
	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	49–51	○
	EC7 Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	98–100	●
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	82	
	EN1 Materials used by weight or volume	50	○
Energy	EN2 Volume of materials used that are recycled input materials	50	○
	EN3 Direct energy consumption by primary energy source	83–85	●
	EN4 Indirect energy consumption by primary energy source	83–85	●
	EN5 Energy saved due to conservation and efficiency improvements	83–85	●
	EN6 Initiatives to provide energy-efficient or renewable energy based products and services, and resulting reductions in energy requirements	66–74	●
Water	EN7 Initiatives to reduce indirect energy consumption and reductions achieved	89–92	○
	EN8 Total water withdrawal by source	93	●
	EN9 Water sources significantly affected by withdrawal of water	93	●
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	86–90	●
	EN17 Other relevant greenhouse gas emissions by weight	88	●
	EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved	86–88, 132–133	●
	EN19 Emissions of ozone-depleting substances by weight	88	●
	EN20 NO, SO, and other significant air emissions by type and weight	88	●
	EN21 Total water discharge by quality and destination	93	●
	EN22 Total weight of waste by type and disposal method	94–95	●
	EN23 Total number and volume of significant spills	93	●
	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	94	●
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	4–8, 29, 55–61, 68–74	●
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	82	●
Transport	EN29 Significant environmental impacts of transporting products and other goods and materials used for operations and transporting employees	89–92	○
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	98	
Employment	LA1 Total workforce by employment type, employment contract, and region	99–101, 106	●
	LA2 Total employee turnover in percent by age group, gender, and region	98, 105	●
	LA3 Benefits provided to full-time employees only, by significant locations of operation	107–108	●
Labour/ management relations	LA4 Percentage of employees covered by collective bargaining agreements	101	●
	LA5 Minimum notice periods for operational changes, including whether it is specified in collective agreements	101, 107	●
Occupational health and safety	LA6 Percentage of total workforce represented in occupational health and safety committees	118–119	●
	LA7 Rates of injury, occupational diseases, lost days, and work-related fatalities by region	117–119	●
	LA8 Education, training, counselling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members regarding serious illness	109–110, 118–119	○
	LA9 Health and safety topics covered in formal agreements with trade unions	119	●
Training and education	LA10 Average hours of training or education per employee by employee category	113	●
	LA11 Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	106, 111–113, 114–116	●
	LA12 Percentage of employees receiving regular performance and career development reviews	111–112	●
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	92–95, 100–101, 103–104, AR 182	○
	LA14 Ratio of base salary and remuneration of women to men by employee category	104	●

Human rights

	Management approach	49	
Investment and procurement practices	HR1 Percentage and total number of significant investment agreements that include human rights clauses or have undergone human rights screening	49–50	○
	HR2 Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken	50	●
	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	51	○
Non-discrimination, freedom of association/ collective bargaining	HR4 Total number of incidents of discrimination and corrective actions taken	50	○
	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	51, 53, 108	○
Child labour	HR6 Operations and significant suppliers with risk of child labour, and measures taken to contribute to the abolition of child labour	51	●
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	50, 108	○
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	122	
Local communities	SO1 Programmes and procedures for assessing and regulating impacts of operations on local communities	16–21, 123–125	●
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	20	●
	SO4 Actions taken in response to incidents of corruption	17	●
Public policy	SO5 Public policy positions and participation in public policy development and lobbying	124–125	●
	SO6 Contributions to political parties, politicians, and related institutions, by country	122, 128	●
Anti-competitive behaviour	SO7 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	17, 20	●
Compliance	SO8 Monetary value of fines and total number of non-monetary sanctions for non-compliance with laws and regulations		□
Product responsibility			
	Management approach	4–8, 55, 68	
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	55–58, 60–61	●
	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	55–58	●
	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	61–62	◐
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
CSR (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.
CRM (Customer Relationship Management)	Tool for complete planning, management, and execution of all customer-related processes, both for interaction with customers and for internal activities
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.
IMS (Integrated Management System)	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
OHSAS	OHSAS 18001 (Occupational Health- and Safety Assessment Series) is used in many countries as the basis for certification of management systems for occupational safety. The structure of OHSAS 18001 is closely based on the ISO 9001 and ISO 14001 standards and can be used as part of an Integrated Management System.
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.
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.
TCO (Total Cost of Ownership)	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
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 at a glance

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

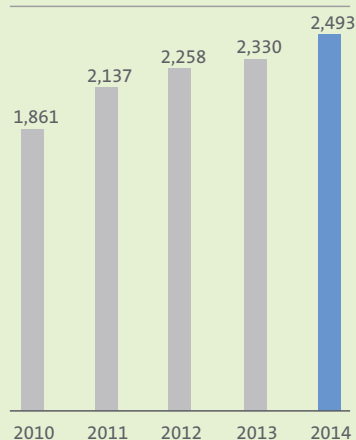


This segment is by far KRONES' largest and most profitable segment. It offers machines and complete lines for filling, packaging, labelling, and conveying products. Machines for producing PET containers and converting used plastic material (PET recycling systems) are also part of this segment.

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

*Consolidated group

Revenue (€ million)



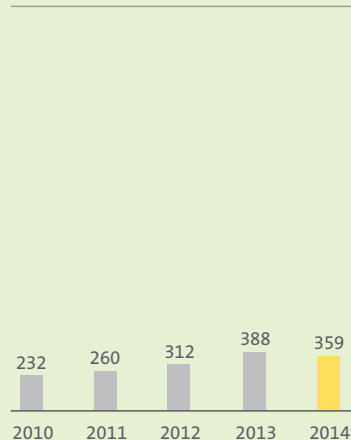
Beverage production/ process technology



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.

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

Revenue (€ million)



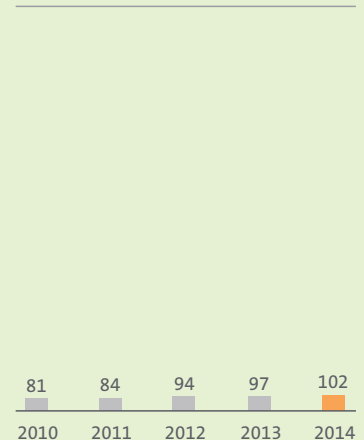
Low output range



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.

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

Revenue (€ million)



Publication credits

Published by	KRONES AG Böhmerwaldstrasse 5 93073 Neutraubling Germany
Responsibility	Ingrid Reuschl
Editing	Ingrid Reuschl, Nico Irrgang
Design	Büro Benseler
Text	KRONES AG Susanne Blüml, pr-büro InvestorPress GmbH
Photos	KRONES AG
Printing	Eberl Print GmbH
Litho	Eberl Print GmbH
Paper	Metapaper Smooth und Rough
Circulation	500 German 500 English

This English language report is a translation of the original German KRONES AG Nachhaltigkeitsbericht 2014.

In case of discrepancies the German text shall prevail.

This Sustainability Report 2014 is also available in German. We would be happy to mail you a copy on request. You can also find it in the Responsibility section at krones.com.



The production of and the paper used for the KRONES Group's 2014 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 (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 2014 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:

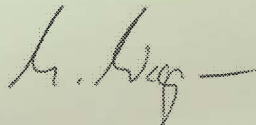
This report provides a comprehensive, accurate, and proper presentation of performance on the basis of reliable, reasonably documented information and fulfils the requirements under GRI application level B+.

Availability of this report to the general public is guaranteed.

tüv süd Management Service GmbH
Munich, 2 June 2015



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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 **KRONES**