

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

Annual Report 2010

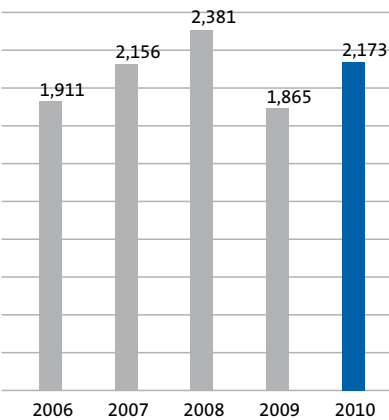
We always strive to give our customers added value. In all of our products and services. This commitment is reflected in KRONES' corporate values, which derive from our core strengths.

KRONES is »securing value for a strong future«, »creating value with powerful solutions«, and »respecting values in effective dialogue«.

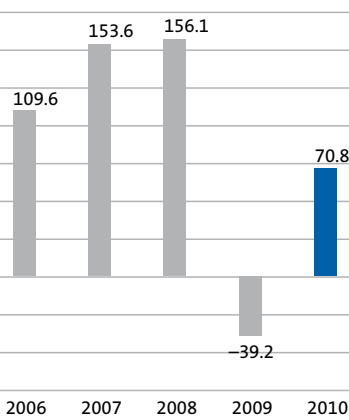
These words do much more than dress the cover of our 2010 Annual Report. They guide our employees in their work every day. The feature stories in this report illustrate how this is happening in various parts of the company.

At a glance: sales, earnings, employees, dividends

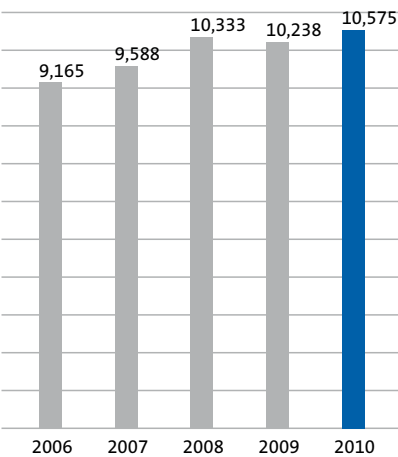
KRONES Group sales (€ million)



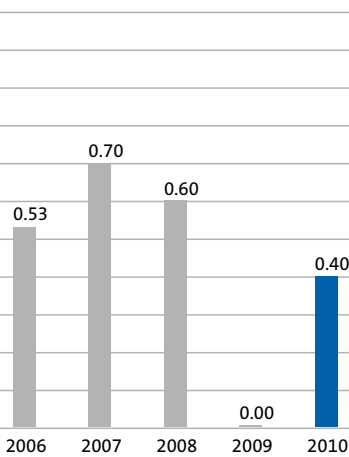
KRONES Group EBT (€ million)



KRONES workforce



KRONES Group dividend (€)



KRONES COMPACT

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Foreword by the Executive Board

Dear shareholders and friends of KRONES,

After having posted a loss in the wake of the financial and economic crisis of 2009, KRONES embarked on the 2010 fiscal year with cautious optimism. Although the international beverage and packaging industry had recovered from its shock-induced paralysis at the end of 2009 and our markets were slowly improving, we at KRONES knew that it was no time for exuberance. Many economic risks still lurked. Our goal at the start of 2010 was to at least recoup the previous year's net loss. We did far better than that. New orders at KRONES rose 14.5% to €2,193.5 million in 2010 and sales rose 16.5% to €2,173.3 million. And we generated consolidated net income of €50.9 million (previous year: net loss of €34.5 million).

This success did not simply fall into our laps. It was the result of much hard work. In 2010 we continued to implement »Conversion«, a raft of measures launched at the outset of the economic crisis. With that, we were able to further reduce costs. But KRONES has been careful not to cut back in the wrong places. Our decision not to lay off any of our employees despite the crisis-induced slump proved to be right on the money. Because we held on to our staff, we were able to easily meet last year's rising demand with the same high quality for which we are known.

Macroeconomic uncertainties make it difficult to predict whether 2010 marks the beginning of a long, sustained upswing in our industry. We do not expect the market to grow continuously. Instead, we expect demand for our products and services to fluctuate more sharply than it has in the past. For this reason, we continue our efforts to make KRONES more flexible in general so that we can better react to such shifts. In other words, we will expand our capacities with caution during this upswing. KRONES must be able to handle the growing volume of new orders within our existing structure. We made important progress toward this goal in 2010. For example, we expanded our employees' flextime accounts so that they can now accommodate a surplus or deficit of up to 300 hours depending on our orders situation. We are also simplifying our production processes. Instead of manufacturing myriad individual components, we are increasingly producing complete modules and assemblies. This reduces the number of interfaces in production and enables us to operate more efficiently. For example, last year we began assembling the entire blow-moulding station for the Contiform, the machine on which PET preforms are made into bottles, in our Nittenau plant. Previously, we had produced some parts of the station in Neutraubling. The new pipe machining centre in Neutraubling is also helping to make our production substantially more cost-effective.



»The decision to keep our core workforce throughout the financial and economic crisis has already paid off in 2010.«

Volker Kronseder
Chairman of the Executive Board

KRONES is becoming more flexible in every respect in order to cope with the challenges of the future.

As these examples show, much is happening at KRONES and we are untiring in our efforts to excel. There are great days ahead at KRONES, as we can see from our outstanding successes at major trade fairs like Brau Beviale, K 2010, and China Brew & Beverage. At these fairs, we have observed that customers are once again craving innovation. As technology leaders, we are able to satisfy this desire better than any of our competitors. In another encouraging development, customers are now willing to pay more for machines and lines that give them real added value.

Our enviro programme puts us at least one step ahead of the competition. Machines and lines that bear the enviro label help our customers conserve energy and other resources. That helps to substantially lower the total cost of ownership, which includes ongoing operating costs alongside the initial price of acquiring the machines.

KRONES' enviro programme is a success.

The notion of added value must pervade our entire organisation. Not for nothing is our new strategy programme entitled »Value«. The programme's basic features are described in the strategy section of this report on pages 8 to 11. But even the most sophisticated strategy can only succeed if it is implemented by a qualified, highly motivated workforce. I firmly believe that our team is up to the task.

On behalf of the entire Executive Board, I would like to thank our employees for their outstanding work in 2010. For we know that our people are the true value of KRONES.



Volker Kronseder
Chairman of the Executive Board

Ladies and Gentlemen,

In 2010, 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, the company's financial position, and the company's risk management and strategy in the form of written and oral reports, both in and outside the regular Supervisory Board meetings.

The first of four regular meetings of the Supervisory Board in 2010 was held on 12 March. In this meeting, the Executive Board presented the preliminary consolidated financial statements for 2009 and provided explanations for the key figures. The Executive Board then commented on the current business situation and gave its outlook for the first half of 2010. After that, the Supervisory Board discussed the oversight duties specified by Germany's Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz – BilMoG). Under these rules, the Supervisory Board must monitor the accounting and financial reporting process, the audit of the financial statements, and the effectiveness of the internal control system, the risk management system, and the internal audit system. The Supervisory Board resolved to delegate these tasks to the Supervisory Board Committee. Also at its first meeting, the Supervisory Board unanimously agreed to renew the mandate of Executive Board Chairman Volker Kronseder through 31 December 2015.

The second meeting of the Supervisory Board was held on 26 April. Representatives from KRONES' auditing firm were present for a portion of the meeting. The auditors explained the annual and consolidated financial statements for 2009 and fielded questions from the Supervisory Board. After the auditors' detailed explanations, the Supervisory Board approved and thus adopted the 2009 annual financial statements and the 2009 consolidated financial statements along with the management report and consolidated management report for fiscal 2009. The Supervisory Board and the Executive Board also discussed the agenda for the annual shareholders' meeting, which would be held on 16 June 2010. The Supervisory Board and the Executive Board agreed that no dividend would be proposed to the annual shareholders' meeting since the company had posted a loss for fiscal 2009.

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 three quarters of 2010. According to the Executive Board report, new orders, sales, and earnings continued to develop favourably. The Executive Board presented to the Supervisory Board its current assessment of potential risks for the company as well as the most important product innovations.



Ernst Baumann
Chairman of the Supervisory Board

The fourth and final meeting of the Supervisory Board for 2010 was held on 24 November. The main focus of this meeting was on planning for fiscal 2011. The Executive Board explained, among other things, its sales, production, and human resources planning. In order to ensure KRONES' competitiveness and catch up on capital investments that had been postponed during the crisis, the Executive Board requested that the capital spending budget be increased considerably over the previous year's. The Supervisory Board unanimously approved the capital expenditure planning for fiscal 2011 as put forward by the Executive Board.

The Supervisory Board concurs with the audit result

The annual financial statements of KRONES AG, the consolidated financial statements, the management report for KRONES AG, and the consolidated management report prepared by the Executive Board for the period ended 31 December 2010 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 2010 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 21 April 2011. Representatives of the auditing firm also participated in the meeting and reported to the Supervisory Board on their findings and the areas on which their review focused.

The Supervisory Board noted and approved the audit result. The final results of the examination by the Supervisory Board prompted no objections. The Supervisory Board has 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 unappropriated profit. The annual financial statements for KRONES AG are thereby adopted.

The members of the Supervisory Board would like to thank the Executive Board and all employees for their excellent work in 2010.

Neutraubling, April 2011

The Supervisory Board



Ernst Baumann
Chairman of the Supervisory Board

Plant planning

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

Beverage production technology

- Brewhouse and cellar systems

Systems for filling and packaging

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



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

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

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

IT solutions

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

Internal logistics

- Warehousing systems
- Order-picking systems
- Conveyor systems

Lifecycle Service

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



Looking back on a successful past with »Impulse«

A look back over the past decade or so confirms that KRONES' decision to launch the »Impulse« programme back in 1999 was, literally, »right on the money«.

In the years from 1999 until the economic crisis hit in 2009, KRONES increased new orders, sales revenue, and profits from year to year. As a result, we were able to offer our customers innovative technology and the highest quality and give our workers attractive, secure employment. In nine consecutive years of record profits, KRONES rose to become the world's market leader and, for shareholders, increased the company's market capitalisation fivefold.

»Conversion« preserved the gains made under »Impulse«

At the end of 2008, KRONES began to feel the impact of the financial and economic crisis. We reacted swiftly, launching »Conversion« to get the company ready to weather the storm. Our efforts paid off. In 2009, the comprehensive measures saved KRONES more than €140 million. Moreover, »Conversion« enabled us to preserve the successes that had been achieved under our »Impulse« growth programme.

In this time of change, »Value« will carry us to a successful future

Now – in early 2011 – the global economic crisis appears to be over. But a sense of uncertainty remains. The crisis showed how illusory forecasts are and how susceptible the closely intertwined global economy is to shocks and trend reversals.

We have arrived at a critical juncture for KRONES' long-term success. The world and our markets have undergone a marked change. We can feel an increase in protectionism around the globe. The financial markets remain highly risky. Raw materials and energy prices are rising at an accelerating pace. And there seems to be no recipe for escaping the upward spiral of public and private debt. The unstable political situation in regions like Northern Africa and the Middle East also holds inestimable risks. All in all, the current situation really provides no solid ground for long-term business plans. History has shown us that the days of linear growth planning are over and we must now learn to deal with uncertainty, volatility, and trend reversals. In our quest for the right course for growth-driven, profitable development at KRONES, we have developed »Value«.

With our new strategy programme – entitled »Value« – we are addressing the changed circumstances worldwide and collaborating with our management-level employees to develop possible scenarios and formulate new goals for the years ahead.

Thus, »Value« is a new form of goal-oriented leadership that is capable of understanding complex system dynamics and causal relationships, bringing together the best minds from all of our divisions and departments, and working together to best master the new challenges KRONES faces, with creativity and commitment.



With »Value«, KRONES aims to continue to grow profitably in the future.

*Hans-Jürgen Thaus
 Deputy Chairman of the Executive Board*

Long-term growth trends for KRONES generally secure

This strategy programme is based on a thorough analysis of the economy as a whole, our industry, our competitors and customers, and, not least, our own situation. Our business stands on a positive, stable base. Our market is experiencing long-term growth driven by megatrends like population growth and a rising standard of living in the emerging economies.

Germany is uniquely qualified for producing highly complex technology

Although demand for our products and services will increasingly come from Asia and other emerging economies, KRONES remains committed to Germany as a business location. The pool of highly qualified personnel, outstanding capacities for innovation, and the quality of local suppliers combine to make manufacturing in Germany uniquely competitive. A recent publication from the World Economic Forum, Davos (January 2011) confirms our assessment, stating that Germany/Europe is uniquely qualified for the production of highly complex technology and the most competent technology cluster worldwide.

With »Value«, KRONES intends to create value together

»Value« will promote internal cooperation and hold managers and employees more accountable for fostering a sustainable corporate culture of »creating value together«. We want to make KRONES even more attractive to customers, employees, and shareholders and optimise our resources. Moreover, we will further improve our capital structure, to ensure that we can remain profitable, on a healthy foundation, for the long term. And finally, we aim to enhance KRONES' strength by further developing our employees' expertise.

Value
create value
together

These topics are all subsumed under the following components of »Value«:

- Sales development
- Cost management
- Resource optimisation, and
- Leadership development.

Sales development

Under »sales development«, we are looking at our innovation and technology-driven growth markets. In other words, this aspect of the programme is about our customers and innovative products.

Our strategic aim is to secure and expand our leadership on the global market and our leadership in innovation. We will address such questions as how we can best meet our customers' expectations and requirements and how we can, at the same time, increase our competitiveness and our earnings.

The comprehensive measures that make up »Value« give KRONES a new strategic direction through 2015.

Some of the main themes are:

- Expanding and strengthening our business model as a total system supplier
- Optimising and boosting sales and distribution performance
- Stepping up our innovation management
- Developing tomorrow's core expertise...and much more

Cost management

The overarching goal here is to trim the entire KRONES Group to business excellence. Our strategic challenge here is: How can we boost our efficiency and productivity, optimise our costs, and substantially improve our profitability?

Examples of measures include:

- Improving the efficiency of all processes
- Expanding module production
- Reducing complexity and its follow-on effects
- Streamlining our organisation...and much more

Resource optimisation

We want to make optimal use of limited resources, increase our attractiveness, further develop and improve our capabilities, utilise opportunities in a purposeful manner, and at the same time minimise and control risks.

Examples of measures include:

- Achieving structural excellence
- Increasing flexibility
- Safeguarding liquidity and optimising cash flow and working capital
- Quality assurance...and much more

Leadership development – Success comes only when the best minds are put to the task

We are taking »value« literally and »creating value together«. But all of our ambitious goals can only be achieved through management working together with all KRONES employees.

KRONES needs the best people and leadership to meet the challenges of the future. Therefore, »Value« also looks at ways we can further improve our human resources management. KRONES must further enhance its employer branding in order to recruit the best people. We also need to take a target group-specific approach to recruiting. For instance, the best way for us to reach »Generation Y«, the technology-savvy young people who grew up with the Internet and mobile communications, is through social networking sites.

Promoting a healthy work-life balance will help us retain employees for the long term and keep employee turnover low. Attractive, international training and continuing education programmes will also score KRONES points among the best recruits. Recruits we urgently need.

»Creating value together« – employees and leadership are key

With »Value«, KRONES will get back on course for success and stay it well into the future. We know that our workforce is capable and committed to achieving these ambitious goals, even in a changed world.

We are proud of our company and we believe in our success. And we know that KRONES needs a strong team to continue »creating value together« in the future.



*Hans-Jürgen Thaus
Deputy Chairman of the Executive Board*

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

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

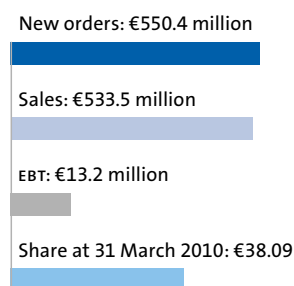
Volker Kronseder
*1953
Member of the Executive Board since 1989. Chairman since 1996. Personnel Management and Social Affairs, Corporate Communications.

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

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



Q1

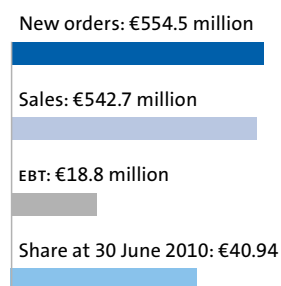


After a dramatic slump in 2009 in the wake of the financial crisis, KRONES was back on track for success in the first quarter of 2010. New orders totalled €550.4 million which is around one-third better than in the year-earlier period. Earnings before taxes in the period from January to March came to €13.2 million (previous year: –€4.0 million). Thus, even at the end of the first quarter it was becoming clear that the loss of 2009 was a one-time outlier.

KRONES' share price also developed well in the first three months of 2010. At €38.09 at the end of March, it was up more than 7% from the start of the year.

KRONES had increased its stake in KOSME to 100% back in 2009. The subsidiary, which produces machines and lines for the low output range, was given the KRONES logo in March 2010 to reinforce its connection with the parent company. The move is also a signal that the pace at KOSME will be quickening in order to generate better earnings in the future.

Q2

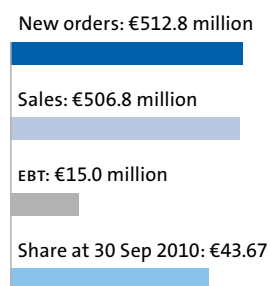


At the 30th annual shareholders' meeting on 16 June in Neutraubling, Germany, the shareholders adopted all of the resolutions on the agenda by a large majority. Because KRONES posted a loss for 2009, no dividend was paid.

With the Stromboli wort boiling system, which uses up to 40% less energy than conventional wort boiling systems, KRONES demonstrated that it is indeed possible to brew first-rate beers using little energy. The resource-saving boiler received the enviro label in May. KRONES awards the enviro label only to machines and lines that use energy and other resources efficiently. The process for conferring the enviro label has been certified by TÜV SÜD.

Growth at KRONES continued in the period from March to June. Sales rose nearly 23% year-on-year to €542.7 million and new orders were up by one-fifth. The high level of capacity utilisation is also reflected in earnings. Second-quarter earnings before taxes came to €18.8 million (year-earlier period: –€11.8 million).

Q3

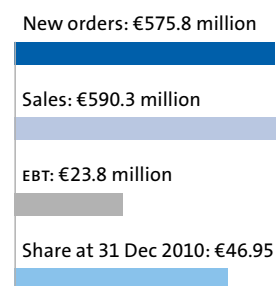


On 5 July, the CombiCube B brewhouse celebrated its world premiere at the Steinecker plant in Freising. The brewhouse features a compact design and standardised tanks for the mashing, lautering, and wort boiling processes, which use the same familiar technology as Steinecker's large tanks. With an annual output capacity of 150,000 hectolitres, it is particularly well suited for medium-sized breweries.

KRONES mourned the passing of company founder Hermann Kronseder, who died on 9 July 2010 at the age of 85. Hermann Kronseder started the company in 1951 and served as Chairman of the Executive Board until 1995.

Third-quarter earnings before taxes amounted to €15.0 million (previous year: –€11.1 million). Sales increased 15% to €506.8 million. Thus, at the end of nine months, the company was on track to achieve its target for the year. KRONES' share price also continued to improve. At the end of September, it closed at €43.67, up 23.0% from the start of the year.

Q4



Important trade fairs dominated the fall. K 2010, the world's premier trade fair for plastics and plastics processing, took place in Düsseldorf from 27 October to 3 November. There KRONES presented innovations in plastics technology, showcasing the Contiform S8 stretch blow-moulder with Flex-Wave heating technology. The new microwave heating system, which heats preforms prior to blow-moulding, uses substantially less energy than infrared technologies.

From 10 to 12 November, the international brewing industry convened for Brau Beviare in Nuremberg. There KRONES demonstrated how valuable resources can be saved in the brewhouse, with exhibits such as the Hydronic water treatment system and the EquiTherm energy recovery system.

Business also was brisk in the fourth quarter. At €575.8 million, new orders were up 14.8% year-on-year. Sales improved 17.8%. At €23.8 million (previous year: –€12.3 million), earnings before taxes were the highest of all four quarters of 2010.

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

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

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

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



The KRONES share

In 2010, loose monetary policy and improving economic data beginning in the second quarter gave the stock markets a strong boost. KRONES' share price gained 32.3% last year, to close at €46.95.





- Economic upturn and low interest rates boost stocks
- KRONES share price gains 32.3%
- Dividend of €0.40 planned

Share prices in Germany rose in 2010, with sharp ups and downs along the way. As the world economy recovered from its massive slump, cyclical stocks were especially popular. The KRONES share price climbed by nearly one-third, closing the year at €46.95.

The stock markets in 2010

The euro crisis was one of the dominant themes on the stock markets last year. With states like Greece, Ireland, Portugal, and Spain struggling under the weight of massive budget deficits, the markets were beset by fears that the euro could break apart under the burden. In June, one euro cost 1.19 US dollars, almost one-fifth less than at start of 2010. Even the €750 billion rescue package developed by the European Union in cooperation with the International Monetary Fund did not substantially calm the foreign exchange markets. Nevertheless, the DAX posted considerable gains, especially in the second half. The global economic recovery was also reflected in rising corporate profits. Low interest rates also helped fuel the share price rally. Although Germany's DAX blue-chip index fluctuated sharply in 2010, it closed the year at 6,914 points, for a total gain of 16.1%. The DAX had hit its low of 5,434 points in February. In December, it surpassed the 7,000-point mark and climbed to a 7,077 point high for the year.

Other European stock markets did not fare as well. The EURO STOXX 50 lost 6% last year, dragged down by plummeting share prices of financial institutions based in the European countries most troubled by the euro crisis.



»We are continually improving communication with our shareholders.«

Olaf Scholz
Head of Investor Relations

KRONES share price performance compared with the MDAX in 2010



KRONES' share price gained almost as much as the MDAX in 2010.



More of the latest information is available at www.krones.com/en/investor-relations.htm

Although economists in the USA worried about the country's economy and high rate of unemployment, the Dow Jones nevertheless gained 10% in 2010, due in part to the Fed's loose monetary policy. Japan's Nikkei index was down 3% at the end of 2010. The highly volatile Chinese stock market also came under pressure in 2010. The Shanghai Composite Index lost around 16%.

KRONES share posts strong gains

During the economic recovery of 2010, Germany's MDAX benefited from high demand for cyclical stocks – shares of consumer goods manufacturers, automotive component suppliers, and machinery manufacturers. Because it contains a larger proportion of cyclical stocks, the mid-cap index climbed far more sharply than the DAX in 2010, gaining 34.9%.

At the end of 2010, KRONES' share price was €46.95, almost one-third higher than at the start of the year.

The KRONES share also fared very well, gaining 32.3%. The share price made a robust recovery after hitting its low for the year of €34.35 on 28 January. Investors rewarded the fact that business at KRONES was picking up steadily and that the net loss posted amid the 2009 crisis was merely a one-time outlier. Accordingly, good company news and positive analyst commentaries accompanied the share price's climb. After many months of upward momentum, the share price hit resistance at around €44. The share suffered a few light losses before taking another run at €44. At the end of October, the KRONES share dropped almost 10% to around €40 on technical reasons. From there, the share kicked off a rally that gained speed at the end of the year. It broke through the resistance at €44 and then hit €47.05, its high for the year, on 27 December. The KRONES share closed 2010 at €46.95.

Key figures for the KRONES share

At 31 December		2010	2009	2008
Number of shares	million	31.59	31.59	31.59
Gross cash flow per share*	€	3.70	1.24	4.98
Equity per share*	€	25.16	22.65	25.00
Earnings per share*	€	1.68	-1.13	3.39
High	€	47.05	38.83	59.79
Low	€	34.35	22.00	27.52
Year's closing price	€	46.95	35.50	31.07
Price/earnings ratio (P/E)		27.9	–	9
Dividend per ordinary share	€	0.40 **	0.00	0.60

* Based on the weighted average of shares in circulation, 30.68 million shares

** Figures as per proposal for use of unappropriated profit

Portrait of the KRONES share

KRONES shares are no par value ordinary bearer shares. Each share carries one vote at the annual shareholders’ meeting. 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 2010, daily trading volume on the Frankfurt stock exchange and in Xetra trading averaged around 60,000 shares in total (previous year: just under 80,000). The lion’s share (around 98%) of trading was done on the Xetra trading system. The KRONES share is included in the MDAX, Germany’s mid-cap index.

Key data for the KRONES share

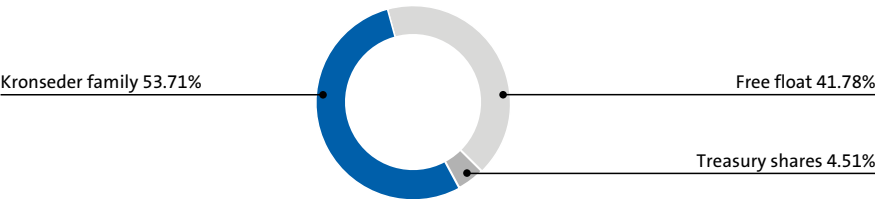
Ordinary shares	31,593,072
German securities identification number	WKN 633500
ISIN	DE 0006335003
Ticker symbol	KRN

Shareholder structure

The Kronseder family owns a majority stake in the company (53.71%). KRONES bought back a total of 1,425,421 treasury shares in 2009 and now holds 4.51% of the share capital. The free float is 41.78%.

[www.krones.com/de/
investor_relations/
aktionaersstruktur.htm](http://www.krones.com/de/investor_relations/aktionaersstruktur.htm)

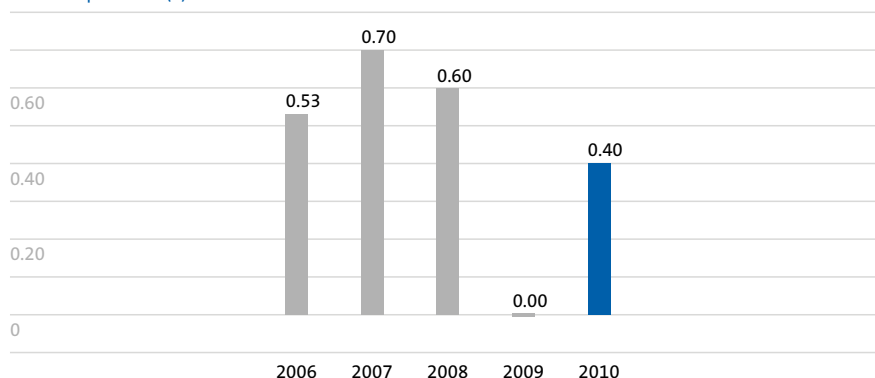
Shareholder structure (at 28 February 2011)



Dividend of €0.40 per share planned

KRONES wishes to give its shareholders an appropriate share in the company’s success. Our long-term dividend policy aim is to pay out 20% to 25% of profits in dividends. The Executive Board and the Supervisory Board of KRONES AG will propose to the annual shareholders’ meeting on 15 June 2011 that a dividend of €0.40 per share be paid out for 2010. In 2009, KRONES had posted a net loss and therefore did not pay a dividend.

Dividend per share (€)



Comprehensive investor relations activities

KRONES is included in Germany's MDAX index. For this reason, investors and analysts have high expectations of our investor relations activities. Our efforts are focused on informing all of our shareholders and stakeholders in an open and prompt manner. Most of our time is spent communicating with professional market participants, but we also provide immediate, in-depth responses to inquiries from individual investors.

In 2010, the Executive Board and representatives of the Investor Relations department participated in several investor conferences in Germany and abroad. We also visited investors and analysts and presented the company at numerous road shows in the world's financial centres. Interest in KRONES among investors in the US and the UK increased considerably during the reporting period. One topic that was important to investors was how KRONES intended to return to profitability after the losses of 2009. In response, we provided detailed information about our »Conversion« programme. Investors and analysts were also particularly interested in KRONES' strong position on the growing emerging markets.

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

The topic of sustainability is gaining importance among investors. In Europe alone, some €3,000 billion are being invested exclusively in shares of companies that meet the highest standards with respect to how they treat employees and the environment and what they give back to society. KRONES has for many years now placed great importance on ensuring that all of our company's activities are sustainable. Investors and analysts acknowledged the fact that the independent rating agency oekom research awarded KRONES Prime status in 2009.

Harmonious annual shareholders' meeting

The 30th annual shareholders' meeting of KRONES AG took place on 16 June 2010 in Neutraubling, Germany. Around 250 shareholders participated in the event. Although the shareholders received no dividend for fiscal 2009 due to the company's net loss, the shareholders' meeting was nevertheless a harmonious one as usual. All of the resolutions proposed were adopted by a large majority of the shareholders.

GDP growth in 2010

China
10.3%



Japan
3.9%



Germany
3.6%



USA
2.8%



Euro area
1.7%



- The global economy is making a strong recovery
- Germany is driving Europe's economy
- Machinery production is up 8.8%

World's economy grows 5.0%

In 2010, high levels of government debt among the industrialised countries and the euro crisis plagued the global economy as constant elements of uncertainty. Most economists were surprised that the world economy nevertheless grew 5.0%. At the start of 2010, economists with the International Monetary Fund (IMF) had expected less than 4% growth. There are several reasons why economic performance was better than forecast. Europe's governments and the IMF worked together to thwart the euro crisis using all means, including a €750 billion rescue package. Although this effort did not solve the problem permanently, it did prevent the euro from collapsing. In addition, the European Central Bank maintained a monetary policy that was almost as loose as the US Fed's.

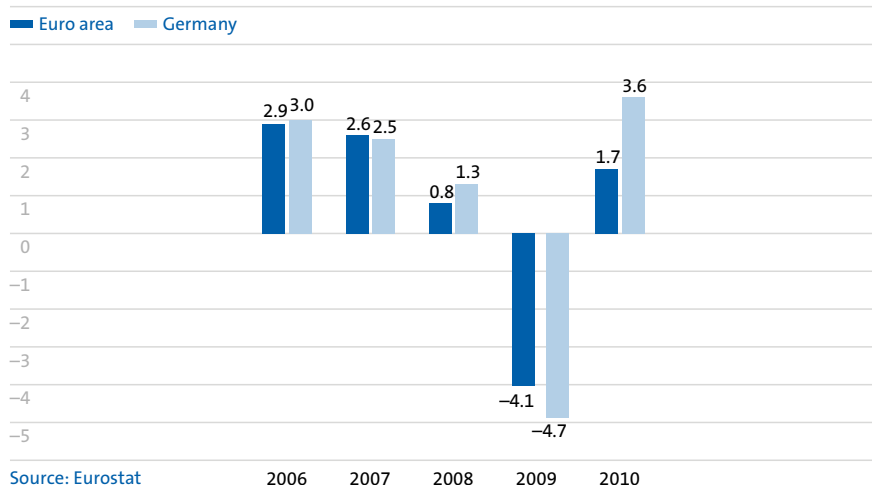
The Fed not only left key interest rates very low, it also bought back a large volume of US treasury bonds. With that, the central bank of the United States emphatically demonstrated its intention to prevent deflation and a double-dip recession. These moves did little to help the labour market and unemployment in the USA remained high in 2010. For this and other reasons, gross domestic product (GDP) growth remained subdued by US standards, at 2.8%.

Growth was considerably more robust in Asia. Although China's central bank raised interest rates and capped prices to keep the economy from overheating, the country's GDP nevertheless grew 10.3% in 2010. The economic engine was also humming in India (9% GDP growth) and many Latin American countries. Japan's GDP rose 3.9% last year, spurred by government-funded economic stimulus programmes.

The European economy weathered the euro crisis surprisingly well and outperformed mid-year expectations. Despite the deep recession in Greece and shrinking economic activity in countries like Spain and Ireland, euro area GDP grew 1.7% in 2010.

Low interest rates gave global economic growth an added boost in 2010.

Change in gross domestic product (%)



German economy grows 3.6%

In 2009, the massive economic slump in Germany caused GDP to contract 4.7% and also dragged Europe down. But in 2010, Germany once again took up the role of economic locomotive. Capital spending on machinery and industrial equipment increased substantially, as did exports. Even private consumption provided some momentum for growth. Together, these factors pulled Germany's GDP up 3.6% in 2010. At mid-year, nobody had thought Germany capable of posting the highest growth of all euro area economies. At that time, IMF experts were forecasting only 1.4% GDP growth for Germany.

Germany's economy transformed from laggard to locomotive in 2010.

Machinery sector makes great strides

After the dramatic slump of 2009, in which the financial and economic crisis caused output in Germany's machinery and industrial equipment sector to fall by almost one-quarter, things were looking up again for the sector in 2010. The first half in particular saw surges in new orders from Germany and abroad. Although momentum then slowed, the sector still fared better overall than the German Engineering Federation (VDMA) had predicted at the start of the year. As late as April, the VDMA was still expecting output to stagnate. Over the course of the year, the VDMA revised its forecast upward, first to 3% and then as high as 6%. In the end, output was up 8.8% from the previous year.

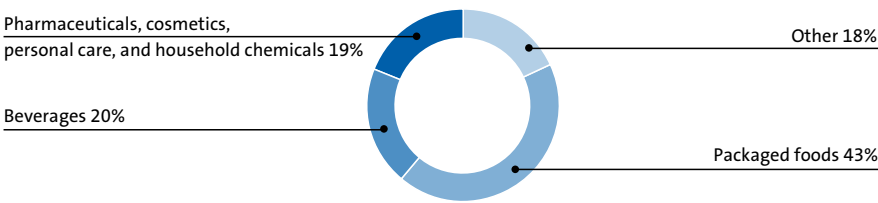
The market for packaging machinery

KRONES serves the global market for packaging machinery, which had a total revenue volume of around €21.5 billion in 2010. Beverage packaging lines make up around one-fifth of this volume and the lion's share of KRONES' sales. The greatest demand for packaging machinery comes from the food industry (43% of sales). The pharmaceutical, cosmetics, personal care, and household chemical industries combined account for around 20%, as do other industries such as tobacco and building materials.

Demand for packaging machinery has risen steadily as the world's population and prosperity continue to grow. With one exception: the year 2009. In the wake of the global financial and economic crisis, demand for packaging machinery dropped by around one-quarter. In 2010, the market recovered around 6%. Experts are predicting similarly high rates of growth for the years ahead. Demand from the beverage industry will likely grow faster than the packaging market as a whole. KRONES generated around 90% of its revenue through business with breweries, soft drink producers, and mineral springs in 2010. The other 10% of our revenue came from the sale of lines and services to companies in the food, chemical, pharmaceutical, and cosmetics industries.

The global market for packaging machinery grew around 6% year-on-year in 2010.

The global market for packaging machinery by application

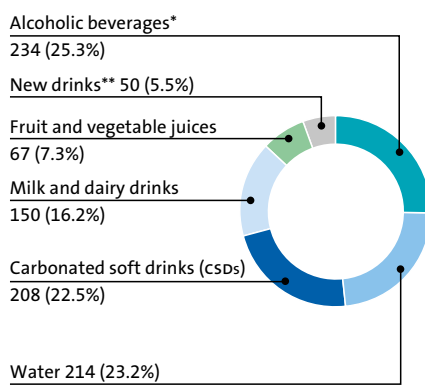


2010: €21.5 billion
Sources: Euromonitor, own estimates

Water is the most popular beverage worldwide

According to Euromonitor estimates, global consumption of packaged beverages increased 3.7% over 2009 to 923.5 billion litres in 2010. With that, the years-long growth trend continued. Food and drink are basic human needs that must be met, almost completely independent of economic cycles. Market analysts expect consumption of industrially packaged beverages to continue to expand alongside burgeoning prosperity in the emerging markets. Demand for packaged beverages is likely to rise 3.4% on average each year from 2010 to 2013.

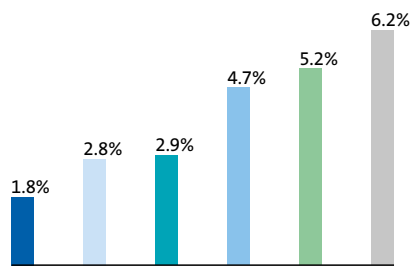
Global consumption of packaged beverages in 2010 (billion litres)



2010: 923 billion litres

Sources: Euromonitor, own estimates

Average annual growth of beverage types through 2013



Global consumption of industrially packaged beverages is expanding by around 3% each year.

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

Water is the most popular thirst quencher. In 2010, people around the world drank some 214 billion litres of bottled water. That corresponds to 23.2% of total beverage consumption. Demand for functional water – that is, water that has been fortified with vitamins and minerals – and flavoured water is growing. Water consumption is expected to increase by 4.7% on average each year through 2013.

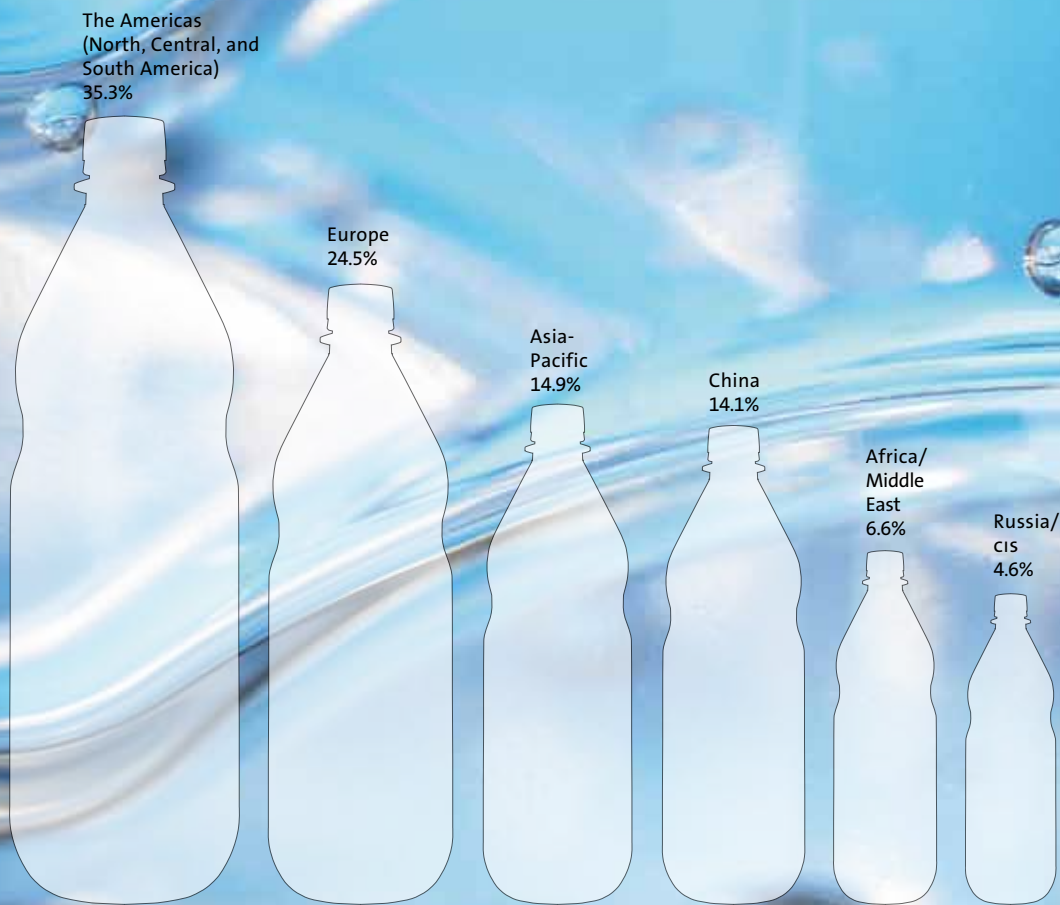
Because demand for carbonated soft drinks (CSDs) is almost saturated, particularly in the industrialised countries, CSD consumption is expected to rise only 1.8%. In 2010, people drank around 208 billion litres of CSDs worldwide, which corresponds to 22.5% of total beverage consumption.

Among alcoholic beverages, beer is the favourite. Last year, consumers quenched their thirst with more than 186 billion packaged litres of »the juice of the barley«. That puts beer's share of global beverage consumption at around one-fifth. While beer is rapidly gaining ground in Asia – especially China – demand in Europe and North America is growing only slowly. All told, beer consumption is likely to expand by around 3% on average per year through 2013. The world's citizens consumed around 125 billion litres of packaged milk in 2010 (share of total beverage consumption: 13.6%). Market analysts are forecasting about 2% annual growth for this, the fourth-largest, beverage segment.

Thirst is a constant

Beverage consumption worldwide is growing at average rates of over 3%. Thirst doesn't follow economic cycles. Even during the global financial and economic crisis of 2009, demand for packaged beverages remained stable.

As prosperity increases in emerging markets such as China and Africa, these regions' share of global beverage consumption is also growing. More than one-third of all packaged beverages are consumed in the Americas.



Shares of global beverage consumption in 2010

Sources: Euromonitor, own estimates

Beverage consumption by region

Packaged beverages	2010		2013		Annual growth %
	billion litres	%	billion litres	%	
Share of global consumption					
North America/Central America	183.3	19.8	185.5	18.2	0.4
South America	142.6	15.5	159.9	15.6	3.9
Asia-Pacific (incl. Japan)	137.3	14.9	156.6	15.3	4.5
Western Europe	136.7	14.8	141.9	13.9	1.2
China	130.3	14.1	166.0	16.2	8.4
Africa/Middle East	61.2	6.6	74.4	7.3	6.7
Central Europe	53.4	5.8	55.0	5.4	1.0
Russia/cis	42.8	4.6	45.7	4.5	2.2
Eastern Europe	35.9	3.9	37.2	3.6	1.2
Worldwide	923.5	100.0	1,022.2	100.0	3.4

Sources: Euromonitor, own estimates

Demand for packaged beverages is rising only slowly in the established industrialised countries, but growth is high in markets like China and Africa.

At just under 326 billion litres, more than one-third of all packaged beverages worldwide were consumed in the Americas in 2010. The world's largest regional beverage market is expected to expand by about 1.9% per year through 2013. While growth in North America will be slow, consumption of packaged beverages in South America is expected to increase by almost 4% annually.

Europeans consumed 226 billion litres of packaged beverages, almost a quarter of the worldwide total, in 2010. Consumption in Europe is expected to grow considerably more slowly than the global market, averaging 1.1%. The Chinese market promises the highest growth rates worldwide. China's booming economy is reflected in its burgeoning market for packaged beverages. Consumption of packaged beverages in China totalled around 130 billion litres in 2010 and is expected to exceed 166 billion litres in 2013. That corresponds to average annual growth rates of 8.4%. Experts are forecasting similarly rapid growth in demand for the Middle East and Africa. However, the beverage market there is only about half the size of China's.

Demand for PET packaging is rising

The most commonly used materials for beverage packaging are plastic, glass, metal, and paperboard (cartons). KRONES produces machines and lines for handling plastic and glass bottles and metal cans. Machines for producing, filling, and packaging PET bottles account for the largest share of our sales revenue.

When deciding which materials to fill their products in, beverage producers are giving increasing weight to environmental considerations alongside economic factors. Because plastic packaging offers many advantages in both of these respects, there has for years been a trend toward containers made of polyethylene terephthalate (PET).

In beverage production, packaging is responsible for the lion's share of costs. Simply put: The lighter the container, the higher the return. Innovative production processes have made it possible to continually reduce the amount of granulate needed to produce plastic bottles. KRONES has designed a 0.33-litre PET bottle that weighs only 4.4 grams. PET bottles require considerably less fuel to transport than glass bottles, which makes for economic and environmental benefits. Recyclability is another positive environmental aspect of PET bottles. KRONES' bottle-to-bottle PET recycling system processes used bottles and transforms them into food grade granulate that can be used to make new bottles. PET also offers another advantage for beverage companies: Because plastic bottles can be produced in myriad shapes and sizes, bottlers can use their packaging to distinguish their products from the competition.

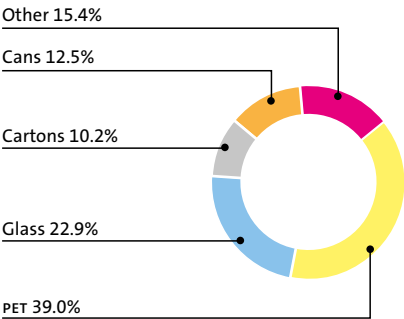
The amount of PET material needed to produce one container is shrinking steadily and PET bottles are 100% recyclable.

In 2010, 39% of all packaged beverages worldwide were bottled in PET. Plastic is an especially popular packaging choice for water and carbonated soft drinks. Thus, rising demand for water is an important force driving demand for PET packaging. The volume of beverages packaged in PET containers is expected to grow by 3.8% on average per year from 2010 to 2013. The second most popular packaging material based on packaged volume is glass (2010 share: 22.9%). Since consumption of beer, which is primarily bottled in glass, is likely to expand more slowly than the rest of the beverage market in the years ahead, expectations for growth in glass packaging are just 1.3%.

Metal cans took third place among packaging materials in 2010 (share: 12.5%). Since beer is increasingly being filled into metal cans instead of glass bottles, the volume of beverages packaged in cans is likely to expand by 3.7% on average per year through 2013.

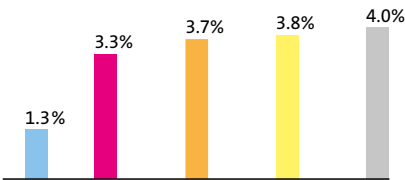
A good 10% of all packaged beverages went into paperboard cartons in 2010. Cartons benefited from rising demand for milk and milk-based drinks. In all, the volume of beverages packaged in cartons is expected to grow by 4% annually.

Global beverage market by packaging material in 2010



Sources: Euromonitor, own estimates

Average annual growth of packaging types through 2013



PET is the leading packaging material worldwide.

Germans love fruit juice

Sixty years ago, average per capita consumption of fruit juices and fruit nectars in Germany was just less than 2 litres per year. Today, it is up to around 37 litres. Germans are now the world champions in terms of fruit juice consumption. The most popular choice is orange juice, which surpassed apple juice for the top spot last year.



Consumption of fruit and vegetable juices in 2010 (billion litres)

Sources: Euromonitor, own estimates

Americans love carbonated soft drinks

Carbonated soft drinks are part of the American lifestyle. More than half of total csd consumption worldwide falls to North and South America. Because demand in North America is almost saturated, the segment is growing much more slowly worldwide than the beverage market as a whole. The Middle East and Northern Africa are the only regions where demand for carbonated soft drinks is likely to rise substantially.



Consumption of carbonated soft drinks in 2010 (billion litres)

Sources: Euromonitor, own estimates

KRONES' sales regions

The following provides an overview of the popularity of beverages in each of our most important sales regions as well as a breakdown of each regional beverage market by packaging material. The information is based on packaged beverage volume in litres.

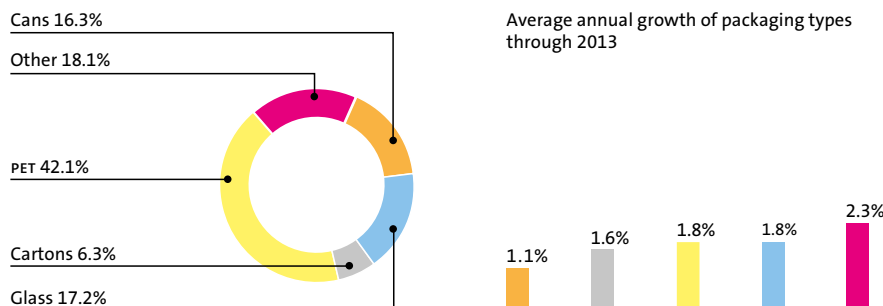
The Americas

North America

Carbonated soft drinks (CSDs) are the most popular thirst quencher in North America, accounting for around one-third of total beverage consumption. Because PET bottles and metal cans are the most common packaging material for CSDs, cans hold a greater share of the packaging market (23.8% in 2010) in North America than they do in the rest of the world. PET is the leading packaging material by far, with a market share of 46%. Water, North America's second most popular beverage, is also often packaged in PET. Glass containers and paperboard cartons, with shares of 10.6% and 3.4%, respectively, do not play a major role in North America.

North Americans consume around 60 billion litres of carbonated soft drinks each year.

Shares of the beverage packaging market in the Americas (North, Central and South America) in 2010



Sources: Euromonitor, own estimates

South America

CSDs are also the top beverage among South Americans, accounting for 34% of total consumption in 2010. Unlike in North America, CSDs are rarely packaged in cans in South America. The most common packaging material for CSDs here is PET, followed by glass. PET is also the overall leader among packaging materials in general in South America, with a share of 37%. Glass containers made up 25% of the market in 2010. Glass holds a considerably larger share of the market here than in North America because beer is most often bottled in glass in South America.

The Czechs are world champions in beer drinking

While beer output is declining in the industrialised countries of the West, beer is booming in China. China is far and away the biggest beer market, followed by the USA. But when it comes to per capita consumption, the Czechs are way out in front. On average, Czechs drank 155 litres of beer per person in 2009. Austria and Germany ranked second and third, at 106 litres and 104 litres, respectively.



Beer consumption in 2010 (billion litres)

Sources: Euromonitor, own estimates

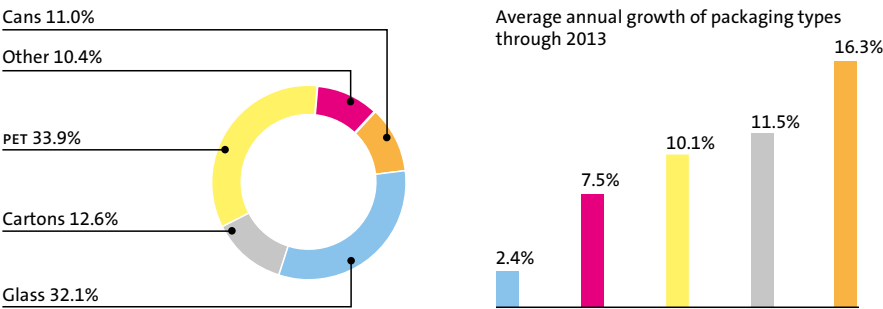
China

Like China’s entire economy, beverage consumption and therefore demand from the packaging industry is growing rapidly. The Chinese like beer. In 2010, beer made up more than one-third of all packaged beverages. The »juice of the barley« is packaged primarily in glass bottles. For this reason, glass holds a large share of the Chinese packaging market, 32.1%. But PET replaced glass as the leading packaging material last year, with a 33.9% share of the market. In China, as in the rest of the world, water is often bottled in PET. Plastic is also a preferred packaging material for tea as well as fruit and vegetable juices. Both of these beverage types are very popular in China, with consumption rising rapidly. Experts expect demand for PET packaging to grow 10% on average for the coming years.

Because beer is increasingly being packaged in cans in China, the average growth rate for cans will likely be above 16%. At present, cans make up 11% of the Chinese beverage packaging market, which puts them behind PET, glass, and even paper-board cartons (12.6%).

PET unseated glass as the leading packaging material in China in 2010.

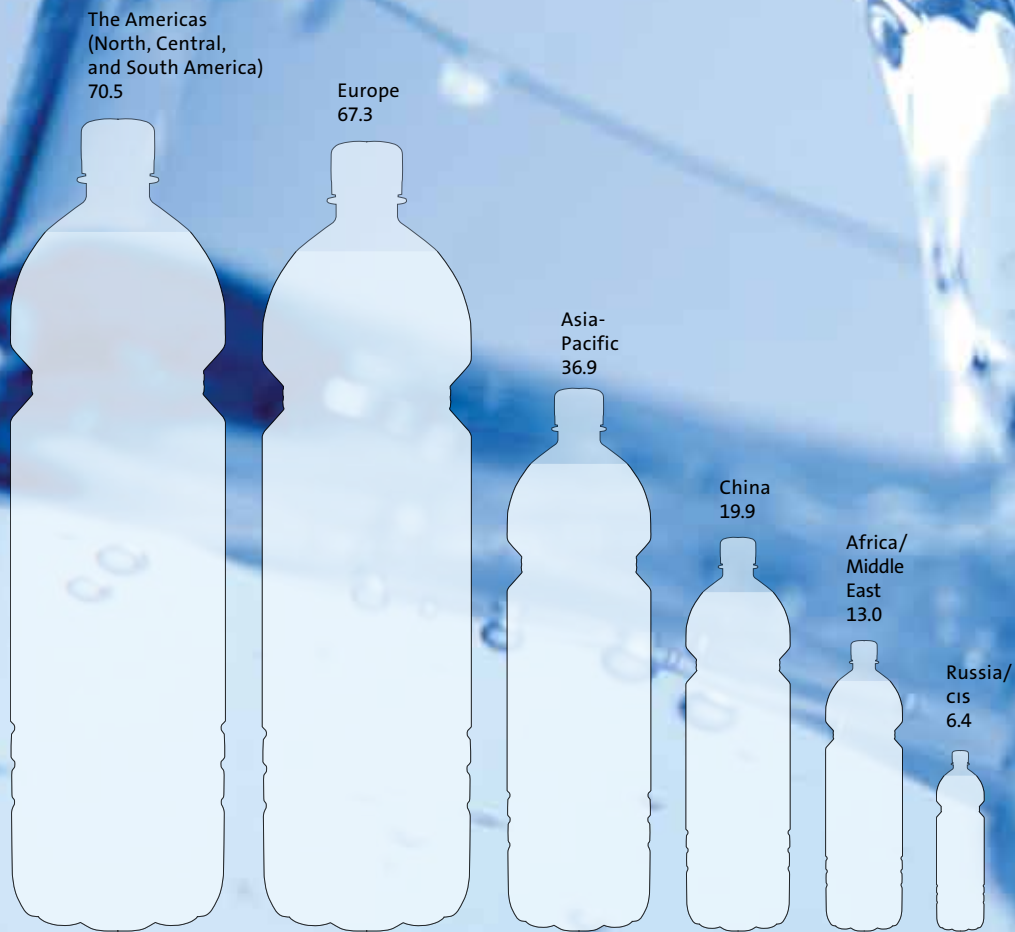
Shares of the beverage packaging market in China in 2010



Sources: Euromonitor, own estimates

Still water is popular

Demand for bottled water has been booming for years. In the period from 2010 to 2013, alone, water consumption is expected to grow almost 5% annually. And it's no wonder. Water is the perfect thirst quencher – and it's very versatile. It is available in many forms: still or carbonated, plain or flavoured, and even as functional water – that is, water that has been enriched with vitamins, minerals, and/or oxygen. While still water was once considered boring, it now accounts for around 80% of global consumption.



Water consumption in 2010 (billion litres)

Sources: Euromonitor, own estimates

Europe

Western Europe

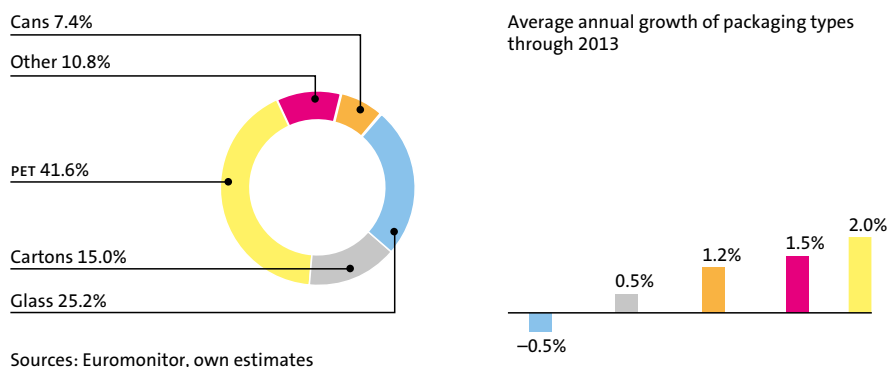
Bottled water makes up one-third of total beverage consumption in Western Europe. Around 80% of bottled water in the region is packaged in PET containers. Demand for milk is also high (market share: 19.7%). Western Europeans drink more milk than carbonated soft drinks (market share: 17.1%). On the packaging market, glass (20.3%) and paperboard cartons (14.6%) both trail far behind PET (42%). Glass and cartons are expected to lose even more ground in the years ahead as water consumption – and therefore demand for PET bottles – continues to rise.

Western Europeans drink more milk than carbonated soft drinks.

Central Europe

Water is also the most popular industrially packaged beverage in Central Europe. Of the total volume of beverages consumed in the region in 2010, bottled water accounted for around 25%. The popularity of beer is reflected in glass' large share of the regional packaging market (35.2%). PET is the leading packaging material in Central Europe, though, with a market share of 40.4%. Besides water, carbonated soft drinks are also primarily bottled in PET. Around 17% of all beverages, mostly milk and fruit and vegetable juices, were packaged in paperboard cartons in Central Europe in 2010.

Shares of the beverage packaging market in Western, Central, and Eastern Europe in 2010



Eastern Europe

With a 27% share of total beverage consumption, beer was the most popular thirst quencher among Eastern Europeans in 2010. Because beer consumption, unlike water consumption, is expected to increase only slightly in the future, water (2010 market share: 24.6%) will soon replace beer as the region's favourite beverage. This will further consolidate PET's lead among packaging materials in Eastern Europe. Last year nearly 42% of all beverages there were packaged in PET containers. Since beer is mostly bottled in glass in Eastern Europe, glass held a far larger share of the packaging market (28.7%) than paperboard cartons (13.5%) and cans (9.3%) in 2010.

Milk – it does a body good and it keeps well

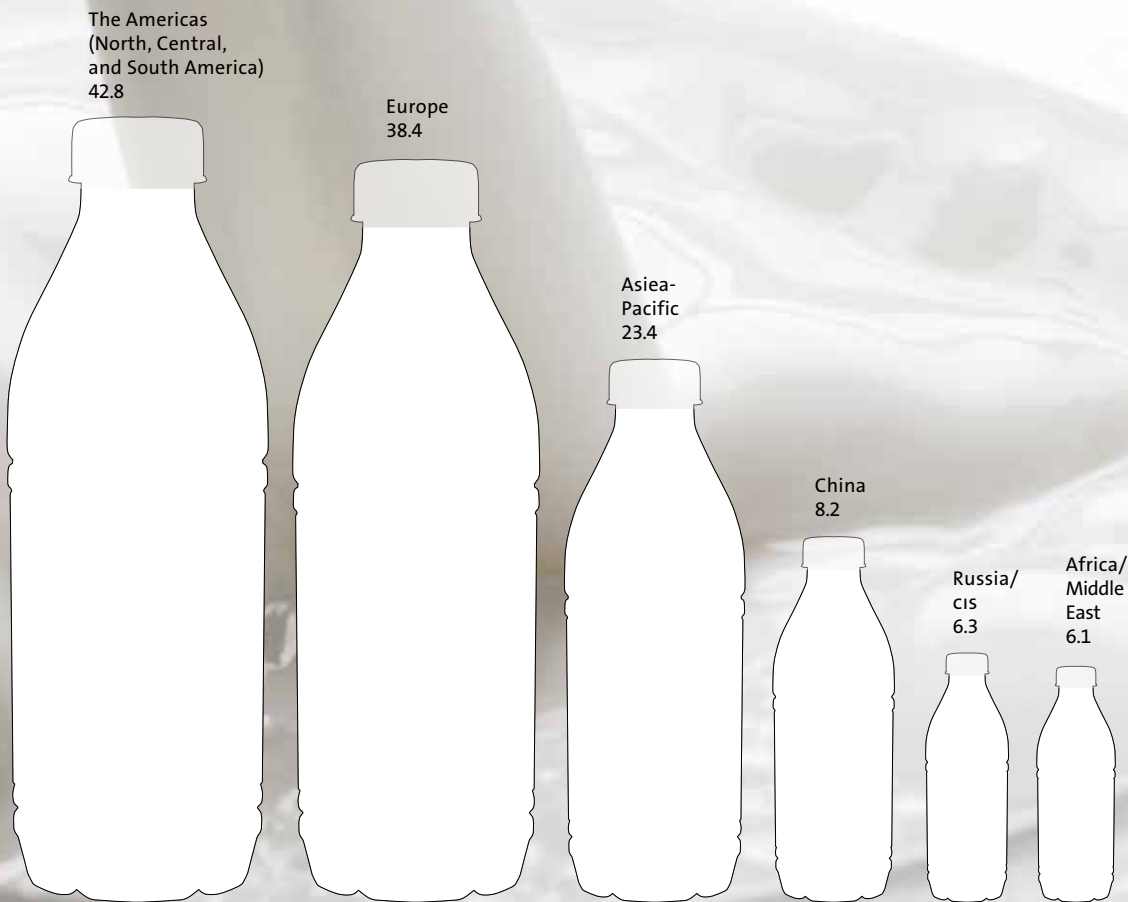
Milk is offered in many different varieties. It is easy for consumers to lose track of what is what. Basically, there are three types of milk: fresh milk, ESL milk, and UHT milk. The difference lies in how the raw milk is treated.

Fresh milk is pasteurised, that is, heated to between 72 and 75 degrees Celsius for 15 to 30 seconds. Milk loses about five percent of its vitamins in this process. Fresh milk will keep for up to 10 days in an unopened container.

Fresh milk is increasingly ceding market share to ESL milk. ESL stands for »extended shelf life«, which is achieved by briefly heating the raw milk to as high as 127 degrees Celsius in addition to regular pasteurisation. An alternative form of treatment is microfiltration, in which the skim milk is filtered separately from the cream and bacteria and spores removed. ESL milk has less vitamin content than fresh milk, but will keep at least twice as long.

UHT (or long-life) milk has been heated to 150 degrees Celsius and will keep for three months in an unopened container.

KRONES offers customised solutions for each treatment type.



Milk consumption in 2010 (billion litres)

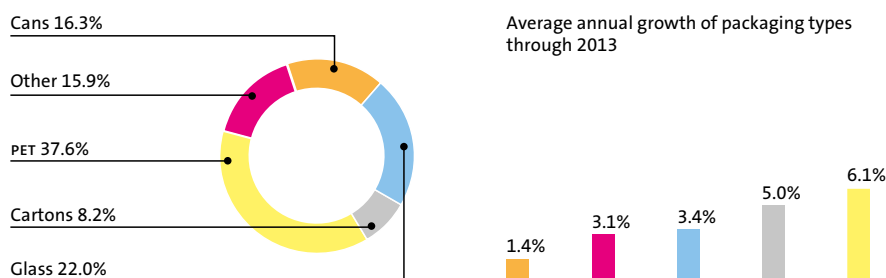
Sources: Euromonitor, own estimates

Asia-Pacific

People are very health conscious in the Asia-Pacific region. They drink a lot of water and milk. Demand for bottled water is growing more than 7% annually. In 2010, water accounted for 26.9% of total beverage consumption. Consumers' strong preference for water is good for PET, already the number one packaging material in the region. Last year 37.6% of all beverages there were bottled in PET. The volume of beverages bottled in PET is expected to increase by around 6% each year from 2010 to 2013.

The volume of beverages packaged in PET is rising by around 6% each year on average in the Asia-Pacific region.

Shares of the beverage packaging market in Asia/Pacific in 2010

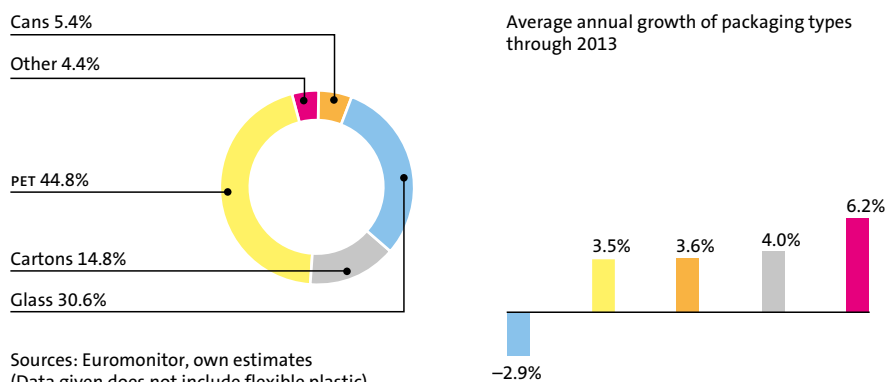


Sources: Euromonitor, own estimates
(Data given does not include flexible plastic)

Russia/cis

In Russia and the countries of the former Soviet Union, unlike in other parts of the world, beer is often bottled in PET as well as water and carbonated soft drinks. Since beer is very popular in the region, accounting for 31.9% of total beverage consumption in 2010, PET's share of the beverage packaging market is also higher than average (44.8%). However, demand for beer is almost saturated. Consumption of bottled water is growing more than 5% annually. Water is currently the third most popular beverage in the region with 15.0% of the market, behind CSDs (16.3%). Use of glass bottles (2010 market share: 30.6%) will likely decline because the schnapps market is shrinking and beer is increasingly being filled into PET bottles and cans.

Shares of the beverage packaging market in Russia/cis in 2010



Sources: Euromonitor, own estimates
(Data given does not include flexible plastic)

KRONES in figures

Due to the economic crisis, KRONES posted the first-ever net loss in the company's history in 2009. Last year, KRONES was back on track.

Sales were up 16.5% on the previous year, to €2,173.3 million. Net income for the reporting period was €50.9 million (previous year: –€34.5 million). KRONES had net cash and cash equivalents of €147.4 million at the end of 2010.

KRONES Group sales 2006–2010 (€ million)

1,911

2,156

2,381

1,865

2,173



2006

2007

2008

2009

2010

- Sales up sharply in 2010
- KRONES is back in the black
- KRONES proposes dividend of €0.40 per share

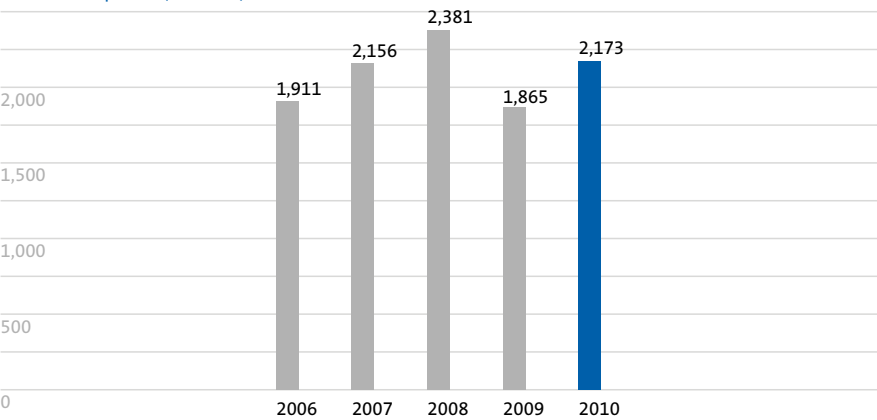
Sales improve 16.5% to €2,173.3 million

The global economic recovery in 2010 also benefited KRONES and the international packaging and beverage industries in general. The target market for our company’s products and services grew by an estimated 6% last year. During the crisis of 2009, we remained steadfast in our belief that our markets would recover quickly. For this reason, we maintained our workforce and production capacities despite the short-term negative impact on earnings. As a result, KRONES was well prepared to handle the growth that came with recovery and was able to benefit more than proportionately from last year’s surge in demand.

At €2,173.3 million, sales revenue for 2010 was up 16.5% on the previous year’s figure of €1,864.9 million. Both our new machinery business and our services business, which we expanded considerably in recent years, contributed to this improvement. The high rate of growth also reflects our strong position on the burgeoning Asian markets, particularly China. As the leading supplier of machines and lines for producing, filling, and packaging plastic (polyethylene terephthalate – PET) bottles, KRONES benefited from continued high demand for PET packaging. KRONES’ position as a full-service supplier, delivering complete solutions as well as individual machines, also paid off last year.

KRONES outpaced the market in 2010.

KRONES Group sales (€ million)



In 2010, sales at KRONES did not yet reach the record levels of 2008.

Sales by segment

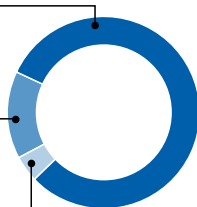
Sales in KRONES’ largest segment, »machines and lines for product filling and decoration«, increased 23.1% to €1,860.8 million (previous year: €1,511.8 million). The segment contributed 85.6% of consolidated sales. Sales in the »machines and lines for beverage production/process technology« segment declined 15.4% to €232.0 million (previous year: €274.1 million) and accounted for 10.7% of consolidated sales. In our smallest segment, »machines and lines for the lower output range (KOSME)«, sales improved 1.9% to €80.5 million (previous year: €79.0 million) and accounted for 3.7% of consolidated sales in 2010.

KRONES Group sales by segment

Machines and lines
for product filling
and decoration
85.6% (€1,860.8 million)

Machines and lines
for beverage production/
process technology
10.7% (€232.0 million)

Machines and lines
for the low output range
(KOSME)
3.7% (€80.5 million)

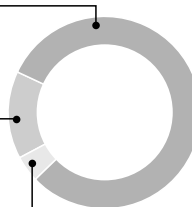


Sales in 2010: €2,173.3 million

Machines and lines
for product filling
and decoration
81.1% (€1,511.8 million)

Machines and lines
for beverage production/
process technology
14.7% (€274.1 million)

Machines and lines
for the low output range
(KOSME)
4.2% (€79.0 million)



Sales in 2009: €1,864.9 million

Further information can be found in the section »Reports from the segments«, which begins on page 56, and under »Segment reporting« in the notes to the consolidated financial statements on page 122.

Sales by region

After a slow start to 2010, KRONES' business in Germany gathered momentum as the year progressed. In part, this reflects the strengthening of the German economy over the course of the year. All told, revenue generated in Germany grew 22.4% year-on-year to €234.1 million (previous year: €191.3 million). The share of consolidated sales generated in Germany increased from 10.3% to 10.8% in the reporting period.

KRONES' ratio of exports to total sales was 89.2% in 2010.

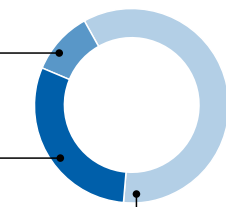
Sales in the rest of Europe in 2010 fell short of the year-earlier level. The Eastern European markets had not yet recovered from the deep slump they had suffered during the economic crisis. At €507.3 million, sales in Europe (excluding Germany) were down 10.2% in 2010 from the previous year's €564.9 million. We are confident that the situation will improve this year. At the time this report went to press, we were seeing appreciable signs of recovery, particularly in Russia. Only 23.3% of consolidated sales in 2010 were generated in the »Europe (excluding Germany)« sales region. In 2009, the figure was 30.3%.

KRONES Group sales by region

Germany 10.8%

Europe
(excl. Germany)
23.3%

Other regions 65.9%

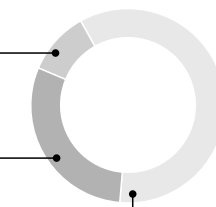


Sales in 2010: €2,173.3 million

Germany 10.2%

Europe
(excl. Germany)
30.3%

Other regions 59.5%



Sales in 2009: €1,864.9 million

Business was much better in the rest of the world during the reporting period, with demand from China, the rest of Asia, and South America up sharply from the previous year. KRONES' sales generated outside Europe rose 29.2%, from €1,108.7 million a year earlier to €1,431.9 million in 2010. That is the highest volume of sales revenue generated outside Europe in KRONES' history. Continued weak business in North America prevented our sales growth from being even stronger. In 2010, KRONES generated 65.9% of consolidated sales outside Europe (previous year: 59.5%).

Sales by industry

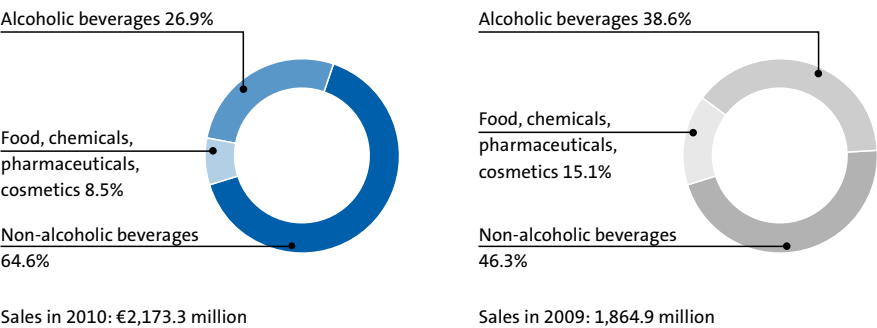
At €1,403.7 million (previous year: €864.3 million), sales to producers and processors of non-alcoholic beverages such as soft drinks, water, and juices were up 62.4% in 2010 compared to 2009. Demand from the bottled water industry picked up considerably in the reporting period. All told, the »non-alcoholic beverages« sector accounted for 64.6% of total sales (previous year: 46.3%).

More information is available at www.krones.com/en/branches.htm

Sales to companies in the »alcoholic beverages« sector declined 18.8% from €720.5 million to €585.3 million. Weak demand from Eastern Europe and Russia had a negative impact here. The sector's share of consolidated sales decreased from 38.6% to 26.9%.

Sales to companies in the »non-beverage« sector (food, chemicals, pharmaceuticals, cosmetics) were down 34.2% in 2010 to €184.3 million. The »non-beverage« sector contributed 8.5% of total sales (previous year: 15.1%).

KRONES sales by industry



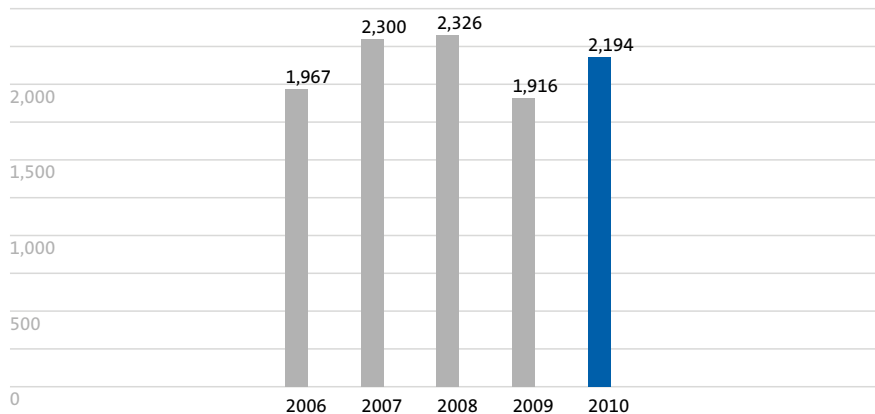
New orders up sharply

During the financial and economic crisis of 2009, fears of a lasting recession had our customers reluctant to make capital investments. The turning point that put our customers in a spending mood was the drinktec trade fair – the premier trade fair for our industry worldwide – which took place in September 2009 and was a great success for KRONES. The positive trend continued last year and demand for our products and services from companies in the international food and beverage industry grew steadily. In the fourth quarter of 2010, new orders totalled more than €575 million and thus inched closer to the pre-crisis level. All told, new orders at KRONES were up 14.5% year-on-year from €1,916.0 million to €2,193.5 million. Our product innovations contributed significantly to this improvement. In particular, our energy and resource-saving machines and lines were very well received.

New orders at KRONES were up 14.5% to €2,193.5 million last year.

KRONES had strong orders inflow from China last year. Demand for our products and services in the rest of Asia and in South America also rose sharply year-on-year. By contrast, the markets of Eastern Europe, which had slumped sharply in 2009, recovered very slowly. New orders in the United States also did not yet bounce back in 2010.

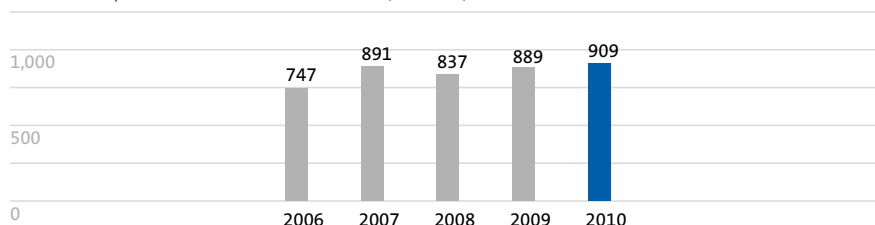
KRONES Group new orders (€ million)



Orders backlog at record level

At 31 December 2010, the company had orders on hand totalling €908.7 million (previous year: €888.5 million). That is the highest year-end orders backlog in our company's history. The comfortable orders cushion provides a good foundation on which to further build sales revenue in 2011.

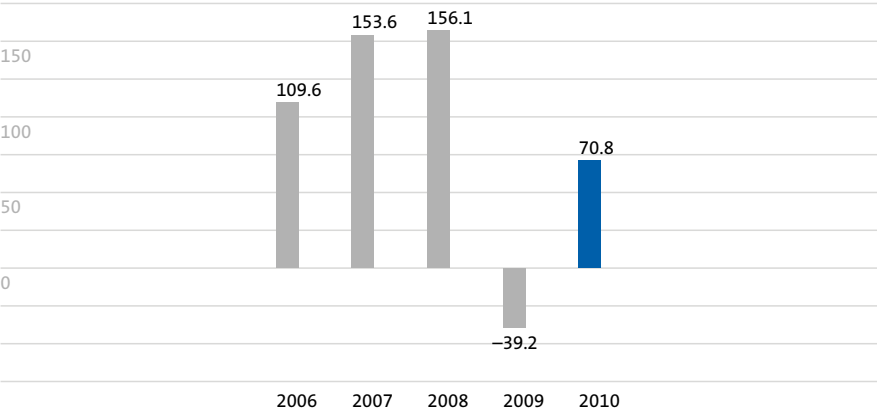
KRONES Group orders on hand at 31 December (€ million)



Earnings before taxes at KRONES improve by €110 million

Amid the crisis of 2009, KRONES had posted the first-ever net loss in the company's history. The general recovery of our markets and resulting increase in sales revenue helped us return to profitability in 2010. The substantial savings achieved through our »Conversion« programme contributed to the earnings boost. Earnings before interest and taxes (EBIT) turned around, from –€29.6 million in 2009 to €68.1 million. Thanks to our very solid financial base, we were able to generate interest income of €2.7 million in 2010. Thus, earnings before taxes (EBT) improved year-on-year from –€39.2 million to €70.8 million. The tense price situation prevented us from achieving an even better result. Although prices on our markets did improve somewhat compared with 2009 as demand increased, earnings quality in 2010 was still unsatisfactory. Last year's EBT margin of 3.3% – that is, the ratio of earnings before taxes to sales – fell far short of our medium-term margin target of 7%.

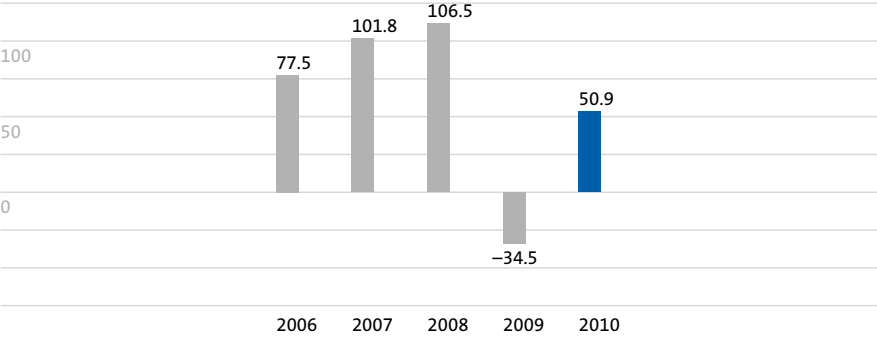
KRONES Group EBT (€ million)



The net loss incurred during the crisis was merely an outlier. KRONES once again generated strong earnings before taxes in 2010.

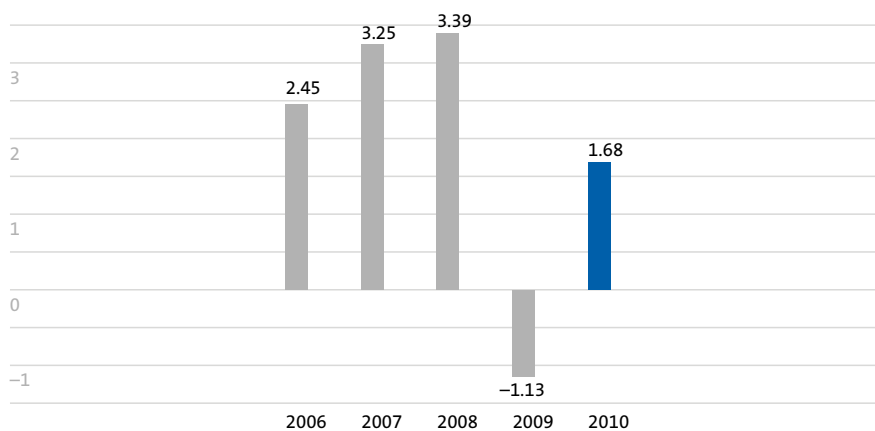
Because KRONES posted a profit in 2010, the company incurred an income tax expense of €19.9 million. Thus, the tax rate was around 28%. Net income for the reporting period was €50.9 million (previous year: –€34.5 million).

KRONES Group net income (€ million)



KRONES' capital stock is divided into roughly 31.59 million shares. Treasury shares (of which there are around 1.43 million) are not included in the calculation of earnings per share. Thus, earnings per share come to €1.68 for fiscal 2010 (previous year: –€1.13).

KRONES Group earnings per share (€)



KRONES Group earnings structure

€ million	2010	2009	Change
Sales revenue	2,173.3	1,864.9	+16.5%
Changes in inventories of finished goods and work in progress	25.9	-7.4	
Total operating revenue	2,199.2	1,857.5	+18.4%
Goods and services purchased	-1,118.9	-996.2	+12.3%
Personnel expenses	-685.5	-615.3	+11.4%
Other operating income (expenses) and own work capitalised	-266.0	-216.0	+23.1%
EBITDA	128.8	30.0	–
Depreciation, amortisation, and write-downs on non-current assets	-60.7	-59.6	+1.8%
EBIT	68.1	-29.6	
Financial income (expense)	2.7	-9.6	
EBT	70.8	-39.2	
Income tax	-19.9	4.7	
Net income (loss)	50.9	-34.5	

Consolidated net income improved from –€34.5 million to €50.9 million in 2010.

The KRONES Group's total operating revenue increased 18.4% year-on-year to €2,199.2 million in 2010. Analysis of the abridged separate income statement clearly shows how that affected earnings.

Under »Conversion«, KRONES insourced many manufacturing steps that had previously been contracted out to other companies. Nevertheless, expenses for services purchased, which are recognised under »goods and services purchased«, rose by almost one-quarter year-on-year to €214.4 million in 2010. The increase was due primarily to the fact that KRONES hired more temporary workers to handle the large orders backlog in 2010. At €1,118.9 million, total expenses for goods and services purchased were up 12.3% over the year-earlier figure of €996.2 million. Because this increase is considerably less than the increase in total operating revenue, the ratio of spending for goods and services purchased to total operating revenue decreased from 53.6% the previous year to 50.9%.

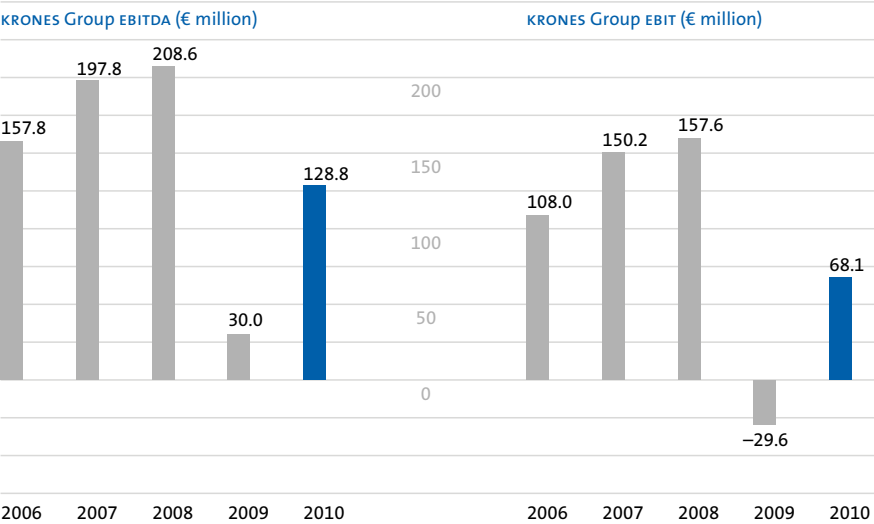
Personnel expenses rose 11.4% to €685.5 million during the reporting period. In 2010, KRONES benefited from more flexible working time models that were developed in cooperation with the Works Council. This was among the factors that helped to improve the ratio of personnel expenses to total operating revenue from 33.1% to 31.2%.

Flexible working time models pay off.

The net of other operating income and expenses and own work capitalised increased 23.1% on higher business activity and earnings contributions of €8,625 thousand arising from changes in estimates. However, the ratio of this figure to total operating revenue remained stable at 12.1% (previous year: 11.6%).

At €60.7 million, depreciation, amortisation, and write-downs on intangible assets, property, plant and equipment, and non-current financial assets were virtually unchanged from the year-earlier period (€59.6 million). However, the ratio of depreciation, amortisation, and write-downs to sales revenue declined from 3.2% to 2.8%.

Financial income of €2.7 million reflects the company's solid financial position. In the previous year, KRONES had a financial expense of €9.6 million due to a one-time write-down on non-current financial assets. After income taxes, KRONES' net income for the year 2010 came to €50.9 million (previous year: net loss of €34.5 million).



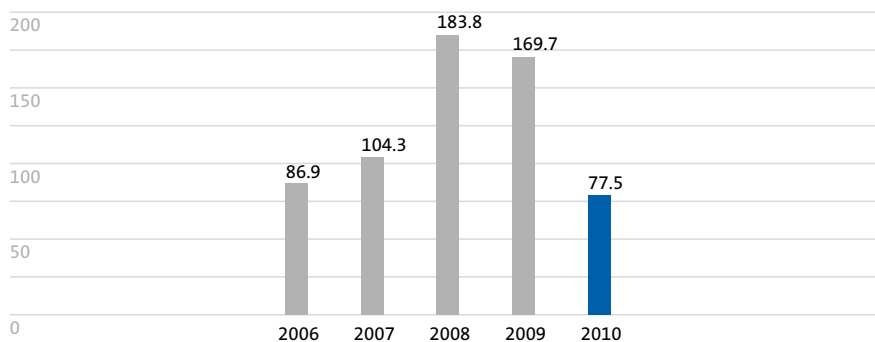
€ million	2010	2009	Change
EBT	70.8	-39.2	+110.0
Cash flow from operating activities	77.5	169.7	-92.2
Cash flow from investing activities	-74.8	-87.2	+12.4
Free cash flow	2.7	82.5	-79.8
Cash flow from financing activities	-2.3	-58.0	+55.7
Net change in cash and cash equivalents	0.4	24.5	-24.1
Other changes in cash and cash equivalents	11.5	2.6	+8.9
Cash and cash equivalents at the beginning of the period	135.5	108.4	+27.1
Cash and cash equivalents at the end of the period	147.4	135.5	+11.9

For more information, please refer to the complete statement of cash flows on page 120.

With earnings before taxes at €70.8 million, cash flow from operating activities amounted to €77.5 million, which is down €92.2 million from the previous year due to growth. That is, as business picked up considerably in 2010, working capital increased. In particular, inventories increased by €54.9 million (previous year: decrease of €49.7 million). On the other hand, receivables and other assets expanded by only €7.5 million despite 16.5% sales growth. The ratio of working capital to sales was 23.6% for the reporting period. That is up only slightly from last year's very good ratio of 22.5% and still well below our minimum target of 30%.

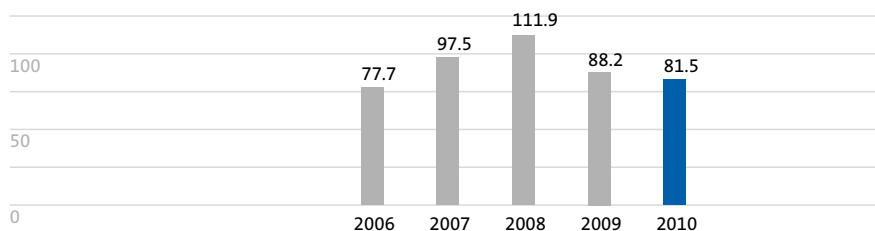
At 23.6% the ratio of working capital to sales was considerably better than our minimum target of 30%.

KRONES Group cash flow from operating activities (€ million)



KRONES spent €81.5 million on property, plant and equipment and intangible assets last year (previous year: €88.2 million). The funds were used, among other things, for new production machinery, expanding the international LCS Centres, and constructing the pipe machining centre in Neutraubling.

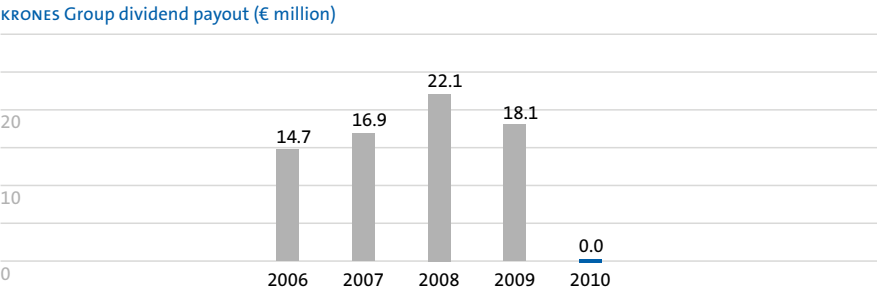
KRONES Group capital expenditure for PP&E and intangible assets (€ million)



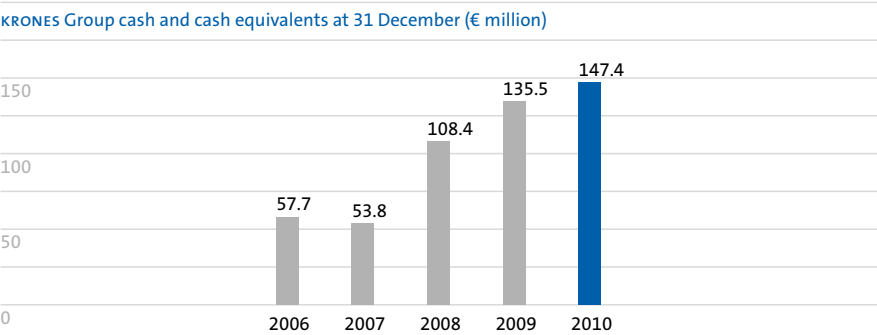
Free cash flow – that is, cash flow from operating activities less capital expenditure – was €2.7 million for 2010 (previous year: €82.5 million).

Because KRONES posted a net loss for 2009, the company did not pay out a dividend for 2009 during the reporting period. In the previous year, €18.1 million of free cash flow went to shareholders. KRONES did not buy treasury shares in 2010. In 2009, the company had purchased €37.1 million in treasury shares on the stock market.

Only lease liabilities totalling €2.3 million were paid out from free cash flow in 2010. Thus, cash flow from financing activities comes to only –€2.3 million for 2010 (previous year: –€58.0 million).



Substantial changes in foreign exchange rates and changes in the consolidated group resulted in an €11.5 million increase in cash and cash equivalents. At the end of the year, cash and cash equivalents at KRONES had increased from €135.5 million in 2009 to a record €147.4 million in 2010.



€ million at 31 December	2010	2009	2008	2007	2006
Non-current assets	569	542	534	475	430
of which property, plant and equipment, intangible assets, and financial assets	519	496	482	422	374
Current assets	1,317	1,248	1,291	1,209	1,042
of which cash and equivalents	147	136	108	54	58
Equity	759	696	790	708	629
Total debt	1,127	1,094	1,035	976	843
Non-current liabilities	125	125	144	155	147
Current liabilities	1,002	969	891	821	696
Total assets	1,886	1,790	1,825	1,684	1,472

For more information, please refer to the complete statement of financial position on pages 118 and 119.

Due to the increase in business volume, the KRONES Group's total assets at 31 December 2010 were up 5.3% to €1,886.1 million (previous year: €1,790.5 million). However, the increase in total assets fell far short of the 18.4% increase in total operating revenue. At the end of 2010, KRONES had property, plant and equipment, intangible assets, and non-current financial assets totalling €519.0 million (previous year: €495.8 million). While property, plant and equipment increased by only 2.2%, from €407.4 million to €416.3 million, intangible assets increased 16.8% to €100.6 million (previous year: €86.1 million). One factor leading to the increase in intangible assets was a research and development push that resulted in higher development costs that must be capitalised. A detailed presentation of changes in property, plant and equipment, intangible assets, and financial assets can be found in the notes to the consolidated financial statements on pages 132 to 134. At the reporting date for 2010, KRONES had non-current assets totalling €569.5 million (31 December 2009: €542.5 million).

At the end of 2010, KRONES had an equity ratio of 40.2% and net cash and cash equivalents totalling €147 million.

KRONES' current assets totalled €1,316.6 million at the end of 2010. That is up 5.5% from the previous year (€1,248.0 million). The company's high total operating revenue resulted in an increase in inventories, from €521.9 million to €583.6 million. Current trade receivables rose 10.3%, less than sales, from €458.3 million to €505.3 million. Other assets, which consist primarily of advance payments made and tax receivables, decreased from €127.0 million to €76.3 million. At 31 December 2010, KRONES had cash and cash equivalents totalling €147.4 million (31 December 2009: €135.5 million). KRONES' equity increased from €695.7 million the previous year to €758.9 million in 2010 because the company once again generated strong positive results. As a result, the equity ratio rose from 38.9% to 40.2%, which is well above the industry average.

After a fiscal 2009 that was heavily impacted by the global economic situation, the KRONES Group improved all key performance figures in fiscal 2010. The group's net assets, financial position, and results of operations were largely shaped by the 18.4% increase in total operating revenue. The group was also able to further strengthen its very sound capital and financial situation.

At €124.8 million, non-current liabilities were almost unchanged from the previous year (€125.0 million). KRONES had no non-current bank debt at 31 December 2010. Current liabilities amounted to €1,002.4 million at the reporting date (previous year: €969.8 million). Of these, €434.9 million were advance payments received from customers, which is almost unchanged from 2009. KRONES had no current bank debt at the end of 2010. Thus, KRONES had net cash and cash equivalents (that is, cash and highly liquid securities under current assets less all liabilities to banks) totalling €147.4 million at the reporting date.





Economy and ecology converge

KRONES' patented bottle-to-bottle recycling concept for PET bottles is efficient and environmentally friendly. All process steps are carried out within a compact system that consists of a washing module and a bottle-to-bottle module. First, the used PET bottles are fed into a mill and ground into flakes, which are then further chopped to uniform size. Label materials are removed and the flakes are cleaned in a multi-stage wash process. Caps and other unwanted materials are removed from the process before the flakes dry.

The recycled material then moves to the bottle-to-bottle module, the heart of which is a vacuum reactor. The flakes, which have been homogenised, cleaned, and dried, are pre-heated in two stages before entering the reactor. In the vacuum reactor, all contaminants are off-gassed with no mechanical or thermal damage to the flakes. The product at the end of the process is recycled PET material that has the same physical characteristics as virgin PET.

The recycled PET is used to make new containers that are suitable for use in the food and beverage industry. The PET material generated using KRONES' environmentally friendly technology even meets the strict regulations of the US Food and Drug Administration (FDA). KRONES is closing the PET loop and at the same time giving bottling plant operators substantial cost benefits over using virgin PET.



Conserving resources profitably

Around 400 billion plastic bottles are filled with beverages each year. At present, most PET bottles are not returned to the packaging stream. KRONES offers a PET recycling plant that can transform used bottles into food grade recycled material. That conserves resources and protects the environment.

[◀ more](#)

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

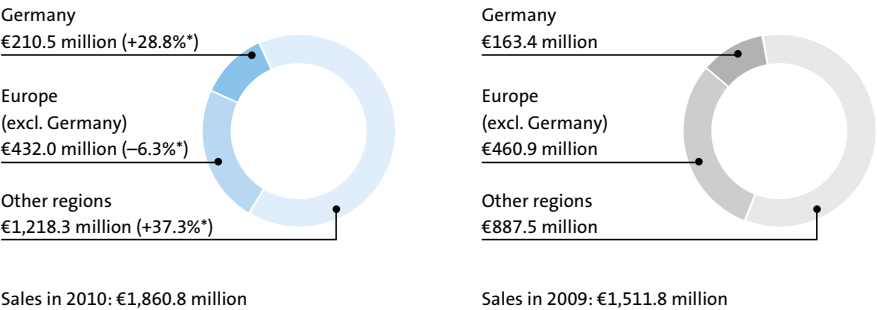
Report from the segments
Product filling and decoration

Segment revenue

The biggest increase in business in 2010 came in our core segment, »machines and lines for product filling and decoration«. Sales were up 23.1% year-on-year to €1,860.8 million (previous year: €1,511.8 million). KRONES benefited in particular from increasing demand for filling and packaging lines outside Europe, especially in China and South America. Our customers were once again increasingly willing to invest in complete filling lines. The segment generated the largest portion of its sales with machines and lines that produce, fill, and package PET bottles. All told, KRONES' core segment contributed 85.6% of consolidated sales (previous year: 81.1%).

KRONES' core business area – and by far the company's largest segment – offers machines and complete lines for filling, packaging, labelling, and conveying products.

Sales in product filling and decoration

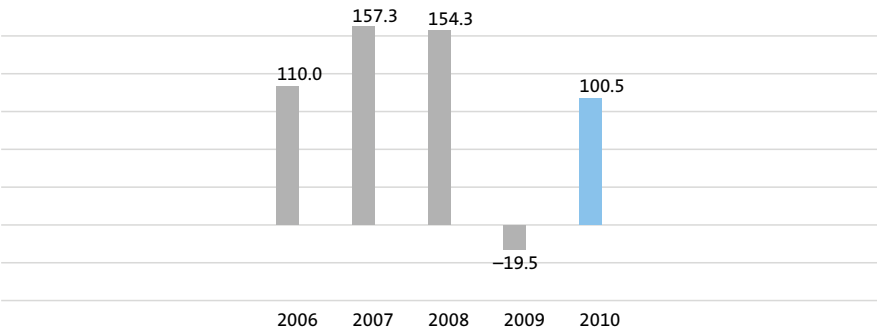


* Percentage change on previous year

Segment earnings

Our core segment »machines and lines for product filling and decoration« improved its earning power considerably last year. Earnings before taxes (EBT) rose from –€19.5 million in 2009 to €100.5 million in 2010. Capacity utilisation at our plants was high and prices were up somewhat from their crisis level. But overall, price quality remained unsatisfactory in 2010. Price quality was one reason why the EBT margin – the ratio of earnings before taxes to segment sales – came to just 5.4%, still short of its high pre-crisis level.

Segment EBT (€ million)





Report from the segments

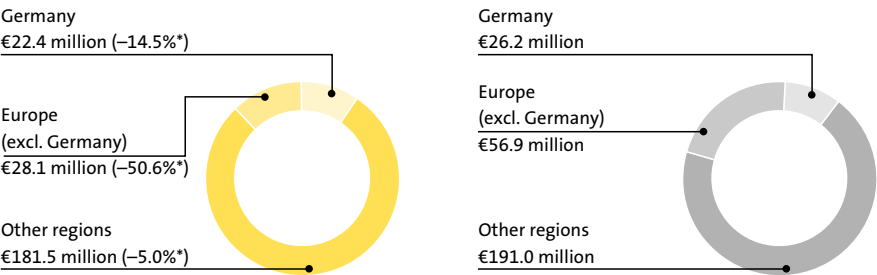
Beverage production/process technology

Segment revenue

Sales in the »machines and lines for beverage production/process technology« segment declined 15.4% to €232.0 million in 2010, from €274.1 million a year earlier. Demand from Eastern Europe dropped sharply during the reporting period. In 2010, the economy there had not yet recovered from its deep slump in 2009. The segment's share of consolidated sales shrank from 14.7% to 10.7% in 2010.

This segment covers brewhouse and filtration technology – that is, brewing technology. Equipment used for treating sensitive beverages such as milk and for producing dairy drinks and fruit juices is also part of the »beverage production/process technology« segment.

Sales in beverage production/process technology



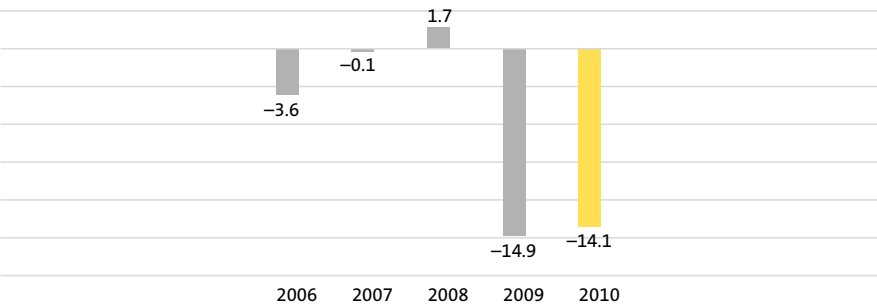
Sales in 2010: €232.0 million Sales in 2009: €274.1 million

* Percentage change on previous year

Segment earnings

Although segment sales contracted last year, earnings in the »machines and lines for beverage production/process technology« segment improved slightly year-on-year. At –€14.1 million, earnings before taxes were up €0.8 million, from –€14.9 million in 2009. A better product mix contributed to this improvement.

Segment EBT (€ million)

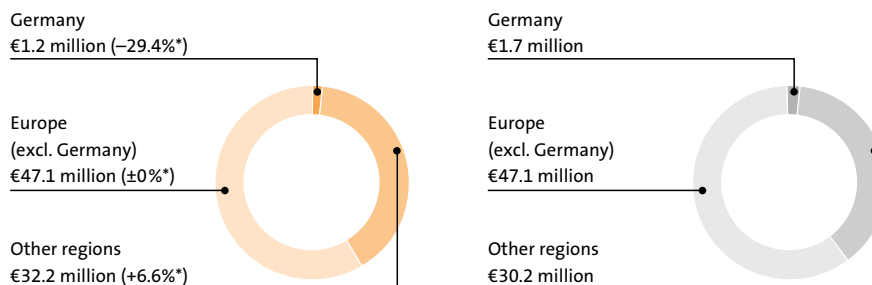


Segment revenue

Sales in our smallest segment, »machines and lines for the lower output range (KOSME)«, improved 1.9% to €80.5 million (previous year: €79.0 million). KOSME sales outside Europe increased more than total sales. The segment's many new products were well received by the market. Despite the slight increase in segment sales, KOSME's share in consolidated sales contracted from 4.2% to 3.7% in 2010.

Our subsidiary KOSME offers a product range similar to that of our »machines and lines for product filling and decoration« segment, but for less demanding applications. KOSME serves customers with mid-sized operations, perfectly complementing KRONES' high-end core business.

Sales at KOSME



Sales in 2010: €80.5 million

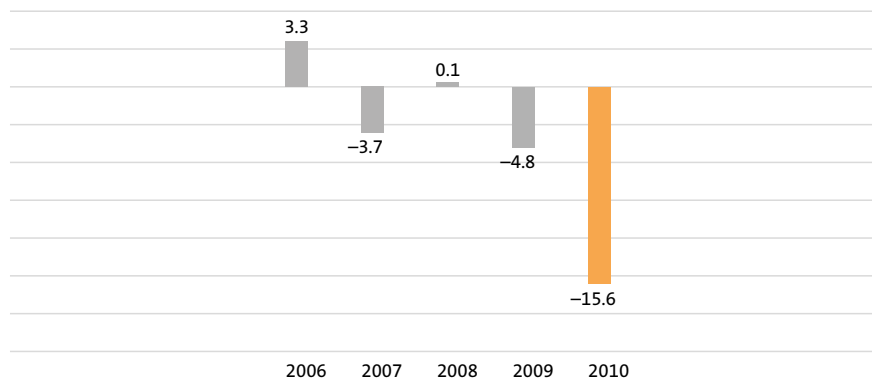
Sales in 2009: €79.0 million

* Percentage change on previous year

Segment earnings

Earnings deteriorated in the »machines and lines for the low output range (KOSME)« segment during the reporting period. KRONES implemented comprehensive measures in 2010 to put the segment on a solid footing for the long term. These measures cut into earnings. Prices were also under heavy pressure, particularly in KOSME's traditional markets in Eastern Europe and Russia. Segment earnings before taxes in the period from January to December 2010 amounted to €15.6 million (previous year: -€4.8 million).

Segment EBT (€ million)





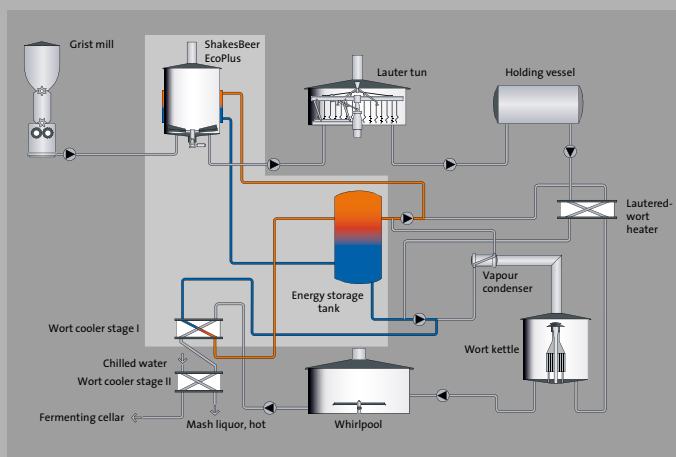


Recycling energy makes sense

Brewing beer is a science in itself – and one that requires a lot of energy. One focus of KRONES' process engineering is on developing technologies that help conserve energy and resources. The best example of this is our new EquiTherm system, which is used in wort production. This particular stage of beer brewing consumes the most primary energy of all, in the form of heat.

KRONES already has a well-established energy recirculation feature that is located between the lautered wort heater and the wort boiler and fed by the vapour condenser. Our new EquiTherm energy recirculation system further reduces thermal energy consumption in the brewhouse. EquiTherm draws heat from the boiled wort at a high temperature and passes it on to be used in the mashing process. The concept only works with the ShakesBeer EcoPlus mash kettle from KRONES. The ShakesBeer EcoPlus has a special heating surface flow pattern that ensures very high heat flow even at low admission temperatures.

Our energy-saving system has reduced primary energy consumption by 30% at the Bergquell Brewery in Löbau, Germany. At an annual beer output of 200,000 hectoliters, that corresponds to savings of 500,000 kilowatt hours of thermal energy each year. This is all the more remarkable when one considers that Bergquell was already a state-of-the-art brewery before EquiTherm was installed.



Smart brewing

Who stops to think, while enjoying a cold beer, about how that beer might be brewed using less energy? Probably no one. But that's ok. KRONES' process engineers have it covered. They are helping breweries reduce their primary energy consumption by more than 20% with the EquiTherm energy recovery system. We can all drink to that.

[◀ more](#)

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

- **enviro sustainability programme guides R&D activities**
- **Effective dialogue with customers and suppliers**
- **Many innovations added to KRONES product range**

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

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

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

enviro is an integral part of research and development at KRONES

With the enviro sustainability programme, launched in 2008, KRONES established a standard of energy and media efficiency for machines and lines in the packaging industry. This standard has also helped shape our company's research and development efforts. Nowadays, environmental impacts and conservation of resources are considered right alongside traditional aspects such as technical performance data and machine reliability. All KRONES developments are now guided by the enviro programme, which earned TÜV SÜD certification in 2009.

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

We involve our customers in the development process so that we can continually improve the products and services we offer. In events such as last year's Expert Dialogue at KRONES, we gather important information such as where operators want to see the biggest reductions in energy and media consumption.

KRONES also passes the demand for increased efficiency of all components on to its suppliers through our ongoing creative dialogue.

Innovations in 2010

The fruit of our R&D labours can be seen in the large number of innovative machines and lines that KRONES takes to market. Below is a sampling of the innovations from 2010.

KRONES continues to set the standard in stretch blow-moulding through ongoing development and innovation of the Contiform. We have further increased blow-moulding speed while at the same time cutting consumption of energy and compressed air by as much as 25%. That increases the customer benefit tremendously. With the Contifeed preform feeder, which was developed in-house and includes automatic troubleshooting features, KRONES has boosted the Contiform's efficiency even further.



The Contiform stretch blow-moulder is now even faster and more efficient.

KRONES FlexWave is an innovative microwave heating technology for heating preforms. The concept is extremely energy efficient and flexible. The very short preform heating time significantly reduces the number preforms that are inside the oven at one time, which translates to extremely low preform losses in the event of an unplanned stop. In addition, no start-up times are needed for reheating the system. FlexWave allows for a great deal of process variability, independent of preform colour, the PET material used, or the amount of recycled material used. It is truly a unique selling point for KRONES. Even multicoloured preforms are no problem.



FlexWave technology can handle multicoloured PET preforms.

ProShape is a process that KRONES developed for producing oval or asymmetrical plastic containers. With this innovative technology, KRONES is tapping considerable market potential outside the beverage industry.

Demand for fruit juices containing fruit chunks, fibres, or pulp will increase substantially in the years ahead. For this product segment, KRONES has developed a fully integrated process that covers every step from product treatment to filling. The fruit bits and the juices undergo thermal treatment separately in the VarioFlash/VarioAsept and are then fed into the filler separately. They »meet« in the bottle.

The new FlexiFruit system for dosing fruit bits and pulp offers decisive advantages. The design is simple and very flexible in terms of which products are handled. Short changeover times and precisely dosed materials ensure low operating costs. This innovative technology is available for hot filling and aseptic filling.

To complement our proven »wet sterilisation« aseptic filling process, PETAsept L, KRONES has developed a »dry sterilisation« portfolio that meets all customer needs for packaging beverages under aseptic conditions. It includes the PETAsept D and PETAsept D compact, which provide the utmost flexibility for an output range of up to 12,000 containers per hour.



ProShape is an innovative process for producing oval and asymmetrical plastic containers.



KRONES has expanded its product range for aseptic filling of PET bottles.

We further improved the ErgoBloc L primary packaging system for bottling beverages in PET. The system has been very well received by the market. Apart from producing, labelling, filling, and capping the bottles it also includes a KRONES Contifed and a KRONES Capcade, which feed preforms and closures into the system. It is a highly efficient and flexible overall solution with an extremely small footprint. With the ErgoBloc L, KRONES has set new standards for cost-effectiveness, sustainability, and ergonomics.

- International Service Centres expanded
- LCS offers new service
- Academy trains more coaches

As a full-service supplier, KRONES makes services a top priority. Our customers around the globe need their machines and lines to run smoothly, without interruption, to produce consistently high quality products. More and more, they are entrusting critical segments of their value chains to KRONES. We offer continuous support to ensure smooth production at our customers' plants. We offer preventive services to avoid machinery downtimes as much as technically possible. If problems arise despite these measures, we resolve them quickly. To do so, we must have service specialists and spare parts available locally, around the globe. KRONES has vastly expanded its services business in the past several years in order to meet these requirements.

LCS employs more than 1,800 highly qualified people, all working to ensure that KRONES' customers receive a comprehensive range of top-quality products and services no matter when or where they need them. LCS covers all maintenance and repair services, spare parts and change parts, individual services, software tools, and training for all of our segments.

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.



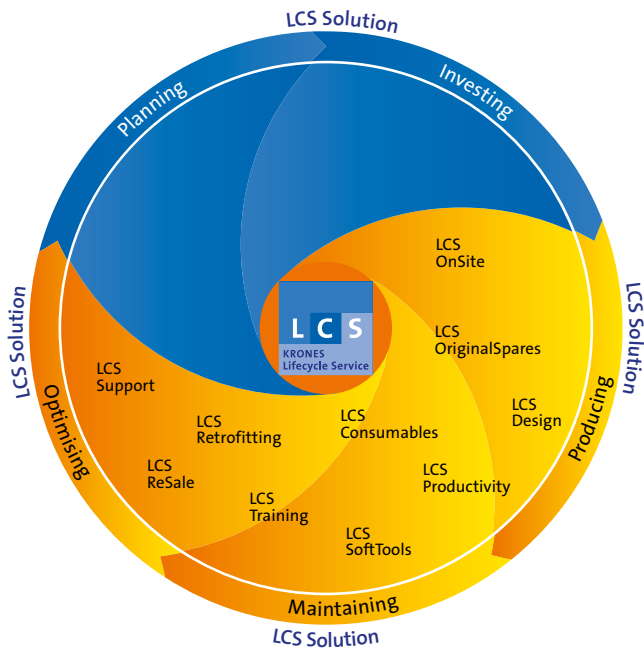
More information is available at
www.krones.com/en/lcs.htm

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

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 also boost machine productivity by incorporating newly developed components or control programs.
- Consumables: High-quality materials that ensure optimum machine performance plus labelling adhesives, lubricants, and cleaning agents from KIC KRONES.
- SoftTools: Software that records and analyses a variety of machine data to ensure early detection of maintenance needs.

With this unique range of products and services, KRONES supports its customers throughout the entire lifecycle of their machines and lines. It begins in the planning and investment phase, in which we work with our customers to precisely define their requirements and then put the line into operation safely and securely. Once production begins, we do more than merely ensure that the line keeps running and maintains its value. We aim to continually improve the quality and cost-effectiveness of production through ongoing service and support.



KRONES LCS offers a comprehensive range of products and services.

KRONES never stops optimising its range of services. In early 2011, we began offering »LCS Support« to our customers in Europe. With this option, our customers receive over-the-phone troubleshooting support. We can also access machine data directly over an Ethernet connection in order to assist the operating and maintenance personnel. We plan to offer »LCS Support« in other regions in the future.

KRONES invests heavily in its international Service Centres

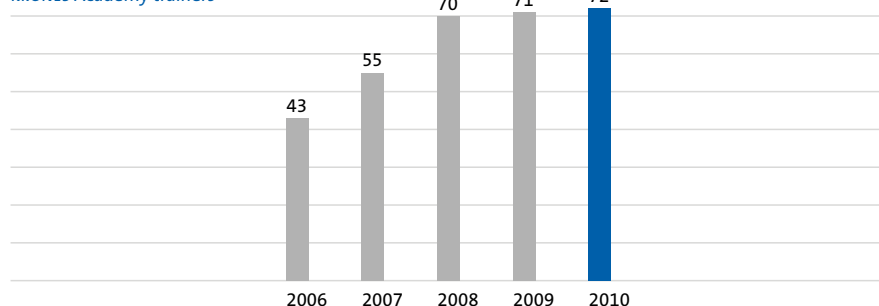
Customer responsiveness is a top priority for our services business. KRONES maintains more than 40 offices and subsidiaries worldwide that provide our customers with the complete range of LCS products and services. In addition, we have in recent years established seven Service Centres that are strategically located around the world to serve as decentralised support bases.

KRONES expanded its Service Centres for the China, Asia/Pacific, South America, and Africa sales regions substantially in 2010, hiring more than 100 new employees. Our Chinese Service Centre underwent the biggest expansion in 2010.

KRONES Academy

The KRONES Academy offers a broad range of practical training courses. More than 50 qualified trainers instruct operating personnel on the fundamentals of our machines, conduct special courses for specific jobs, and train management personnel at our Academy locations. All of our course offerings are aimed at ensuring that our customers have a perfect mastery of their KRONES machines and lines so that they can operate them safely and efficiently. Last year, 12,436 participants attended KRONES Academy events at our headquarters in Neutraubling and our international training centres. An important course offering is our »Train the Trainer« programme, which provides continuing education for KRONES' own coaches. The knowledge gained in these Academy courses enables our trainers to provide invaluable assistance to line operators on site. Our team of trainers grew steadily last year, numbering 72 at the end of 2010.

KRONES Academy trainers



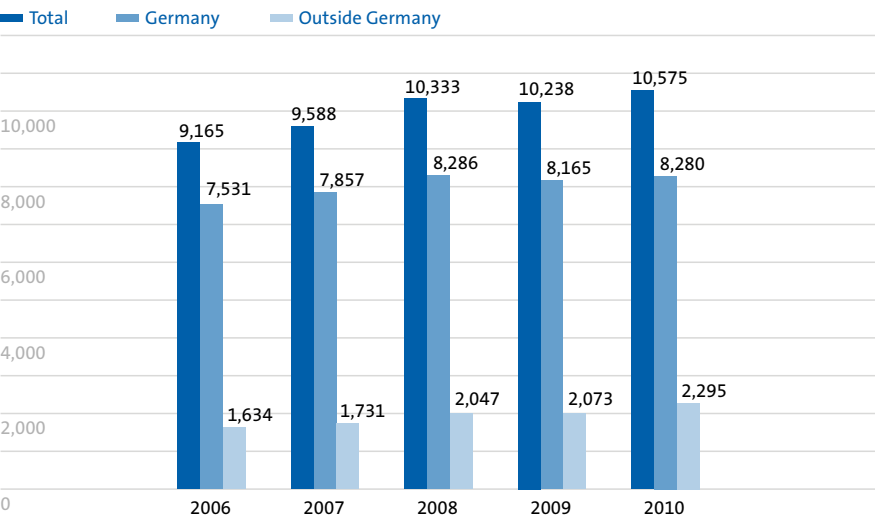
KRONES' »Train the Trainer« courses offer continuing education to the coaches who instruct our customers.

The KRONES Academy hosted an extremely successful »Expert Dialogue« event in Neutraubling in 2010. More than 50 experts from major bottling plants and various sectors of the beverage industry attended and shared their practical experiences from production and service. Most of the presentations were made by KRONES customers, who laid out strategies and solutional approaches. Symposium participants had opportunities to follow up on the various topics in discussion forums.

Number of employees hits record high

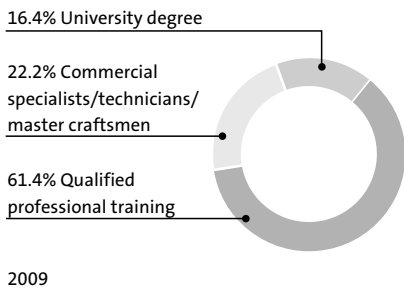
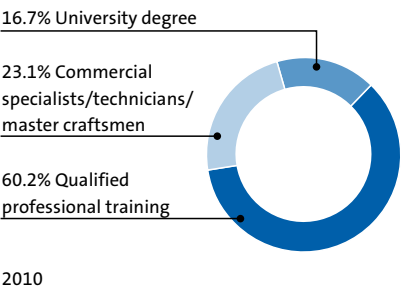
The decision to avoid lay-offs, even during the crisis of 2009, was the foundation for our positive operating result in 2010. Without the dedication and excellent qualifications of our employees, we would not have been able to satisfy the strong demand for our products and services. We even hired many additional core workers in 2010. The number of employees at KRONES grew to a record high of 10,575 during the reporting period, from 10,238 in the previous year. The additions came both in Germany and abroad.

Employees by region



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

Employee qualifications in Germany



Our workforce is superbly trained.

Attractive employer for good recruits

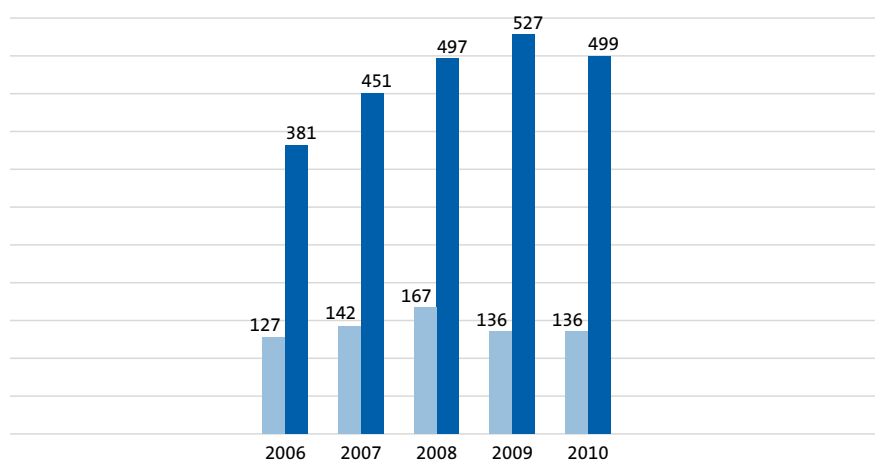
Our employees' outstanding professional training is the foundation for KRONES' long-term commercial success. That is why KRONES offers attractive, challenging training opportunities to a large number of young people in 25 different fields every year – even in times of crisis. We invest around €70,000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

KRONES offers motivated young people training in 25 different careers.

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

Number of trainees starting at KRONES AG

Starting trainees Trainees total



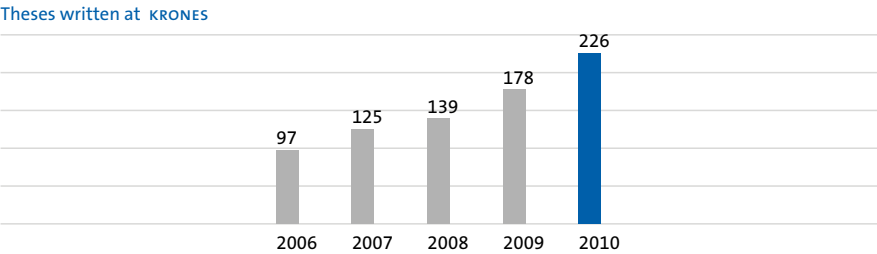
In all, KRONES was training 499 young people in Germany at the end of 2010. That puts our training rate at 6.1%. Of our trainees, 441 were in industrial and technical fields and 58 were in commercial fields.

In addition to the content prescribed by the respective training programmes, KRONES aims to give its trainees additional qualifications such as English language skills and presentation techniques as well as international experience working at our subsidiaries and offices abroad.

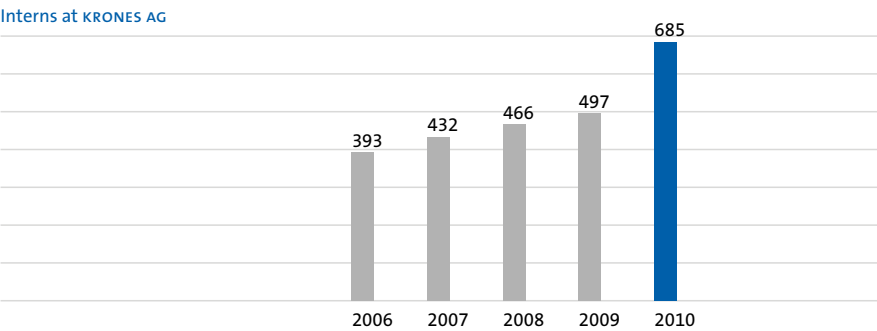
KRONES honours the best of each »class« of trainees with a scholarship for subsequent university studies. In 2010, five young people were awarded KRONES scholarships.

Close cooperation with universities and students

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



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



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

More information on the topic of employees is in our 2010 Sustainability Report, which can be found online at www.krones.com/en/company/sustainability.htm.

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

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

Seizing opportunities – reducing risks

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

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

Strategy 2015

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

KRONES is ahead of the competition in CSR.

More information on the topic of sustainability is in our Sustainability Report, which has been certified by TÜV SÜD and can be found online at www.krones.com/en/company/sustainability.htm.

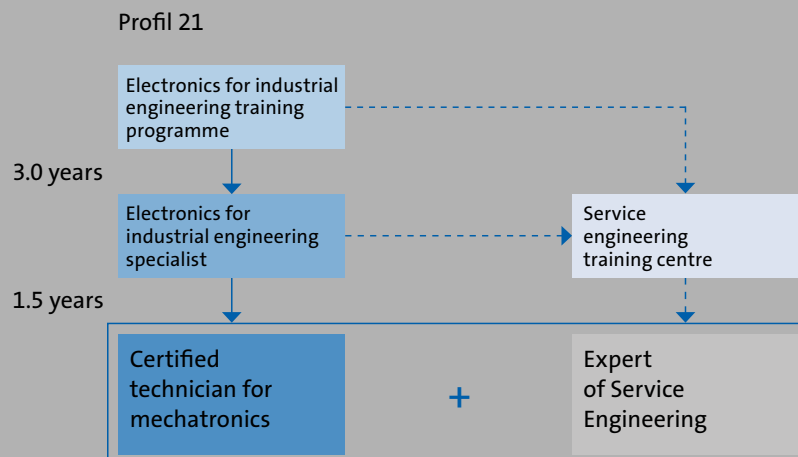




Innovative professional training options

In collaboration with the University of Regensburg, KRONES offers a dual course of study that combines practical, hands-on vocational training with the scientific and academic expertise of university studies. Graduates earn two qualifications in just 4.5 years: a completed vocational training certificate and the Bachelor of Engineering or Bachelor of Science academic title. KRONES offers dual courses of study for mechatronics, electrical engineering, information technology, process engineering, environmental engineering, mechanical engineering, industrial engineering, and computer science.

Another innovative professional training option offered at KRONES is entitled »Profil 21«. Our newest career programme is designed specifically for our Service technicians and addresses the increasing importance of the services business for our company. In 4.5 years of study, young people earn a vocational training certificate plus certification as a technician as well as the internationally recognised »Expert of Service Engineering« title. Upon completing the programme, the participants are not only ideally prepared to handle the demands of KRONES' service business. They also have an excellent foundation on which to build a career full of interesting development opportunities. In March 2010, the first KRONES »Profil 21« trainees received their trade proficiency certificate (Facharbeiterbrief) in electronics for industrial engineering. Thus, 19 young men and women have completed the first stage of the challenging training programme. Now, in the remaining 18 months, they will attend the technical college and continue to gain knowledge and expertise through hands-on work in our Service department.



Excellent training ensures future success

To ensure that KRONES' success story continues, we need highly qualified people. And that calls for first-rate employee training. KRONES invests heavily in the programmes we offer young people. We make sure that our trainees are optimally prepared to meet any challenge.

◀ [more](#)

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

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

Risk management system is always evolving

KRONES is exposed to a large number 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.

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

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 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.

Risk monitoring

We use a variety of interlinked controlling processes to monitor risks within the KRONES Group. Regular comprehensive reports from the individual business units keep the Executive Board and other decision-makers apprised of all possible risks and deviations from company planning 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 (group) accounting and financial reporting can be described as follows:

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

Financial risks

Information relating to IFRS 7 Financial Instruments: Disclosures.

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.

Due to the complexity of our machines and lines, there are sometimes lags in payment receipts. The very low volume of actual defaults, as measured against the total volume of receivables, attests to the effectiveness of the measures taken.

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

€ thousand	Carrying amount	Of which not overdue at the reporting date	Of which overdue by the following number of days at the reporting date			
			up to 90 days	between 90 and 180 days	between 180 and 360 days	more than 360 days
31 Dec 2010						
Trade receivables	528,209	351,127	93,447	26,827	28,845	27,963
31 Dec 2009						
Trade receivables	477,085	320,143	57,690	22,476	39,102	37,674

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 Swiss franc. The risk of default relating to derivative financial instruments is limited to the balance of the positive fair values in the event of a contracting party's default. More on this topic is in the notes to the consolidated financial statements.

1.3 Other financial assets

The maximum credit risk position arising from other financial assets corresponds to the carrying amount of these instruments. KRONES is not 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. The following overview of maturities shows how the undiscounted cash flows relating to liabilities as of 31 December 2010 influence the company's liquidity situation.

€ thousand	Carrying amount at 31 Dec 2010	Interest	Cash flow for 2011 repayment	Interest	Cash flow for 2012-2015 repayment	Interest	Cash flow for 2016 or later repayment
Derivative financial instruments	2,203	0	2,203	0	0	0	0
Liabilities to banks	0	0	0	0	0	0	0
Liabilities from leases	3,070	546	509	483	2,561	0	0
Discounted trade bills	15,420	0	12,389	0	3,031	0	0
Other financial liabilities	7,658	11	7,050	122	608	0	0
	28,351	557	22,151	605	6,200	0	0

€ thousand	Carrying amount at 31 Dec 2009	Interest	Cash flow for 2010 repayment	Interest	Cash flow for 2011-2014 repayment	Interest	Cash flow for 2015 or later repayment
Derivative financial instruments	1,102	0	1,102	0	0	0	0
Liabilities to banks	0	0	0	0	0	0	0
Liabilities from leases	4,687	583	710	1,011	3,977	0	0
Discounted trade bills	8,779	0	5,888	0	2,891	0	0
Other financial liabilities	9,410	9	8,829	116	581	0	0
	23,978	592	16,529	1,127	7,449	0	0

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.

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

€ thousand	Currency USD	Currency CHF	Currency NZD	Currency CAD
Cash and cash equivalents	4,117	0	0	1,103
Trade receivables	599	0	6,206	2,233
Other financial receivables	0	0	0	0
Derivatives at positive market values	0	0	0	0
Loans	0	0	0	0
Total assets	4,716	0	6,206	3,336
Liabilities				
Trade payables	-1,215	-3,418	-399	508
Due to banks	0	0	0	0
From finance leases	0	0	0	0
Derivatives at negative market values	0	0	0	0
Financial liabilities at amortised cost	0	0	0	0
Total liabilities	-1,215	-3,418	-399	508
Balance of assets and liabilities	3,501	-3,418	5,807	3,844
Items hedged through derivatives	0	0	5,689	0
Net exposure at 31 Dec 2010	3,501	-3,418	118	3,844

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

Total (€ thousand)	Currency USD	Currency CHF	Currency NZD	Currency CAD
-368	-318	311	-11	-349

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.

Because the KRONES Group's segments share the same strategic orientation on the sales and procurement markets, we do not see any deviation in the opportunities and risks among the segments.

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.

Our innovative power, our unique business model, and the quality of our products and services as well as ongoing process improvements will enable us to maintain and further expand our competitive advantage.





KRONES delivers added value

The owners and managers of beverage companies have long since stopped letting themselves be persuaded by a machine's or line's output data alone. We know that. Our sales engineers put themselves in the customers' shoes, so to speak, and think about what the customer really needs and how the customer can be persuaded that KRONES products are the best choice.

Our stretch blow-moulding technology offers an excellent example. We have competitors that also offer machines for producing and filling plastic bottles. But KRONES can do more – much more. And we put those capabilities to work for our customer's advantage. For instance, with the Contiform s we offer more than just a powerful machine. We also provide valuable services to go along with it. We start with bottle design and cavity manufacture. KRONES' plastics technology centre provides a wide array of services for designing PET bottles to our customers' specifications. Perfectly formed bottles run through the line better than standard goods, lowering reject rates appreciably.

Keeping ongoing operating costs as low as possible is increasingly important to customers. Here, too, KRONES can help. Our heating technology saves valuable energy while our Air Wizard system reduces the amount of compressed air used for blow-moulding the bottles. These systems save plant operators money over the years. They also conserve resources and minimise the environmental impact of operations. And that is added value for everyone.



Value-oriented sales

At KRONES, we always strive to give our customers more than necessary. It is not enough to simply sell them machines – any machines – on the quick. We respond to our customers' precise needs. We talk candidly with our customers to find the best complete solution that is tailored to their needs.

◀ [more](#)

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Events after the reporting date

No events of material significance to KRONES have taken place since the close of fiscal 2010. Business development in the first two months of 2011 has confirmed the statements made in our »Outlook«.

Outlook

- Global economy on course for continued growth
- Machinery sector also expects continued growth
- KRONES anticipates rise in sales and earnings

Economic outlook is good despite uncertainties

One of the big questions for 2011 is whether the global economy will continue to grow after the billions in economic stimulus funds dry up. Economists with the International Monetary Fund (IMF) expect the world economy to lose some momentum but to continue to grow at a rate of 4.4%. This forecast is based on the assumption that the USA, the world's largest economy, will continue to grow at a rate similar to last year, with GDP growth of 3.0% in 2011. Fears of the US economy falling back into recession have evaporated thanks to the Fed's loose monetary and interest rate policy.

In the European Union, the risk remains that the euro debt crisis could escalate further and, in the worst case scenario, monetary union could break apart. The repercussions would be disastrous for the European economy and would send new shock waves through the global financial system. The IMF does not expect this frightening scenario to play out, in part because of the massive rescue package that is in place for the euro. Instead, the euro area economy is likely to grow at a rate of 1.5% in 2011. The German economy will continue to be the force driving Europe's economy. Capital spending and private consumption are expected to pick up further. The IMF is forecasting 2.2% GDP growth for Germany.

The IMF also expects the BRIC nations (Brazil, Russia, India, and China) to lend momentum to global economic growth in 2011. Last year, the Chinese government intervened to prevent the economy from overheating. For this reason, GDP growth in China is unlikely to be in the double digits again in 2011. Japan could be a concern in Asia. The Japanese economy benefited more than proportionately from economic stimulus measures last year. Even before the devastation caused by the earthquake and tsunami, few economists believed Japan capable of a strong, self-sustaining recovery. It is difficult to estimate the impact the natural catastrophe will have on economic activity in 2011. However, this event had no direct material impact on the KRONES Group.

IMF economists expect the global economy to continue to grow in 2011 – likely by more than 4.4%.

Positive outlook for Germany's machinery sector

Business developed better than expected for Germany's machinery and industrial equipment manufacturers in 2010. As orders intake rose steadily, capacity utilisation also improved. The German Engineering Federation (VDMA) expects this upward trend to continue. After an 8.8% increase in output last year, the VDMA expects output in the sector to rise by around 10% in 2011.

Sales and earnings at KRONES expected to increase substantially in 2011

Now – in early 2011 – the global economic crisis appears to be over. But a sense of uncertainty remains. The crisis showed how illusory forecasts are and how susceptible the closely intertwined global economy is to shocks and trend reversals. Recent history has taught us that the days of linear growth planning are over and we must now learn to deal with uncertainty, volatility, and trend reversals.

KRONES has got 2011 off to a good start and is currently enjoying a stable upward trend. From today's perspective, we expect consolidated sales revenue to grow between 7% and 10% in fiscal 2011. We are also confident that we will significantly improve consolidated earnings and exceed our 5% target for return on sales before taxes (2010: 3.3%). It certainly helps that we started the year with a strong orders position.

KRONES expects earnings to rise significantly in 2011

We also want to take a positive, proactive role in shaping KRONES' future beyond 2011. Our target and expectation is to bring our return on sales (ROS) back up to its pre-crisis level of 7% in 2012 and keep it there with improved earnings in all of our segments – assuming, of course, that the global economic trend remains fundamentally positive. We also expect continued revenue growth in all of our segments.

With the strategic plan laid out under »Value«, we have formulated our vision for the future and our goals for the years ahead (please see the detailed report on pages 8 to 11). With this new strategic direction, we intend to unlock new profit potential for KRONES and generate even more upward momentum.

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

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.

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

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 (%)
Beteiligungsgesellschaft Kronseder mbH	15.00
Volker Kronseder	12.02
Harald Kronseder	10.09

As at 28 February 2011

Changes to the shareholdings listed above that are not required to be reported to the company may have occurred since the date given above (28 February 2011). 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 €10 million (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 16 June 2010 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 15 June 2015.

The annual shareholders' meeting on 16 June 2010 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 Supervisory Board and the Executive 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 Executive Board remuneration.

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 consolidated management report for fiscal 2010 and can be found in the corporate governance report on page 109.

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

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

Neutraubling, 29 March 2011

KRONES AG

The Executive Board



Volker Kronseder
Chairman



Hans-Jürgen Thaus
Deputy Chairman



Rainulf Diepold



Werner Frischholz



Christoph Klenk



MICROSCAN

QX 830

Nestlé
Nutrition

2 дози на ден за защита

SYSTEM PLAST



As reliable as a Swiss watch

The Swiss group Nestlé entrusted KRONES with overall responsibility for the installation of twin canning lines that handle special milk powder for baby food at its production site in Konolfingen, Switzerland. KRONES' IT Solutions (IT-S) division acted as the line integrator. Our complex task was to integrate all of the machines and all of the software into a single, reliable system. Nestlé purchased the hardware – that is, the powder fillers, the units for vacuum sealing and gas flushing the cans, and the sealer – from third parties. The challenge was to coordinate the many different machinery manufacturers and support them in providing the necessary data bases.

IT-S installed a KRONES order management system and LDS line documentation system on each of the canning lines. These systems communicate with Nestlé's higher-order Manufacturing Execution System. Because Nestlé relied exclusively on KRONES' system expertise, interfacing problems were precluded from the very beginning. That, in turn, obviated the faults and defects associated with interfacing issues. KRONES IT-S was more than a solution provider on the project. We also acted in an advisory capacity on all questions and challenges relating to all aspects of the canning and packaging operations. The follow-on orders we have received from Nestlé are a clear indication of the Swiss company's satisfaction with our services.



Assuming responsibility for the whole

KRONES is a systems supplier to the beverage and food industries. We know what matters most. Our specialist expertise in information technology (IT) enables us to map complete production processes, from start to finish. We even integrate third-party machines and lines into our IT processes.

◀ [more](#)

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The statement on corporate governance is also available online at www.krones.com.

KRONES recognises its responsibilities

For KRONES, the German Corporate Governance Code is an integral part of governance. The 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 26 May 2010 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 is not included in the D&O policy for the Supervisory Board.
(Item 3.8 of the Code)
No specific deductible has been set for this policy because the Supervisory Board always performs its duties properly regardless of the existence of a deductible.
- The Executive Board shall be comprised of several persons and have a Chairman or Spokesman. By-laws shall govern the work of the Executive Board, in particular, the allocation of duties among individual Executive Board members, matters reserved for the Executive Board as a whole, and the required majority for Executive Board resolutions (unanimity or resolution by majority vote).
(Item 4.2.1 of the Code)
The rules of procedure governing the Executive Board are set forth in the articles of association for KRONES AG, which already contain detailed rules for the work of the Executive Board. That is why there are no separate written by-laws.
- 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 16 June 2010, detailed disclosure of each individual Executive Board member's compensation will not be made up to and including publication of the annual and consolidated financial statements for fiscal 2014, as provided for under § 286 (5) of the German Commercial Code.

- The Supervisory Board shall establish its own by-laws. (Item 5.1.3 of the Code)
The rules of procedure governing the Supervisory Board are set forth in the articles of association for KRONES AG, which already contain detailed rules for the work of the Supervisory Board. That is why there are no separate written by-laws.
- There is currently no nominating committee at KRONES AG. (Item 5.3.3 of the Code)
Committees are primarily useful for larger bodies if they make that body's work more efficient. There are six shareholder representatives on the Supervisory Board of KRONES AG who suggest nominees. Therefore, we do not feel it is necessary to create a separate nominating committee.
- The 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 holding seats on 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.«

Neutraubling, den 30 March 2011

For the Executive Board

Volker Kronseder
Chairman

For the Supervisory Board

Ernst Baumann
Chairman

Composition of the Supervisory Board

Pursuant to item 5.4.1. of the German Corporate Governance Code, the Supervisory Board must specify concrete objectives relating to its composition that, while considering the company’s specific situation, take into account the company’s international activities, potential conflicts of interest, an age limit to be specified for Supervisory Board members, and diversity. These concrete objectives are to stipulate an appropriate degree of female representation.

In keeping with item 5.4.1., the Supervisory Board of KRONES has specified the following objectives:

a) Composition based on suitable knowledge, skills, and experience

The Supervisory Board of KRONES AG shall be composed in such a way that its members possess the knowledge, skills, and professional experience required to properly complete the tasks of a member of the Supervisory Board of an international corporation and to preserve the public reputation of KRONES AG.

Consideration of candidates should also take into account motivation, integrity, character, professionalism, and independence.

b) Potential conflicts of interest (independence of the members)

The independence of the members of the Supervisory Board shall be ensured in order to prevent conflicts of interest. Potential candidates shall not serve as advisors to major competitors of KRONES AG and shall not hold management positions at companies that are customers, suppliers, or affiliates of KRONES AG. Moreover, the Supervisory Board shall contain no more than two former members of the Executive Board.

Each member of the Supervisory Board shall agree to submit a declaration to the Supervisory Board Chairman if any conflict of interest exists. If the conflict of interest persists over an extended period or is material, the Supervisory Board member in question must resign.

c) Age limit

The age limit for members of the Supervisory Board is 70 years. A member’s term in office shall end at the conclusion of the annual shareholders’ meeting that follows his or her 70th birthday. Reasons must be given for any deviation from this rule.

d) International experience

KRONES AG operates internationally and has subsidiaries and offices in many countries around the globe. Therefore, international experience must be taken into consideration when selecting members of the Supervisory Board.

International experience relates not only to knowledge of the English language but also to work experience in other international companies.

e) Diversity

The Supervisory Board of KRONES AG shall take diversity into account and strive to achieve an appropriate degree of female representation when selecting its members. Female candidates are welcomed and shall be fairly considered in the selection of both shareholder and employee representatives.

Objectives a) through d) are already being implemented by the Supervisory Board of KRONES AG. With respect to the objective of diversity and appropriate female representation: Suitable female candidates shall also be sought for the open shareholder representative positions for the upcoming Supervisory Board elections. However, the Supervisory Board's election nominations will continue to be based on the available candidates' qualifications and the company's best interests and not merely on gender.

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 152). 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 Supervisory Board Committee but has not done so as yet.

The Chairman of the Supervisory Board coordinates the work of the Supervisory Board (see page 152 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 Supervisory Board Committee

In order to perform its work in the most efficient manner possible, the Supervisory Board has formed a Supervisory Board Committee that meets regularly.

The 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 Philipp von und zu Lerchenfeld, Josef Weitzer, and Johann Robold. The Supervisory Board Committee oversees the accounting and financial reporting process and the audit of the financial statements and prepares corresponding proposals for resolutions for the Supervisory Board. The Committee also prepares the Supervisory Board's review of the annual financial statements, the management report, and the auditor's report for the separate and consolidated financial statements and makes recommendations. In addition, the Supervisory Board Committee monitors the effectiveness of the internal control system, the risk management system, and the internal audit system.

KRONES' corporate guidelines reflect our values

To be successful in the long term, you have to know your strengths and use them to your best advantage. For this reason, we have analysed our core strengths and formulated the following corporate values. KRONES is

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

All of our efforts, our daily endeavours serve one core goal: To create »added value«. For KRONES, our employees, our customers, and our shareholders.

Our employees live and breathe our corporate values.

KRONES' values are reflected in our corporate guidelines, in which we have committed to acting sustainably and responsibly. At KRONES, we don't merely put these corporate values to paper. Every one of our employees lives by them – every day.

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.

Securing value for a strong future

We stand for excellent quality and technological leadership in our market

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

Creating value with powerful solutions

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.

Respecting values in effective dialogue

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.

Creating value with powerful solutions

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.

A PDF version of our corporate guidelines is available online at <http://www.krones.com/en/company/mission-statement.htm>.

Respecting values in effective dialogue

Our production operations are eco-friendly

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

Securing value for a strong future

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

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

Respecting values in effective dialogue

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 <http://www.krones.com/en/purchasing.htm>.

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.

KRONES Code of Conduct

As the market leader, KRONES intends to be, and ultimately has to be, the standard-setter – and this includes our ethical behaviour. Sustainability has always been an important part of KRONES’ corporate strategy. This places high demands on each and every one of us. We want to ensure that our actions are always irreproachable, correct, and exemplary.

We rigorously ensure that all KRONES employees abide by all laws, standards, and policies.

For this reason, we have drafted a code of conduct on the basis of the shared values that are our corporate guidelines. The aim of this code of conduct is to ensure company-wide compliance with laws, standards, and guidelines in order to create a working environment of integrity, respect, fairness, and accountability. It is binding for all KRONES employees – including the Executive Board, management, and every member of our staff worldwide.

All employees are urged to not only comply with the guidelines in the code of conduct in a formal sense but to live and breathe their meaning and purpose. Only in this way can they serve as the basis of an open and vibrant culture of compliance. In the interest of all employees, violations of the code of conduct are systematically investigated and disciplinary action taken.

Of course, we want KRONES to be recognised as the market and technology leader. But we also want our customers, employees, suppliers, and shareholders as well as government agencies, institutions, and the general public to perceive us as a reputable, trustworthy, and dependable partner. That is key to retaining and expanding our position as the market leader.

The complete KRONES code of conduct is available online at <http://www.krones.com/en/company/sustainability.htm>.

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 2010, the direct fixed remuneration of the five active members of the Executive Board was €2,520 thousand (previous year: €2,450 thousand). 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 €89 thousand (previous year: €89 thousand).
- 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. In 2010, the variable compensation amounted to €2,503 thousand (previous year: €0 thousand).
- 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 at the earliest. Board members serving for less than ten years are not entitled to the performance incentive. In 2010, €2,275 thousand (previous year: €0 thousand) in such compensation came due for payment as scheduled following the 10-year waiting period.

- 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 €689 thousand (previous year: €1,489 thousand) 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 €7,446 thousand (previous year: €2,463 thousand) 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 16 June 2010, detailed disclosure of each individual board member's compensation will not be made before the end of fiscal 2014, 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 €697 thousand (previous year: €688 thousand) were made and pension provisions of €726 thousand (previous year: €848 thousand) 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 2010, 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 2010, net income per share comes to €1.68. Thus, the variable compensation for each member of the Supervisory Board is €4,000.

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 €243 thousand (previous year: €175 thousand) including variable portions totalling €48 thousand (previous year: €0 thousand).

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.

Process People

Materials

- incompetence
- attitude
- turnover
- motivation
- poor pallets
- no grip material
- bad glue
- bad preforms/crowns
- CO₂
- quality of bottles
- utilities

Line Efficiency

- loss of energy supply
- availability of spare parts
- breakdowns
- availability of spares

Equipment



KRONES trains managers

Our customers need to operate their KRONES machines and lines as cost effectively as possible. For this reason, we offer practical training courses through the KRONES Academy to teach our customers' managers and operating personnel how our products work. The Academy is continually adding to its machinery pool in order to cover the greatest possible range of content. Since 2010, our customers also have the opportunity to experience complete labellers, mixers, and filler assemblies in action in a separate training hall at KRONES' facility in Neutraubling.

But the Academy's training options extend far beyond technical concerns. Case in point: KRONES Management Training. Managers of beverage operations must have a solid general understanding as well as detailed knowledge. KRONES Management Training gives our customers both. In compact teaching units, internal and external trainers impart current knowledge and sound strategies on all aspects of managing employees and operations. All learning content is processed in practical exercises and further reinforced through best practice examples. Because the training blocks are offered individually at different times, participants are able to apply what they learn in one module in their day-to-day practice and then discuss their experiences with their peers from other plants and Academy trainers in subsequent modules.

Last year more than 300 managers and team leaders from some 20 different countries took part in KRONES Management Training seminars and workshops. KRONES Management Training has established itself as the standard for leadership development in the filling and packaging industry. The Academy offers its seminars locally in Europe, Africa, Asia, and South America.



Customers benefit from KRONES expertise

The KRONES Academy accompanies our customers on the road to success. The Academy offers training options that range from basic courses for machine operators to specialised courses for specific tasks to management training. Because the Academy has locations around the globe it is able to bring valuable knowledge to customers locally.

[◀ more](#)

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

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Separate income statement and Statement of comprehensive income

Separate income statement		2010		2009	
€ thousand, except per share amounts	Notes				
Sales revenue	19	2,173,304		1,864,921	
Increase (previous year: reduction) in inventories of finished goods and work in progress		25,918		–7,428	
Other own work capitalised	20	33,269		28,896	
Other operating income	21	86,831	2,319,322	103,289	1,989,678
Goods and services purchased	22				
Expenses for materials and supplies and for goods purchased		–904,543		–824,321	
Expenses for services purchased		–214,396	–1,118,939	–171,868	–996,189
Personnel expenses	23				
Wages and salaries		–565,189		–512,088	
Social security contributions and expenses for pension plans and for benefits		–120,320	–685,509	–103,226	–615,314
Depreciation and amortisation of intangible assets and property, plant and equipment			–60,684		–59,576
Other operating expenses	24		–386,126		–348,204
EBIT			68,064		–29,605
Investment income	25	1,752		969	
Income from other securities and loans classified as non-current financial assets	25	5		8	
Other interest and similar income	25	5,599		6,800	
Write-downs on non-current financial assets	25	–104		–13,188	
Interest and similar expenses	25	–4,553		–4,232	
			2,699		–9,643
Earnings before taxes			70,763		–39,248
Income tax	7, 26		–19,850		4,767
Consolidated net income (loss)			50,913		–34,481
Profit (loss) share of non-controlling interests		100		169	
Profit (loss) share of KRONES Group shareholders			50,813		–34,650
Earnings per share (diluted/basic) in €	27		1.68		–1.13

Statement of comprehensive income		2010		2009	
€ thousand	Notes				
Consolidated net income (loss)		50,913		–34,481	
Exchange differences on translation		12,756		4,291	
Available-for-sale financial instruments					
Derivative financial instruments		–392		–1,776	
Other comprehensive income	8	12,364		2,515	
Total comprehensive income	8	63,277		–31,966	
of which attributable to non-controlling interests		100		169	
of which attributable to KRONES Group shareholders		63,177		–32,135	

Assets		31 Dec 2010	31 Dec 2009
€ thousand	Notes		
Intangible assets	1	100,582	86,118
Property, plant and equipment	2	416,300	407,416
Non-current financial assets	3	2,139	2,296
Property, plant and equipment, intangible assets, and non-current financial assets		519,021	495,830
Deferred tax assets	7	15,861	12,005
Trade receivables	5	22,893	18,827
Current tax receivables	7	9,494	10,853
Other assets	5	2,229	4,955
Non-current assets		569,498	542,470
Inventories	4	583,613	521,949
Trade receivables	5	505,316	458,257
Current tax receivables	7	3,902	5,348
Other assets	5	76,315	126,955
Cash and cash equivalents	6	147,447	135,519
Current assets		1,316,593	1,248,028
Total		1,886,091	1,790,498

Equity and liabilities		31 Dec 2010		31 Dec 2009	
€ thousand	Notes				
Issued capital	8	40,000		40,000	
Capital reserves	9	66,645		66,645	
Retained earnings	10	397,121		483,811	
Other reserves	11	–625		–233	
Group unappropriated profit		254,939		104,680	
Group equity of the parent company			758,080		694,903
Non-controlling interests	12		853		753
Equity	8		758,933		695,656
Provisions for pensions	13	80,229		76,751	
Deferred tax liabilities	7	3,757		2,182	
Other provisions	14	33,941		37,668	
Liabilities to banks	15	0		0	
Other financial liabilities	15	3,031		2,891	
Other liabilities	15	3,797		5,503	
Non-current liabilities			124,755		124,995
Other provisions	14	148,887		183,860	
Provisions for taxes	14	5,449		8,099	
Liabilities to banks	15	0		0	
Advances received	15	434,911		434,245	
Trade payables	15	173,936		162,259	
Current tax liabilities	7	346		0	
Other financial liabilities	15	12,389		5,889	
Other liabilities and accruals		226,485		175,495	
Current liabilities			1,002,403		969,847
Total			1,886,091		1,790,498

Statement of cash flows

	2010	2009
€ thousand	Notes	
Earnings before taxes	70,763	−39,248
Depreciation and amortisation (reversals)	60,788	72,764
Decrease in provisions and accruals	−18,487	−17,000
Deferred tax item changes recognised in profit or loss	−721	−14,406
Interest expenses and interest income	−1,046	−2,568
Proceeds and losses from the disposal of non-current assets	−247	−174
Other non-cash expenses and income	−86	−787
Decrease in trade receivables and other assets not attributable to investing or financing activities	7,535	61,515
Increase (previous year: decrease) in inventories	−54,900	49,719
Increase in trade payables and other liabilities not attributable to investing or financing activities	34,677	78,742
Cash generated from operating activities	98,276	188,557
Interest paid	−3,280	−3,695
Income tax paid and refunds received	−17,498	−15,156
Cash flow from operating activities	77,498	169,706
Cash payments to acquire intangible assets	−33,024	−28,345
Proceeds from the disposal of intangible assets	7	293
Cash payments to acquire property, plant and equipment	−48,500	−59,902
Proceeds from the disposal of property, plant and equipment	1,375	1,881
Cash payments to acquire non-current financial assets	−212	−224
Proceeds from the disposal of non-current financial assets	22	210
Cash payments to acquire shares in affiliated companies	0	−7,205
Interest received	3,807	5,126
Dividends received	1,752	969
Cash flow from investing activities	−74,773	−87,197
Cash payments to company owners	0	−18,101
Cash payments to acquire treasury shares	0	−37,058
Cash payments to service debt	0	−731
Cash payments to pay lease liabilities	−2,303	−2,142
Cash flow from financing activities	−2,303	−58,032
Net change in cash and cash equivalents	422	24,477
Changes in cash and cash equivalents arising from exchange rates	5,641	2,666
Changes in cash and cash equivalents arising from the consolidated group	5,865	0
Cash and cash equivalents at the beginning of the period	135,519	108,376
Cash and cash equivalents at the end of the period	147,447	135,519

	Parent company							Non-controlling interests	Group equity
€ thousand	Issued capital	Capital reserves	Retained earnings	Currency differences in equity	Other reserves	Group unappropriated profit	Equity	Equity	
Notes	8	9	10		11			12	
At 1 January 2009	40,000	103,703	476,718	-8,963	1,543	175,824	788,825	1,161	789,986
Dividend payment (€0.60 per share)						-18,101	-18,101		-18,101
Consolidated net income 2009						-34,650	-34,650	169	-34,481
Purchase of treasury shares		-37,058					-37,058		-37,058
Allocation to retained earnings			18,507			-18,507	0		0
Changes in the consolidated group			-6,628				-6,628	-577	-7,205
Currency differences				4,177		114	4,291		4,291
Hedge accounting					-1,776		-1,776		-1,776
At 31 December 2009	40,000	66,645	488,597	-4,786	-233	104,680	694,903	753	695,656
Consolidated net income 2010						50,813	50,813	100	50,913
Deduction from retained earnings			-100,000			100,000	0		0
Allocation to retained earnings			481			-481	0		0
Currency differences				12,829		-73	12,756		12,756
Hedge accounting					-392		-392		-392
At 31 December 2010	40,000	66,645	389,078	8,043	-625	254,939	758,080	853	758,933

	Machines and lines for product filling and decoration		Machines and lines for beverage production/ process technology		Machines and lines for the low output range (KOSME)	
€ thousand	2010	2009	2010	2009	2010	2009
Sales revenue	1,860,751	1,511,800	232,045	274,126	80,508	78,995
Germany	210,504	163,377	22,447	26,209	1,205	1,692
Rest of Europe	432,035	460,902	28,134	56,940	47,100	47,083
Other areas	1,218,212	887,521	181,464	190,977	32,203	30,220
Depreciation, amortisation, and write-downs	55,580	49,422	3,061	1,945	2,043	2,074
Interest income					19	155
Interest expense					549	779
EBT	100,519	-19,476	-14,117	-14,933	-15,639	-4,839
Other material non-cash income and expenses	725	-6,172	-535	984	-104	-160
Assets	1,636,816	1,529,784	185,918	194,808	73,555	69,507
Germany	1,355,605	1,261,223	185,918	194,808	0	0
Rest of Europe	96,561	71,120	0	0	73,555	69,507
Other areas	184,650	197,441	0	0	0	0
Liabilities	849,252	958,065	243,739	93,757	62,159	55,330
Capital expenditures for intangible assets and property, plant and equipment	72,798	80,743	6,495	5,787	2,231	1,716
Germany	66,269	69,318	6,495	5,787	0	0
Rest of Europe	758	575	0	0	2,231	1,716
Other areas	5,771	10,850	0	0	0	0
Return on sales (EBT to sales)	5.4%	-1.3%	-6.1%	-5.4%	-19.4%	-6.1%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF KRONES AG | SEGMENT REPORTING

■ Legal basis

The consolidated financial statements of KRONES AG («KRONES Group») for the period ended 31 December 2010 have been prepared in accordance with the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB), London, applicable on the reporting date, including the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) as adopted by the European Union. No early application was made of IFRSs that had not yet entered into force or their interpretations. A list of these standards and interpretations and of standards being applied for the first time is on page 150.

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

Non-controlling interests have been added to the statement of changes in equity.

The following explanatory notes comprise disclosures and remarks that, under IFRSs, must be included as notes to the consolidated financial statements in addition to the statement of financial position, the separate income statement and statement of comprehensive income, the statement of changes in equity, and the statement of cash flows.

The »nature of expense« method has been used for the separate income statement. The group's reporting currency is the euro.

■ Consolidated group

Besides KRONES AG, the consolidated financial statements for the period ended 31 December 2010 include all material domestic and foreign subsidiaries in which KRONES AG holds more than 50% of the voting rights.

PT. KRONES Machinery Indonesia, Jakarta, Indonesia, was established in fiscal 2010 and acquisition accounting was done to include it as well as KRONES o.o.o., Moscow, Russian Federation, and KRONES (Thailand) Co. Ltd., Bangkok, Thailand, in the consolidated group. The first-time consolidation of the newly established company was effected at the time of establishment.

KRONES AG holds a direct 100% stake in these companies.

SMEFIN S.R.L., Roverbella, Italy, was liquidated and deconsolidated in 2010.

■ Consolidation principles

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

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

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

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

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

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

■ Currency translation

The functional currency for KRONES AG is the euro.

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

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

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

Exchange rate differences compared with the previous year arising from capital consolidation are recognised directly in equity in other retained earnings.

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

		Closing rate		Average rate	
		31 Dec 2010	31 Dec 2009	2010	2009
us dollar	USD	1.338	1.441	1.326	1.395
British pound	GBP	0.863	0.890	0.858	0.892
Swiss franc	CHF	1.253	1.484	1.380	1.510
Danish krone	DKK	7.454	7.442	7.447	7.447
Canadian dollar	CAD	1.337	1.510	1.365	1.587
Japanese yen	JPY	108.800	133.060	116.240	130.404
Brazilian real	BRL	2.221	2.510	2.331	2.785
Chinese renminbi (yuan)	CNY	8.821	9.830	8.971	9.540
Mexican peso	MXN	16.593	18.826	16.737	18.820
Ukrainian hryvnia	UAH	10.663	11.591	10.690	11.360
South African rand	ZAR	8.885	10.675	9.698	11.711
Kenyan shilling	KES	108.139	109.285	109.148	111.376
Nigerian naira	NGN	203.630	215.260	202.891	210.631
Russian ruble	RUB	40.924	43.647	40.263	44.233
Thai baht	THB	40.211	47.969	42.014	48.155
Indonesian rupiah	IDR	12,058.500	13,570.600	12,068.546	14,420.300

■ Accounting policies

The separate financial statements of KRONES AG and its domestic and foreign subsidiaries have been prepared using uniform accounting policies, in accordance with IAS 27.

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

■ Intangible assets

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

■ Research and development expenditure

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

■ Goodwill

There is no goodwill in these consolidated accounts.

■ Property, plant and equipment

Property, plant and equipment are accounted for at cost less scheduled depreciation on a straight-line basis over their estimated useful lives. The cost of internally generated plant and equipment comprises all costs that are directly attributable to the production process and an appropriate portion of overheads. Borrowing costs are not recognised as cost.

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

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

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

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

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

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

■ Leases

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

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

■ **Financial instruments**

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

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

For the measurement categories, the carrying amounts correspond to the fair values.

The non-current financial assets are not traded on the market and are therefore recognised at amortised cost.

The fair values and carrying amounts are based on customary market rates and observable ongoing market transactions (Level 2 under IFRS 7.27A).

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

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

Pursuant to IAS 39, the classes under IFRS 7 also include cash proceeds and liabilities from finance leases in addition to the categories listed above.

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

■ **Non-current financial assets**

Non-current financial assets other than securities are recognised at cost, less impairment losses. Non-current securities are classified as »available for sale« and recognised at fair value directly in equity. No assets are classified as »held to maturity«.

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

■ **Derivative financial instruments**

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

The primary category of currency risk at KRONES is transaction risks arising from exchange rates and cash flows in foreign currencies. The currencies materially affected by this are the US dollar, New Zealand dollar, Canadian dollar, and Swiss franc.

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

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

The derivative financial instruments are measured at fair value at the reporting date. The fair values are determined using Level 2 inputs under IFRS 7.27A. Gains and losses from the measurement are recognised as profit or loss on the separate income statement and the statement of comprehensive income unless the conditions for hedge accounting are met.

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

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

■ Receivables and other assets

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

■ Inventories

Inventories are carried at the lower of cost and net realisable value. Cost includes those costs that are directly related to the units of production and an appropriate portion of fixed and variable production overheads. The portion of overheads is determined on the basis of normal capacity of the production facilities. Selling costs and general administrative costs are not included in the costs of inventories. For inventory risks arising from increased storage periods or reduced usability, write-downs are made on the inventories.

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

■ Construction contracts for specific customers

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

■ Deferred tax items

Deferred tax assets and liabilities are recognised using the »balance-sheet oriented liability method«, which involves recognising deferred tax items for all temporary differences between the tax base of an asset or liability and its carrying amount on the statement of financial position under IFRSS and for consolidation procedures recognised in profit or loss.

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

■ Provisions for pensions

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

Actuarial gains and losses are only recognised as income or expenses if the net cumulative unrecognised actuarial gains and losses at the end of the previous reporting period exceeded the greater of:

- a) 10% of the present value of the defined benefit obligation at that date (before deducting plan assets); and
- b) 10% of the fair value of any plan assets at that date.

■ Other provisions

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

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

■ Financial liabilities

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

■ Sales revenue

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

Sales revenue is reported less reductions.

■ Segment reporting

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

Segment 1 comprises machines and lines for product filling and decoration. Segment 2 comprises machines and lines for beverage production and process technology. Segment 3 comprises machines and lines for the low output range.

The accounting policies used are the same as those described under »General disclosures« above.

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

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

1 Intangible assets

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

€ thousand	Industrial property rights and similar rights and assets as well as licenses	Capitalised development expenditure	Total
1 January 2009			
Cost	76,187	114,542	190,729
Accumulated amortisation	61,981	48,933	110,914
Net carrying amount	14,206	65,609	79,815
Changes in 2009			
Cost			
Additions	4,911	23,434	28,345
Disposals	344	763	1,107
Currency differences	166	0	166
Amortisation			
Additions	5,889	15,880	21,769
Disposals	331	482	813
Currency differences	145	0	145
Net carrying amount at 31 December 2009	13,236	72,882	86,118
1 January 2010			
Cost	80,920	137,213	218,133
Accumulated amortisation	67,684	64,331	132,015
Net carrying amount	13,236	72,882	86,118
Changes in 2010			
Cost			
Consolidated additions	40	0	40
Additions	7,675	25,349	33,024
Disposals	15	0	15
Currency differences	195	0	195
Amortisation			
Consolidated additions	11	0	11
Additions	6,401	12,237	18,638
Disposals	8	0	8
Currency differences	139	0	139
Net carrying amount at 31 December 2010	14,588	85,994	100,582
31 December 2010			
Cost	88,815	162,562	251,377
Accumulated amortisation	74,227	76,568	150,795
Net carrying amount	14,588	85,994	100,582

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

The capitalised development expenditure relates to new machinery projects of KRONES AG and the KOSME Group. The development expenditure capitalised in 2010 amounts to €25,349 thousand (previous year: €23,434 thousand). Including capitalised development expenditure, a total of €114,287 thousand was spent on research and development in 2010 (previous year: €97,467 thousand). No impairment was recognised on the intangible assets in the reporting period (previous year: €6,020 thousand).

2 Property, plant and equipment

For property, plant and equipment, there were no impairment losses and no reversals under depreciation pursuant to IAS 36 in 2010 (previous year: €115 thousand in impairment losses were recognised).

In 2010, the carrying amounts for property, plant and equipment included grants of €311 thousand (previous year: €361 thousand). Of the grants, €50 thousand (previous year: €50 thousand) were recognised in profit and loss by way of a reduced depreciation charge in 2010.

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

Property, plant and equipment includes leased assets amounting to €18,715 thousand (previous year: €19,195 thousand), which are to be attributed as the economic property of the relevant group company due to the provisions of the underlying lease (finance lease).

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

€ thousand	31 Dec 2010	31 Dec 2009
Land, land rights and buildings, including buildings on third-party land	17,546	17,942
Technical equipment and machinery	396	616
Other equipment, furniture and fixtures, and office equipment	773	637
Total	18,715	19,195

There were no additions under IFRS 3 or IFRS 5 during the reporting period.

Property, plant and equipment have changed as follows:

€ thousand					
	Land and buildings	Technical equipment and machinery	Other equipment, furniture and fixtures and, office equipment	Construction in progress	Total
1 Jan 2009					
Cost	346,678	211,697	175,680	14,008	748,063
Accumulated depreciation	98,725	138,358	124,241	0	361,324
Net carrying amount	247,953	73,339	51,439	14,008	386,739
Changes in 2009					
Cost					
Additions	25,690	14,876	17,068	2,268	59,902
Disposals	1,394	2,795	3,997	19	8,205
Transfers	12,301	468	24	-12,793	0
Currency differences	-213	-291	490	-6	-20
Depreciation					
Additions	10,312	11,522	15,973	0	37,807
Disposals	900	2,113	3,485	0	6,498
Currency differences	-178	-330	199	0	-309
Net carrying amount at 31 Dec 2009	275,103	76,518	52,337	3,458	407,416
1 Jan 2010					
Cost	383,062	223,955	189,265	3,458	799,740
Accumulated depreciation	107,959	147,437	136,928	0	392,324
Net carrying amount	275,103	76,518	52,337	3,458	407,416
Changes in 2010					
Cost					
Consolidated additions	706	145	1,576	10	2,437
Additions	8,525	13,570	20,400	6,005	48,500
Disposals	28	3,536	6,085	40	9,689
Transfers	119	1,035	3,063	-4,217	0
Currency differences	1,795	1,543	1,539	-1	4,876
Depreciation					
Consolidated additions	280	87	614	0	981
Additions	10,988	13,388	17,669	0	42,045
Disposals	8	2,971	5,587	0	8,566
Currency differences	676	1,034	1,070	0	2,780
Net carrying amount at 31 Dec 2010	274,284	77,737	59,064	5,215	416,300
31 Dec 2010					
Cost	394,179	236,712	209,758	5,215	845,864
Accumulated depreciation	119,895	158,975	150,694	0	429,564
Net carrying amount	274,284	77,737	59,064	5,215	416,300

3 Non-current financial assets

The non-current financial assets consist primarily of lendings.

4 Inventories

The inventories of the KRONES Group are composed as follows:

€ thousand	31 Dec 2010	31 Dec 2009
Materials and supplies	149,133	130,095
Work in progress	176,588	176,603
Finished goods	182,451	145,813
Goods purchased for sale	65,915	61,855
Other inventories	9,526	7,583
Total	583,613	521,949

Inventories are recognised at the lower of cost and fair value less selling expenses. Construction contracts in progress at the reporting date do not have gross amounts due to customers (liability) or gross amounts due from customers (asset) since recognition is done using the percentage of completion method.

Write-downs of €26,405 thousand on inventories were recognised as expense in 2010 (previous year: €41,505 thousand) and are based substantially on customary net realisable values and obsolescence allowances. The amount of reversals of write-downs recognised in profit and loss due to improved market conditions was insignificant. The carrying amount of the inventories recognised at fair value less selling expenses totalled €81,416 thousand in 2010 (previous year: €85,461 thousand).

5 Receivables and other assets

€ thousand	31 Dec 2010	31 Dec 2009
Trade receivables	528,209	477,084
(of which amounts are due in 12 months or later)	22,893	18,827
Other assets	78,544	131,910
(of which amounts are due in 12 months or later)	2,229	4,955

For receivables from customers, the amounts recognised correspond to the fair values.

The allowance account developed as follows:

At 1 January 2010	24,889
Change in the consolidated group and effects of currency translation	694
Additions	9,141
Reversals	10,505
At 31 December 2010	24,219

The other assets include primarily advances paid (€24,625 thousand; previous year: €25,711 thousand), current tax assets (€33,058 thousand; previous year: €23,846 thousand), prepaid expenses (€3,738 thousand; previous year: €3,868 thousand), and creditors with debit balances (€3,071 thousand; previous year: €2,055 thousand).

The derivative financial instruments measured at fair value, which were entered into for future payment receipts and meet the conditions for hedge accounting or which were entered into as freestanding hedge transactions, amounted to €310 thousand in 2010 (previous year: €444 thousand).

6 Cash and cash equivalents

Apart from cash on hand amounting to €242 thousand (previous year: €162 thousand), the cash and cash equivalents of €147,447 thousand (previous year: €135,519 thousand) consist primarily of demand deposits. Changes in cash and cash equivalents under IAS 7 »Statement of cash flows« are presented in the statement of cash flows on page 120.

7 Income tax

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

The income tax breaks down as follows:

€ thousand	31 Dec 2010	31 Dec 2009
Deferred tax expense/income (–)	–721	–14,406
Current tax	20,571	9,639
Total	19,850	–4,767

The deferred tax items are computed on the basis of the national income tax rates that apply or are expected due to the current legal situation in the individual countries at the time of realisation. In Germany, a corporate income tax rate of 15.0% plus a solidarity surcharge of 5.5% and a local business tax rate (Gewerbesteuerhebesatz) for KRONES AG that averages 328% apply. Thus, the total income tax rate for the companies in Germany is 27.3%. Abroad, the tax rates are in the 23% to 42% range. The 27.3% rate was used to calculate deferred taxes.

The deferred tax assets and liabilities at 31 December 2009 break down by items on the statement of financial position as follows:

€ thousand	Deferred tax assets		Deferred tax liabilities	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
Intangible assets	136	204	23,617	19,853
Property, plant and equipment	139	129	15,384	15,150
Non-current financial assets	6	0	0	25
Other non-current assets	0	2,252	6,427	26
Inventories	4,767	1,386	1,694	2,910
Other current assets	12,165	6,715	55	1,316
Tax loss carryforwards	17,652	7,857	0	0
Provisions, non-current	7,712	5,379	0	0
Other non-current liabilities	3,297	3,350	574	583
Provisions, current	15,962	25,537	1,872	1,212
Other current liabilities	130	336	261	238
Cash flow hedging	511	190	85	291
Consolidation	0	0	404	1,908
Subtotal	62,477	53,335	50,373	43,512
Offsetting (–)	–46,616	–41,330	–46,616	–41,330
Total	15,861	12,005	3,757	2,182

The deferred tax assets and liabilities recognised directly in equity amounted to –€1,648 thousand at the reporting date (previous year: –€1,003 thousand) and resulted from hedging activities. The deferred tax items recognised on loss carryforwards relate to KRONES AG and KOSME Austria. According to our earnings planning, positive tax results can be expected in the future. Deferred tax items were not recognised on tax loss carryforwards of €26,324 thousand.

The tax expense of €19,850 thousand reported in 2010 is €532 thousand higher than the expected tax expense that would theoretically result from application of the domestic tax rate of 27.3% at the group level. The difference can be attributed to the following:

€ thousand	31 Dec 2010	31 Dec 2009
Earnings before taxes	70,763	–39,248
Tax rate for the parent company KRONES AG	27.30%	27.30%
Expected (theoretical) tax expense	19,318	–10,715
Adjustments due to different tax rates	777	1,160
Reductions in tax due to tax-free earnings	–12,123	–162
Tax loss carryforwards	5,575	19
Increases in tax expense due to non-deductible expenses	7,510	8,529
Tax income (–) / tax expense (+) for previous years	–1,266	–4,360
Other	59	762
Income tax	19,850	–4,767

The difference between reductions in taxes and increases in taxes for 2010 yields a net increase in taxes. This is primarily attributable to non-deductible operating expenses.

8 Equity

KRONES AG's issued capital amounted to €40,000,000.00 at 31 December 2010, unchanged on the previous year. It is divided into 31,593,072 ordinary bearer shares, each with a theoretical par value of €1.27 per share.

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

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

The authorisation becomes effective upon resolution by the annual shareholders' meeting and applies until the end of the day 15 June 2015. The authorisation resolved by the annual shareholders' meeting on 17 June 2009 (agenda item 6) expires when this new authorisation takes effect.

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

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

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

If the shares are purchased through a public tender offer or a public call for tenders, the tender price per share or the high and low ends of the price range per share (excluding incidental costs) shall not exceed by more than 20% and not fall short of by more than 20% the opening price in the XETRA trading system (or any comparable successor system) on the Frankfurt Stock Exchange on the third trading day prior to the public announcement of the public tender offer or public call for tenders (the »relevant price«). If significant deviations from the relevant price occur after the publication of an announcement of a public tender offer or a public call for tenders, the offer or invitation to tender can be adjusted. In such a case, the basis of any adjustment shall be the corresponding price on the last trading day prior to the public announcement of any adjustment. The tender offer or call for tenders can stipulate additional conditions. If the tender offer is oversubscribed – or, in the case of a call for tenders, if there are several tenders of equal value and the total amount exceeds the total amount accepted – acceptance must be granted on a pro-rated basis. Provision may be made for preferential acceptance of small lots of up to 100 tendered shares per shareholder.

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

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

The shares can be sold by means other than a stock exchange if they are sold at a price not substantially below the stock exchange price of the company's shares at the time of the sale.

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

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

The shareholders' subscription rights on these treasury shares are excluded insofar as these shares are sold in return for contributions in kind or sold by means other than the stock exchange in accordance with the above authorisation.

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

The changes in equity that are not recognised in profit or loss (excluding dividends) totalled €12,364 thousand in 2010 (previous year: €2,515 thousand) and consist of changes in currency differences and hedge accounting. The sum of changes in equity that are not recognised in profit or loss and those that are recognised in profit or loss was €63,277 thousand (previous year: –€31,966 thousand).

Disclosures about capital management

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

9 Capital reserves

The capital reserves total €66,645 thousand (previous year: €66,645 thousand). The capital reserves do not include any additional capital contributions under § 272 (2) No. 4 of the German Commercial Code (HGB).

10 Retained earnings

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

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

Apart from the currency translations of financial statements of foreign subsidiaries that are recognised directly in equity, currency differences recognised under retained earnings also include exchange differences resulting from the translation of equity using historical exchange rates.

In order to pay out a dividend for fiscal 2010, the Executive Board resolved to deduct €100,000 thousand from retained earnings and allocate it to unappropriated profit of KRONES AG.

11 Other reserves

The other reserves include the effects from the recognition in equity of financial instruments measured after taxes.

Changes in the reserve for cash flow hedges presented under other reserves and the reserve for the fair value of securities were as follows:

€ thousand	Reserve for cash flow hedges	Reserve for the fair value of securities	Total
At 1 January 2009	1,557	–14	1,543
Measurement change recognised in equity	–2,578	7	–2,571
Tax on items taken directly to or transferred from equity	806	–2	804
Currency difference	–9		–9
At 31 December 2009	–224	–9	–233
Measurement change recognised in equity	–1,018	4	–1,014
Tax on items taken directly to or transferred from equity	420	–1	419
Currency difference	203		203
At 31 December 2010	–619	–6	–625

12 Non-controlling interests

The item on the consolidated statement of financial position for non-controlling interests contains third-party shares in the earnings of MAINTEC GmbH, Collenberg/Main.

A detailed overview of the composition of and changes to the individual equity components for the KRONES Group in 2010 and the previous year is presented in the statement of changes in equity on page 121.

13 Provisions for pensions

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

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

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

In defined benefit plans, the company undertakes an obligation to render the benefits promised to active and former employees, whereby a distinction is made between systems that are financed by provisions and those financed through pension funds. The amount of the pension obligations («defined benefit obligation») has been computed in accordance with actuarial methods. Apart from the assumptions regarding life expectancy, the following factors were also taken into account in the actuarial calculation:

%	Germany		Other countries	
	2010	2009	2010	2009
Discount rate	4.25	5.00	7.50	8.00
Projected increases in wages and salaries	0.00	0.00	5.90	3.50
Projected increases in state pensions	2.00	2.00	0.00	0.00

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

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

€ thousand	31 Dec 2010	31 Dec 2009
Present value of benefit commitments financed by provisions	97,871	79,093
Present value of benefit commitments financed through pension funds	38,805	32,750
Present value of benefit commitments (gross)	136,676	111,843
Fair value of plan assets	-21,589	-19,170
Present value of benefit commitments (net)	115,087	92,673
Actuarial gains (losses) not recognised in the statement of financial position	-34,858	-15,922
Carrying amount at 31 December	80,229	76,751

The pension provisions, which amounted to €79,032 thousand at the reporting date (previous year: €76,184 thousand), are primarily attributable to KRONES AG.

The composition of costs arising from pension obligations, which amounted to €8,397 thousand (previous year: €7,515 thousand), the reconciliation of the present value of defined benefit obligations, which amounted to €136,676 thousand (previous year: €111,843 thousand), and the plan assets of €21,589 thousand (previous year: €19,170 thousand) breaks down as follows:

€ thousand	31 Dec 2010	31 Dec 2009
Current service cost	3,274	2,569
Interest expense	5,479	5,647
Expected return on plan assets	-649	-728
Recognised gains and losses	293	0
Recognised past service cost	0	27
Costs arising from pension obligations	8,397	7,515

€ thousand	31 Dec 2010	31 Dec 2009
Present value of benefit commitments at 1 January	111,843	98,936
Consolidated addition	113	0
Current service cost	3,274	2,569
Interest expense	5,479	5,647
Actuarial losses (+)/gains (-) not recognised in the statement of financial position	19,601	8,290
Benefits paid	-3,871	-3,587
Recognised past service cost	0	27
Currency differences	237	-39
Present value of benefit commitments at 31 December	136,676	111,843

Costs arising from pension commitments are recognised under personnel expenses.

The actual return on plan assets was 5.48%. The plan assets consist of securities. No payments are expected to be made into the plan in 2011. The expected return is estimated on the basis of the fund administrator's future interest rate developments. In 2010, a total of €41,615 thousand (previous year: €39,497 thousand) was spent on the employer contribution to defined contribution plans (contributions to pensions insurance).

Reconciliation of the assets (€ thousand)	31 Dec 2010	31 Dec 2009
Plan assets at start of year	19,170	18,007
Expected return	649	728
Employer contributions	3,576	3,883
Benefits paid	-2,211	-2,219
Net unrecognised gains on assets	318	-1,207
Currency differences	87	-22
Plan assets at end of year	21,589	19,170

€ thousand	31 Dec 2010	31 Dec 2009	31 Dec 2008	31 Dec 2007	31 Dec 2006
Present value of benefit commitments	136,676	111,843	98,936	96,477	113,246
Fair value of plan assets	21,589	19,170	18,007	18,918	19,137
Deficit of plan assets	-17,216	-13,580	-14,470	-12,509	-7,464

14 Provisions for taxes and other provisions

Of the other provisions amounting to €188,277 thousand (previous year: €221,253 thousand), €154,336 thousand (previous year: €183,860 thousand) are due within one year. These other provisions apply to the following items:

€ thousand	1 Jan 2010	Use	Reversal	Addition	Currency differences	31 Dec 2010	Due within 1 year
Tax liabilities	8,374	1,194	3,047	1,552	39	5,724	5,449
Personnel obligations	36,429	10,264	1,385	2,530	11	27,321	198
Administrative expenses	135	137	0	1,344	55	1,397	1,397
Other remaining provisions	184,689	67,861	26,309	60,373	2,943	153,835	147,292
Total	229,627	79,456	30,741	65,799	3,048	188,277	154,336

The provisions for personnel obligations are primarily for non-current obligations relating to early retirement (€21,102 thousand; previous year: €29,962 thousand). The other remaining provisions primarily consist of warranties and anticipated losses. Estimates are based on customary empirical values. The non-current provisions have been discounted using rates between 3.75% and 4.86%.

15 Liabilities

€ thousand	Residual term of up to 12 months	Residual term of 1 to 5 years	Residual term of over 5 years	Total at 31 Dec 2010
Liabilities to banks	0	0	0	0
Advances received	434,911	0	0	434,911
Trade payables	173,936	0	0	173,936
Other financial liabilities	12,389	3,031	0	15,420
Other liabilities	226,485	3,797	0	230,282
Total	847,721	6,828	0	854,549

€ thousand	Residual term of up to 12 months	Residual term of 1 to 5 years	Residual term of over 5 years	Total at 31 Dec 2009
Liabilities to banks	0	0	0	0
Advances received	434,245	0	0	434,245
Trade payables	162,259	0	0	162,259
Other financial liabilities	5,889	2,891	0	8,780
Other liabilities	175,495	5,503	0	180,998
Total	777,888	8,394	0	786,282

The other financial liabilities are obligations on bills. Under IAS 39, these represent possible liabilities from bills sold and are recognised as trade receivables amounting to €13,904 thousand (previous year: €6,213 thousand).

The other liabilities consist of deferred income (€14,892 thousand; previous year: €7,566 thousand) and other remaining liabilities (€215,390 thousand; previous year: €173,432 thousand).

The other remaining liabilities break down as follows:

€ thousand	Residual term of up to 12 months	Residual term of 1 to 5 years	Residual term of over 5 years	Total at 31 Dec 2010
Tax liabilities	15,377	360		15,737
Social security liabilities	8,375			8,375
Payroll liabilities	19,292			19,292
Debtors with credit balances	6,503			6,503
Finance leases	638	2,859		3,497
Accruals	147,425			147,425
Other	13,983	578		14,561
Total	211,593	3,797		215,390

Accruals, which amounted to €147,425 thousand (previous year: €125,564 thousand), have greater certainty with respect to their amount and timing than provisions have. The primary items they include are outstanding supplier invoices, obligations relating to flexible working hours, accrued vacation, and performance bonuses.

€ thousand	Residual term of up to 12 months	Residual term of 1 to 5 years	Residual term of over 5 years	Total at 31 Dec 2009
Tax liabilities	9,949	301		10,250
Social security liabilities	4,089			4,089
Payroll liabilities	10,216			10,216
Debtors with credit balances	8,479			8,479
Finance leases	783	3,955		4,738
Accruals	125,564			125,564
Other	8,849	1,247		10,096
Total	167,929	5,503		173,432

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

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

€ thousand	31 Dec 2010	31 Dec 2009
Future minimum lease payments		
Up to 1 year	1,055	1,292
1 to 5 years	3,044	4,989
	4,099	6,281
Interest portion of future minimum lease payments		
Up to 1 year	546	509
1 to 5 years	483	1,034
	1,029	1,543
Present value of future minimum lease payments		
Up to 1 year	509	783
1 to 5 years	2,561	3,955
	3,070	4,738

16 Contingent liabilities

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

There are no contingent liabilities for the reporting period (previous year: €182 thousand).

17 Other financial liabilities

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

€ thousand	31 Dec 2010	31 Dec 2009
Future minimum lease payments		
Up to 1 year	13,188	12,608
1 to 5 years	16,386	11,548
	29,574	24,156
Future maintenance		
Up to 1 year	8,351	7,820
1 to 5 years	7,378	9,713
	15,729	17,533

Payments amounting to €16,156 thousand (previous year: €15,212 thousand) were made under these rental and lease agreements in 2010.

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

18 Derivative financial instruments

The derivative financial instruments of the KRONES Group, with a fair value of –€1,893 thousand (previous year: –€658 thousand) of which –€1,893 thousand are short-term (previous year: –€658 thousand), substantially cover the currency risks relating to the US dollar, the New Zealand dollar, the Canadian dollar, the Swiss franc, and the euro. 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. These financial instruments are accounted for using the settlement date.

The derivative financial instruments are essentially composed of forward exchange contracts at a secured volume of €131.6 million (previous year: €72.9 million), of which €130.8 million are short-term (previous year: €72.6 million). This volume includes a nominal volume of €30.0 million (previous year: €36.5 million) for short-term cash flow hedges that is measured at a fair value of €29.4 million (previous year: €36.8 million). The risk of default relating to derivative financial instruments is limited to the balance of the positive fair values in the event of a contracting party's default. The cash flow hedges presented are effective.

The net loss from these financial instruments was €149 thousand in the reporting period (previous year: net gain of €270 thousand).

19 Sales revenue

The sales revenue of the KRONES Group, which amount to €2,173,304 thousand (previous year: €1,864,921 thousand), consists of deliveries and services billed to customers less reductions. In the segment reporting, sales revenue is presented in detail, divided by business area and geographic market. In fiscal 2010, revenue of €1,122,365 thousand (previous year: €942,976 thousand) resulted from construction contracts. Costs of €577,121 thousand (previous year: €233,060 thousand) were incurred for contracts in progress. Advances received amounted to €59,265 thousand (previous year: €122,509 thousand).

20 Other own work capitalised

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

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

21 Other operating income

Apart from the income from the reversal of provisions (€23,368 thousand; previous year: €11,307 thousand) and the reversal of impairments (€6,522 thousand; previous year: €7,841 thousand), which are not related to the period, the other operating income, which amounts to €86,831 thousand (previous year: €103,289 thousand), consists substantially of currency translation gains of €31,214 thousand (previous year: €30,150 thousand). This is compared with the recognition of impairment losses of €6,436 thousand (previous year: €7,054 thousand) and currency translation losses of €41,418 thousand (previous year: €33,525 thousand) under other operating expenses. Changes in estimates resulted in earnings contributions of €8,625 thousand.

22 Goods and services purchased

The expenditure for goods and services purchased comprises expenses for materials and supplies and for goods purchased amounting to €904,237 thousand (previous year: €824,321 thousand) and expenses for services purchased amounting to €214,396 thousand (previous year: €171,868 thousand).

23 Personnel expenses

Within the KRONES Group, 10,221 people (previous year: 10,001) including trainees (467) were employed on average for the year. The workforce of the KRONES Group is composed as follows (on average for the year):

	2010	2009
White-collar employees exempt from collective agreements	2,328	2,193
Employees covered by collective agreements	7,893	7,808
Total	10,221	10,001

24 Other operating expenses

Apart from the €140 thousand in losses from disposals of non-current assets (previous year: €684 thousand), which are not related to the period, other operating expenses include additions to impairments on receivables (€6,436 thousand; previous year: €7,054 thousand), other taxes (€3,207 thousand; previous year: €2,204 thousand), freight costs (€66,266 thousand; previous year: €54,592 thousand), and rent and cleaning costs (€23,587 thousand; previous year: €20,988 thousand).

25 Financial income (expense)

The financial income of €2,699 thousand (previous year: expense of €9,643 thousand) breaks down as follows:

€ thousand	31 Dec 2010	31 Dec 2009
Income from other securities and loans classified as non-current financial assets	5	8
Other interest and similar income	5,599	6,800
Interest and similar expenses	-4,553	-4,232
Interest income (expense)	1,046	2,568
Write-downs on non-current financial assets	-104	-13,188
Investment income	1,752	969
Financial income (expense)	2,699	-9,643

26 Income taxes

The income tax expense amounted to €19,850 thousand in 2010 (previous year: tax income of €4,767 thousand). More information is presented under Note 7, »Income tax« (pages 136-138).

27 Earnings per share

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

		2010	2009
Consolidated net income less profit or loss shares of non-controlling interests	€ thousand	50,813	-34,650
Weighted average number of ordinary shares in circulation	shares	30,167,651	30,678,043
Earnings per share	€	1.68	-1.13

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

■ Group audit fees

Expenses of €398 thousand were incurred in fiscal 2010 for the KRONES Group audit and the audit of the parent company. In addition, for the parent company, expenses totalling €163 thousand for tax consultancy services and €80 thousand for other services were incurred. The expense for the audit of the subsidiaries was €33 thousand.

■ Events after the reporting date

No events of material importance occurred after the reporting date.

■ Related party disclosures

Within the meaning of IAS 24 »Related party disclosures«, the members of the Supervisory Board and of the Executive Board of KRONES AG and the companies of the KRONES Group, including unconsolidated subsidiaries, are deemed related parties. Purchases and sales between the related companies are transacted at prices customary on the market (»at arm's length«). Sales to related companies amounted to €18,329 thousand in 2010 (previous year: €37,533 thousand). Trade and other payment transactions resulted in liabilities of €16,266 thousand (previous year: liabilities of €14,071 thousand).

■ 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 part of the corporate governance report and is on pages 109 to 111 of the 2010 Annual Report.

■ Other

Since 2008, KRONES AG and other parties are defendants in various proceedings arising from the bankruptcy of a former customer. KRONES AG believes that it is too early to give a conclusive assessment, but considers the charges to be unfounded.

■ Corporate governance

Shareholders can view the declaration of the Executive Board and the Supervisory Board pursuant to § 161 of the German Stock Corporation Act [AktG] concerning the Corporate Governance Code as amended on 26 May 2010 at KRONES AG's website. The exceptions are also listed there.

Standards and interpretations not applied early

The IASB has issued the following standards, interpretations, and amendments to existing standards and interpretations, the application of which is not yet mandatory (applicable for fiscal years beginning on or after 31 January 2010) and which KRONES AG did not apply early:

IAS 24	»Related party disclosures«
IFRIC 14	»Amendment of IFRIC 14: Prepayments of a minimum funding requirement«
IFRIC 19	»Extinguishing financial liabilities with equity instruments«

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

The following standards and interpretations, the application of which is not yet mandatory, are not expected to be relevant for the consolidated financial statements of KRONES AG:

IAS 12	»Amendment of IAS 12: Deferred tax on investment property«
IAS 32	»Amendment of Financial instruments: presentation: classification of rights issues«
IFRS 1	»Amendment of IFRS 1: First-time adoption of international financial reporting standards«

Amendments due to a new standard or a new interpretation and amendments to existing standards and interpretations (applicable for the first time for fiscal years beginning 1 January 2010):

Improvements to IFRS 2008	
Improvements to IFRS 2009	
Amendment of IFRS 2 »Share-based payment«	
(Group cash-settled share-based payment transactions)	
IFRS 3	»Business combinations (as revised in 2008)«
IAS 27	»Consolidated and separate financial statements (as amended in 2008)«
Amendment of IAS 39 »Financial instruments: recognition and measurement: eligible hedged items«	
IFRIC 12	»Service concession arrangements«
IFRIC 15	»Agreements for the construction of real estate«
IFRIC 16	»Hedges of a net investment in a foreign operation«
IFRIC 17	»Distributions of non-cash assets to owners«
IFRIC 18	»Transfers of assets from customers«

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

Name and location of the company	Share in capital held by KRONES AG %*
neusped Neutraublinger Speditions-GmbH, Neutraubling, Germany	100.00
KIC KRONES Internationale Cooperations-Gesellschaft mbH, Neutraubling, Germany	100.00
ecomac Gebrauchtmaschinen GmbH, Neutraubling, Germany	100.00
MAINTEC Service GmbH, Collenberg/Main, Germany	51.00
S.A. KRONES N.V., Louvain-la-Neuve, Belgium	100.00
KRONES Nordic ApS, Holte, Denmark	100.00
KRONES S.A.R.L., Lyon, France	100.00
KRONES UK Ltd., Bolton, UK	100.00
KRONES S.R.L., Garda (VR), Italy	100.00
KOSME S.R.L., Roverbella, Italy	100.00
KRONES Nederland B.V., Bodegraven, Netherlands	100.00
KOSME Gesellschaft mbH, Sollenau, Austria	100.00
KRONES Spółka z o.o., Warsaw, Poland	100.00
KRONES Portugal Equipamentos Industriais Lda., Barcarena, Portugal	100.00
KRONES o.o.o., Moscow, Russian Federation	100.00
KRONES Romania Prod. S.R.L., Bucharest, Romania	100.00
KRONES AG, Buttwil, Switzerland	100.00
KRONES Iberica, S. A., Barcelona, Spain	100.00
KRONES S.R.O., Prague, Czech Republic	100.00
KRONES Ukraine LLC, Kiev, Ukraine	100.00
MAINTEC Service eood, Sofia, Bulgaria	51.00
MAINTEC Service Ges.m.b.H., Dorf an der Pram, Austria	51.00
KONPLAN S.R.O., Pilsen, Czech Republic	50.00
KRONES Surlatina S.A., Buenos Aires, Argentina	100.00
KRONES do Brazil Ltda., São Paulo, Brazil	100.00
KRONES S.A., São Paulo, Brazil	100.00
KRONES Machinery (Taicang) Co. Ltd., Taicang, China	100.00
KRONES Trading (Taicang) Co. Ltd., Taicang, China	100.00
KRONES Asia Ltd., Hong Kong, China	100.00
KRONES India Pvt. Ltd., Bangalore, India	100.00
PT. KRONES Machinery Indonesia, Jakarta, Indonesia	100.00
KRONES Japan Co. Ltd., Tokyo, Japan	100.00
KRONES Machinery Co. Ltd., Brampton, Ontario, Canada	100.00
KRONES LCS Center East Africa Limited, Nairobi, Kenya	100.00
KRONES Andina Ltda., Bogotá, Colombia	100.00
KRONES Korea Ltd., Seoul, Korea	100.00
KRONES Mex S.A. DE C.V., Mexico City, Mexico	100.00
KRONES LCS Center West Africa Limited, Lagos, Nigeria	100.00
KRONES Southern Africa (Prop.) Ltd., Johannesburg, South Africa	100.00
KRONES (Thailand) Co. Ltd., Bangkok, Thailand	100.00
KRONES, Inc., Franklin, Wisconsin, USA	100.00
Maquinarias KRONES de Venezuela S.A., Caracas, Venezuela	100.00
Beverage Consulting and Engineering Co. Ltd., Bangkok, Thailand	49.00

* Direct and indirect shareholdings.

Members of the Supervisory Board and the Executive Board

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 of the Supervisory Board	Philipp Graf von und zu Lerchenfeld Member of the Bavarian Landtag, Dipl.-Ing. agr., auditor and tax consultant
Werner Schrödl** Chairman of the Central Works Council	
Deputy Chairman of the Supervisory Board	Dr. Alexander Nerz Attorney
Dr. Klaus Heimann** Director of the Youth, Training and Qualification Policy Division of IG METALL	Johann Robold** Member of the Works Council
Dr. Jochen Klein Managing director of I-Invest GmbH * DÖHLER GMBH HOYER GMBH	Anton Schindlbeck** Head of sales for LCS
Prof. Dr. Ing. Erich Kohnhäuser	Jürgen Scholz** 1 st authorised representative and treasurer of the IG METALL administrative office in Regensburg * INFINEON TECHNOLOGIES AG
Norman Kronseder Farmer and forester * BAYERISCHE FUTTERSAATBAU GMBH	Josef Weitzer** Chairman of the Works Council * 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.

Unappropriated retained earnings of KRONES AG amounted to €16,612,612.26 at 31 December 2010.

We propose to the annual shareholders' meeting on 15 June 2011 that this amount be used as follows:

Proposal for the use of unappropriated profit	€
Dividend of €0.40 per share	12,067,060.40
Amount carried forward to new account	4,545,551.86

Neutraubling, 30 March 2011

KRONES AG

The Executive Board



Volker Kronseder
(Chairman)



Hans-Jürgen Thaus
(Deputy Chairman)



Rainulf Diepold



Werner Frischholz



Christoph Klenk

We have audited the consolidated financial statements prepared by KRONES Aktiengesellschaft, Neutraubling, comprising the separate income statement, the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and the notes to the consolidated financial statements, together with the group management report for the financial year from 1 January 2010 to 31 December 2010. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. [paragraph] 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Regensburg, 31 March 2011

KPMG Bayerische Treuhandgesellschaft
Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft

Herr
Wirtschaftsprüfer
(German Public Auditor)

Medick
Wirtschaftsprüfer
(German Public Auditor)

Affiliated companies	See subsidiaries
Cash flow	All inflows and outflows of cash and cash equivalents during a period.
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).
Deferred tax items	Temporary differences between the taxes calculated on the results reported on tax statements and those calculated on the results recognised in the financial statements under IFRSs. The purpose is to show the tax expense in relation to the result under IFRSs.
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).
Free float	Portion of the total number of shares outstanding that is available to the public for trading.
IFRSs	International Financial Reporting Standards. Accounting standards issued by the International Accounting Standards Board (IASB) that are harmonised and applied internationally.
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.
Non-current assets	Assets which are intended to permanently serve the business operations.
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. The lower the PE ratio, the better the 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 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.
Statement of cash flows	Statement of inflows and outflows of cash that shows the sources and uses of funds within the financial year.
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 to sales	Working capital (trade receivables plus inventories and prepayments less corresponding liabilities) in relation to sales revenue.
XETRA trading system	Electronic stock market trading system.

Key figures for the KRONES Group 2006 – 2010

		2010	2009	2008	2007	2006
Sales						
Sales revenue	€ million	2,173	1,865	2,381	2,156	1,911
Germany	€ million	234	191	300	347	289
Outside Germany	€ million	1,939	1,674	2,081	1,809	1,622
Export share	%	89	90	87	84	85
Earnings						
Earnings before taxes	€ million	71	–39	156	154	110
Net income	€ million	51	–34	107	102	78
Earnings per share	€	1.68	–1.13	3.39	3.25	2.45*
Assets and capital structure						
Non-current assets	€ million	569	542	534	475	430
of which property, plant and equipment, intangible assets, and non-current financial assets	€ million	519	496	482	422	374
Current assets	€ million	1,317	1,248	1,291	1,209	1,042
of which cash and equivalents	€ million	147	136	108	54	58
Equity	€ million	759	696	790	708	629
Total debt	€ million	1,127	1,094	1,035	976	843
Non-current liabilities	€ million	125	125	144	155	147
Current liabilities	€ million	1,002	970	891	821	696
Total assets	€ million	1,886	1,790	1,825	1,684	1,472
Cash flow/capital expenditure						
Gross cash flow	€ million	112	25	158	149	127
Capital expenditure	€ million	82	88	112	98	78
Depreciation, amortisation, and write-downs	€ million	61	60	51	48	50
Net cash position (cash and cash equivalents less debt)	€ million	147	136	108	53	57
Profitability ratios						
EBT margin	%	3.3	–2.1	6.6	7.1	5.7
Return on equity before taxes	%	9.7	–5.3	20.8	23.0	18.3
ROCE	%	8.1	–3.5	19.1	20.2	16.1
Employees (at 31 December)						
Germany		8,280	8,165	8,286	7,857	7,531
Outside Germany		2,295	2,073	2,047	1,731	1,634
Dividend						
Dividend per ordinary share	€	0.40**	0.00	0.60	0.70	0.53*

* Adjusted for share split ** As per proposal for the use of unappropriated profit

KRONES Group product divisions and segments

- Machines and lines
for product filling
and decoration
- Product treatment technology
 - Systems engineering
 - Labelling technology
 - Inspection technology
 - Filling technology
 - Cleaning technology
 - Plastics technology
 - Packing and palletising technology
 - Conveyor technology

- Machines and lines
for beverage production/
process technology
- Brewhouse and filtration technology
 - Information technology
 - Internal logistics

- Machines and lines
for the low output range
(KOSME)
- Labelling technology
 - Filling technology
 - Plastics technology
 - Packing and palletising technology
 - Conveyor technology



The production of and the paper used for the KRONES Group's 2010 Annual Report have been certified in accordance with the criteria of the Forest Stewardship Council (FSC). The FSC prescribes strict standards for forest management, thus helping to prevent uncontrolled deforestation, human rights violations, and environmental damage. Because products bearing the FSC label are handled by various enterprises along the trading and processing chain, the companies that process the paper, such as printers, are also certified under FSC rules.

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Financial calendar

27 April 2011	Annual report for 2010 Interim report for the period ended 31 March Financial press conference
15 June 2011	Annual shareholders' meeting
27 July 2011	Interim report for the period ended 30 June
26 October 2011	Interim report for the period ended 30 September

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.

This English language report is a translation of the original German KRONES Konzern Geschäftsbericht 2010. In case of discrepancies the German text shall prevail.