

# AG 2009

Annual Report for KRONES AG

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Dear shareholders and friends of KRONES,

After nine consecutive record-breaking years of successful business development, KRONES was hit by the global economic crisis in 2009. Sales contracted 25.9% from the previous year's level to €1,593.3m. We are posting a net loss of €81.6m for the year. The Conversion programme we launched back in the fourth quarter of 2008 in response to the market slump prevented worse from happening. We are not pleased with the results of the last year. However, unlike many other companies, KRONES' survival has not been jeopardised in the wake of the economic crisis. We had done our homework and were well positioned when we entered this difficult phase. The fact that KRONES stands on solid financial footing and has no bank debt has been particularly beneficial now. On the whole, KRONES weathered the crisis better than many of our competitors and gained market share. Moreover, we do not have to deal with a structural crisis, as many other industries do. Our drop in sales is due entirely to the economic situation. The long-term prospects for the bottling and packaging industry remain good. Nevertheless, we cannot sit back and wait for better days to come. We will have to work hard to ensure that 2009 remains a statistical outlier and that we get back on track for success. The challenges remain great. Although the economy is picking up again, now is not a time for exuberance. It is dangerous to look only at economic growth rates since, after the sharp plunge, the recovery is starting from a very low level.

KRONES is prepared for a long slow period. That is why we are doing everything we can to further strengthen the company. That includes cost-cutting measures as part of our Conversion programme. But frugality alone will not move our company forward. We traditionally pursue long-term goals rather than looking to maximise profits in the short term. Despite the difficult economic situation, KRONES will stay focused on important tasks that are crucial to the company's long-term growth. One central task is to enable our customers in the beverage industry to make even more efficient use of their production capacities. Our product range meets this need, providing intelligent logistics solutions and customised information technology alongside our high-performance machines and lines. We will continue to expand our unique portfolio by investing even more in internal logistics and process engineering, thereby setting ourselves even further apart from our competitors.



*»KRONES has weathered the economic crisis better than many other companies and gained market share in 2009.«*

*Volker Kronseder  
Chairman of the Executive Board*

*Customers want to make even more efficient use of their beverage plants and KRONES offers technologies that do just that.*

Our enviro products – KRONES machines and lines that use resources more economically – will remain a key focus in 2010. We are proud to have earned TÜV SÜD certification for our enviro programme, our integrated management system, and our 2008 sustainability report in 2009. We plan to seek external certification of our 2009 sustainability report as well. Incidentally, we are still the only company in our industry to have this report independently certified. Sustainability has been our practice at KRONES for decades and it has not lost any of its importance in the economic downturn. The fact that we intend to hold onto our core workforce despite the temporary decline in business is but one example of this.

By far the most gratifying event in fiscal 2009 was the drinktec trade fair, the industry's biggest fair worldwide. We invested considerable time and energy in preparing for the fair and had placed great hope in its outcome. The fair itself, which took place in September, exceeded our expectations. Many high-level decision makers visited us there to learn more about our range of products and services. We also finalised many contracts at the drinktec. KRONES showcased its capabilities as a solutions provider that can increase efficiency along the customer's entire value chain. True to our motto, »We do more.«

On behalf of the entire Executive Board, I would like to thank all of our employees for pulling together and staying motivated in what was a difficult fiscal year 2009. The skills and knowledge of our employees are KRONES' backbone. Only as a team can we overcome the slump and replicate our past successes. I am confident that we will do this sooner than other companies.

*Volker Kronseder  
Chairman of the Executive Board*

*Sustainability has been our practice at KRONES for decades and is undiminished by the difficult economic times.*

### Ladies and Gentlemen,

In 2009, the Supervisory Board of KRONES AG continuously oversaw the company's management as prescribed by the law and the articles of association. The Board regularly obtained information from the Executive Board about the progress of business and the financial situation of the company as well as on the company's risk management and strategy in the form of written and oral reports, both in and outside the regular Supervisory Board meetings.

One focus of the Supervisory Board's activities in 2009 was on the effects of the global economic crisis on KRONES and possible actions and strategies by which the company can respond to the decline in demand.

Four regular meetings of the Supervisory Board were held in 2009. At the first, which was held on 18 March, the Board renewed the mandate of Executive Board member Rainulf Diepold, which was set to expire at the end of 2009, until 31 December 2014. The Executive Board then presented the preliminary consolidated financial statements for 2008 and provided explanations for the key figures. After that, the Executive Board commented on the current business situation. The Executive Board also explained the measures it was taking to respond to the difficult market situation. The Supervisory Board and the Executive Board agreed that the company should maintain its core workforce despite the downturn. The Executive Board concluded its comprehensive presentation on the business situation by offering an outlook for the first half of 2009.

The second meeting of the Supervisory Board was held on 24 April. Representatives from the company's auditing firm were present for a portion of the meeting. They explained the annual and consolidated financial statements for 2008 and fielded questions from the Supervisory Board. After the auditors' detailed explanations, the Supervisory Board ratified the 2008 annual financial statements and the consolidated financial statements and management report for fiscal 2008. The Supervisory Board and the Executive Board also discussed the agenda for the annual shareholders' meeting, which would be held on 17 June 2009, and the use of unappropriated profit. Due to the difficult economic situation, both Boards agreed to propose to the annual shareholders' meeting that the dividend per share be reduced by €0.10 from the previous year, to €0.60.

The Supervisory Board held its constitutive meeting on 17 June, following the annual shareholders' meeting. Herbert Gerstner and long-time Supervisory Board Chairman Dr. Lorenz M. Raith left the Board as of the conclusion of the annual shareholders' meeting. Philipp Graf von und zu Lerchenfeld and employee representative Johann Robold were elected as new members of the Supervisory Board. The Supervisory Board unanimously elected Ernst Baumann as its chairman.



*Ernst Baumann*  
Chairman of the Supervisory Board

At the meeting on 22 September, the Executive Board informed the Supervisory Board about the current business situation and provided an outlook for the results of the first nine months of 2009. The Supervisory Board also discussed Germany's new law on the appropriateness of executive remuneration.

The final meeting of the Supervisory Board in 2009 was held on 25 November. The Executive Board presented the financial statements for the third quarter of 2009 and its outlook for the year as a whole. The Executive Board then presented the 2010 planning in detail to the Supervisory Board. The Supervisory Board unanimously approved the capital expenditure planning for fiscal 2010 as put forward by the Executive Board.

### Supervisory Board ratifies the annual and consolidated financial statements for 2009

The annual financial statements of KRONES AG, the consolidated financial statements, the management report for KRONES AG, and the consolidated management report prepared by the Executive Board for the period ended 31 December 2009 were examined by the auditors elected by the annual shareholders' meeting, KPMG Bayerische Treuhandgesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, and each received an unqualified audit report. The audited annual financial statements and consolidated financial statements, the management report for KRONES AG, and the consolidated management report prepared for the period ended 31 December 2009 were submitted to all members of the Supervisory Board in good time for the members' own review. The audited financial statements and management reports were the subject of the Supervisory Board meeting held to ratify the financial statements on 26 April 2010. Representatives of the auditing firm also participated in the meeting and reported to the Supervisory Board on the results of their review and the areas on which their review focused. The Supervisory Board noted and approved the audit result. The Supervisory Board's review did not result in any objections. The Supervisory Board approved the annual financial statements for KRONES AG and the consolidated financial statements as well as the Executive Board's proposal for the use of the net accumulated loss. The annual financial statements for KRONES AG are thereby ratified and the consolidated financial statements are thereby approved.

The members of the Supervisory Board would like to thank the Executive Board and all employees for their outstanding work in 2009, which was a year of great challenges for all.

Neutraubling, April 2010  
The Supervisory Board

*Ernst Baumann*  
Chairman of the Supervisory Board

### Plant planning and beverage production technology

- Planning and construction of complete filling and packaging plants
- Total cost of ownership calculations
- Expansion, updating
- Brewhouse and cellar systems
- Product treatment



### Systems for filling and packaging

- Cleaning technology
- Plastics technology
- Inspection technology
- Filling technology
- Pasteurisation technology
- Conveyor technology
- Labelling technology
- Packing and palletising technology



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

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

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

### IT solutions

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



### Internal logistics

- Warehousing systems
- Order-picking systems
- Conveyor systems



### Lifecycle Service

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



### We're fighting for KRONES' success with intelligence and creativity.

The year 2009 was dominated by the global economic crisis. For KRONES, it was arguably the most difficult year in the company's 59-year history. We went into 2009 well prepared for the crisis. At the end of 2008, we had already begun to adapt the entire company to cope with the shrinking markets. One response to the new challenges was and still is our »Conversion« programme. »Conversion« implies changing our thinking as well as our organisation. In fiscal 2009, the comprehensive measures implemented under »Conversion« enabled us to cut our costs by more than €140m.

#### KRONES is rising to the challenges

Although the worst may be behind us for now, we expect the road to recovery to be long and bumpy. How the global economic situation will develop is still anybody's guess. Current predictions range from optimistic to critical. No reliable trends have emerged that show a clear direction.

The global web of interdependencies is extremely complex, with all of the following at play:

- Global economic growth  
(China, India, USA, Russia, Europe, South America)
- Monetary policy
- Exchange rate policy
- New protectionism
- Financial markets
- Raw materials, procurement markets, energy, the environment
- Labour markets

The overall economic circumstances have changed and the linear planning that was practiced in the past no longer works. Strategic planning and corporate governance must now assume that trends will change rapidly and must therefore enhance the company's ability to react and adapt quickly, for instance, by using scenario planning. Companies need to be extremely flexible in order to react better and more quickly to rapid changes in external circumstances. In addition, we must be able to master increasingly complex internal processes. This requires systematic restructuring.

#### Conversion: Restructuring by rethinking and reorganising

We are rising to these challenges, resolutely expanding the KRONES Conversion programme, which consists of the following elements:

- Further, comprehensive restructuring of our operations
- Strategic realignment
- Development of new strategic growth opportunities

We are working hard to implement a concept that can stand the test of time and change to ensure that KRONES remains successful in the future, even when the global circumstances change.



»We must assume that trends will change rapidly and we must become more flexible.«

Hans-Jürgen Thaus  
Deputy Chairman of the Executive Board

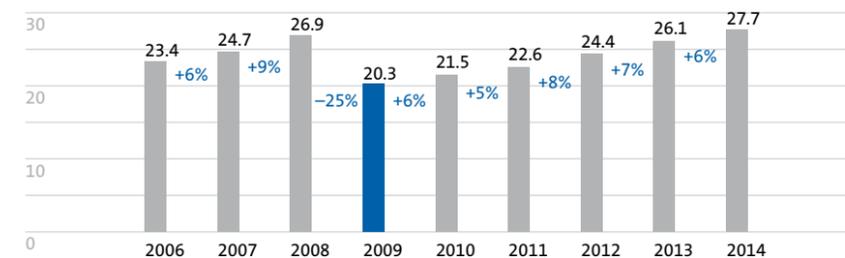
### KRONES has a strong position

Nine straight years of record results from 2000 to 2008 have unequivocally demonstrated our company's strength and competitiveness. During this successful run, KRONES was never content to rest on its laurels. We constantly worked to improve our products and services, sales and after-sales service, and internal workflows. Thanks to these efforts, KRONES now has an outstanding competitive position. We are confident that we can still mobilise enormous potential in the short and medium terms. KRONES will continue to pursue this aim for the long term with »Conversion«.

#### Good long-term prospects for growth

KRONES' long-term outlook for growth is still good because the megatrends will benefit our industry. The world's population is still growing. Wealth and consumption are increasing in many countries. Food and drink are basic human needs. In addition, our customers have to offer an ever-increasing variety of products in order to survive in the markets, some of which are already saturated. KRONES benefits from this situation because our comprehensive portfolio has a suitable solution for every customer.

Development of the packaging machinery market worldwide, in €bn (our forecast)



Sources: Freedonia, Euromonitor, VDMA, Roland Berger, the press, KRONES

The global market for packaging machinery lost around one-quarter of its volume in 2009. KRONES expects the market to grow again in the future. But it probably won't return to 2008 levels until the medium term.

#### Holistic strategic position

To be successful in the long term, a company must be able to deliver top-quality, whole-factory solutions – that is, the entire logistics chain and the right IT solutions in addition to the machines and lines – from a single source. KRONES is doing that already. As we continue to expand our internal logistics and process engineering portfolios, we will further distance ourselves from our competitors. In addition, KRONES intends to offer our customers even more advantages by handling projects even faster and with more flexibility and by expanding our after-sales services.

#### Clear goals

We are seizing the crisis as an opportunity and pursuing clear goals. We're fighting for KRONES' future success with dedication, intelligence, and creativity.

Hans-Jürgen Thaus  
Deputy Chairman of the Executive Board

**Christoph Klenk**  
\*1963  
Member of the Executive Board since 2003  
Research & Development, Engineering and Product Divisions.

**Werner Frischholz**  
\*1951  
Member of the Executive Board since 2003  
Materials Management, Assembly, Manufacturing, After-Sales Service and Quality Assurance.

**Rainulf Diepold**  
\*1955  
Member of the Executive Board since 1996  
Sales and Marketing.

**Hans-Jürgen Thaus**  
\*1949  
Member and Deputy Chairman of the Executive Board since 1997  
Finance and Accounting, Controlling, Information Management and Process Management.

**Volker Kronseder**  
\*1953  
Member of the Executive Board since 1989 and Chairman since 1996  
Personnel Management and Social Affairs, Corporate Communications.



Seldom have we awaited an event as anxiously as we did the 2009 drinktec trade fair, which took place from 14-19 September 2009 in Munich. The entire beverage and packaging industry had hoped the industry's premier trade fair worldwide would breathe new life into the industry. And for KRONES, this wish was more than fulfilled. The 2009 drinktec was the best drinktec of all time. The fair lived up to its reputation as a driving force for the beverage sector and as a global economic summit for the packaging and beverage industry. There was not a trace of crisis or capital spending restraint at the KRONES stand. Customers were enthusiastic about our portfolio. And although the drinktec is primarily an informational fair rather than a sales fair, we nevertheless finalised several interesting deals there.

Thus, the months of preparation that KRONES' hardworking employees had put in ahead of the show paid off. It is thanks to the tireless efforts of the entire KRONES team that we were exceptionally well prepared for the fair. KRONES was the only exhibitor to book an entire hall for itself. In it, we showcased several highlights from our product range such as the ErgoBloc L, the Varioline packaging line, and the EOP automated order-picking system. True to our motto »We do more.« KRONES presented not only machines and lines but also complete solutions. We had several separate areas set up in which we informed visitors about segments like Lifecycle Service, internal logistics, and IT solutions. Although we had fewer exhibit pieces than usual, the smart stand concept enabled visitors from around the world to see for themselves KRONES' capabilities as a full-service supplier. For those who wished to learn more about KRONES systems that were not on display, we organised bus tours to our production facilities in Neutraubling, Raubling, and Freising. There, they could see selected products in the assembly hall and get a first-hand look at what KRONES can do.

We were especially pleased to have a large number of high-ranking decision-makers visit the KRONES stand. Soon after the drinktec opened, we had the pleasure of welcoming Indra Nooyi, Chairman and CEO of PepsiCo to our booth. Other beverage producers also had top management visit us at the fair.

The KRONES beer tent was a special treat at the fair. It gave our customers an opportunity to experience in an informal setting that KRONES is a global leader with Bavarian roots. The great atmosphere we enjoyed every day in the beer tent this year is not the only thing that has us looking forward to the next drinktec in September 2013.



- KRONES share price climbs 14.3%
- No dividend planned due to net loss
- Share buy-back programme completed in 2009

In 2009, the stock markets received a strong boost from extremely loose monetary policy on the part of central banks as well as improving economic data beginning in the second quarter. KRONES' share price gained 14.3% in 2009, closing the year at €35.50.

The stock markets in 2009

After a very weak 2008, the stock markets were still reeling from the financial and economic crisis at the start of 2009. Investors feared that the economy would not recover and new problems could arise from the battered financial system. Germany's DAX blue-chip index plummeted almost 25%, falling to around 3,650 points by the end of March. After hitting bottom, the market made an impressive turnaround. Optimistic statements by several bank executives regarding their institutions' business development, coupled with the Fed's intention to buy US Treasuries for the first time in 40 years and flood the market with liquidity, triggered a broad-based recovery in share prices. Improving economic data and continued low interest rates kept the global stock markets upbeat over the remainder of the year. Investors took advantage of brief setbacks to stock up their portfolios. As a result, all of the major share indices closed 2009 considerably higher than they had started the year.

The DAX, which passed the 6,000-point mark at the end of December, closed the year at 5,957 points, for a 23.8% gain. The EURO STOXX 50 rose 21.2% in 2009. The US' most well-known index, the Dow Jones, gained 20.2% for the year 2009. Share prices in Asia also rose sharply in 2009. Japan's Nikkei index picked up 19.0%. The gains on China's stock market were far more impressive, with some indices climbing more than 100%.

KRONES share price performance compared with the MDAX in 2009



»Communication with shareholders is very important at KRONES.«

Olaf Scholz  
Head of Investor Relations

Because investors focused on largely speculative stocks and more highly leveraged companies, the KRONES share was unable to keep pace with the MDAX in 2009.

KRONES share gains 14.3%

KRONES' share price took a roller coaster ride in 2009. Amid the general malaise on the stock markets, KRONES priced lower at the start of the year. Bad news from the machinery sector put additional pressure on the share. On 20 March 2009, the share hit its low for the year, €22.00. The share was not only selling for 30% less than it had been at the start of the year but was also trading below the book value of its equity. The share price recovered from that very low level but was not able to bounce back entirely. One reason for this is that investors showed more interest in speculative shares and shares in more highly leveraged companies. It took until mid-August for the KRONES share price to recover to the level at which it had started the year. But then the price moved sharply upward. The fact that KRONES' business was recovering also helped give the share a boost. The share price reached its high for the year, €38.83, on 12 October. But it was not quite able to maintain this level and closed 2009 at €35.50, for a total gain of 14.3% for the year. The KRONES share didn't quite keep pace with the MDAX, which picked up 34.0% over the course of the year and is driven largely by highly cyclical stocks, in 2009.

At €35.50, KRONES' share price was up a good 14% for the year at the end of 2009.

Key figures for the KRONES share

| At 31 December              |           | 2009  | 2008  | 2007  |
|-----------------------------|-----------|-------|-------|-------|
| Number of shares            | (million) | 31.59 | 31.59 | 31.59 |
| Cash flow per share**       | €         | 1.24  | 4.98  | 4.73  |
| Equity per share**          | €         | 22.65 | 25.00 | 22.36 |
| Earnings per share**        | €         | -1.13 | 3.39  | 3.25  |
| High                        | €         | 38.83 | 59.79 | 64.09 |
| Low                         | €         | 22.00 | 27.52 | 37.40 |
| Year's closing price        | €         | 35.50 | 31.07 | 54.99 |
| Price-earnings (PE) ratio   |           | -     | 9     | 17    |
| Dividend per ordinary share | €         | 0.00* | 0.60  | 0.70  |

\* Figures as per proposal for appropriation of profit  
 \*\* Based on the weighted average of shares in circulation, 30.68m shares  
 Reference: Group financials according to IFRSs

### Portrait of the KRONES share

KRONES shares are no par value ordinary bearer shares. Each share carries one vote. The total number of shares is 31,593,072. The stock has been listed and available for trading on all German stock exchanges since 29 October 1984. In fiscal 2009, daily trading volume on the Frankfurt stock exchange and in XETRA trading averaged just less than 80,000 shares. In 2008, the average daily trading volume was around 112,000 shares. KRONES is included in the MDAX share index, which lists mid-sized companies from traditional sectors.

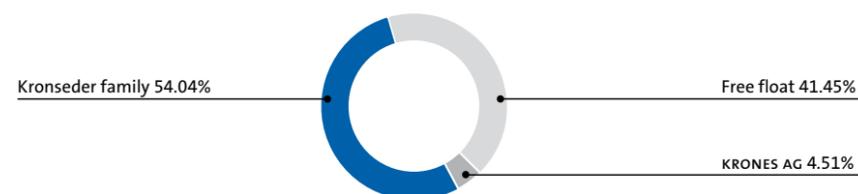
#### Key data for the KRONES share

|   |              |
|---|--------------|
| Ordinary shares                         | 31,593,072   |
| German securities identification number | WKN 633500   |
| ISIN                                    | DE0006335003 |
| Ticker symbol                           | KRN          |

### Shareholder structure

The Kronseder family holds a majority stake in the company (54.04%). The company holds 4.51% in treasury shares. The free float is 41.45%. The largest free float shareholders known to the company as of 1 March 2010 were the US private investment company Tweedy, Browne with 5.19% and Schadeberg GbR with 3.28%.

#### Shareholder structure as of March 2010



### No dividend planned for 2009

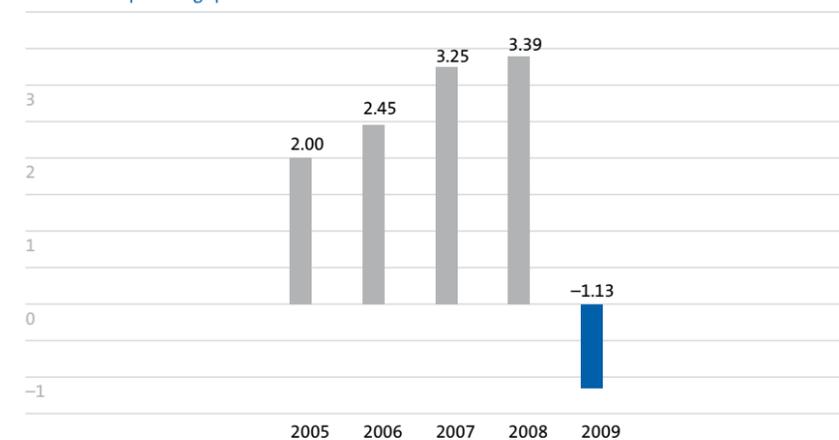
The Executive Board and the Supervisory Board of KRONES AG will propose to the shareholders' meeting on 16 June 2010 that no dividend be paid out for 2009 (previous year: €0.60). Because we are posting a net loss, we believe it makes sense not to pay a dividend. KRONES' long-term dividend policy aim is to pay out 20% to 25% of profits in dividends. Our shareholders have benefited greatly from this policy in the past, very successful, years.

### oekom research awards KRONES prime status

Sustainable investing is steadily gaining importance in the international financial sector. Worldwide, several hundred billion euros are being invested exclusively in shares of companies that meet very high standards with respect to how they treat employees and the environment and what they give back to society. KRONES is proud

to have been awarded prime status by the independent rating agency oekom research in 2009. To obtain prime status, companies must be deemed to be among the leaders in their industry according to oekom's Corporate Rating and meet industry-specific minimum requirements. Earning prime status has expanded KRONES' pool of potential investors considerably.

#### KRONES Group earnings per share in €



### Active communication with investors and analysts

Over the past several years, KRONES' investors and analysts had become accustomed to the company posting record earnings that they merely had to update. That is why they needed even more information from KRONES in the less-than-successful year 2009. KRONES has actively addressed this need. The Executive Board and representatives of the Investor Relations department have conducted many one-on-one talks with investors and analysts and held presentations for investing professionals at numerous road shows in international financial centres.

*KRONES takes the interests of all of our shareholders very seriously and has an open information policy.*

A special highlight was Capital Market Day, which KRONES hosted at the drinktec trade fair. Around 30 analysts attended and learned about the company's new products and strategy first hand. The analysts listened intently to presentations by our Deputy Chairman and CFO Hans-Jürgen Thaus and Chief R&D Officer Christoph Klenk. After the presentation, the two executives gave the analysts a guided tour of the KRONES booth, showing them KRONES' products in action.

### Share buyback programme completed

KRONES held its annual shareholders' meeting on 17 June 2008. All of the resolutions proposed were adopted by a large majority of the shareholders. Because the shareholders' meeting gave the Executive Board authority to implement another share buyback programme, KRONES ended the ongoing buyback. Between 21 January and 17 June 2009, the company bought back a total of 1,425,421 shares, which corresponds to around 4.5% of the share capital. The average consideration paid per share was €25.93.

- Global recession in 2009
- German GDP drops 5.0%
- Machinery sector in deep crisis

### Global economy shrinks 0.8%

Last year was one of the most difficult years for the global economy since World War II. At the end of 2008, the real economy crashed in the wake of the banking and financial market crisis. The downward trend continued at the start of 2009. Fears of more bad news from the global financial system crippled the economy. Companies ran down their inventories and sharply curtailed capital spending. As a result, demand collapsed worldwide.

Massive economic stimulus programmes running into the billions worldwide slowed the collapse. Expansionary monetary policy around the globe also had a positive impact. Thanks to these measures, the recession was not as severe as had been feared. The global economy contracted 0.8% in 2009 compared to 2008.

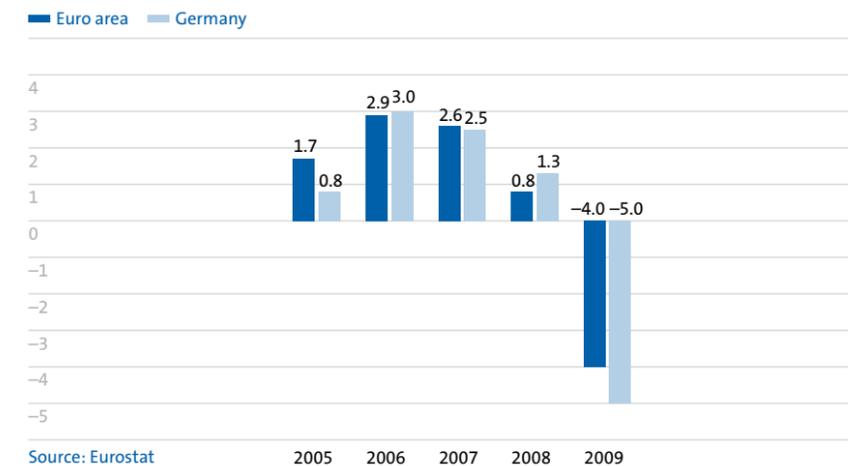
In the USA, the government and the Federal Reserve used all means at their disposal to stave off a recession. The hard hit real estate market received considerable support and other sectors also benefited from a massive federal stimulus package. In addition, the Fed flooded the markets with liquidity. Thanks to these measures, the year-over-year drop in GDP was just 2.4%.

The European economy was hit much harder. Countries that depend heavily on exports, like Germany and Italy, were especially hard hit by the sharp decline in international trade. The crisis pulled the rug right out from under the economies of Eastern Europe. Spain and Ireland saw their building sectors collapse, one of the most important economic sectors for both countries. All told, GDP in the euro zone shrank by around 4% year-over-year in 2009.

China was able to sustain its economic growth in 2009 thanks in large part to a massive economic stimulus programme adopted by the Chinese government. Nevertheless, at 8.7%, the rate of GDP growth was far slower in 2009 than it had been in previous years. With GDP growth of 5.6%, India was among the few economies that prospered last year. Russia's economy, on the other hand, suffered a major setback. Problems in the energy and financial sectors as well as the collapse of foreign investment resulted in a 9.0% drop in GDP. Japan's economy did not fare much better. Although the country's government also launched comprehensive economic stimulus programmes, GDP nevertheless declined by 5.3% year-over-year.

*Economic stimulus programmes running into the billions of euros averted a more severe global recession in 2009.*

Change in gross domestic product in % (Euro area vs. Germany)



### Germany's economic output declines by 5.0%

Because of its heavy reliance on exports, Germany's economy was hit very hard by the global economic malaise in 2009. Like exports, capital spending on machinery and industrial equipment also collapsed. The country's economic stimulus programme benefited public-sector construction and portions of the consumer economy. The most famous federal measure was Germany's »cash for clunkers« programme, which gave passenger car sales an enormous boost. Nevertheless, the country still suffered its worst economic slump since the end of World War II. Germany's GDP contracted 5.0% in 2009.

### Machinery sector in deep trough

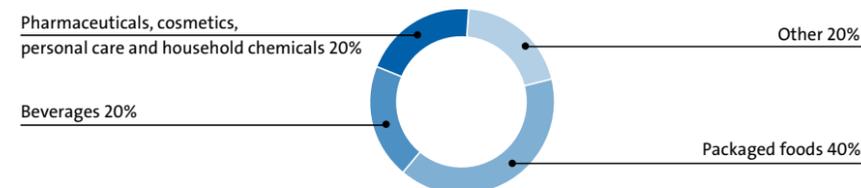
It was already clear at the start of the year that Germany's machinery sector would slump in 2009 after having enjoyed a five-year growth phase. But the extent of the crisis far exceeded early expectations. At €151bn, output in 2009 was down 25% from 2008. New orders fell 38%. And the number of people employed in the industry dropped by 34,000 to 920,000 in 2009.

### The market for packaging machinery

KRONES serves the global market for packaging machinery. The market lost around one quarter of its 2008 volume, shrinking to around €20bn, in the wake of the global economic slump. Since demand for packaging machinery benefits from trends such as steady population growth and increasing prosperity, we expect the market to recover from this slump and once again grow steadily in the future. The highest demand for packaging machinery comes from the food industry, which accounts for around 40% of all the machines delivered. The beverage industry accounts for around 20%. The pharmaceutical, cosmetics, personal care, and household chemical industries combined account for another 20%. The remaining 20% of packaging machines go to other industries such as tobacco and building materials.

For KRONES, the beverage industry is the most important market. We generated around 85% of our revenues through business with breweries, soft drink producers, and mineral springs in 2009. The other 15% of our revenues came from the sale of lines and services to companies in the food, chemical, pharmaceutical, and cosmetics industries.

The global market for packaging machinery by application



2009: €20.3bn (Euromonitor, own estimates)

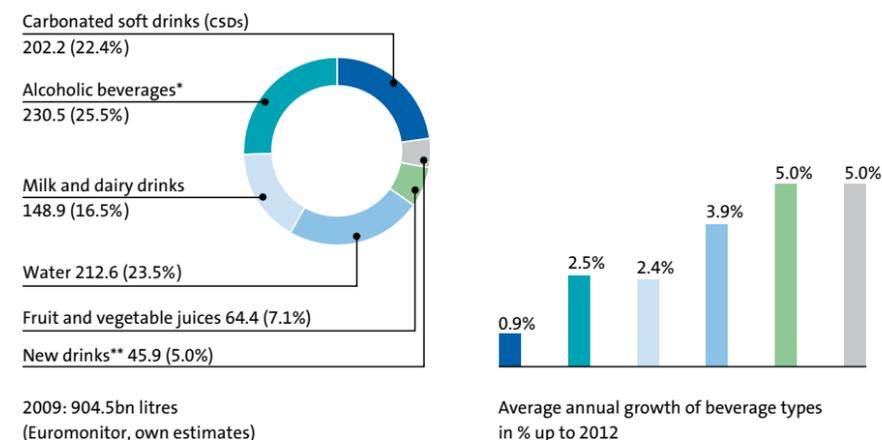
*The global market for packaging machinery benefits from population growth in the long term.*

*In 2009, the market volume for packaging machinery worldwide shrank by around 25% compared with 2008 to around €20bn.*

### Beverage consumption is increasing steadily

Food and drink are basic human needs, regardless of economics. Despite the economic crisis, estimates are that global consumption of industrially packaged beverages increased 1.9% year-over-year in 2009 to around 905 billion litres. This trend is expected to continue in the years ahead. We expect consumption to grow by 2.8% on average each year from 2009 to 2012.

Global consumption of packaged beverages in billions of litres in 2009



\* Beer, beer mixed drinks, wine, sparkling wine, spirits \*\* Energy drinks, sports drinks, tea and coffee

*Global consumption of industrially packaged beverages is growing at almost 3% each year.*

Last year, people around the world drank more than 212 billion litres of bottled water. That corresponds to 23.5% of total beverage consumption. Water is also one of the fastest-growing beverage markets. Water consumption is likely to increase by 3.9% on average each year through 2012. This growth will be supported by the trend toward flavoured water and functional water. Carbonated soft drinks (CSDs) were the second most popular thirst quencher in 2009. Around 202 billion litres of CSDs were consumed worldwide, which corresponds to 22.4% of total beverage consumption. However, demand for CSDs is largely saturated and consumption will likely grow only slightly in the future.

Nearly 185 billion litres of beer were consumed last year, so that beer accounts for one-fifth of total beverage consumption. Since beer is becoming increasingly popular, especially in China, the market is expected to grow by 2.8% on average each year through 2012. With average growth rates of 2.4%, the market for milk and dairy drinks will maintain its position as the fourth-largest beverage segment for the foreseeable future. Last year the world's population consumed around 126 billion litres of packaged milk, giving milk a 14.0% share of total packaged beverage consumption. Milk-based drinks are also becoming increasingly popular.

### Beverage consumption by region

| Packaged beverages share in global consumption | 2009         |              | 2012         |              | Annual growth in % |
|--|--------------|--------------|--------------|--------------|--------------------|
|  | bn litres    | %            | bn litres    | %            |                    |
| North America/Central America                  | 187.6        | 20.8         | 185.8        | 18.9         | -0.3               |
| South America                                  | 146.1        | 16.2         | 163.2        | 16.6         | 3.8                |
| Western Europe                                 | 132.4        | 14.6         | 135.2        | 13.8         | 0.7                |
| Asia-Pacific (incl. Japan)                     | 130.4        | 14.4         | 145.6        | 14.8         | 3.7                |
| China  | 118.8        | 13.1         | 149.3        | 15.2         | 7.9                |
| Africa/Middle East                             | 56.5         | 6.3          | 68.5         | 7.0          | 6.6                |
| Central Europe                                 | 52.6         | 5.8          | 52.9         | 5.4          | 0.2                |
| Russia/cis                                     | 42.7         | 4.7          | 42.3         | 4.3          | -0.3               |
| Eastern Europe                                 | 37.4         | 4.1          | 39.2         | 4.0          | 1.6                |
| <b>Global</b>                                  | <b>904.5</b> | <b>100.0</b> | <b>982.0</b> | <b>100.0</b> | <b>2.8</b>         |

Sources: Euromonitor, own estimates

The Americas make up the largest market for industrially packaged beverages. Last year, more than 330 billion litres were consumed there, accounting for almost 37% of consumption worldwide. Although demand is picking up sharply in South America, the North American market is already saturated. Beverage consumption in the Americas is expected to grow by 1.5% on average each year through 2012, just half as fast as the beverage market as a whole. The situation is similar in Europe. The region is the second-largest market for industrially packaged beverages, with a share of around one-quarter of the total market. The fastest-growing region is China. Nearly 120 billion litres of industrially packaged beverages were consumed there in 2009. That makes for a share of around 13% of total consumption worldwide. By 2012, this figure will likely climb above 15%, with annual growth rates of almost 8%. The Africa/Middle East region is experiencing similarly rapid growth.

### PET – a packaging material with a future

Beverages are primarily packaged in plastic, glass, metal, or cartons. For a long time, glass bottles were the leading packaging material by far. But because glass is heavy and breakable, it is increasingly giving way to plastic, especially polyethylene terephthalate (PET).

The trend toward PET is driven primarily by cost considerations. The amount of plastic granulate needed to produce PET bottles is steadily decreasing. Since packaging accounts for the largest share of the costs involved in beverage production, it is becoming increasingly worthwhile for the beverage industry to switch to PET. The lightweight bottles also reduce transport costs.

*The Americas make up the largest market for industrially packaged beverages. Consumption is growing the fastest in China.*

PET containers can be made in any shape or size, which gives beverage producers a wide range of possibilities for distinguishing themselves from the competition. Consumers benefit from the fact that PET bottles are lightweight and not breakable. PET also does well from an environmental perspective since PET bottles are 100% recyclable. KRONES' PET recycling system transforms used plastic bottles into food grade material that can be made into new bottles.

Last year, almost 40% of the total volume of beverages packaged worldwide went into containers made of PET. Water and CSDs especially are commonly bottled in plastic. The fact that consumption of packaged water is rising sharply will benefit PET. The volume of beverages packaged in PET is likely to grow by 3.8% on average each year from 2009 to 2012. The corresponding growth rate for glass, which is currently the second most popular packaging material with one-quarter of the beverage packaging market, is expected to be 1.6% per year over the same period.

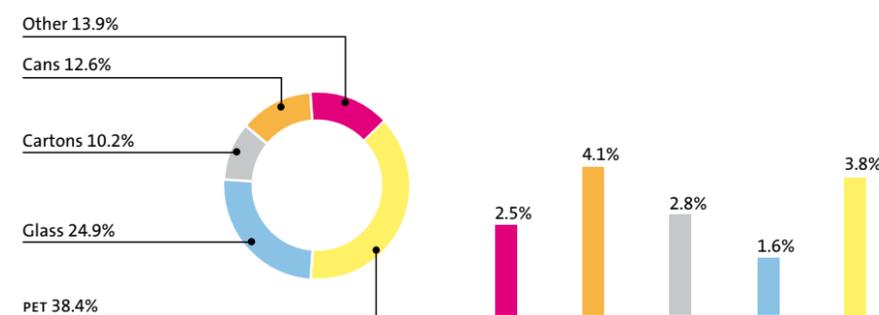
Metal cans took third place in 2009, with a share of 12.6% of the total volume of industrially packaged beverages, followed by cartons with 10.2%. While the volume of beverages packaged in cans is likely to grow by a good 4% each year through 2012 due to the rapid increase in beer consumption in China, the expected growth rate for cartons is just 2.8%.

KRONES machines can put beverages into plastic and glass containers and metal cans. The largest share of our sales revenues comes from machines and lines for producing and filling PET bottles.

*Containers made of PET are lightweight, unbreakable, and inexpensive to produce. They are also completely recyclable.*

*Worldwide, the largest share of beverages is bottled in PET containers.*

Global beverage market by packaging material in 2009



Source: Euromonitor, own estimates

Average annual growth of packaging types in % up to 2012

### Packaging materials by region

The following is an overview of how the major regional beverage markets world-wide break down by packaging material. The figures are based on the total volume of packaged beverages for each region.

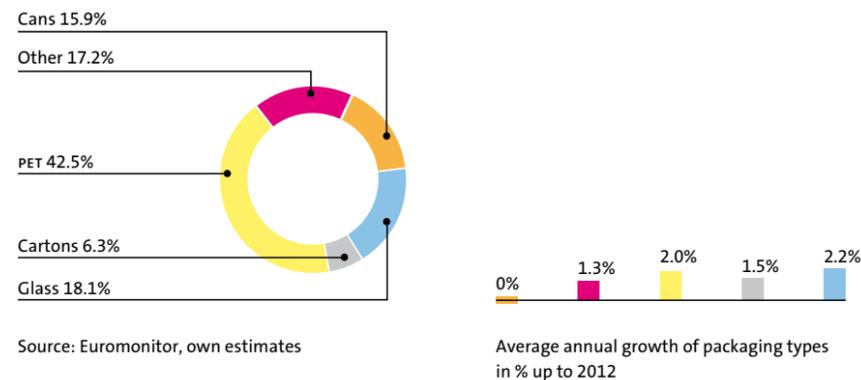
#### The Americas

##### North America

Carbonated soft drinks (CSDs) are very popular in North America. Around one-third of all of the industrially packaged beverages that were consumed on the continent in 2009 were CSDs. The total volume of CSDs is divided almost equally between aluminium cans and PET bottles. Water, the second most popular beverage among North Americans, is packaged primarily in PET containers. On the whole, PET accounts for 42.5% of all beverage packaging in North America. Cans made up a solid 23% and glass around 12% of the market in 2009. Cartons play a minor role on the North American market (3.5%).

*In North America, carbonated soft drinks are primarily packaged in cans or PET bottles.*

Shares of the beverage packaging market in the Americas (North, Central and South America) in 2009



##### South America

CSDs are also the most popular packaged drink among South Americans. At 31.5%, their share of the South American market is almost as big as their share of the North American market. But unlike in North America, CSDs in South America are primarily packaged in PET bottles. Cans do not play much of a role in CSD packaging in this region. All told, PET accounts for around 42% of the total volume of packaged beverages in South America, making it the leading packaging material there. Glass packaging accounted for around 25.4% and cans for around 7% in 2009. Glass' lead over aluminium cans is due to the fact that most beer in South America is bottled in glass.

Because water consumption is rising steadily in South America, packaging made of PET is expected to grow the fastest in this region in the years ahead, by more than 4% each year.

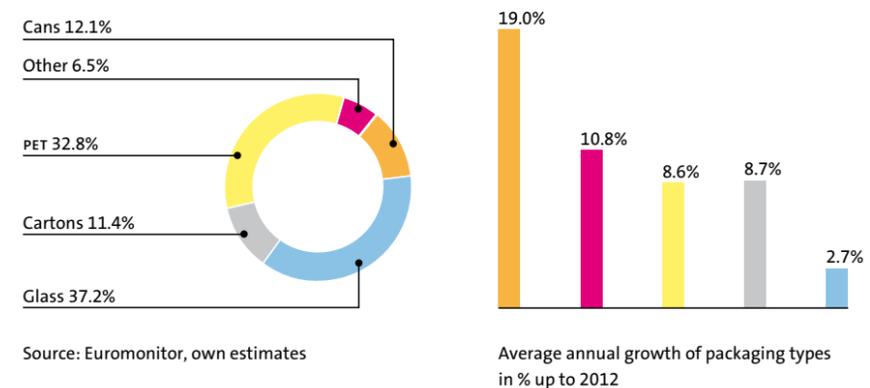
### China

China is of great interest for the entire beverage industry. Consumption of industrially packaged beverages is growing rapidly there, with annual growth rates of almost 8%. Glass is the leading packaging material in China, with a share of 37%. Beer is the most popular packaged beverage in China and most of it is bottled in glass now. The trend is likely to shift increasingly toward aluminium cans in the years ahead.

*Glass and PET are the leading packaging materials in China.*

PET took second place among beverage packaging materials used in China in 2009, with around one-third of the total volume. In China, as in the rest of the world, water is frequently bottled in PET. In addition, plastic is often used for packaging tea as well as fruit and vegetable juices. Both of these types of beverages are very popular in China. The fact that consumption of fruit and vegetable juices is expected to grow in the double digits in the years ahead is one reason behind the high growth forecasts for PET. All told, PET is expected to grow by 8.6% each year on average. Cartons are expected to grow at a similar rate. They accounted for 11.4% of the total beverage volume in China in 2009. Cartons are benefiting from the rising popularity of milk-based drinks in China.

Shares of the beverage packaging market in China in 2009



## Europe

### Western Europe

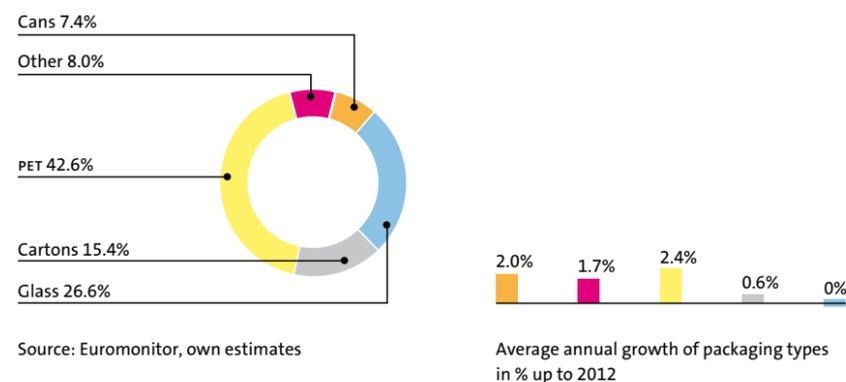
Bottled water was by far the most popular packaged beverage in the region, with a share of one-third of the total beverage volume consumed in 2009. It was followed by milk (18.2%) and carbonated soft drinks (17.3%). In Western Europe, more than three-quarters of all bottled water is packaged in PET. That helped make plastic the most popular packaging material in the region, with a 43.5% share of the beverage market. Glass was the second most popular material, with 22.3%, followed by cartons, with 15.4%. Since consumption of bottled water is expected to grow faster than other beverages in the years ahead, PET will likely widen its lead over glass and cartons.

*More than 75% of the water bottled in Western Europe goes into containers made of PET.*

### Central Europe

Water is also the most popular industrially packaged beverage in Central Europe. Bottled water accounted for around one-quarter of the total volume of beverages consumed there in 2009. Beer took second place, with 21.7%, followed by CSDs (18.6%). The popularity of beer in Central Europe is reflected in the fact that glass holds a large share of the beverage packaging market (35.4%). However, PET is the leader in this region, too, with a market share of 40.2%. Around 17% of all beverages, particularly milk and fruit and vegetable juices, were packaged in cartons in Central Europe last year.

Shares of the beverage packaging market in Western, Central and Eastern Europe in 2009



### Eastern Europe

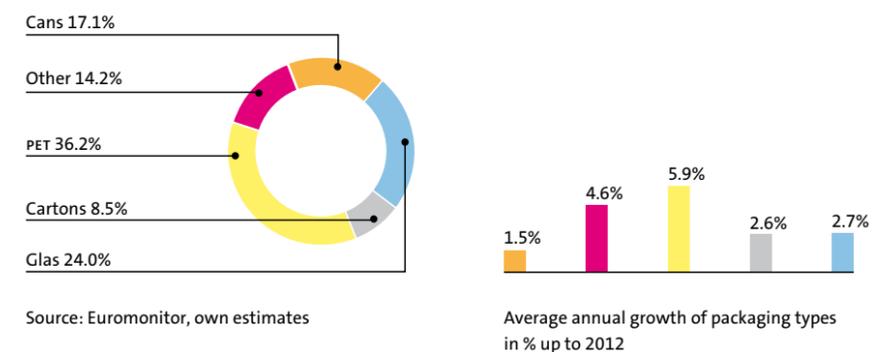
Eastern Europeans also love beer. With a share of almost 30% of total beverage consumption in 2009, beer was far more popular in the region than bottled water (23.5%). But beer consumption is not likely to grow considerably in the years to come. Consumption of bottled water, on the other hand, is expected to increase by almost 4% annually. This will further consolidate PET's lead among packaging materials in Eastern Europe. Last year PET containers accounted for 43.3% of all industrially packaged beverages. Since beer is primarily bottled in glass, glass bottles have a share of almost 30% of the beverage packaging market in Eastern Europe.

## Asia-Pacific

In the Asia-Pacific region, demand for bottled water is growing at almost 7% each year. As a result, water will further consolidate its position as the most popular packaged beverage in the region. In 2009, water accounted for more than a quarter of total beverage consumption. PET is benefiting from the strong trend toward water. Already, around 36% of all beverages in the Asia-Pacific region are bottled in PET. In the years ahead, the volume of beverages packaged in PET is expected to increase by around 6% annually. Glass, the second most popular packaging material, is expected to grow by just 2.7% per year.

*With annual growth rates nearing 6%, PET is expanding its lead among packaging materials in the Asia-Pacific region.*

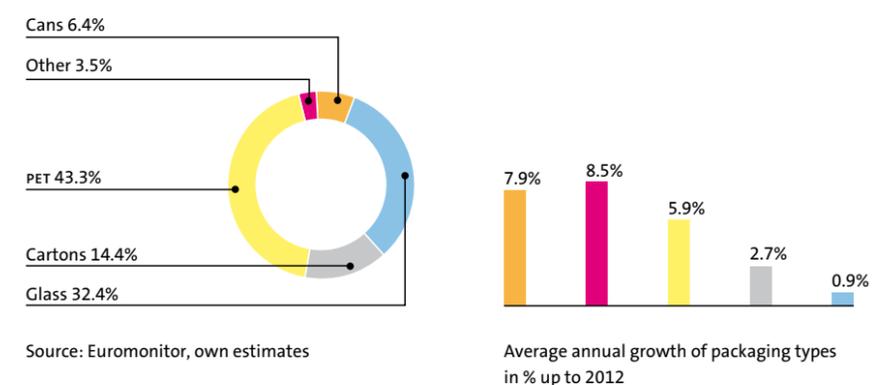
Shares of the beverage packaging market in Asia-Pacific in 2009



## Russia/CIS

As in Eastern Europe, beer is extremely popular in Russia and the countries of the former Soviet Union. In 2009, beer accounted for almost 35% of the total volume of beverages consumed there. Although bottled water is considerably less popular in Russia and the CIS states than in most other regions of the world, with a share of 14.3%, PET nevertheless holds a very large share of the packaging market. In 2009, more than 43% of the total volume of beverages was bottled in PET. That is because in Russia/CIS, unlike in most parts of the world, beer is often bottled in PET. Because the trend toward bottling beer in PET rather than glass is likely to continue over the coming years, plastic is expected to continue to grow its share of the packaging materials market.

Shares of the beverage packaging market in Russia/CIS in 2009



- Recession squeezes sales 25.9% to €1,593.3m
- KRONES AG posts a loss of €81.6m
- KRONES has a very solid financial base

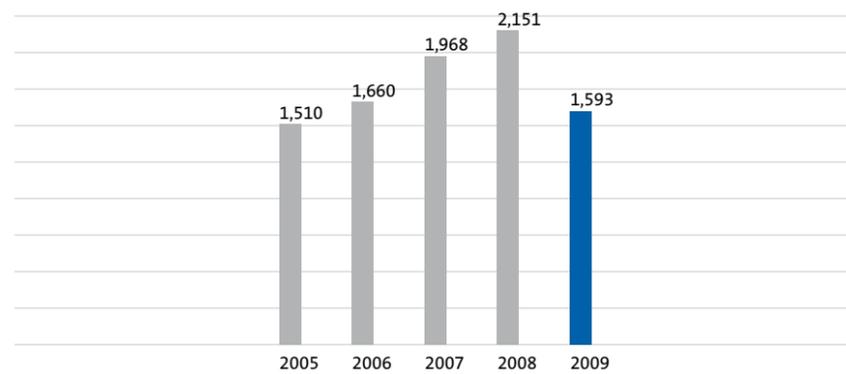
**Sales drop 25.9% to €1,593.3m**

In 2009, the difficult economic environment took a toll on KRONES' business. The weak economy prompted companies in the international food and beverage sector to cut back sharply on capital spending. As the market as a whole contracted, price quality deteriorated. Banks' reluctance to lend made it more difficult for companies to finance major capital investments. All told, sales were down 25.9% year-on-year, to €1,593.3m.

*The global economic crisis took a toll on KRONES' business in 2009.*

The market volume relevant to KRONES shrank by around 25% in 2009. We were able to gain market share in important regions in 2009 because more companies chose to work with solid, reliable providers during the economic downturn. KRONES' sales were gratifyingly high in Africa and China. By contrast, business was weak in 2009 in the USA and regions that had suffered a sharp economic slump such as Western and Eastern Europe.

KRONES AG sales, in € m



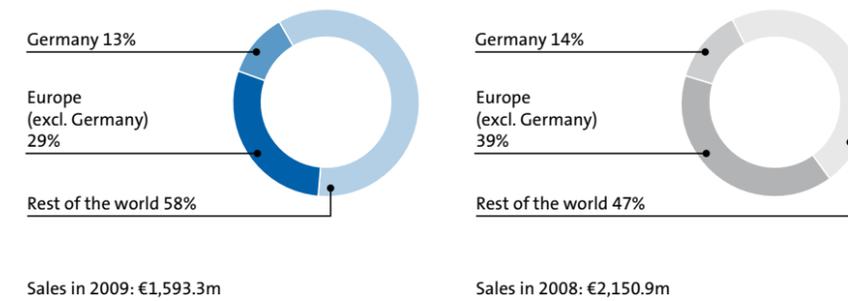
**Sales by region**

KRONES AG's sales in Germany were down 30.9% in 2009 compared with last year, from €299.5m to €207.0m. The sharp economic slump in Germany took its toll on our business. Invoice timing also contributed to the steep drop in sales here. Sales in Germany accounted for 13.0% of total sales in 2009 (previous year: 13.9%).

*KRONES AG's ratio of exports to total sales was 87.0% in 2009.*

In the rest of Europe, sales shrank 45.3% year-over-year to €455.6m in 2009 (previous year: €833.0m). The biggest drop came in regions that suffered a massive economic slump in 2009, particularly the countries of Eastern Europe. Our business contracted sharply in 2009 in Russia, too, where KRONES' sales had grown rapidly in the years preceding the economic crisis. Sales in Europe (excluding Germany) accounted for 28.6% of total sales in 2009 (previous year: 38.7%).

KRONES AG sales by region in %



Sales developed far better outside Europe. Although KRONES had landed many large-scale projects outside Europe during the boom years, 2009 sales were down only 8.6% from 2008's high total of €1,018.4m to €930.7m. The reason for this is that business went very well in Africa, the Middle East, and China. By contrast, sales in North and South America were much slower than last year. All told, KRONES AG generated 58.4% of its sales outside Europe in 2009 (previous year: 47.4%).

### Sales by industry

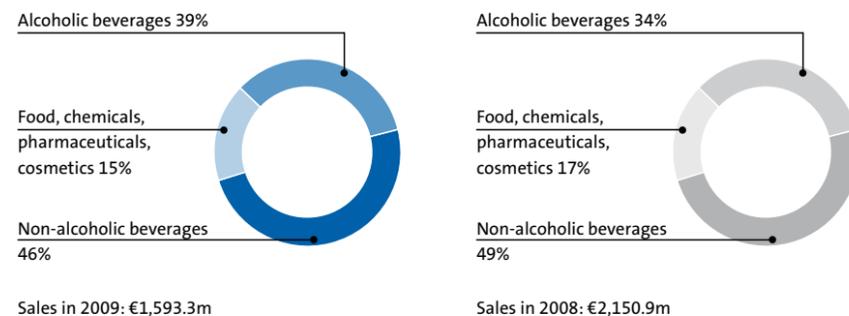
Sales to producers of soft drinks, bottled water, and juices dropped 30.1% from €1,056.0m in 2008 to €738.5m in 2009. Due to the global economic crisis, the high demand from the bottled water industry did not continue in 2009 as it had in the preceding years. Sales to companies in the non-alcoholic beverage sector accounted for 46.4% of sales in 2009, which is down from 49.1% in 2008.

Sales to companies in the »alcoholic beverages« sector declined 16.6% to €615.6m (previous year: €738.0m). Were it not for several larger orders from producers and bottlers of beer in Africa, the drop in sales in 2009 would have been even steeper. Alcoholic beverages' share of sales grew from 34.3% to 38.6%.

In the non-beverage sectors (food, chemicals, pharmaceuticals, and cosmetics), KRONES includes sales to the growing dairy industry under »food«. In 2009, the non-beverage sectors were not able to escape the effects of the economic crisis. KRONES' sales in this area deteriorated 33.0% to €239.2m (previous year: €356.9m) and accounted for 15.0% of sales (previous year: 16.6%).

*KRONES generated 85% of its sales with companies in the beverage industry in 2009.*

KRONES AG sales by industry, in percent



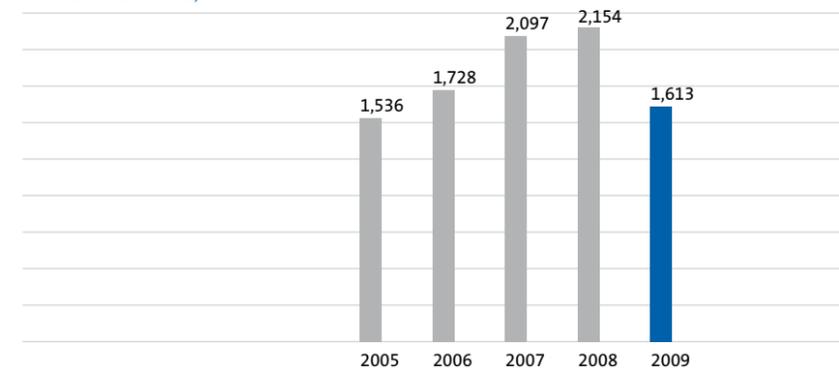
### New orders down 25.1% year-over-year

Because of the poor economic outlook, many companies put off capital investments or cut them entirely. For this reason, new orders at KRONES were down sharply in the first six months of 2009 compared with the year-earlier period. Demand for our products and services started to pick up in the third quarter. This was due in part to our excellent showing at the drinktec trade fair, the most important fair for the beverage industry worldwide. In particular, we had a surge of orders from China in the period from October to December. On the whole, new orders were down 25.1% in 2009 to €1,613.4m.

*After a very weak orders intake in the first six months, new orders picked up over the remainder of 2009.*

By region, orders intake was good in China and Africa, and improved in South America toward the end of the year. Capital investment among our customers in Central and Western Europe also picked up over the course of the year. Demand in the US, Eastern Europe, and Russia remained weak all year.

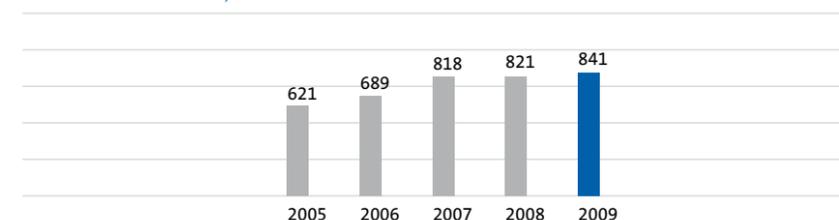
KRONES AG new orders, in € m



### Orders on hand total €841.4m at the end of 2009

At 31 December 2009, KRONES had an orders backlog of €841.4m. Thus, orders on hand were up 2.4% from the previous year.

KRONES AG orders on hand, in € m



| in € m  | 2009         | 2008         |
|---|--------------|--------------|
| Sales   | 1,593.3      | 2,150.9      |
| Changes in finished goods inventories and work in progress        | 1.4          | 16.4         |
| Total operating revenue   | 1,594.7      | 2,167.3      |
| Cost of materials   | -945.0       | -1,204.4     |
| Personnel expenses  | -510.4       | -566.1       |
| Net of other operating income (expenses) and own work capitalised | -172.7       | -262.1       |
| EBITDA  | -33.4        | 134.7        |
| Depreciation, amortisation, and write-downs of fixed assets       | -41.9        | -40.1        |
| EBIT  | -75.3        | 94.6         |
| Net financial income (expense)                                    | -5.5         | 9.1          |
| EBT   | -80.8        | 103.7        |
| Taxes on income   | 0.1          | -31.1        |
| Other taxes   | -0.9         | -1.0         |
| <b>Net income (net loss) for the financial year</b>               | <b>-81.6</b> | <b>+71.6</b> |

Volume and prices dropped especially sharply in the first half of 2009. Although a comprehensive set of measures enabled us to save more than €140m, KRONES is nevertheless posting a net loss for the 2009 financial year.

The company's total operating revenue shrank 26.4% in 2009 to €1,594.7m. This was similar to the drop in sales (25.9% from 2008) because finished goods inventories and works in progress did not change significantly.

Cost of materials declined 21.5% from €1,204.4m to €945.0m in 2009. Cost of materials also includes the cost of purchased services. This figure dropped 23.2% to €192.4m in 2009 because we eliminated most of our temporary employment positions, which once numbered around 900, during the reporting period. The ratio of cost of materials to total operating revenue was 59.3% in 2009 (previous year: 55.6%). The ratio increased slightly because a decline in demand caused by the crisis put pressure on revenue quality.

KRONES maintained its core workforce despite the temporary slump in sales. For this reason, personnel expenses declined only 9.8% compared to 2008, to €510.4m. The ratio of personnel expenses to total operating revenue rose from 26.1% in 2008 to 32.0% in 2009 but improved markedly from mid-year onward. We introduced short-time working schemes (in which the government partly compensates employees for the reduced working hours) in many departments in the second half of the 2009. This and the fact that employees went without performance-based elements of their pay resulted in savings.

Other operating expenses – netted against other operating income – declined 34.1% to €172.7m as a result of our »Conversion« programme.

*KRONES reacted quickly to the economic slump and launched »Conversion«, which saved the company some €140m in 2009.*

#### KRONES AG EBITDA and EBIT

Earnings before interest, taxes, depreciation, and amortisation (EBITDA) shrank from €134.7m in 2008 to -€33.4m in 2009. The figure for depreciation and write-downs of tangible fixed assets and amortisation and write-downs of intangible fixed assets reflects the fact that KRONES invested heavily in capital assets over the past several years. At €41.9m, it was up 4.5% on the previous year's figure of €40.1m. As a result, earnings before interest and taxes (EBIT) were negative at -€75.3m (previous year: €94.6m).

#### KRONES AG EBT

Impairments on long-term financial assets totalling €18.2m cut into the net financial result for 2009. All told, KRONES had a net financial expense of €5.5m for 2009 (previous year: net financial income of €9.1m), although the net of other interest income and interest expenses was positive because of KRONES' solid financial position. Earnings before taxes (EBT) fell from €103.7m in 2008 to -€80.8m in 2009.

#### KRONES AG net income (loss)

We had income tax income of €0.1m. Expenses from other taxes amounted to €0.9m. Therefore, the net loss for the year amounts to €81.6m. In 2008, KRONES AG had achieved net income of €71.6m.

*Due to the global economic crisis, KRONES AG posted a net loss of €81.6m for 2009.*

#### KRONES AG cash flow

KRONES AG's cash flow (net income or loss for the year plus depreciation, amortisation, and write-downs) amounted to -€21.6m in 2009 (previous year: +€111.8m). Cash flow from operating activities amounted to €203.9m. Therefore, the company was able to make its capital investments and dividend payments and purchase treasury shares without taking out loans from banks.

| in € m                              | 2009           | 2008           |
|-------------------------------------|----------------|----------------|
| Fixed assets                        | 429.9          | 427.1          |
| Current assets and prepaid expenses | 739.1          | 887.1          |
| of which cash and cash equivalents  | 146.3          | 63.1           |
| Equity                              | 537.9          | 637.7          |
| Total debt                          | 631.1          | 676.5          |
| Provisions                          | 437.6          | 484.4          |
| Liabilities                         | 193.5          | 192.1          |
| <b>Total</b>                        | <b>1,169.0</b> | <b>1,314.2</b> |

Due to the lower sales volume, total assets at 31 December 2009 were down 11.0% from the reporting date for 2008, to €1,169.0m. The carrying amount of tangible fixed assets totalled €301.2m, up 2.6% from the previous year (€293.6m). The increase in tangible fixed assets was due to capital expenditure on physical assets, including the second tower of the technology centre.

At the end of 2009 current assets totalled €737.9m, which is 16.5% less than a year earlier. This is due in part to an increase in prepayments received on account of orders, which we net against inventories. But trade receivables also declined by €57.5m to €372.6m. Thus, the measures we have undertaken to optimise working capital management in recent years have continued to pay off. Although KRONES AG spent €37.1m to buy treasury shares and paid out dividends totalling €18.1m in 2009, the company still had cash and cash equivalents totalling €146.3m at the end of the fiscal year (31 December 2008: €63.1m).

Equity was down by €99.8m at 31 December 2009, to €537.9m. This was due to the realised net loss and to the dividend distribution of €18.1m. The equity ratio was 46.0% at the reporting date for 2009 (31 December 2008: 48.5%).

Provisions decreased by €46.8m to €437.6m. In particular, provisions for vacation, overtime, variable elements of pay, and sales-related provisions were reduced.

Liabilities were almost at the same level as for the previous year.

*KRONES AG had net cash and cash equivalents of €146.3m at the reporting date for 2009.*

- Focus on efficient, whole-plant solutions
- Many innovations unveiled at drinktec 2009

Because KRONES is a technology-driven company, research and development plays a key role. We invest around 5 percent of our sales revenues in R&D each year – a large share of sales compared with our industry peers. The innovative power and technological edge that this investment gives us helps to secure our company's future. Around 350 people are charged with strategic development tasks at KRONES. In addition, some 1,350 employees help ensure that KRONES is able to provide its customers with products and services that are continually improving.

*KRONES invests substantially in R&D in order to continually develop new products and technologies*

#### KRONES' primary R&D objectives are:

- To reduce the total cost of ownership (TCO) for our customers
- To reduce the complexity of our machines and systems
- To enable our customers to utilise their production capacities even more efficiently

Customers are now concerned not only with the one-time cost of acquiring equipment but with the total cost of ownership (TCO). That is, the ongoing costs associated with operating a line. KRONES addresses these concerns by continually evolving our product development and production processes. The enviro programme launched in 2008 has made a significant contribution toward lowering TCO. We continued to promote enviro in 2009. The programme also earned TÜV SÜD certification in 2009. Products bearing the enviro seal consume less energy and materials (e.g. water and gas) than comparable machines. Last year, the Contiform stretch blow moulder, the Starmodul labeller with a Contiroll labelling station, the Volumetric VODM series of fillers, and the Robobox pack collating system earned the enviro seal.

#### A systematic approach to success

Innovative machines and lines alone are no longer enough to meet customers' needs. The key to making beverage production more efficient is to integrate process engineering, filling and packaging, and materials flow technology into a complete system. That is why our R&D work is focused on whole-plant integration. To achieve this task, we need sophisticated information technology (IT) in addition to our powerful machines and lines. KRONES invests considerable time and money in IT development. Our software is already capable of deriving entire processes from our customers' ERP systems. And that enables us to make all processes extremely efficient, from raw materials receiving to beverage production to delivery of the finished product.

**Innovations in 2009**

KRONES has applied for a large number of patents over the past several years. Due to the long processing times at the patent offices, this will not begin to be reflected in the number of registered patents until 2010. In 2009 alone, the company applied for 490 patents. At the end of 2009, KRONES had more than 1,600 registered patents and utility models. We unveiled numerous innovative machines and lines in the drink-tec year 2009.

In process engineering, KRONES put the new Hydronic water treatment system on the market. The heart of the water treatment plant is a reverse osmosis system that rids water of unwanted substances. Hydronic's reverse osmosis system is designed to use very little energy, water, and chemical cleaning agents. As an added benefit, Hydronic can be linked to KRONES' line documentation system, LDS. This system automatically alerts the operator in plenty of time when servicing is needed, for example, when the diaphragm needs cleaning.

KRONES' new flash pasteuriser, VarioFlash B, is specifically designed to meet the needs of smaller and mid-sized breweries. A variety of methods are used to extend the shelf life of beverages. One is flash pasteurisation. The temperature and duration of the pasteurisation process are key to this process. VarioFlash B is versatile and protects the beverages' flavour extremely well.

KRONES unveiled the ErgoBloc L, a bloc solution for the wet section of the line that unites a stretch blow-moulder, a labeller, and a filler. This compact system produces, labels, fills, and caps PET containers. A core element of the system is a completely new type of drive and control technology that made bloc synchronisation possible in the first place. Optimised material flows make the ErgoBloc L more efficient than conventional lines. Additional benefits include a new operating concept and space savings. The ErgoBloc L is engineered to handle up to 45,000 containers per hour and can be used for still and carbonated beverages alike.

Varioline is a newly developed, extremely versatile packaging system that can handle multiple levels of packaging. It can be configured to combine primary and secondary packaging runs. For instance, it can group loose containers such as glass or PET bottles or cans into multipacks and then put them into plastic crates, collapsible cartons, or wrap-around cartons. Varioline is a modular system. It can handle a wide variety of packaging depending on the combination and number of modules used. In addition to being highly versatile, Varioline also features a small footprint that saves precious space in our customers' plants.



*Hydronic provides efficient water treatment at the highest level of quality.*



*VarioFlash B is KRONES' new flash pasteurisation system.*



*KRONES has synchronised a stretch blow moulder, labeller, and filler in the new ErgoBloc L.*



*KRONES Varioline is a compact, extremely versatile packaging line.*

**Lifecycle Service (LCS)**  
**KRONES services business**

- Comprehensive range of products
- Service centre in Russia opens
- KRONES Academy expands training programme

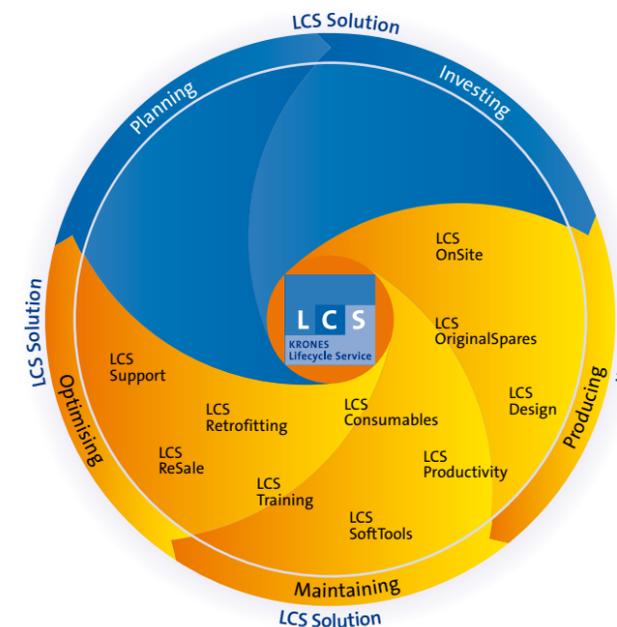
Because of the growing importance customers place on total cost of ownership (TCO), KRONES AG's business strategy makes LCS an integral part of our entire new machinery business.

KRONES' customers want to make optimal use of their lines' capacities, substantially lower their production costs, increase product quality, and ensure the highest standards of hygiene and safety.

In order to meet our customers' high expectations, KRONES has bundled all maintenance and repair services, modular services, spare parts and change parts, training, and software into a single division called »Lifecycle Service (LCS)«. The division employs more than 1,800 highly qualified people, all working to ensure that KRONES customers receive a comprehensive range of top-quality services no matter when or where they need them. Our customers can put together their own customised service program to match their needs. In addition, we offer our customers complete service over the entire life of their machines and lines.

The number of customers ordering in-house overhauls and replacement of entire functional assemblies increased last year. Under the in-house option from LCS, customers send complete assemblies to KRONES and we repair and maintenance them in our facility. This speeds maintenance work and requires fewer service technicians on site, both of which mean lower costs for the customer.

*KRONES LCS offers a comprehensive range of products and services.*



## KRONES LCS portfolio

### LCS Services

- OnSite: Traditional maintenance and repair at the customer's plant.
- Productivity: We use state-of-the-art analysis methods to optimise lines and make them more cost-effective.
- Support: Rapid response in emergencies with 24/7 hotline and remote maintenance.
- Training: Customer-oriented training for line operating and maintenance personnel.
- Design: All-around service for designing new PET containers.

### LCS Parts + Software

- OriginalSpares: We deliver original KRONES spare parts and spare parts refurbished by KRONES quickly and reliably and in the highest quality.
- Retrofitting: Fast, efficient retrofitting of lines. We boost machine productivity by incorporating newly developed components or control programs.
- Consumables: High-quality materials that ensure optimum machine performance plus labelling adhesives from KIC KRONES.
- SoftTools: Software that records and analyses a variety of machine data to ensure early detection of maintenance needs.

*The LCS portfolio is a modular concept. Customers can pick and choose individual elements to create their own customised service programme.*

## KRONES is expanding its international service network

KRONES Service Centres, which are positioned strategically around the world, are an important part of our LCS business. They serve as central support bases for our more than 40 subsidiaries. We have invested heavily in building and growing our Service Centres in recent years to ensure that our customers have access to top-quality service.



*KRONES currently has seven Service Centres around the world. They serve as central support bases for the company's Lifecycle Service business.*

KRONES not only expanded some of its existing Centres in 2009. We also opened a new Centre in Tver, Russia, for the Russia/CIS sales region. Adding this to the Centres in Neutraubling, Germany (Region Europe), Franklin, Wisconsin, USA (Region North America), São Paulo, Brazil (Region South America), Taicang, China (Region China), Johannesburg, South Africa (Region Africa), and Bangkok, Thailand (Region Asia-Pacific), KRONES now has seven Service Centres.

### KRONES Academy

The KRONES Academy is an integral part of Lifecycle Service. It is there that we train both management and operating personnel of our customers on the operation of KRONES machines and lines in practical training courses. In this way, we ensure that operating personnel have a sound mastery of our lines and can use them to achieve the highest performance. The Academy has more than 50 qualified trainers, who offer instruction at our headquarters in Neutraubling, Germany, as well as at numerous international training centres around the globe. In 2009 the Academy expanded its portfolio to include a training package entitled »KRONES Automation Engineer«. In this practical training course, we teach participants how to solve problems more quickly and minimise machine downtimes. Last year 9,388 people attended KRONES Academy courses.

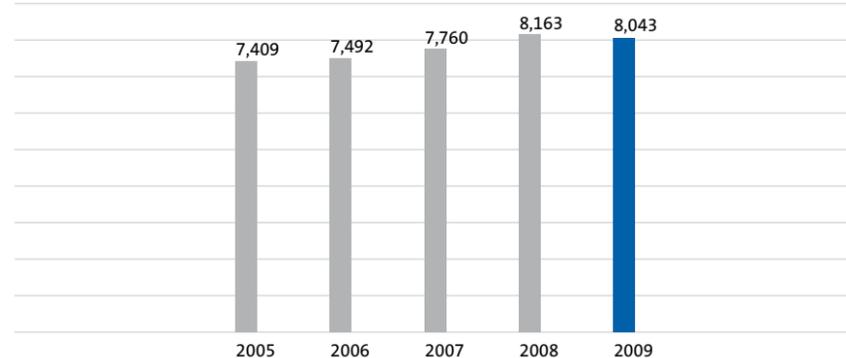
*More than 50 qualified trainers teach our customers' management and operating personnel in KRONES Academy courses.*

### KRONES weathers the crisis without layoffs

The company's primary aim for 2009 was to maintain its core workforce and avoid layoffs. Thanks to a variety of measures such as short-time working schemes (in which the government partly compensates employees for reduced working hours), partial retirement options, and flexible working hours, we achieved this important goal. Nevertheless, the number of employees at KRONES was down for the first time in many years as we lost 120 employees to attrition. The new total at the reporting date for 2009 was 8,043.

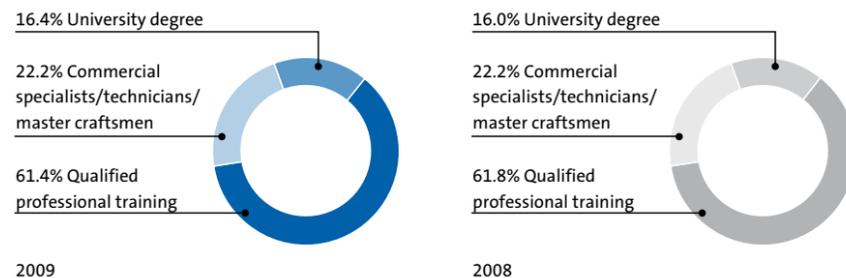
At KRONES, we continue to do everything within our means to hold on to our highly qualified and dedicated employees. Although this far-sighted personnel policy is cutting into earnings right now, we know that we need motivated employees who are not fearful of losing their jobs to produce and sell the quality of products and services that KRONES' customers are used to.

Employees at KRONES AG



All KRONES employees have the education and training they need to handle the demanding tasks their work entails. Almost all of our people in Germany possess recognised professional or vocational qualifications. The proportion of university graduates in our workforce is growing steadily and is now 16.4%.

Employee qualifications in Germany



*KRONES' workforce is superbly trained.*

### Human resources development and continuing education

The HR department works hard to provide employees with regular continuing education and development opportunities. Apart from qualification measures relating to specific fields, we are also increasingly offering interdisciplinary and intercultural training opportunities such as classes on presentation techniques and language courses.

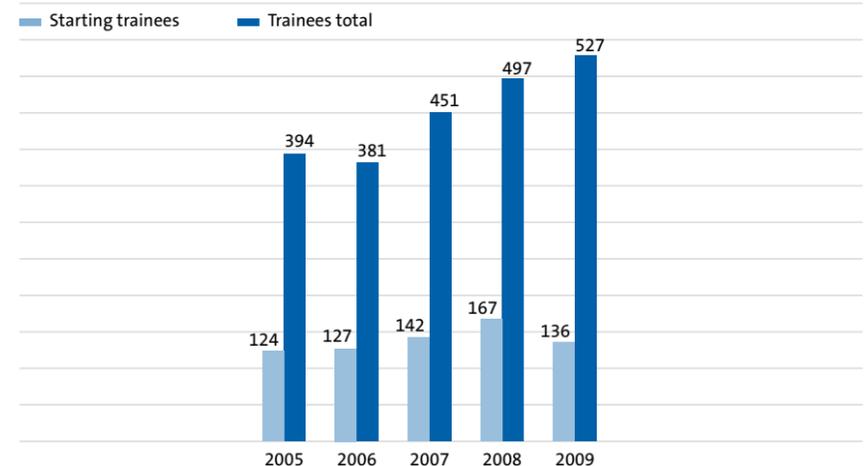
*We believe it is important to offer interdisciplinary development opportunities.*

The number of internal seminars increased considerably during the reporting period. Since the start of 2009, employees have been able to find out about all the training and development courses offered by KRONES on the SAP training portal. Courses are held on more than 100 subjects in a number of different technical areas. In 2009, some 6,700 employees participated in internal (3,458) and external (3,241) training and development opportunities.

### Good training is a worthwhile investment, even in difficult times

Offering top-quality vocational and professional training is essential for maintaining a qualified workforce. KRONES currently offers vocational training options that prepare young people outstandingly well for careers in 25 different fields. Every year, we invest between €65,000 and €70,000 in each of our young trainees.

Number of trainees starting at KRONES AG



KRONES is demanding when it comes to selecting trainees. Of the 1,600 or so school leavers who applied to train with us in 2009, we invited around 600 to field-specific employment tests. Half of those were then invited to an on-site interview, an opportunity to convince us of their abilities. When the selection process was complete, 136 young people began training with KRONES in the fall of 2009.

KRONES was training 527 young people in Germany at the end of 2009. That puts our training rate at a very respectable 6%. Because of the difficult economic situation, KRONES issued 12-month employment contracts instead of permanent contracts to trainees who successfully completed their training in 2009. It was the first time we had done that in many years.

### KRONES collaborates with colleges and universities

It is important for companies to ensure access to the best and brightest employees early on. For years, KRONES has been working closely with universities and organising a range of events at which budding engineers and scholars can learn about the careers and opportunities available at the company.

A good example of this is our close, long-standing collaboration with the University of Applied Sciences in Regensburg and the University of Regensburg. KRONES gives the next generation of scientists insight into industrial practice through practical semesters and thesis-writing opportunities. In May 2009, for instance, 20 students from the University of Applied Sciences in Regensburg presented the results of their research on the topic of »optimisation in assembly and filling technology«. The results after six months of work were impressive. They yielded considerable improvements to individual processes and productivity in practice.

More information on the topic of employees is in our 2009 Sustainability Report, which can be found online at [www.krones.com](http://www.krones.com).

Doing business sustainably has always been an important part of KRONES' corporate strategy. For KRONES, sustainability management means using resources efficiently and prudently and ensuring that our actions are socially responsible. Long-standing, mutually supportive relationships with our business partners are more important to us than opportunities to maximise profit in the short term. Economically difficult times such as these accentuate the importance of maintaining good relationships with customers, suppliers, employees, and shareholders.

In KRONES' corporate guidelines the company and its employees have defined common values and committed to act sustainably and responsibly. At KRONES, we don't merely put these shared values to paper. Every one of our employees lives by them.

### Corporate guidelines

- We go about our business in a sustainable, socially responsible manner.
- We stand for excellent quality and technological leadership in our market.
- We owe our success to our workforce.
- We are committed to using resources economically while always providing the highest quality.
- We safeguard the health and safety of our employees.
- Our production operations are eco-friendly.
- We do business for the long term and we do it transparently.

At KRONES, sustainability has always been considered an opportunity. And we used many such opportunities in 2009. An important milestone was the certification of our enviro sustainability programme by TÜV SÜD. This independent certification enables KRONES to award the enviro seal for efficient use of energy and media (gas, water) and environmental friendliness. In addition, KRONES' enviro pass offers customers a high level of transparency so they can compare the consumption data of different machines. Customers from around the world showed great interest in our enviro certified products at the 2009 drinktec.

Last but not least, our 2008 Sustainability Report was certified by TÜV SÜD in 2009. This was the first time we had the report certified.

Further interesting information on the topic of sustainability can be found in our 2009 Sustainability Report, which has also been certified by TÜV SÜD. It is available online at [www.krones.com](http://www.krones.com).

*The enviro sustainability programme and our sustainability report both received TÜV SÜD certification in 2009.*

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

### Risk management system is always evolving

KRONES is exposed to a variety of risks that are inextricably linked with doing business globally. We continuously monitor all significant business processes to identify risks early and to actively manage and limit them. An internal control system with which we record, analyse, and assess all relevant risks is an integral part of KRONES' risk management system. We monitor all material risks and any countermeasures already taken in a detailed, ongoing process that entails planning, information, and control. We are continually expanding and improving our risk management system on the basis of practical experience. The system consists of the following modules: risk analysis, risk monitoring, and risk planning and control.

#### Risk analysis

In order to identify risks early, we continuously monitor all business activities. We conduct a profitability analysis on all of our quotes before accepting any order. For orders that exceed a specified volume, we also conduct a multi-dimensional risk analysis. Apart from profitability, we also individually record and evaluate financing risks, technological risks, and scheduling and other contractual risks before accepting an order. Thus, risk management at KRONES begins before risks arise.

To manage risks that arise from changes in the market and competitive situation, we create detailed market and competition analyses for all segments and business areas on a regular basis. In addition, we conduct a comprehensive risk inventory every year for KRONES AG and all significant group companies. This risk inventory leads to corresponding measures and actions to reduce risk. The basic principles and process are documented in our risk policy. The risk management system serves not only the purpose mandated by law, of detecting early those risks that could jeopardize the company's survival, but also covers all risks that can have a significant negative impact on earnings.

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

#### Risk monitoring

We use a variety of interlinked controlling processes to monitor risks within KRONES. Regular comprehensive reports from the individual business units keep the Executive Board and other decision-makers apprised of all possible risks and deviations from company planning in a timely manner. For high-volume projects, potential risks are examined and evaluated in regular meetings. Employees who identify risks pass their information on promptly through the company's internal reporting system.

#### Risk planning and control

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

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

#### Risk management organisation

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

#### Risk controlling

We continually assess, discuss, and document operational and financial risks. The effectiveness of countermeasures that have been implemented is also monitored in controlling processes throughout the year. Apart from new orders, orders on hand, and sales, we also look at all types of expenditures in cash flow and material components of our current assets and the statement of financial position. We use the figures to assess risks related to ongoing operations and options with respect to future projects.

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

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

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

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

## Financial risks

Because of regional and customer-related diversification, there is no material concentration of risk relating to the following risk categories.

### 1. Default risk

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

#### 1.1 Trade receivables

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

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

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

#### 1.2 Derivative financial instruments

KRONES uses derivative financial instruments solely for risk management purposes. Not using derivative financial instruments would subject the company to greater financial risks. These instruments essentially cover the risks arising from changes in exchange rates between the euro and the US dollar, the New Zealand dollar, and the Chinese renminbi (yuan).

#### 1.3 Other financial assets

The maximum credit risk position arising from other financial assets corresponds to the carrying amount of these instruments. KRONES is not subject to any material default risk arising from its other assets, all of which are current assets. The loan is to a corporation under public law and the risk of default is immaterial.

## 2. Liquidity risk

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

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

## 3. Market risks

Market risk is the risk of fluctuation in the fair value or future cash flows of a financial instrument due to changes in market prices.

### 3.1 Interest rate change risks

KRONES is not exposed to any material risks arising from possible fluctuations in market interest rates.

### 3.2 Currency risks

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

### 3.3 Share price risks

KRONES is not exposed to any material risks arising from possible fluctuations in share prices.

### 3.4 Commodity price risks

KRONES is exposed to market price risk relating to its procurement of parts and raw materials for operations. The company mitigates these possible risks through targeted procurement management and long-term supply contracts to reduce material commodity price risks.

## 4. Legal risks

Legal risks exist as a part of doing business. KRONES currently does not anticipate any claims.

## Operational risks and opportunities

### 1. Price risks

KRONES operates in a highly competitive market in which some orders are generated by way of prices that do not cover costs. Fixed-price contracts with customers also entail price risks, as we must bear any additional costs that arise. KRONES has introduced a three-dimensional order analysis process to minimise this risk. Any inquiry or order that reaches or exceeds a predefined size is assessed on the basis of financial, technical/technological, and regional risks.

### 2. Procurement risks

KRONES uses targeted material and supplier risk management to counter procurement risks. With respect to suppliers, we face risks relating to products, deadlines, and quality. A specially designed process for supplier selection, monitoring, and management helps minimise these risks.

### 3. Cost risks

In order to continually improve our earnings situation, we must optimise our cost structures for the long term. Our primary focus is on making our traditional fixed costs as variable as possible by way of intelligent working time and value chain models in order to cope with sharp upward and downward changes in the markets.

### 4. Personnel risks

KRONES depends on highly qualified employees. We ensure early access to qualified employees through ongoing cooperation with colleges and universities. We regularly employ doctoral candidates and interns. We also use professional personnel consultants to help us locate employees.

The company agreement that entered into force on 1 January 2005 has enabled us to counter personnel cost pressures as our employees have agreed to work longer, more flexible hours in exchange for our promise to secure employment and the future of our German sites until the year 2012.

## Summary

Viewed from today's perspective, KRONES is not exposed to any risks that threaten the company's continued existence. We are adapting to the changed risk situation by having introduced comprehensive measures for preventing, reducing, and hedging risks.

We expect our markets to deliver growth opportunities again in the long term. Our products and services for the »food and drink« sector put us very close to consumers and enable us to benefit indirectly from global population growth and rising prosperity worldwide.

## Events after the reporting date

No events of significance to KRONES have taken place since the close of fiscal 2009. Business development in the first two months of 2010 has confirmed the statements made in our »Outlook«.

## Outlook

- The German machinery sector is slowly climbing out of the trough
- KRONES expects to be profitable in 2010
- Recession is considered to be over

### The global economy is recovering

Most economists expect the global economy to recover from last year's deep recession in 2010. Billions in economic stimulus packages in the big industrialised and emerging economies helped bolster the recovery. Expansionary monetary policy of the world's most important central banks also had a positive impact on economic activity. The International Monetary Fund (IMF) expects the global economy to grow by 3.9% in 2010. However, this depends on government stimulus money not being cut off prematurely. According to the IMF, that is because the recovery is not yet self-sustaining.

Economic experts at the IMF are placing great hope in the emerging and developing economies of Asia in 2010. For instance, China's economy is forecast to grow by 10% this year and India's by almost 8%. After collapsing in 2009, the Japanese economy is expected to grow by 1.7% in 2010.

*The global economy is expected to recover in 2010. Experts are predicting strong growth in Asia's emerging and developing economies.*

Even the world's biggest economy, the USA, is once again gaining momentum. IMF forecasts for gross domestic product (GDP) in the US predict 2.7% growth although a high level of unemployment and a weak real estate market continue to plague the US economy. Experts are predicting just 1.0% growth for the euro area.

### German economy will grow faster than euro area

As a major exporter, Germany will likely benefit from the increase in global trade in 2010. The domestic economy will also get a boost from the German government's economic stimulus programme, which gives particular support to industries like construction. At the start of the year, the IMF upped its 2010 growth forecast for German GDP to 1.5%.

### The worst is over for the German machinery sector

The German Engineering Federation (VDMA) believes the crisis in the industry is not yet over but that the sharp downturn has ended. The decline in new orders has recently become less steep. Now, the industry hopes demand will begin to pick up. That is because, while companies were still able to draw on existing order backlogs to keep capacities utilised in 2009, these cushions are now gone. The VDMA expects output to stagnate in 2010.

*The German machinery sector's recovery will likely be slow.*

### Cautious optimism for 2010

After going through the deepest recession since World War II, the global economy began to show the first signs of recovery at the end of 2009. However, threats to a sustained recovery remain and the possible scenarios for the global economic trend vary widely. While many experts are predicting real GDP growth of over 5% in the Asia-Pacific region, growth forecasts for the rest of the world – particularly Europe, CIS, and North America – are far more subdued. Thus, no truly reliable trends or forecasts have emerged that show a clear direction.

*KRONES intends to be back in the black in 2010.*

The web of global risk factors is too complex and unpredictable:

- Global economic growth
- Monetary policy, inflation risks, and exchange rate policy
- Financial markets and financial market regulations
- New protectionism
- Raw materials, procurement markets, energy, the environment
- Labour markets

The future development of the global economy is still fraught with considerable uncertainty.

KRONES' long-term outlook for growth is still good because the megatrends will benefit our industry. The world's population is still growing. Wealth and consumption are increasing in many countries. Food and drink are basic human needs. Our portfolio of products and services addresses these needs and our customers' increasingly complex operations in saturated markets completely. We expect comparatively stable development of our customers' markets (the most important of which is the beverage market) in the future. Our business model and clear strategy have proved their worth. We have learned from the crisis. We will continue to tap considerable potential with our »Conversion« programme, which entails changing our thinking as well as our organisation, and are currently adapting KRONES to cope in more volatile markets.

Given the developments of recent months, KRONES is cautiously optimistic about the year 2010. We expect to see a trend reversal in the first half of 2010 and therefore expect sales to grow 5% to 15% and earnings to be positive again in 2010. Assuming that conditions remain as they are, we expect the earnings trend to remain positive in 2011.

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

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

Pursuant to § 18 (1) of the articles of association, only those shareholders who register with the company in writing in German or English and provide proof of their shareholding prior to the annual shareholders' meeting are entitled to participate and vote in the annual shareholders' meeting. A special written document confirming the shareholding, issued in German or English by the institution with which the investment account is held, constitutes sufficient proof. This document must refer to the start of the twenty-first day prior to the annual shareholders' meeting.

Under § 18 (2) of the articles of association, votes may be cast by proxy. Proxy voting is permissible only if proof of authorisation is submitted in writing, in electronic form pursuant to § 126 a of the German Civil Code (BGB), or in the form of a printed fax. In the annual shareholders' meeting, the chairman of the meeting can set appropriate time limits for shareholders' questions and comments (§ 19 (3) of the articles of association).

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

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

| Name                                   | Direct share of voting rights, in % |
|--|-------------------------------------|
| Beteiligungsgesellschaft Kronseder mbH | 15.00                               |
| Volker Kronseder                       | 11.16                               |
| Harald Kronseder                       | 10.44                               |

As of March 2010

Changes to the shareholdings listed above that are not required to be reported to the company may have occurred since the date given above (March 2010). Because the company's shares are bearer shares, the company is generally only aware of changes in shareholdings if these changes are subject to reporting requirements.

The appointment and dismissal of Executive Board members is governed by §§ 84 and 85 of the German Stock Corporation Act (AktG). Pursuant to § 6 (1) of the articles of association, the Executive Board consists of at least two members. Pursuant to § 6 (2) of the articles of association, determination of the number of Executive Board members, the appointment of regular and deputy members of the Executive Board, the execution of their employment contracts, and revocation of appointments are the responsibility of the Supervisory Board.

Amendments to the articles of association are subject to the provisions of §§ 179 et seq. of the German Stock Corporation Act. Such amendments are to be resolved by the annual shareholders' meeting (§119 (1) No.5 and §179 (1) of the German Stock Corporation Act). The Supervisory Board is authorised to make amendments that affect only the wording of the articles of association (§13 of the articles of association).

Pursuant to §4 (4) of the articles of association, the Executive Board may, with the approval of the Supervisory Board, increase the share capital by a total of up to €10m (authorised capital) through the issuance once or repeatedly of ordinary bearer shares against cash contributions up to and including 31 May 2012.

Shareholders must be granted subscription rights to these shares. The Executive Board may exclude the subscription rights of shareholders for any fractional amounts that may arise.

The annual shareholders' meeting on 17 June 2009 passed a resolution authorising the company to buy treasury shares totalling up to 10% of the current share capital in compliance with statutory regulations and the provisions of the resolution by the annual shareholders' meeting up to and including 16 December 2010.

The annual shareholders' meeting on 17 June 2009 passed a resolution authorising the Executive Board to cancel treasury shares of KRONES AG acquired on the basis of the above authorisation without the cancellation or its execution requiring a further resolution by the annual shareholders' meeting.

KRONES AG has not made any material agreements containing special provisions relating to a change or acquisition of control following a takeover offer.

The company has not made any agreements with members of the Executive Board or company employees relating to compensation in the event of a takeover offer.

## Compensation of the Executive Board and the Supervisory Board

The compensation report summarises the principles used to determine the compensation of the Executive Board of KRONES AG and explains the amount and the structure of such income.

The principles and the amount of Supervisory Board compensation are also set out in the report. The compensation report is an integral part of the management report for fiscal 2009 and can be found in the corporate governance report on page 65.

## Corporate Governance at KRONES

*The statement on corporate governance is also available online at [www.krones.com](http://www.krones.com).*

### KRONES recognises its responsibilities

For KRONES, the German Corporate Governance Code is an integral part of governance. The Code presents essential statutory regulations for the management and supervision (governance) of German listed companies and contains internationally and nationally recognised standards for good and responsible corporate governance. The management of KRONES takes the principles and rules of corporate governance into account in all business activities which are aimed at systematically increasing the company's value for the long term.

### Declaration of compliance pursuant to § 161 of the German Stock Corporation Act

»The Executive Board and the Supervisory Board of KRONES AG declare that the recommendations of the »Government Commission German Corporate Governance Code« established by the German federal government regarding the management and supervision of German listed companies as amended on 18 June 2009 have been and are being complied with in accordance with the German Corporate Governance Code, which is published on the website of KRONES AG, with the following exceptions:

- A deductible has until now not been included in a D&O policy for the Executive Board and Supervisory Board and none is planned for the Supervisory Board (item 3.8 of the Code).

*A D&O policy has been taken out for the Executive Board of KRONES AG. Until now, no deductible has been included because the Executive Board always acts responsibly and dutifully regardless of the existence of a deductible. For 2010 onward, the company has adjusted the D&O policy for the Executive Board to conform to the statutory requirements under § 93 (2) of the German Stock Corporation Act. The company also has a D&O policy for the members of the Supervisory Board. No specific deductible has been set for this policy because the Supervisory Board always performs its duties properly regardless of the existence of a deductible.*

- Separate disclosure about the basic features of the remuneration system and changes to the system has until now been made only in the Annual Report. In the future such disclosure will also be made at the annual shareholders' meeting. (item 4.2.3 of the Code).

*The shareholders of KRONES AG can find all relevant information in the Annual Report. Beginning in 2010, we will also report on this topic at the annual shareholders' meeting.*

- In keeping with the resolution of the annual shareholders' meeting, total compensation of each member of the Executive Board, subdivided according to fixed, performance-related, and long-term incentive components, is not listed individually by each member's name (item 4.2.4 of the Code).

*KRONES discloses the structure of Executive Board compensation. Details relating to fixed and variable, performance-related components of compensation are essential for assessing the appropriateness of the compensation structure and whether it results in an incentive effect for the Executive Board.*

*We believe that disclosing each individual's remuneration would conflict with personal privacy rights. Thus, as resolved by the annual shareholders' meeting on 21 June 2006, detailed disclosure of each individual Executive Board member's compensation will not be made before the end of the day 20 June 2011, as provided for under § 286 (5) of the German Commercial Code.*

- There is currently no nominating committee at KRONES AG (item 5.3.3 of the Code).

*Committees are primarily useful for larger bodies if they make that body's work more efficient. There are six shareholder representatives on the Supervisory Board of KRONES AG who suggest nominees. Therefore, we do not feel it is necessary to create a separate nominating committee.*

- The compensation of members of the Supervisory Board is currently not itemised. Other compensation for services provided individually, in particular advisory or agency services, is not currently reported (item 5.4.6 of the Code).

*The total of compensation paid out to members of the Supervisory Board is given in the compensation report, broken down into its fixed and variable portions. We do not believe an individual listing of compensation would provide any additional information of relevance for the capital markets. The same applies to services provided by individual members of the Supervisory Board.*

- The shareholdings of members of the Executive Board and the Supervisory Board of KRONES AG are not disclosed in the corporate governance report (item 6.6 of the Code).

*In order to safeguard the protection-worthy interests and privacy of the board members, we have opted not to make this disclosure in the corporate governance report. However, we do disclose the shareholdings of the Kronseder families, which hold seats on both the Executive Board and the Supervisory Board, in the annual report for KRONES AG.*

- We are not yet in compliance with the deadline for publication of the consolidated financial statements of KRONES AG within 90 days of the close of the fiscal year. (item 7.1.2. of the Code)

*The annual financial statements of KRONES AG are published within the statutory time period. Important figures for the past fiscal year that are relevant to the capital markets are published within the 90-day limit.*

Signed by the Executive Board and the Supervisory Board, Neutraubling, Germany,  
30 March 2010

## Information on corporate governance practices

Corporate governance at KRONES is based on fairness and transparency. This principle applies both to the cooperation between the Executive Board and the Supervisory Board and to the way we deal with our employees, customers, suppliers, and the general public.

We review all strategic decisions for their long-term probability of success. Our aim is to optimise profits and cash flow in a sustainable manner.

To secure the company's long-term survival, we review all of our activities with respect to sustainability, factoring in not only our social and economic responsibilities but also the ecological conditions and consequences involved in the manufacture and use of our products. Our production operations are eco-friendly and we not only comply with statutory regulations but make every effort to remain as far below the prescribed limits as possible.

Our governance principles ensure that the welfare of the very people who contribute to our success is never subordinated to economic interests. In order to prevent accidents at the workplace and work-related illness, we create a safe environment that is conducive to the good health of our employees. All of our workflows are designed with the safety and health of our employees in mind, and we ensure that the workplace is ergonomic and free of hazards.

When choosing our suppliers, we look at their performance with respect to sustainable, socially responsible management. KRONES has developed a suppliers' code for this purpose. The code covers safety, health, the environment, quality, human rights, employee standards, and corruption prevention.

### Duties and activities of the Executive Board and the Supervisory Board

The Executive Board of KRONES AG consists of five members, each of whom is responsible for specific areas of the company (see pages 12 and 83). In addition, each of the group companies is the responsibility of two members of the Executive Board. The Executive Board manages the company and its affairs. The members of the Executive Board meet daily. At these meetings, the Executive Board discusses current and strategic topics and makes decisions. For strategically important decisions, the Executive Board involves the Supervisory Board in the decision-making process in a timely manner.

The Supervisory Board oversees the Executive Board. In accordance with the articles of association, the Supervisory Board has twelve members. The Executive Board and the Supervisory Board communicate on a regular basis. The Executive Board informs the Supervisory Board in a timely manner about business development, the company's financial situation, risk management, company planning, and strategy. In addition to regular oral reports, the members of the Supervisory Board receive written reports on the company's earnings and financial position from the Executive Board each month. KRONES' Supervisory Board can establish committees besides the Chairman's Committee but has not done so as yet.

The Chairman of the Supervisory Board coordinates the work of the Supervisory Board (see page 83 for a listing of the members). The Chairman or Deputy Chairman presides over the Supervisory Board's meetings. The Supervisory Board makes decisions either in its meetings or, in exceptional cases, in a procedure in which the relevant documents are circulated to each member. Members of the Executive Board participate in meetings of the Supervisory Board at the invitation of the Chairman or Deputy Chairman of the Supervisory Board. The Executive Board members give oral or written reports on the agenda items and respond to questions from the Supervisory Board.

Each year, the Chairman of the Supervisory Board describes the Board's activities in his report to shareholders in the annual report and at the annual shareholders' meeting.

### Composition, duties, and activities of the Chairman's Committee

The Chairman's Committee consists of the Chairman of the Supervisory Board, Ernst Baumann, and Deputy Chairman Werner Schrödl as well as the following members of the Supervisory Board: Norman Kronseder, Graf Phillip von und zu Lerchenfeld, Josef Weitzer, and Johann Robold.

The Chairman's Committee oversees the accounting and financial reporting process and prepares corresponding proposals for resolutions for the Supervisory Board. In addition, the Chairman's Committee analyses the controlling and risk management system. The Chairman's Committee prepares the Supervisory Board's review of the annual financial statements, the management report, and the auditor's report for the single-entity and consolidated financial statements and makes recommendations.

### Statement required by § 37y No. 1 of the German Securities Trading Act (WpHG) in conjunction with § 289 (1) Sentence 5 of the German Commercial Code (HGB)

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

Neutraubling, 29 March 2010  
KRONES AG  
The Executive Board



Volker Kronseder  
(Chairman)



Hans-Jürgen Thaus  
(Deputy Chairman)



Rainulf Diepold



Werner Frischholz



Christoph Klenk

In KRONES' corporate guidelines the company and its employees have defined common values and committed to act sustainably and responsibly – from R&D to after-sales service. At KRONES, we don't merely put these shared values to paper. Every one of our employees lives by them.

### Corporate guidelines

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

To secure the company's long-term survival, we review all of our activities with respect to sustainability, factoring in not only our social and economic responsibilities but also the ecological conditions and consequences involved in the manufacture and use of our products.

**We stand for excellent quality and technological leadership in our market.**

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

**We owe our success to our workforce.**

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

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

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

**We safeguard the health and safety of our employees.**

Our corporate culture ensures that the welfare of the very people who contribute to our success is never subordinated to economic interests. In order to prevent accidents at the workplace and work-related illness, we create a safe environment that is conducive to the good health of our employees. All of our workflows are designed with the safety and health of our employees in mind, and we ensure that the workplace is ergonomic and free of hazards.

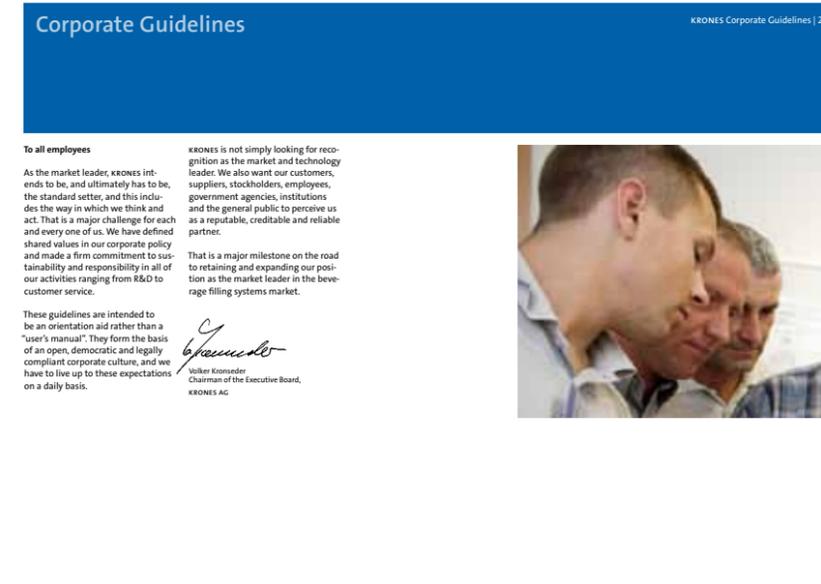
*The corporate guidelines we live by reflect our company's character.*

**Our production operations are eco-friendly.**

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

**We do business for the long term and we do it transparently.**

All strategic decisions at KRONES are reviewed for their long-term probability of success. Our aim is to optimise profits and cash flow in a sustainable manner. It is our intention to be a reliable partner for all of our stakeholders, and this includes a policy of maintaining open communications.



*A PDF version of our corporate guidelines is available online at [www.krones.com](http://www.krones.com).*

### Suppliers' code

When choosing our business associates, we look at their performance with respect to sustainable, socially responsible management. KRONES has developed a suppliers' code for this purpose, which is available online at [www.krones.com](http://www.krones.com). The code now forms an integral part of KRONES' general terms and conditions of doing business and all of our suppliers have signed it. That means 100% of our purchasing volume comes from vendors who have agreed to comply with the code.

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

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

**Labour** KRONES Supplier Code | 3

**Child labour**  
The minimum age for employment is oriented towards the legislation valid in the respective country, and regardless of the type of work, it must not be under 14 years of age.  
*Reference: ILO Conventions (No. 29) about the compulsory labour ILO Conventions (No. 105) about the abolishment of compulsory labour*

**Maltreatment**  
The minimum age for allowing any type of employment or work which in its nature or under the condition under which it is performed may harm the health, safety, or morals of youth is oriented to the law relevant in the respective country and must not be under 16 years of age.  
*Reference: ILO Conventions (No. 138) about the minimum age ILO conventions (No. 182) about the worst types of child labour*

**Compulsory labour**  
Compulsory labour of any type is forbidden. Following the legal period of notice, the employees are free to part with their employer. Keeping any identity papers, passes, apprenticeship certificates, working permits, or any other documents is prohibited. Employing convicts is allowed. The only condition is that they work voluntarily and that they will be remunerated for their work.  
*Reference: ILO conventions (No. 14 and No. 106) about the weekly rest periods*

**Working hours**  
The working hours are based on the law of the respective country.  
The maximum weekly working hours are 60 hours with at least one day off.  
*Reference: ILO conventions (No. 14 and No. 106) about the weekly rest periods*



*KRONES has developed a suppliers' code that commits suppliers to act sustainably. The suppliers' code is available online for download at [www.krones.com](http://www.krones.com).*

## Compliance

KRONES has purposefully evolved into a global company over the past several decades. The world in which we operate, its economy, and its legal and social systems, have grown increasingly complex and become globally intermeshed in recent years. At the same time, they have become less and less transparent. This lack of transparency can serve as a breeding ground for negative developments such as corruption, which occurs worldwide.

Corruption benefits only a few individuals, but its consequences for everyone else are very grave. Corruption deepens poverty among entire populations, states, and regions. It also harms the economy. Instead of free and fair competition, corruption results in clandestine competition driven by bribery, destroying the market's role as regulator. KRONES categorically rejects such developments.

That is why we at KRONES are supporting all efforts to maintain high ethical standards in business dealings and do not tolerate corrupt behaviour, within our company or among our business associates – and we hold our suppliers accountable by way of our suppliers' code.

## Part of the management report Compensation report

### Executive Board compensation

The structure of the compensation system for the Executive Board was discussed in detail and determined by the Supervisory Board on the basis of the recommendations contained in the German Corporate Governance Code.

These recommendations for members of the executive boards of listed stock corporations contain the following compensation elements:

- Fixed elements
- Variable elements that are payable annually and based on business performance and
- Variable elements that serve as long-term incentives containing risk factors

The criteria for determining the appropriateness of the compensation include but are not limited to the tasks of the respective member of the Executive Board, his responsibilities, his personal performance and experience, and the economic situation, performance, and outlook of the enterprise, taking into account its peer companies.

- For fiscal 2009, the direct fixed remuneration of the five active members of the Executive Board was €2.450k (previous year: €2,250k). This fixed amount is the base pay stipulated in the members' contracts and is paid out in equal monthly amounts as a salary. This remuneration is generally reviewed as part of the negotiations relating to the extension of the members' contracts. In addition, the members of the Executive Board received fringe benefits in the form of non-cash benefits (company car) amounting to €89k (previous year: €87k).
- The variable compensation is based on the achievement of company performance targets. The reference figures are consolidated net income (the primary point of reference) and consolidated sales. The gradation of the targets is determined by the Supervisory Board each year. The variable compensation contains risk elements and is thus not guaranteed compensation. Due to the loss posted for 2009, the members of the Executive Board received no variable compensation for the year (previous year: €1,837k).
- In keeping with the recommendations of the Corporate Governance Code, the Supervisory Board adopted a long-term »performance incentive plan« containing risk elements at its meeting on 17 March 2005. Under this provision, each member of the Executive Board receives a performance incentive that is paid out after no less than ten years of service as a member of the Executive Board of KRONES AG. Board members serving for less than ten years are not entitled to the performance incentive.

- The performance incentive is calculated from the relevant Board member's fixed annual remuneration at the time of appointment to the Executive Board and the development of the enterprise value from the time of entry onto the Board to the time at which payment of the incentive comes due.
- EBIT, EBITDA, and consolidated sales are used as the basis for calculating enterprise value. If the current enterprise value is less than it was at the time the member joined the Executive Board, the respective member is not entitled to the performance incentive.
- Provisions of €1,489k (previous year: €1,790k) were recognised for the performance incentive.
- At KRONES AG there are and have been no stock-option plans or comparable securities-oriented long-term incentive components of remuneration for Executive Board members.
- Pension provisions of €9,188k (previous year: €7,668k) were recognised for active members of the Executive Board.
- Disclosure of the total compensation made to each board member by name as recommended under item 4.2.4 of the German Corporate Governance Code and under § 285 (1) No. 9a Sentences 5-9 and § 314 (1) No. 6a Sentences 5-9 of the German Commercial Code (HGB) is not being implemented. It is the belief of KRONES AG that such disclosure would conflict with personal privacy rights.
- Thus, as resolved by the annual shareholders' meeting on 21 June 2006, detailed disclosure of each individual Executive Board member's compensation will not be made before the end of the day 20 June 2011, as provided for under § 286 (5) of the German Commercial Code.
- On the other hand, details relating to the structure of the compensation are essential for assessing the appropriateness of the compensation structure and whether it results in an incentive effect for the Executive Board.
- For former members of the Executive Board and their surviving dependents, payments amounting to €688k (previous year: €671k) were made and pension provisions of €848k (previous year: €664k) were recognised.

### Supervisory Board compensation

Compensation of the members of the Supervisory Board is governed by the articles of association and resolved by the annual shareholders' meeting. For fiscal 2009, the articles of association as amended by the annual shareholders' meeting on 17 June 2009 apply.

The Supervisory Board's compensation consists of two components, an annual fixed remuneration of €10,000 and a variable compensation. The Chairman of the Supervisory Board receives twice the amount of the fixed remuneration and the Deputy Chairman of the Supervisory Board receives one and one half times the fixed remuneration amount. The variable compensation is based on consolidated net income per share. Each member of the Supervisory Board receives €2,000 for each €0.30 by which total consolidated net income per share exceeds €1.00.

For fiscal 2009, net income per share is negative, at -€1.13. On this basis, no member of the Supervisory Board received a variable compensation.

Members of the Supervisory Board who belong to special committees within the Supervisory Board receive additional compensation of €10,000 annually as well as flat-rate reimbursement for expenses.

The total remuneration paid to members of the Supervisory Board amounted to €175k (previous year: €343k) including variable portions totalling €0k (previous year: €168k).

Moreover, the members of the Supervisory Board receive a flat €600 fee per meeting as reimbursement for their expenses unless they submit proof of having incurred higher expenses.

Members of the Supervisory Board who belonged to the board for only a portion of the fiscal year receive pro-rated compensation.

The company has no stock option plans or similar securities-oriented incentive systems. Thus, there are also no stock-option plans or similar long-term incentive components of remuneration for members of the Supervisory Board.

|  |    |
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|  | Notes | 2009      |                   | 2008      |                   |
|--|-------|-----------|-------------------|-----------|-------------------|
|  |       | €k        | €k                | €k        | €k                |
| 1. Sales   | 16    | 1,593,267 |                   | 2,150,855 |                   |
| 2. Increase or decrease in finished goods inventories and work in progress   |       | 1,373     |                   | 16,443    |                   |
| 3. Other own work capitalised  |       | 5,104     |                   | 5,199     |                   |
| 4. Other operating income  | 17    | 97,152    |                   | 56,788    |                   |
|  |       |           | <b>1,696,896</b>  |           | <b>2,229,285</b>  |
| 5. Cost of materials   |       |           |                   |           |                   |
| a) Cost of raw materials, consumables and supplies, and of purchased merchandise                                     |       | -752,604  |                   | -953,950  |                   |
| b) Cost of purchased services  |       | -192,445  |                   | -250,424  |                   |
|  |       |           | <b>-945,049</b>   |           | <b>-1,204,374</b> |
| 6. Personnel expenses  | 18    |           |                   |           |                   |
| a) Wages and salaries  |       | -428,804  |                   | -481,775  |                   |
| b) Social security, post-employment and other employee benefit costs   |       | -81,595   |                   | -84,312   |                   |
|  |       |           | <b>-510,399</b>   |           | <b>-566,087</b>   |
| 7. Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets | 19    | -41,856   |                   | -40,119   |                   |
| 8. Other operating expenses  | 20    | -274,859  |                   | -324,133  |                   |
| 9. Income from long-term equity investments  | 21    | 10,756    |                   | 12,492    |                   |
| 10. Income from other securities and long-term loans   | 21    | 761       |                   | 980       |                   |
| 11. Other interest and similar income  | 21    | 4,394     |                   | 3,560     |                   |
| 12. Write-downs of long-term financial assets and securities classified as current assets                            | 21    | -18,188   |                   | -16       |                   |
| 13. Interest and similar expenses  | 21    | -3,300    |                   | -7,925    |                   |
|  |       |           | <b>-1,777,740</b> |           | <b>-2,125,622</b> |
| <b>14. Result from ordinary activities</b>   |       |           | <b>-80,844</b>    |           | <b>103,663</b>    |
| 15. Taxes on income  | 22    |           | 143               |           | -31,078           |
| 16. Other taxes  | 22    |           | -942              |           | -944              |
| <b>17. Net loss (net income) for the year</b>  |       |           | <b>-81,643</b>    |           | <b>71,641</b>     |
| 18. Balance brought forward from the previous year   |       |           | 925               |           | 385               |
| 19. Appropriation to revenue reserves, to other revenue reserves   |       |           | 0                 |           | -35,000           |
| <b>20. Net accumulated loss (net retained profit)</b>  |       |           | <b>-80,718</b>    |           | <b>37,026</b>     |

| Assets  | Notes | 31 December 2009 |                  | 31 December 2008 |                  |
|---|-------|------------------|------------------|------------------|------------------|
|   |       | in €k            | in €k            | in €k            | in €k            |
| <b>A. Fixed assets</b>  |       |                  |                  |                  |                  |
| I. Intangible fixed assets  |       |                  |                  |                  |                  |
| Concessions, industrial and similar rights and assets, and licenses in such rights and assets | 1     |                  | 12,272           |                  | 13,372           |
| II. Tangible fixed assets   | 2     |                  |                  |                  |                  |
| 1. Land, including buildings on third-party land  |       | 208,533          |                  | 185,784          |                  |
| 2. Technical equipment and machinery  |       | 49,829           |                  | 50,733           |                  |
| 3. Other equipment, operating and office equipment  |       | 39,481           |                  | 40,323           |                  |
| 4. Prepayments and assets under construction  |       | 3,406            |                  | 16,787           |                  |
|   |       |                  | <b>301,249</b>   |                  | <b>293,627</b>   |
| III. Long-term financial assets   | 3     |                  |                  |                  |                  |
| 1. Shares in affiliated companies   |       | 85,487           |                  | 88,572           |                  |
| 2. Loans to affiliated companies  |       | 29,502           |                  | 30,377           |                  |
| 3. Long-term securities   |       | 33               |                  | 25               |                  |
| 4. Other loans  |       | 1,316            | 116,338          | 1,100            | 120,074          |
|   |       |                  | <b>429,859</b>   |                  | <b>427,073</b>   |
| <b>B. Current assets</b>  |       |                  |                  |                  |                  |
| I. Inventories  | 4     |                  |                  |                  |                  |
| 1. Raw materials, consumables and supplies  |       | 102,369          |                  | 132,862          |                  |
| 2. Work in progress   |       | 165,387          |                  | 145,083          |                  |
| 3. Finished goods and merchandise   |       | 178,181          |                  | 194,079          |                  |
| 4. Prepayments  |       | 16,215           |                  | 18,310           |                  |
| 5. Payments received on account of orders   |       | -404,595         |                  | -234,852         |                  |
|   |       |                  | <b>57,557</b>    |                  | <b>255,482</b>   |
| II. Receivables and other assets  | 5     |                  |                  |                  |                  |
| 1. Trade receivables  |       | 372,634          |                  | 430,123          |                  |
| 2. Receivables from affiliated companies  |       | 69,311           |                  | 72,767           |                  |
| 3. Other assets   |       | 54,968           |                  | 61,935           |                  |
|   |       |                  | <b>496,913</b>   |                  | <b>564,825</b>   |
| III. Securities   | 6     |                  |                  |                  |                  |
| 1. Treasury shares  |       |                  | <b>37,058</b>    |                  | <b>0</b>         |
| IV. Cash-in-hand, bank balances, and cheques  | 7     |                  | <b>146,328</b>   |                  | <b>63,131</b>    |
|   |       |                  | <b>737,856</b>   |                  | <b>883,438</b>   |
| <b>C. Prepaid expenses</b>  |       |                  | <b>1,296</b>     |                  | <b>3,665</b>     |
| <b>Total assets</b>   |       |                  | <b>1,169,011</b> |                  | <b>1,314,176</b> |

| Equity and liabilities   | Notes | 31 December 2009 |                  | 31 December 2008 |                  |
|--|-------|------------------|------------------|------------------|------------------|
|  |       | in €k            | in €k            | in €k            | in €k            |
| <b>A. Equity</b>   |       |                  |                  |                  |                  |
| I. Subscribed capital  | 8     |                  |                  |                  |                  |
| 1. Ordinary shares   |       |                  | 40,000           |                  | 40,000           |
| II. Capital reserves   |       |                  | 103,703          |                  | 103,703          |
| III. Revenue reserves  |       |                  |                  |                  |                  |
| 1. Legal reserve   |       | 51               |                  | 51               |                  |
| 2. Reserve for treasury shares                                   | 9     | 37,058           |                  | 0                |                  |
| 3. Other revenue reserves  | 10    | 437,830          |                  | 456,888          |                  |
|  |       |                  | <b>474,939</b>   |                  | <b>456,939</b>   |
| IV. Net accumulated loss (net retained profit)                   | 11    |                  |                  |                  |                  |
| 1. Retained profits brought forward                              |       | 925              |                  | 385              |                  |
| 2. Net loss (net income) after appropriation to revenue reserves |       | -81,643          |                  | 36,641           |                  |
|  |       |                  | <b>-80,718</b>   |                  | <b>37,026</b>    |
|  |       |                  | <b>537,924</b>   |                  | <b>637,668</b>   |
| <b>B. Provisions</b>   | 12    |                  |                  |                  |                  |
| 1. Provisions for pensions and similar obligations               |       | 70,497           |                  | 66,345           |                  |
| 2. Provisions for taxes  |       | 9,235            |                  | 14,072           |                  |
| 3. Other provisions  |       | 357,824          |                  | 403,995          |                  |
|  |       |                  | <b>437,556</b>   |                  | <b>484,412</b>   |
| <b>C. Liabilities</b>  | 13    |                  |                  |                  |                  |
| 1. Trade payables  |       | 116,402          |                  | 116,896          |                  |
| 2. Liabilities to affiliated companies                           |       | 53,938           |                  | 36,968           |                  |
| 3. Other liabilities   |       | 23,191           |                  | 38,232           |                  |
|  |       |                  | <b>193,531</b>   |                  | <b>192,096</b>   |
| <b>Total equity and liabilities</b>                              |       |                  | <b>1,169,011</b> |                  | <b>1,314,176</b> |

|  | Cost             |                               |                               | At<br>31 Dec 2009 | Depreciation,<br>amortisation,<br>and<br>write-downs<br>At<br>31 Dec 2009 | Carrying amounts  |                   |
|--|------------------|-------------------------------|-------------------------------|-------------------|---|-------------------|-------------------|
|  | At<br>1 Jan 2009 | (T)<br>Transfers<br>Additions | (T)<br>Transfers<br>Disposals |                   |   | At<br>31 Dec 2009 | At<br>31 Dec 2008 |
|  | €k               | €k                            | €k                            |                   |   | €k                | €k                |
| <b>Intangible fixed assets</b>   |                  |                               |                               |                   |   |                   |                   |
| 1. Concessions, industrial and similar rights and assets, and licenses in such rights and assets | 72,326           | 4,505                         | 168                           | 76,663            | 64,391  | 12,272            | 13,372            |
| <b>Tangible fixed assets</b>   |                  |                               |                               |                   |   |                   |                   |
|  |                  | (T) 12,198                    |                               |                   |   |                   |                   |
| 1. Land, including buildings on third-party land   | 279,062          | 18,770                        | 765                           | 309,265           | 100,732   | 208,533           | 185,784           |
|  | (T) 3,230        |                               |                               |                   |   |                   |                   |
| 2. Technical equipment and machinery   | 185,390          | 9,560                         | 1,335                         | 196,845           | 147,016   | 49,829            | 50,733            |
|  |                  | (T) 79                        |                               |                   |   |                   |                   |
| 3. Other equipment, operating and office equipment   | 149,290          | 13,527                        | 2,226                         | 160,670           | 121,189   | 39,481            | 40,323            |
|  |                  |                               | (T) 15,507                    |                   |   |                   |                   |
| 4. Prepayments and assets under construction   | 16,787           | 2,126                         | 0                             | 3,406             | 0   | 3,406             | 16,787            |
|  |                  | (T) 15,507                    | (T) 15,507                    |                   |   |                   |                   |
|  | <b>630,529</b>   | <b>43,983</b>                 | <b>4,326</b>                  | <b>670,186</b>    | <b>368,937</b>  | <b>301,249</b>    | <b>293,627</b>    |
| <b>Long-term financial assets</b>  |                  |                               |                               |                   |   |                   |                   |
|  |                  | (T) 6,000                     |                               |                   |   |                   |                   |
| 1. Shares in affiliated companies  | 123,292          | 9,291                         | 187                           | 138,396           | 52,909  | 85,487            | 88,572            |
|  |                  |                               | (T) 6,000                     |                   |   |                   |                   |
| 2. Loans to affiliated companies   | 30,377           | 7,800                         | 2,675                         | 29,502            | 0   | 29,502            | 30,377            |
| 3. Long-term securities  | 41               | 0                             | 0                             | 41                | 8   | 33                | 25                |
| 4. Other loans   | 1,100            | 216                           | 0                             | 1,316             | 0   | 1,316             | 1,100             |
|  |                  | (T) 6,000                     | (T) 6,000                     |                   |   |                   |                   |
|  | <b>154,810</b>   | <b>17,307</b>                 | <b>2,862</b>                  | <b>169,255</b>    | <b>52,917</b>   | <b>116,338</b>    | <b>120,074</b>    |
|  |                  | (T) 21,507                    | (T) 21,507                    |                   |   |                   |                   |
|  | <b>857,665</b>   | <b>65,795</b>                 | <b>7,356</b>                  | <b>916,104</b>    | <b>486,245</b>  | <b>429,859</b>    | <b>427,073</b>    |

## General disclosures

### Legal basis

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

The total cost (nature of expense) method has been used for the income statement.

### Currency translation

Receivables and liabilities in currencies other than the euro are measured using the exchange rate applicable at the time of initial recognition. Where foreign currency items have been hedged, they are measured at the hedge rates. Any unrealised losses resulting from the exchange rates at the reporting date are recognised accordingly. Unrealised foreign currency gains are not recognised.

## Accounting policies

### Accounting policies

Accounting is done in accordance with the provisions for corporations. There are no departures from the accounting policies requiring disclosure under § 284 (2) No. 3 of the German Commercial Code.

### Assets

Acquired intangible fixed assets are recognised at the cost that must be capitalised and are amortised on a straight-line basis over an estimated useful life of three to 20 years.

Tangible fixed assets are measured at cost less scheduled depreciation. The cost of internally generated plant and equipment includes all costs that are directly attributable to the production process as well as an appropriate portion of indirect material and labour costs.

Depreciation and write-downs of tangible fixed assets are carried out using the highest applicable rates under the law. The current German tax depreciation schedules were used for additions in Germany in 2009. Buildings and moveable items of fixed assets of KRONES AG are depreciated using the declining balance method wherever possible. All other fixed assets are depreciated using the straight-line method. For assets depreciated using the declining balance method, depreciation switches to the straight-line method if it results in higher depreciation.

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

|                                |             |
|--------------------------------|-------------|
| Buildings                      | 25–50 years |
| Machinery                      | 5–20 years  |
| Technical equipment            | 5–25 years  |
| Operating and office equipment | 3–20 years  |
| Software and other rights      | 3–20 years  |

Assets of low value are recognised as an expense in the year they are acquired. Pursuant to tax rules, assets with a cost of between €150 and €1,000 are pooled and depreciated or amortised over a useful life of 5 years using the straight-line method.

Shares in affiliated companies are recognised at amortised cost.

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

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

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

Receivables, other assets, and securities classified as current assets are recognised at cost. Identifiable risks are accounted for through specific valuation allowances. General credit and financing risks are accounted for by way of global valuation allowances. Delinquent accounts and non-interest-bearing items with longer terms are discounted based on the expected date of payment. Export receivables in foreign currencies are recognised using the exchange rate at the transaction date or at the reporting date, whichever is lower. Hedged items are recognised at the hedged exchange rate.

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

#### ■ Equity and liabilities

The reported provisions for pensions are measured according to the entry age normal method.

Other provisions are recognised for obligations to third parties when an outflow is probable and there is uncertainty regarding the amount or timing of its utilisation. They are recognised in the amount deemed necessary according to prudent commercial practice to take all identifiable risks and uncertain obligations into account. Measurement is based on the probable amount.

Liabilities are carried at the higher of the nominal value and the repayment amount. Trade payables in a foreign currency that are not hedged are recognised at the exchange rate applicable upon receipt of the invoice or the rate applicable at the reporting date, whichever is higher.

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

## Notes to the balance sheet

### Assets

#### Fixed assets

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

#### 1 Intangible assets

The addition relates primarily to software licenses (€4,177k).

#### 2 Tangible fixed assets

The addition to land and buildings results primarily from the expansion of the Neutraubling (€14,470k), Nittenau (€2,563k), and Freising (€1,711k) sites. Capital expenditure for the remaining tangible fixed assets amounting to €25,239k relates primarily to capacity expansion and updating at the production sites.

#### 3 Long-term financial assets

The additions to long-term financial assets relate primarily to capital increases at KOSME S.R.L., Roverbella/Italy and KRONES Machinery (Taicang) Co. Ltd., Taicang/China as well as the acquisition of SMEFIN S.R.L., Roverbella/Italy.

#### 4 Inventories

The carrying amount of inventories is down 5.8% compared with the previous year. Around 87.6% of inventories were prefinanced through prepayments from customers.

#### 5 Receivables and other assets

| in €k                                 | 31 Dec 2009    | Amounts due in 1 year or later | 31 Dec 2008    | Amounts due in 1 year or later |
|---------------------------------------|----------------|--------------------------------|----------------|--------------------------------|
| Trade receivables                     | 372,634        | 16,777                         | 430,123        | 17,758                         |
| Receivables from affiliated companies | 69,311         |                                | 72,767         |                                |
| Other assets                          | 54,968         | 25,995                         | 61,935         | 24,372                         |
|                                       | <b>496,913</b> | <b>42,772</b>                  | <b>564,825</b> | <b>42,130</b>                  |

Of the trade receivables, 15.6% are due from customers in Germany and 84.4% are due from customers outside Germany.

The receivables from affiliated companies result from deliveries effected or services rendered between group companies.

## 6 Securities within current assets

The addition to securities within current assets relates to treasury shares of KRONES AG. A resolution by the annual shareholders' meeting on 18 June 2008, authorised KRONES AG to buy back its own shares totalling up to 10% of the current share capital pursuant to § 71 (1) No. 8 of the German Stock Corporation Act.

Under the share buyback programme, from 22 January 2009 up to and including 18 May 2009, the company repurchased a total of 1,425,421 treasury shares at an average price of €26.00 per share (incl. incidental costs), for a total value of €37,057,981.93.

## 7 Cash-in-hand, bank balances

| in €k         | 31 Dec 2009    | 31 Dec 2008   |
|---------------|----------------|---------------|
| Cash-in-hand  | 9              | 13            |
| Bank balances | 146,319        | 63,118        |
|               | <b>146,328</b> | <b>63,131</b> |

## 8 Subscribed capital

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

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

By resolution of the annual shareholders' meeting of 20 June 2007, a stock of authorised capital was established. With this authorised capital, the Executive Board may, with approval of the Supervisory Board, increase the share capital by a total of up to €10,000,000.00 through the issuance once or repeatedly of ordinary bearer shares against cash contributions up to and including 31 May 2012. Shareholders must be granted subscription rights to these shares.

The annual shareholders' meeting on 17 June 2009 passed a resolution authorising the company to buy treasury shares totalling up to 10% of the current share capital on its behalf up to and including 16 December 2010. The holdings of shares acquired for this purpose, combined with other treasury shares previously acquired and still held by the company, shall not exceed 10% of the share capital of KRONES AG. The acquisition may be carried out, at the discretion of the Executive Board, through a stock exchange, through a public tender offer, or through a public call for tenders.

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

If the shares are purchased through a public tender offer or a public call for tenders, the tender price per share or the high and low ends of the price range per share shall not exceed by more than 20% and not fall short of by more than 20% the opening price in the XETRA trading system on the Frankfurt Stock Exchange on the third trading day prior to the public announcement of the tender offer or call for tenders.

By resolution of the shareholders' meeting on 17 June 2009, the Executive Board is authorised to use treasury shares of KRONES AG for any lawful purpose.

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

## 9 Reserve for treasury shares

For the share buyback programme, a reserve for treasury shares has been recognised in the amount equal to the amount recognised for treasury shares on the assets side of the balance sheet by way of a transfer from the other revenue reserves in accordance with § 272 (4) of the German Commercial Code (HGB).

## 10 Other revenue reserves

| €k  | 2009           | 2008           |
|---|----------------|----------------|
| At 1 January  | 456,888        | 389,888        |
| Appropriation from net income for the year by the Executive Board                 | 0              | 35,000         |
| Appropriation from previous year's net income by the annual shareholders' meeting | 18,000         | 32,000         |
| Appropriation to the reserve for treasury shares                                  | -37,058        | 0              |
|   | <b>437,830</b> | <b>456,888</b> |

## 11 Net accumulated loss (net retained profit)

| €k  | 2009           | 2008          |
|---|----------------|---------------|
| Net loss (net income) after appropriation to revenue reserves | -81,643        | 36,641        |
| Retained profits brought forward                              | 925            | 385           |
|   | <b>-80,718</b> | <b>37,026</b> |

## 12 Provisions

Under a pension scheme KRONES AG has committed to providing old-age, permanent disability, and widow(er)'s pensions to all employees who started at KRONES AG prior to 1999. Recognition of the pension provisions is based on actuarial valuations. The calculation is based on the 2005 actuarial tables and a calculated interest rate of primarily 5.5%. Direct pension obligations that are not covered by the assets of KRONES Unterstützungsfonds e.V. amount to €6,153k.

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

The other provisions cover all identifiable risks and other uncertain obligations.

These are essentially provisions for personnel obligations, including partial retirement (€84,874k), and order-specific provisions (€229,210k) that include, in particular, installation work not yet performed, warranties, anticipated losses, and outstanding supplier invoices.

### 13 Liabilities

Of the liabilities reported, €1,073k in other liabilities have a term of between one and five years. All other liabilities have a term of less than one year. No collateral was issued on liabilities.

The liabilities to affiliated companies result from deliveries effected or services rendered between group companies.

The other liabilities contain tax liabilities amounting to €5,574k (previous year: €21,591k) and social security liabilities totalling €968k (previous year: €1,777k).

### 14 Contingent liabilities

| in €k   | 31 Dec 2009   | 31 Dec 2008   |
|---|---------------|---------------|
| Contingent liabilities from bill guarantees           | 7,900         | 45,142        |
| Contingent liabilities from guarantees and warranties | 4,236         | 530           |
|   | <b>12,136</b> | <b>45,672</b> |

The contingent liabilities from bill guarantees result from the issuance and transfer of trade bills. The risks relating to guarantees and warranties, of which €0k relate to affiliated companies, are primarily prepayment guarantees.

### 15 Other financial liabilities

| in €k                       | 31 Dec 2009   | 31 Dec 2008   |
|-----------------------------|---------------|---------------|
| Rental and lease agreements | 27,898        | 33,629        |
| Maintenance contracts       | 17,142        | 11,469        |
|                             | <b>45,040</b> | <b>45,098</b> |

The lease liabilities result primarily from a lease agreement containing a right of first refusal on a parcel of land with a production hall in Neutraubling.

The liabilities from maintenance contracts are related to IT (hardware and software) and office communication devices. There are no financial liabilities to affiliated companies.

### 16 Sales

| Breakdown by region | 2009  | 2008  |
|---------------------|-------|-------|
| Germany             | 13.0% | 13.9% |
| Rest of Europe      | 28.6% | 38.7% |
| Other regions       | 58.4% | 47.4% |

### 17 Other operating income

| Prior-period income in €k  | 2009          | 2008          |
|--|---------------|---------------|
| Income from disposal of fixed assets   | 111           | 423           |
| Income from reversal of provisions   | 18,359        | 15,530        |
| Income from reduction in specific and global valuation allowances on receivables | 6,246         | 5,228         |
| Income from reduction in the discounting of receivables                          | 477           | 0             |
| Income from derecognition of liabilities   | 2,304         | 1,477         |
| Income from adjustments arising from tax audits                                  | 0             | 582           |
| Other prior-period income  | 430           | 337           |
|  | <b>27,927</b> | <b>23,577</b> |

### 18 Personnel expenses

| in €k   | 2009           | 2008           |
|---|----------------|----------------|
| Wages and salaries  | 428,804        | 481,775        |
| Social security, post-employment and other employee benefit costs | 81,595         | 84,312         |
| of which for old age pensions                                     | 7,617          | 7,654          |
|   | <b>510,399</b> | <b>566,087</b> |

| Average number of employees for the year (excluding trainees) | 2009         | 2008         |
|---|--------------|--------------|
| Industrial employees  | 2,993        | 3,049        |
| Commercial/technical employees                                | 4,577        | 4,527        |
| Total   | <b>7,570</b> | <b>7,576</b> |

The company employed 478 trainees on average in 2009 (previous year: 441 trainees).

### 19 Depreciation, amortisation, and write-downs

Scheduled amortisation and write-downs of intangible fixed assets amounting to €5,250k were taken on industrial and similar rights and assets, and licenses in such assets.

Scheduled depreciation and write-downs of tangible fixed assets amounting to €35,784k were taken on land and buildings (€7,752k), technical equipment and machinery (€13,685k), and other equipment, operating and office equipment (€14,347k). Unscheduled depreciation and write-downs totalled €822k.

### 20 Other operating expenses

The other operating expenses include prior-period expenses from losses on disposal of fixed assets €267k (previous year: €60k), from losses on receivables €340k (previous year: €351k), and miscellaneous prior-period expenses €15k (previous year: €149k). The miscellaneous other operating expenses include operating costs (€77,342k), administrative expenses (€40,808k), and selling expenses (€156,087k).

## 21 Financial income (expense), net

| Income from long-term equity investments in €k                   | 2009          | 2008         |
|--|---------------|--------------|
| Income from long-term equity investments in affiliated companies | 10,756        | 12,492       |
| Interest income (expense)  |               |              |
| Income from other securities and long-term loans                 | 761           | 980          |
| Other interest and similar income                                |               |              |
| from affiliated companies  | 106           | 168          |
| from other companies   | 4,288         | 3,392        |
| Interest and similar expenses                                    |               |              |
| to affiliated companies  | -1,116        | -1,969       |
| to other companies   | -2,184        | -5,956       |
| Net interest income (expense)                                    | 1,855         | -3,385       |
| Write-downs on long-term financial assets                        | -18,188       | -16          |
| <b>Net financial income (expense)</b>                            | <b>-5,577</b> | <b>9,091</b> |

The write-downs on long-term financial assets relate to shares in affiliated companies.

## 22 Taxes

The item »taxes on income« includes tax charges for the fiscal year. The income tax expense includes prior-period tax expenses of €6,493k and prior-period tax income of €11,302k.

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

## Other disclosures

### 23 Shareholdings

A complete presentation of shareholdings is made public through the electronic Federal Gazette (elektronischer Bundesanzeiger).

### 24 Corporate Governance Code

Shareholders can view the declaration of the Executive Board and the Supervisory Board pursuant to § 161 of the German Stock Corporation Act concerning the Corporate Governance Code as amended on 18 June 2009 at KRONES AG's website. The exceptions are also listed there.

### 25 Notifications of shareholdings in KRONES AG

The company has been notified of the following shareholdings pursuant to §§ 21 et seq of the German Securities Trading Act (WpHG) of 9 July 2004:

| Name of shareholder                             | Total share of voting rights | Of which attributable indirect voting rights pursuant to § 22 (2) of the Securities Trading Act |
|---|------------------------------|---|
| Mr. Volker Kronseder, Germany                   | 54.04%                       | 43.91%  |
| Mr. Harald Kronseder, Switzerland               | 54.04%                       | 43.92%  |
| Mr. Norman Kronseder, Germany                   | 54.04%                       | 43.85%  |
| Mr. Gunther Kronseder, Germany                  | 54.04%                       | 49.82%  |
| Beteiligungsgesellschaft Kronseder mbH, Germany | 54.04%                       | 34.85%  |
| Kronseder Holding GmbH, Germany                 | 54.04%                       | 53.84%  |

### Related parties

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

### 26 Audit fees

Expenses of €380k (previous year: €380k) were incurred in fiscal 2009 for the legally mandated audits of the annual financial reports and the consolidated financial reports. Expenses totalling €158k (previous year: €106k) were incurred for tax advisory services.

### 27 Derivative financial instruments

The derivative financial instruments, with a fair value of €0.4m (previous year: -€1.4m), essentially cover the currency risks relating to the New Zealand dollar, the US dollar, and the Chinese renminbi (yuan). A provision of €0.6m was recognised for derivative financial instruments with a net loss. The fair value includes the difference between the forward rate received from the relevant commercial bank and the rate at the reporting date as well as appropriate premiums or discounts for the expected price development through maturity. The financial instruments are essentially composed of forward exchange contracts at a secured volume of €50.4m (previous year: €46.7m).

We propose to the annual shareholders' meeting on 16 June 2010 that the net accumulated loss be carried forward to new account.

Further, we propose to the annual shareholders' meeting that no dividend be paid for fiscal 2009.

Neutraubling, 30 March 2010  
KRONES AG

The Executive Board



Volker Kronseder  
(Chairman)



Hans-Jürgen Thaus  
(Deputy Chairman)



Rainulf Diepold



Werner Frischholz



Christoph Klenk

Following fulfilment of the requirements for application of the German Codetermination Act [Mitbestimmungsgesetz] of 1976 in 1987, the Supervisory Board was extended from six to twelve members. Pursuant to § 8 (1) of the articles of association, six members are elected by the shareholders in accordance with the German Stock Corporation Act (§§ 96 (1) and 101). Six members are elected by the employees pursuant to §§ 1 (1) and 7 (1) Sentence 1 No. 1 of the Codetermination Act.

#### Supervisory Board

Ernst Baumann  
Chairman

Dr. Lorenz M. Raith  
Chairman

until 17 June 2009

\* LEISTRITZ AG

MOLL AG

PRÜFTECHNIK AG

HEITEC AG

Werner Schrödl\*\*

Chairman of the Central Works  
Council

Deputy Chairman

Herbert Gerstner\*\*

Member of the Works Council  
until 17 June 2009

Dr. Klaus Heimann\*\*

Director of the Youth,  
Training and Qualification  
Policy Division of IG METALL

\* MAN AG

Dr. Jochen Klein

Chairman of the advisory council  
of DÖHLER HOLDING GMBH

\* DÖHLER GROUP

HOYER GROUP

Prof. Dr. Ing. Erich Kohnhäuser  
\* MAX AICHER STAHL AG

Norman Kronseder

KRONSEDER FAMILY OFFICE

\* BAYERISCHE FUTTERSAATBAU  
GMBH

Philipp Graf

von und zu Lerchenfeld

Member of the Bavarian Landtag,

Dipl.-Ing. agr., auditor and tax  
consultant

since 17 June 2009

Dr. Alexander Nerz

Attorney

Johann Robold\*\*

Member of the Works Council  
since 17 June 2009

Anton Schindlbeck\*\*

Head of sales for LCS

Jürgen Scholz\*\*

1<sup>st</sup> authorised representative

and treasurer of the IG METALL  
administrative office in Regensburg

\* INFINEON TECHNOLOGIES AG

Josef Weitzer\*\*

Chairman of the Works Council

\* Member of the Board of Directors  
of Sparkasse Regensburg

#### Executive Board

Volker Kronseder  
Chairman

Group Communication,  
Personnel Management  
and Social Affairs

\* KRONES INC., USA

Hans-Jürgen Thaus

Deputy Chairman

Finance, Controlling,

Information Management

and Process Management

\* KURTZ GMBH

KRONES INC., USA

MASCHINENFABRIK REINHAUSEN

GMBH

Rainulf Diepold

Marketing and Sales

Werner Frischholz

Materials Management  
and Production

Christoph Klenk

Research and Development,

Engineering and Product Divisions

\* WINKLER & DÜNNEBIER AG

\* Other Supervisory Board seats held, pursuant to § 125 (1), Sentence 3 of the German Stock Corporation Act

\*\* Elected by the employees

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

### Executive Board compensation

The structure of the compensation system for the Executive Board was discussed in detail and determined by the Supervisory Board on the basis of the recommendations contained in the German Corporate Governance Code.

These recommendations for members of the executive boards of listed stock corporations contain the following compensation elements:

- Fixed elements
- Variable elements that are payable annually and based on business performance and
- Variable elements that serve as long-term incentives containing risk factors

The criteria for determining the appropriateness of the compensation include but are not limited to the tasks of the respective member of the Executive Board, his responsibilities, his personal performance and experience, and the economic situation, performance, and outlook of the enterprise, taking into account its peer companies.

For fiscal 2009, the direct fixed remuneration of the five active members of the Executive Board was €2.450k (previous year: €2,250k). This fixed amount is the base pay stipulated in the members' contracts and is paid out in equal monthly amounts as a salary. This remuneration is generally reviewed as part of the negotiations relating to the extension of the members' contracts. In addition, the members of the Executive Board received fringe benefits in the form of non-cash benefits (company car) amounting to €89k (previous year: €87k).

The variable compensation is based on the achievement of company performance targets. The reference figures are consolidated net income (the primary point of reference) and consolidated sales. The gradation of the targets is determined by the Supervisory Board each year. The variable compensation contains risk elements and is thus not guaranteed compensation. Due to the loss posted for 2009, the members of the Executive Board received no variable compensation for the year (previous year: €1,837k).

In keeping with the recommendations of the Corporate Governance Code, the Supervisory Board adopted a long-term »performance incentive plan« containing risk elements at its meeting on 17 March 2005. Under this provision, each member of the Executive Board receives a performance incentive that is paid out after no less than ten years of service as a member of the Executive Board of KRONES AG. Board members serving for less than ten years are not entitled to the performance incentive.

The performance incentive is calculated from the relevant Board member's fixed annual remuneration at the time of appointment to the Executive Board and the development of the enterprise value from the time of entry onto the Board to the time at which payment of the incentive comes due.

EBIT, EBITDA, and consolidated sales are used as the basis for calculating enterprise value. If the current enterprise value is less than it was at the time the member joined the Executive Board, the respective member is not entitled to the performance incentive.

Provisions of €1,489k (previous year: €1,790k) were recognised for the performance incentive.

At KRONES AG there are and have been no stock-option plans or comparable securities-oriented long-term incentive components of remuneration for Executive Board members.

Pension provisions of €9,188k (previous year: €7,668k) were recognised for active members of the Executive Board.

Disclosure of the total compensation made to each board member by name as recommended under item 4.2.4 of the German Corporate Governance Code and under § 285 (1) No. 9a Sentences 5-9 and § 314 (1) No. 6a Sentences 5-9 of the German Commercial Code (HGB) is not being implemented. It is the belief of KRONES AG that such disclosure would conflict with personal privacy rights.

Thus, as resolved by the annual shareholders' meeting on 21 June 2006, detailed disclosure of each individual board member's compensation will not be made before the end of the day 20 June 2011, as provided for under § 286 (5) of the German Commercial Code.

On the other hand, details relating to the structure of the compensation are essential for assessing the appropriateness of the compensation structure and whether it results in an incentive effect for the Executive Board.

For former members of the Executive Board and their surviving dependents, payments amounting to €688k (previous year: €671k) were made and pension provisions of €848k (previous year: €664k) were recognised.

### Supervisory Board compensation

Compensation of the members of the Supervisory Board is governed by the articles of association and resolved by the annual shareholders' meeting. For fiscal 2009, the articles of association as amended by the annual shareholders' meeting on 17 June 2009 apply.

The Supervisory Board's compensation consists of two components, an annual fixed remuneration of €10,000 and a variable compensation. The Chairman of the Supervisory Board receives twice the amount of the fixed remuneration and the Deputy Chairman of the Supervisory Board receives one and one half times the fixed remuneration amount. The variable compensation is based on consolidated net income per share. Each member of the Supervisory Board receives €2,000 for each €0.30 by which total consolidated net income per share exceeds €1.00.

For fiscal 2009, net income per share is negative, at -€1.13. On this basis, no member of the Supervisory Board received a variable compensation.

Members of the Supervisory Board who belong to special committees within the Supervisory Board receive additional compensation of €10,000 annually as well as flat-rate reimbursement for expenses.

The total remuneration paid to members of the Supervisory Board amounted to €175k (previous year: €343k) including variable portions totalling €0k (previous year: €168k).

Moreover, the members of the Supervisory Board receive a flat €600 fee per meeting as reimbursement for their expenses unless they submit proof of having incurred higher expenses.

Members of the Supervisory Board who belonged to the board for only a portion of the fiscal year receive pro-rated compensation.

The company has no stock option plans or similar securities-oriented incentive systems. Thus, there are also no stock-option plans or similar long-term incentive components of remuneration for members of the Supervisory Board.

We have audited the annual financial statements, comprising the balance sheet, the income statement, and the notes to the financial statements, together with the accounting records and the management report of KRONES Aktiengesellschaft, Neutraubling, for the financial year from 1 January 2009 to 31 December 2009. The accounting records and the preparation of the annual financial statements and the management report in accordance with German commercial law are the responsibility of the company's management. Our responsibility is to express an opinion on the annual financial statements together with the accounting records and on the management report based on our audit.

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

Our audit has not led to any reservations.

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

Regensburg, 30 March 2010

KPMG Bayerische Treuhandgesellschaft  
Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft

Rupprecht  
Wirtschaftsprüfer  
(German Public Auditor)

Medick  
Wirtschaftsprüfer  
(German Public Auditor)

|                       |  |
|-----------------------|--|
| Affiliated companies  | See subsidiaries   |
| Cash Flow             | Financial figure that indicates the surplus of cash and cash equivalents (net income plus depreciation, amortisation, and write-downs)   |
| Corporate governance  | Responsible corporate management and supervision that is oriented toward long-term value creation.   |
| DAX                   | Deutscher Aktienindex (DAX). Index containing the 30 biggest German companies (based on market capitalisation and trading volume).   |
| EBITDA                | Earnings before interest, taxes, depreciation and amortisation.  |
| EBIT                  | Earnings before interest and taxes.  |
| EBT                   | Earnings before taxes.   |
| Equity                | Funds made available to the company by the owners by way of contribution and/or investment plus retained earnings (or losses).   |
| Fixed assets          | Assets intended to serve the company's business operations for the long term.  |
| Free float            | Portion of the total number of shares outstanding that is available to the public for trading.   |
| Market capitalisation | The value of a company based on the market price of issued and outstanding ordinary shares. Calculated by multiplying the share price by the number of shares.                     |
| MDAX                  | Index that contains the 50 biggest German and non-German companies (based on market capitalisation and trading volume) in the traditional sectors after those included in the DAX. |

|                               |   |
|-------------------------------|---|
| Net cash and equivalents      | Cash and highly liquid securities under current assets less liabilities to banks.   |
| Price-earnings (PE) ratio     | The PE ratio is an important ratio for evaluating shares. It is calculated by dividing the share price by earnings per share. Shares with a lower PE ratio are a better value.  |
| Return on equity              | Ratio of net income to equity   |
| Return on equity before taxes | Ratio of earnings before taxes to average equity.   |
| ROCE                          | Ratio of EBIT to average capital employed (total assets less interest-free liabilities and interest-free other provisions).   |
| ROI                           | Return on investment. Ratio of earnings before taxes to total capital.  |
| ROS                           | Return on sales. Ratio of earnings before taxes to sales.   |
| Subsidiaries                  | All companies that are controlled, directly or indirectly, by a parent company due to majority interest and/or common management.   |
| Total debt                    | Combined term for the provisions, liabilities, and deferred income stated on the liabilities side of the balance sheet.   |
| Working capital               | Working capital is calculated as current assets less cash and cash equivalents and less trade payables. Working capital expresses the portion of assets that are working for the company, ie generating sales revenues. |
| XETRA trading system          | Electronic stock market trading system.   |

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This Annual Report is also available in German. We would be happy to mail you a copy on request. You can also find it in the Investor Relations section at [krones.com](http://krones.com).

This English language report is a translation of the original German Geschäftsbericht der KRONES AG 2009. In case of discrepancies the German text shall prevail.