

Corporate social responsibility

- CSR was made an integral part of KRONES' organizational structure in 2007
- Economic success is the company's top priority, but not its only priority
- KRONES invests a lot in its employees

Sustainability as corporate strategy

Companies bear many responsibilities relating to their economic performance, the natural environment, and society as a whole. Lasting commercial success is reserved for those who pay due respect to the interests of humankind and the needs of the natural environment. For KRONES AG, sustainability management means using resources efficiently and prudently, identifying and managing risk, ensuring that our actions are socially responsible, and thus establishing a solid reputation. Steadily improving each of these aspects is a never-ending task for the company's management and for each and every employee. KRONES AG willingly accepts this responsibility because sustainable operations are essential to our company's continued evolution.

Our corporate social responsibility (CSR) guidelines

- We assume responsibility for our customers and products
- We operate in a sustainable, socially responsible way
- We stand for excellent quality and technological leadership in our market
- We conserve resources while providing the utmost quality
- We are successful because of our employees
- We practice clean production
- We safeguard the tradition of an open, family enterprise



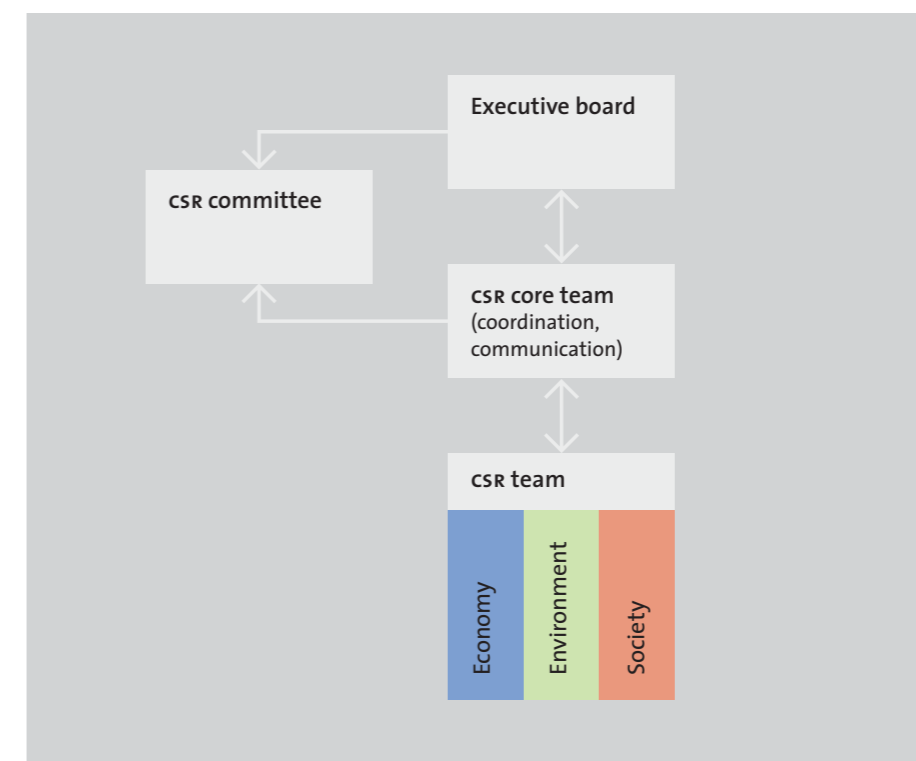
Kristina Ebenbeck, corporate social responsibility officer, and Hermann Graf Castell, head of corporate communications for the KRONES GROUP

Sustainability was made an integral part of our organizational structure in 2007

KRONES AG established a Corporate Social Responsibility (CSR) Committee and gave it far-reaching authority. The committee's work serves as the basis for the company's continued, sustainable development. The committee's members are Volker Kronseder (Chairman of the Executive Board of KRONES AG), Prof. Dr. Ing. Erich Kohnhäuser (Member of the Supervisory Board of KRONES AG), Kristina Ebenbeck (KRONES AG's CSR officer), Prof. Dr. Thomas Schwartz (professor of business ethics and university chaplain), and Nadja Wollschitt (economics, finance, and social policy consultant for the Hanns Seidel Foundation).

The CSR Committee is charged with overseeing compliance with Group-wide CSR policies and guidelines. It also will examine all major strategic decisions for their compatibility with CSR criteria and collaborate on the development of new products and services.

KRONES AG's goals and achievements are laid out in our recently published Sustainability Report. The CSR report will in future form an integral part of KRONES' corporate communications alongside our annual and quarterly reports.



The CSR teams, which consist of representatives from a variety of specialist areas within KRONES AG, develop or work on CSR-related issues in close collaboration with the CSR core team. The CSR core team (Hermann Graf Castell and Kristina Ebenbeck) coordinates the teams and consults with both the CSR committee and the Executive Board of KRONES AG on those projects.

Economy

KRONES' commercial success is fundamental to our ability to assume responsibility.

Profitability is essential to any company's lasting success. Without profits, a company has no scope for investment in new equipment, employees, or research and development – the very foundations of long-term, sustainable performance. Thus, commercial success is the paramount objective for KRONES AG and a sound basis from which to assume responsibility for its employees, its business partners, its shareholders, the natural environment, and society as a whole.

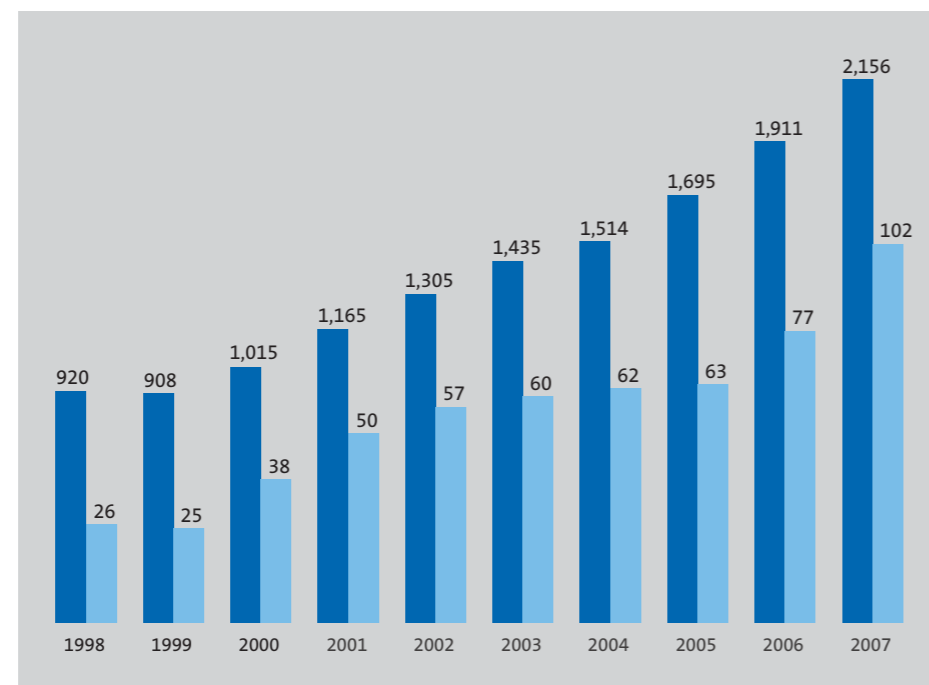
Profitable growth

KRONES' steady, sometimes soaring growth can be attributed not only to its highly qualified, motivated employees and the products they create but also to a prudently executed international expansion. As the world's market leader in packaging machinery for beverages and other liquid products, we maintain sales offices around the world. New technologies and innovative products will continue to serve as the basis for KRONES AG's tapping of new markets. KRONES' goal is a clear one: to further expand our market lead and to seize the opportunities offered by long-term growth in the market for beverage filling lines. In concrete figures, KRONES AG aims to repeat our achievement of the past 10 years, once again doubling sales within the next 10 years.

In the »KRONES in figures« section of this annual report (p. 50), we provide a detailed look at our 2007 economic performance.

KRONES GROUP sales and earnings development, in € m

KRONES has been a success story for many years. And we intend to continue writing it for many years to come.



HGB through 2003, IFRS FROM 2004 onward

Environment

Future-oriented action is a critical aspect not only for developing new markets and products but also for our relationship to the natural environment.

Operating efficiently also means not consuming resources unnecessarily.

And we and our customers are placing increasing importance on our relationship to the environment as we design our production processes and facilities.

Machine concepts and environmental considerations

Responsible use of energy and raw materials is also an important priority for our customers. It is not uncommon for energy efficiency to be a key consideration for customers choosing a filling line. KRONES is responding to these demands and pursuing development projects in every business area that facilitate efficient use of resources.

Plastics technology

KRONES is also active in the field of recycling PET for use in the production of new PET bottles. Bottle-to-bottle recycling – that is, recycling used PET bottles to produce new PET bottles – is a logical link in the process chain for PET bottles. Depending on the type of bottle being produced, up to 50% recycled material can be used to considerably reduce the energy needed to make each PET bottle.

Filling technology

Our filling specialists have devoted special attention to the rinsing process. With the right measures, rinse water can be collected, filtered, and reused. The water that is collected can be reused for the same application or for another use elsewhere, for example, in a heat exchanger. The savings that can be achieved with such closed-loop systems amount to around 2.5 m³ sterile water per hour in a 36,000-bottle-per-hour aseptic system that uses peracetic acid.

Process engineering

Our PET Asept D H₂O₂ technology, which has been available for aseptic filling since 2005, enables our customers to achieve high sterilisation performance in dry sterilisation processes. One benefit of this process is a considerable reduction in water consumption and waste water generation since the sterilising media do not need to be rinsed out with water. The PET Asept D system uses no fresh water for the filling process.

Our application for a patent relating to the use of solar heat to generate the hot water used in food and beverage operations is an important milestone in the development of future-oriented energy concepts. The privately-owned Hofmühl Brewery in Eichstätt, Germany, is the first customer to employ this concept. In the first stage, the brewery and KRONES are building a solar heat system with 1,000 m² of collectors. The system will go into operation in early 2008 and will later be expanded to 3,000 m².

Cleaning technology

The Parcival caustic filtration system – a membrane filtration system with self-cleaning disk filters – separates contaminants from the post-caustic bath in a closed loop. As a result, the level of surfactants in the post-caustic bath is reduced by 50% while using the same amounts of chemicals and water. This in turn has a positive impact on the surface tension in the cleaning baths and the bottles. The separation of these contaminants also reduces build-up on the interior walls of the bottle washer. The use of Parcival in the post-caustic bath reduces the COD (chemical oxygen demand) in the post-treatment zone and thereby reduces the amount of disinfectant needed.

Packing and palletising technology

Reducing the volume of materials consumed is the primary concern driving the continued development of packaging machines. The Variopac machine concept has been adapted to use as little film as possible and thus can now create packs with a film that is just 40 µm thick instead of the 65 µm thickness required previously. This translates to our customers being able to create more packs with a single film roll.

In the field of palletising, we are focusing on using low-noise components in our single-column robots and gripping elements. Toothed belts, linear guides with ball chains, plastic guides, and casters made of carbon fibre-enhanced plastic are the materials of choice here. Regular noise measurement has enabled us to systematically minimise noise emissions prior to beginning serial production. By using the components listed above, we have considerably reduced noise emissions in our »modular single-column robot« development project.

Society

Political, social, and economic stability depend on trust. That's why it is critical that companies understand and embody their role as part of society and accept their civic and social responsibility. KRONES attaches high importance not only to its responsibilities for our employees but also to supporting social causes.

Our employees – the company's future

In a company like KRONES, major importance is attached to maintaining our staff's level of job satisfaction and personal motivation. As an employer, we bear responsibility for almost 9,600 employees worldwide. We promote not only their technical and professional development but also their personal development. Our aim is to foster a lasting, fair, and fruitful partnership with our employees. Because we know that our people are the very backbone of KRONES' success.

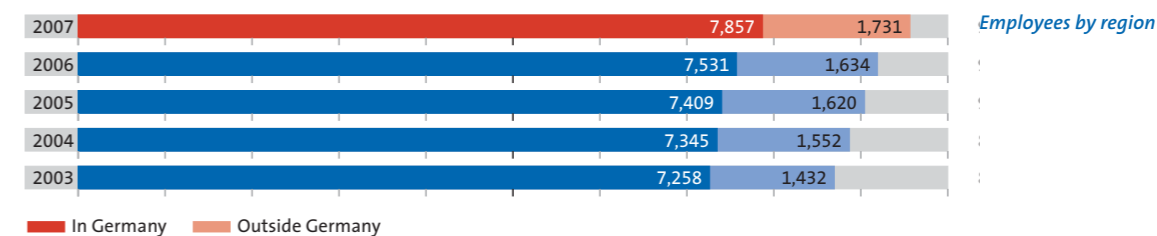
KRONES is creating jobs

At the end of 2007, KRONES employed 9,588 people worldwide. That represents a 4.6% (423-employee) increase in our workforce compared with 2006. A large portion of these new jobs were created in Germany.

Unlike other companies, KRONES is continually increasing its personnel in Germany.

At 31 December 2007, KRONES employed 7,857 people in Germany. That is 326 more than at the end of 2006. At the reporting date, 5,101 of these employees were in Neutraubling, 904 in Rosenheim, 810 in Nittenau, 533 in Flensburg, 412 in Freising, and 97 at Maintec GmbH in Collenberg.

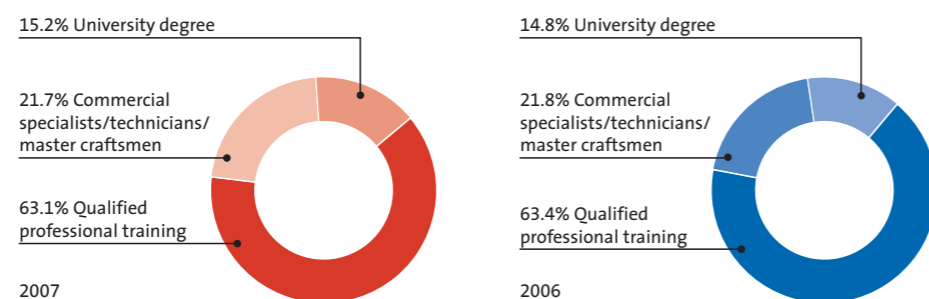
Our workforce outside Germany grew by 97 to 1,731.



**Employee qualifications
in Germany****Highly qualified employees**

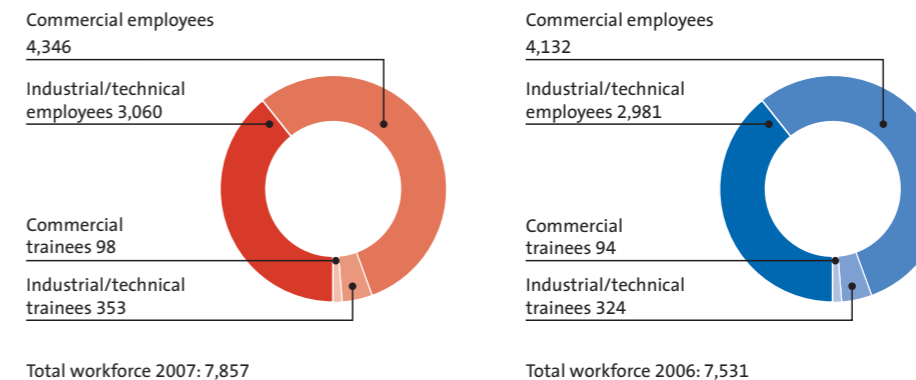
The shortage of specialists in German industry was a major issue in 2007. KRONES was unaffected by this problem because of its reputation as an attractive employer. Having enough skilled people is also crucial to our ability to offer quality products »Made in Germany.«

More than 15% of our employees in Germany have completed a university-level education. Just less than 22% of our workforce has completed vocational training as a technician, master craftsman, or commercial specialist. The remainder of our workforce has some type of qualified professional training.

**Systematic continuing education ensures a highly qualified workforce**

For a technology leader like KRONES, success depends heavily on highly qualified employees and management. In order to ensure this high level of qualifications for the long term, KRONES human resources development places considerable emphasis on providing employees with regular continuing education and development opportunities. To ensure that we provide our employees with the best possible »fit« in terms of these opportunities, we use one-on-one interviews to determine in advance what knowledge and skills need improvement. Apart from qualification measures relating to our employees' specific fields, we also offer interdisciplinary and intercultural training opportunities such as classes on presentation techniques and language courses.

Further enhancing the management culture at KRONES was a major focus of our continuing education programme for 2007. As in years past, we offered various training opportunities for management employees to expand and improve their skills in company-specific situations. The training days imparted awareness of various management tools such as goal-setting and argumentation techniques using case studies and role plays with practical relevance. The programme was very popular, drawing 140 participants in 2007. That brings us an enormous step closer to our goal of establishing a uniform, modern understanding of management within the entire Group.

**Workforce structure in Germany****Solid training is the foundation for a successful career**

KRONES offers motivated young people an attractive array of vocational training options that prepare them outstandingly well for the challenges of a long career in 25 different fields. Each year, KRONES invests between €65,000 and €70,000 in each of our trainees.

»We're glad to invest in training because our future depends on our having a skilled, motivated workforce.« (Volker Kronseder)

For the training year starting in 2007, some 1,500 secondary school graduates applied to train at KRONES. Of these, 96 began their vocational training with us in September 2007. At the end of 2007, KRONES was training 451 young people in Germany (end of 2006: 418). Of these, 353 were in industrial and technical fields and 98 in commercial fields. KRONES permanently hired 34 of the 54 young people who successfully completed their vocational training with us in the summer of 2007. The others chose to pursue further training or studies.

KRONES Training Day is already an established tradition in which young people interested in training with the company and their parents are given an inside look at the options we offer. On 8 September 2007, the event drew numerous visitors to our Neutraubling and Nittenau plants.

»Profil 21« – the new professional training option

At the start of September 2007, twenty-one young people took the first step on a new career path at KRONES called »Profil 21.« Under this programme, young people can earn not only vocational qualification but also a »Meisterbrief in Mechatronik« (certification as an industrial foreman specialising in mechatronics) in just 4 years. Additional professional development programmes make »Profil 21« graduates highly skilled international service technicians (»experts of service engineering«).

KRONES expanded its training offerings in 2007.

This demanding career path begins with training as a mechatronics technician for field service, which has been condensed to just two-and-a-half years. After successfully completing the professional examination, »Profil 21« participants spend the next 18 months continuing their education to earn the title of »Industriemeister Mechatronik« (certified industrial foreman specialising in mechatronics). Upon completing the programme, the young participants are not only ideally prepared to handle the demands of KRONES service business. They also have a solid foundation on which to build a career full of interesting development opportunities.

With a new general pay agreement, KRONES introduced a uniform, fair pay system.

Fair pay for good work

KRONES uses a bonus system to honour our production employees' performance. The employees working in each of our segments are personally responsible for calculated costs and quality, from order acceptance to production to delivery. Previously defined targets with respect to sales and profits are other yardsticks we use to measure and financially reward employee performance.

Apart from the incentives our bonus system offers, our corporate culture and a positive working environment also play a crucial role in our company's success. We are committed to respecting our employees' personal dignity and rights to privacy and to the principle of equal treatment.

Our new general pay agreement was designed to ensure equal treatment. The uniform, fair pay system for all of our company's employees represents a new era in pay policy. The system replaces the old, now outdated system that originated in the 1950s and provided for separate pay structures (wages vs. salaries) for blue-collar and white-collar workers. The pay structure under the new general pay agreement is identical for all employees and consists of twelve pay groups. The new structure will make possible uniform, comparable work evaluation across all employee groups. The result is a motivating work environment. The details of the new approach will be optimised in a pilot project that was launched in 2006. The new general pay agreement is slated for implementation Group-wide in 2008.

KROKI for the little ones

KRONES is also helping employees balance their careers with their personal life planning. KROKI, our in-house child care service, is slated to open in fall 2008 in Neutraubling, Germany, and offers our employees an opportunity to return to work quickly after the birth of a child while at the same time knowing that their little one is in good hands and close at hand.

Social and cultural involvement

The principles of sustainability also apply to our civic involvement. Beyond our business responsibilities, we are also highly committed to our responsibilities with respect to society, culture, the sciences, and academics (corporate citizenship). We focus our efforts on those areas where we feel we can make the greatest impact, primarily through projects in our region. We provide charitable donations and sponsoring as well as knowledge and people. For KRONES, such civic engagement is part and parcel of corporate social responsibility.

KRONES AG has for several years provided monetary support to the Zweites Leben e.V. association, which cares for people who have suffered a stroke or head or brain injury. Zweites Leben (German for »second life«) is currently the only association of its kind in Germany and seeks to improve the affected individuals' second life.

For every company, it is important to ensure access to the best and brightest employees early on. That is why, for years, KRONES has been working closely with universities and offering a range of events at which the company can inform budding scholars about the careers and opportunities available at KRONES.

We maintained our close, long-standing partnership with the College of Applied Sciences in Regensburg and the University of Regensburg in 2007 through joint projects. We also launched a partnership with the Technical University of Munich in 2007, sponsoring the Institute for Machine Tools and Industrial Management (IWB).

KRONES has not only given young scholars and scientists a look into industrial practice through practical semesters and thesis assignments. We have also laid the foundations for possible employment within the company. Last year, KRONES advised 124 degree candidates in projects of practical relevance.

A company also lives from the social commitment of its people. One example of this commitment at KRONES: Dr. Axel Becher, who heads KRONES AG's in-house medical service, supports a Children's Village in Lagos, Nigeria, by helping out there and collecting donations in Germany. Donations are packed in Neutraubling and sent directly to KRONES' regional office in Lagos, where Helmut Rumm, head of the West Africa regional office, and his wife arrange for the donations to be forwarded to the Ijamido Children's Home.

KRONES AG has long been involved on the cultural scene as well. For instance, the choirs of Neutraubling provided a special cultural highlight in 2006 with a performance of Carl Orff's »Lieder aus Beuren,« better known as »Carmina Burana.« The performance was unique in that it was not held in a conventional concert hall but in a KRONES production hall. KRONES cleared out its new 16,500 m² filler assembly centre and in just two short days transformed it into a concert hall with stages and seating for more than 1,000 people.

KRONES is aware of its responsibility to society. The company has supported social and cultural projects for many years.