

KRONES Aktiengesellschaft, Neutraubling
Annual general meeting of KRONES AG
on Tuesday, 20 June 2017, 2:00 pm,
in the Stadthalle Neutraubling,
Regensburger Strasse 9,
93073 Neutraubling, Germany.

Joint report of the Executive Board of KRONES Aktiengesellschaft, Neutraubling,
and the management of KRONES Beteiligungsgesellschaft mbH, Neutraubling,
pursuant to Section 293a AktG on the conclusion and content of a profit and loss
transfer agreement dated 30 March 2017 between KRONES Aktiengesellschaft,
Neutraubling, and KRONES Beteiligungsgesellschaft mbH, Neutraubling

I. Preface

The Executive Board of KRONES Aktiengesellschaft, with registered offices in Neutraubling, recorded in the Commercial Register of the Regensburg Local Court under HRB 2344 (hereinafter referred to as “**Controlling Company**” – *Organträgerin*), and the management of KRONES Beteiligungsgesellschaft mbH, with registered offices in Neutraubling, recorded in the Commercial Register of the Regensburg Local Court under HRB 15694 (hereinafter referred to as “**Controlled Company**” – *Organgesellschaft*), hereby issue the following report pursuant to Section 293a AktG (hereinafter referred to as “**Joint Report**”) on the Profit and Loss Transfer Agreement that was entered into by the Controlling Entity and the Controlled Company on 30 March 2017 (hereinafter referred to as “**PLTA**” – EAV). The PLTA is attached to this report as **Annex 1**. The purpose of the Joint Report is to provide information to the Controlling Entity’s shareholders in preparation for the annual general meeting of the Controlling Entity on 20 June 2017.

II. Introduction

The PLTA between the Controlled Company as the company transferring profit and the Controlling Entity as the other party to the agreement was entered into in writing by the management of the Controlled Company and the Executive Board of the Controlling Entity on 30 March 2017. In the PLTA, the Controlled Company agrees to transfer its entire profit to the Controlling Entity. The Controlling Entity in turn agrees to absorb the Controlled Company’s losses. The PLTA is subject to the approval of the general meeting of the Controlling Entity and of the shareholder meeting of the Controlled Company before it enters into effect. The Controlling Entity’s general meeting will resolve on approving the PLTA on 20 June 2017. The shareholder meeting of the Controlled Company approved the PLTA on 30 March 2017.

The PLTA will take effect upon its recording in the Commercial Register of the Controlled Company’s registered offices. The obligation to transfer profit and to absorb losses applies retroactively to the start of the financial year in which the PLTA becomes effective.

III. Contracting parties to the PLTA

The parties to the PLTA are KRONES Aktiengesellschaft as Controlling Entity and KRONES Beteiligungsgesellschaft mbH as Controlled Company.

1. Controlling Entity

The Controlling Entity is a stock corporation under German law (Aktiengesellschaft, AG) with registered offices in Neutraubling, Germany. It is recorded in the Commercial Register of the Regensburg Local Court under HRB 2344.

According to its articles of association, the object of the Controlling Entity as a company is

- the planning, production, assembly, installation and sale, including renting and leasing of and trade with machinery and plant, including turnkey machinery and plant designed for the packaging of materials and products of all kinds and in any aggregate state as well as for cleaning, inspection, checking, filling and labelling of containers of all kinds with the above materials and products or which are useful for this purpose, related machinery and plant, in particular complete bottling plants and breweries, machinery and plant for sorting and palletizing as well as machinery and plant for the production of packaging;
- the production and sale of containers of all kinds and the materials required for this purpose;
- the construction of the buildings related to the above;
- the development, processing, purchase and sale of software and the purchase and issue of licenses for such software;
- the purchase and sale of commercial intellectual property rights and the purchase and issue of licenses for such rights;
- the purchase of the required movable and immovable assets;
- general mechanical and plant engineering.

The company is entitled to purchase and establish branch offices and other companies, particularly operator companies within Germany and in other countries, and to purchase holdings in such branch offices or companies and to enter all types of transactions that are designed to promote the business aim of the company. The company is also entitled to transfer its business in part or in full to affiliated companies.

The Controlling Entity's share capital totals EUR 40,000,000.00 and, at the time that this Joint Report was prepared, was divided into 31,593,072 ordinary bearer shares (with no par value).

The Executive Board of the Controlling Entity is authorised to increase the Controlling Entity's share capital, with the approval of the Supervisory Board, by up to EUR10 million (authorised capital) through the issuance once or repeatedly of new ordinary bearer shares against cash contributions up to and including 15 June 2021.

All of the Controlling Entity's shares are traded on the prime standard (regulated market) of the Frankfurt Stock Exchange under the ISIN DE0006335003 and WKN (German securities identification code) 633500.

Pursuant to Article 6 (1) of the Controlling Entity's articles of association, the Controlling Entity's Executive Board consists of at least two members. The Controlling Entity's Supervisory Board determines the number of members of the Executive Board and appoints the members of the Executive Board, cf. Article 6 (2) of the articles of association of the Controlling Entity. At the time this Joint Report was prepared, the Controlling Entity's Executive Board had six members: Christoph Klenk (Chairman), Michael Andersen, Rainulf Diepold, Thomas Ricker, Markus Tischer, and Ralf Goldbrunner. Pursuant to Article 7 (1) of the articles of association, the Controlling Entity may be represented by two members of the Executive Board or by one member of the Executive Board and an authorised signatory (Prokurist). The Supervisory Board may authorise individual members of the Executive Board to represent the company individually (Article 7 (2) of the Controlling Entity's articles of association).

Pursuant to Article 8 (1) of the Controlling Entity's articles of association, the Controlling Entity's Supervisory Board consists of twelve members. Six members are elected by the shareholders in accordance with the German Stock Corporation Act. Six members are elected by the employees in accordance with the Code-termination Act of 1976. At the time this Joint Report was prepared, the Controlling Entity's Supervisory Board had the following members representing shareholders: Volker Kronseder (Chairman), Norman Kronseder, Philipp Graf von und zu Lerchenfeld, Prof. Dr. jur. Susanne Nonnast, Petra Schadeberg-Herrmann, and Hans-Jürgen Thaus. At the time this Joint Report was prepared, the Controlling Entity's Supervisory Board had the following members representing employees: Werner Schrödl (Deputy Chairman of the Supervisory Board), Klaus Gerlach, Dr. Verena Di Pasquale, Johann Robold, Jürgen Scholz, and Josef Weitzer.

The Controlling Entity employed 9,402 people at 31 December 2016.

The Controlling Entity is fully subject to corporation tax (KSt) and municipal trade tax (GewSt) in Germany.

The KRONES Group offers machinery and systems for filling and packaging and for beverage production. The KRONES Group's customers include breweries, beverage producers, and companies from the food, chemical, pharmaceutical, and cosmetic industries. Services are an important part of the KRONES Group's business model. Customers in the beverage industry account for around 90% of the KRONES Group's revenue. The remaining revenue comes from business with companies in non-beverage sectors (food, dairy, chemicals, pharmaceuticals, and cosmetics). The KRONES Group is heavily export-oriented, generating around 90% of consolidated revenue outside Germany.

The Controlling Entity's financial year is the calendar year. The Controlling Entity generated net income of EUR42.9 million in the financial year 2014 and net income of EUR59.0 million in 2015. The Controlling Entity's consolidated financial statements show consolidated net income of EUR135.7 million for 2014 and consolidated net income of EUR156.3 million for 2015.

In the financial year ended on 31 December 2016, the Controlling Entity generated net income of EUR111.1 million. The Controlling Entity's consolidated financial statements show consolidated net income of EUR169.1 million for 2016.

The Controlling Entity's statement of financial position shows total assets of EUR1,614.9 million at 31 December 2016. Equity totalled EUR702.2 million, for an equity ratio of 43.5% at 31 December 2016 (31 December 2015: 41.9%).

2. Controlled Company

The Controlled Company is a limited liability company under German law (GmbH) with registered offices in Neutraubling, Germany. It is recorded in the Commercial Register of the Regensburg Local Court under HRB 15694.

According to its articles of association, the object of the Controlled Company as an enterprise is to establish and manage companies and acquire, hold, and market interests in other companies in the areas of planning, production, assembly, installation and sale, including renting and leasing of and trade with machinery and plant, including turnkey machinery and plant designed for the packaging of materials and products of all kinds and in any aggregate state as well as for cleaning, inspection, checking, filling and labelling of containers of all kinds with the above materials and products or which are useful for this purpose, related machinery and plant, in particular complete bottling plants and breweries, machinery and plant for sorting and palletizing as well as machinery and plant for the production of packaging; the production and sale of containers of all kinds and the materials required for this purpose; the construction of the buildings related to the above; the development, processing, purchase and sale of software and the purchase and issue of licenses for such software; the purchase and sale of commercial intellectual property rights and the purchase and issue of licenses for such rights; the purchase of the required movable and immovable assets; and general mechanical and plant engineering.

The further object of the enterprise is the rental and leasing of real estate and the provision of commercial and other services, in particular the provision of financial services to affiliated companies.

The Controlled Company may perform all activities that are directly or indirectly suitable for serving the purposes mentioned above.

The Controlled Company was established on 9 December 2016 and, at the time of its establishment, had share capital of EUR 25,000.00. On 9 December 2016, the Controlled Company's shareholder meeting resolved to increase the share capital by EUR 50,000.00 to EUR 75,000.00. The Controlling Entity is the Controlled Company's sole shareholder.

Under Article 5 (1) of the Controlled Company's articles of association, the Controlled Company has one or more managing directors. At the time that this Joint Report was prepared, Mr. Michael Andersen was the Controlled Company's only managing director.

Under Article 5 (2) sentence 1 of the Controlled Company's articles of association, the managing director can represent the Controlled Company alone if there is only one managing director. Under Article 5 (2) sentence 2 of the Controlled Company's articles of association, if more than one managing director is appointed, the Controlled Company may be represented by two managing directors or by one managing director and an authorised signatory (Prokurist). The shareholder meeting can grant power of sole representation to one or more or all managing directors. It can also exempt individual managing directors – in general or in individual cases – from the restrictions of Section 181 of the German Civil Code (BGB) so that they are then authorised to conduct legal transactions with themselves or as the representative of a third party without restriction (Article 5 (3) of the articles of association of the Controlled Company).

The Controlled Company has no employees.

The Controlled Company is fully subject to corporation tax (KSt) and municipal trade tax (GewSt) in Germany.

The Controlled Company's financial year is the calendar year. The Controlled Company's first financial year (partial financial year) ended on 31 December 2016. The Controlled Company generated a net loss for the year of EUR21,676.47

in its first financial year. The Controlling Entity's statement of financial position shows total assets of EUR74,978.77 at 31 December 2016. Equity totalled EUR53,323.53, for an equity ratio of 71.1% at 31 December 2016.

iv. Legal and economic reasons for concluding the Profit and Loss Transfer Agreement

The Controlling Entity holds all shares in the Controlled Company. Thus by concluding a profit and loss transfer agreement, a consolidated tax group for both corporate income tax and municipal trade tax purposes can be created, which includes the Controlling Entity and the Controlled Company. As a result of the consolidated tax group, the Controlled Company's income can be directly attributed to the Controlling Entity for corporate income tax and municipal trade tax purposes. Thus, profits and losses can be netted at the level of the Controlling Entity for tax purposes. Depending on the tax situation of the companies in the consolidated tax group, this may yield tax advantages. Without a profit and loss transfer agreement, such netting of profit and loss for tax purposes is not possible; profits earned by the controlled company could then, at best, be distributed to the controlling entity by way of a profit distribution. In this case, under current tax law, the controlling entity would owe corporate income tax and municipal trade tax on 5% of the profit distribution.

There is no economically reasonable alternative to concluding a profit and loss transfer agreement. According to Section 14 (1) sentence 1 of the German Corporate Income Tax Act (KStG) in conjunction with Section 17 sentence 1 KStG and Section 2 (2) sentence 2 of the German Trade Tax Act (GewStG), conclusion of a profit and loss transfer agreement is a mandatory requirement for establishing a consolidated tax group for the purposes of corporate income tax and trade tax between the controlled company and the controlling company. The tax advantages just mentioned can only be realised by way of a profit and loss transfer agreement.

In particular, a change in the legal form of the Controlled Company into a partnership (Personengesellschaft) would not yield a comparable result for tax purposes since the Controlled Company's income would be subject to municipal

trade tax at the partnership level whereas, as part of a consolidated tax group its income would be taxed at the level of the Controlling Entity and can be netted with any negative income of the Controlling Entity.

A merger of the Controlled Company into the Controlling Entity is also not a preferable alternative since the Controlled Company would then lose its legal independence. Such a change in the legal organisation of the KRONES Group is not intended at this time.

Conclusion of a control agreement was not necessary for tax purposes and also because the Controlling Entity holds sufficient influence over the Controlled Company by virtue of its role as the Controlled Company's sole shareholder. Thus, the Controlled Company's shareholder meeting has authority over the Controlled Company's management.

v. Explanation of the provisions of the PLTA

The PLTA is a profit and loss transfer agreement within the meaning of Section 291 (1) sentence 1 option 2 AktG, which can be concluded by private contract. It is subject to the approval of the general meeting of Controlling Entity and of the shareholder meeting of Controlled Company. It must be recorded in the Commercial Register of the Controlled Company's registered offices.

The provisions of the PLTA are based on the statutory requirements under Sections 291 et seq. AktG, whose rules apply analogously to the Controlled Company; they are limited to the required provisions and supplemented by the provisions necessary to ensuring that the consolidated tax group qualifies for recognition as such for income tax purposes.

The following should be noted with regard to the individual provisions of the PLTA:

1. Profit transfer (Article 1 of the PLTA)

Article 1 (1) of the PLTA contains the obligation characteristic of a profit and loss transfer agreement, that the Controlled Company will transfer its entire profits to the other contracting party. According to this provision, the Controlled Com-

pany agrees to transfer its entire profit to the Controlling Entity. Profit transfer pursuant to Section 14 (1) sentence 1 German Corporate Income Tax Act (KStG) in conjunction with Section 17 sentence 1 KStG is a mandatory requirement in order for the consolidated tax group (fiscal unity) between the Controlled Company and the Controlling Entity to be valid.

The scope of the profit transfer is further detailed in Article 1 (1) sentence 2, (2), and (3) of the PLTA. Article 1 (1) sentence 2 of the PLTA clarifies that the profit to be transferred shall not exceed the amount permissible under Section 301 AktG. This clause makes a dynamic reference (“as amended”) to the provision of Section 301 AktG on the maximum amount of profit transfer under the PLTA. This dynamic reference ensures that any possible changes to the amounts specified in Section 301 AktG are taken into account.

Under Section 301 AktG, as amended, a company may not transfer as profit an amount exceeding the annual net profit accruing without such profit transfer less any loss carried forward from the previous year, the amount to be transferred to legal reserves pursuant to Section 300 AktG, and the amount barred from distribution pursuant to Section 268 (8) HGB.

The consolidated tax group for income tax purposes requires the transfer of the Controlled Company’s entire profits; only under certain circumstances can the income generated by the Controlled Company be transferred into profit reserves. Under Article 1 (2) of the PLTA, the Controlled Company can, with Controlling Entity’s approval, transfer amounts from net profit to profit reserves (Section 272 (3) HGB) only if such transfer is permissible under commercial and tax law and justified by prudent business judgement. This wording is based on the wording of Section 14 (1) sentence 1 number 4 of the German Corporate Income Tax Act (KStG) in conjunction with Section 17 sentence 1 KStG. There must be a concrete reason for such a transfer to profit reserves. Such transfer to reserves reduces the amount of profit to be transferred from the Controlled Company to the Controlling Entity.

Under the provisions of Article 1 (3) sentence 1 of the PLTA, amounts transferred to other profit reserves under Section 272 (3) HGB during the term of the PLTA may be withdrawn from such other profit reserves and transferred as profit at

Controlling Entity’s request. Other reserves and any retained profits brought forward or profit reserves originating from the time before the PLTA entered into effect may not be transferred, nor may any amounts released from capital reserves (Article 1 (3) sentence 2, 3 of the PLTA).

Under Article 1 (4) of the PLTA, the entitlement to the transfer of profit arises at the end of Controlled Company’s financial year (currently 31 December). That is the value date for the amount due.

The entitlement to profit transfer under Article 1 of the PLTA arises for the first time and applies to the Controlled Company’s entire profit for the financial year in which the PLTA takes effect under Article 3 (1) of the PLTA.

The provisions under Article 1 of the PLTA are typical provisions found in profit and loss transfer agreements and are based very closely on the provisions of the law.

2. Loss absorption (Article 2 of the PLTA)

Corresponding to the transfer of profits is the obligation under Section 302 AktG of the Controlling Entity to compensate any annual net loss incurred by the Controlled Company. The absorption of losses is a mandatory requirement for a profit and loss transfer agreement under the provisions of Section 302 AktG.

By undertaking the obligation to compensate any losses, the Controlling Entity effectively bears the economic risk of the Controlled Company (see section III.2. of this Joint Report above for a discussion of the Controlled Company’s financial position). This provision ensures that the equity that is on the Controlled Company’s balance sheet at the time the PLTA enters into effect is not reduced during the term of the Agreement. This obligation to absorb losses safeguards the proprietary interests of the Controlled Company, its shareholders, and its creditors throughout the period of the PLTA.

Under Article 2 of the PLTA, the provisions of Section 302 AktG, as amended, apply analogously for the absorption of losses. Pursuant to Section 17 (2) sentence 2 number 2 of the German Corporate Income Tax Act (KStG), the dynamic reference to loss absorption under Section 302 AktG as amended is a mandatory

requirement in order for the consolidated tax group (fiscal unity) between the Controlled Company and the Controlling Entity to be valid.

Pursuant to the current version of Section 302 (1) AktG, as amended at the time that this report was prepared, the Controlling Entity's obligation to absorb losses applies only to the extent that such loss is not compensated by withdrawing amounts from the other profit reserves which were transferred to such reserves during the term of the agreement. Thus, if income is transferred to other profit reserves during the term of the Agreement, it can be released and used to compensate any losses incurred in subsequent years instead of compensatory payments being made by the Controlling Entity.

3. Duration and termination of the Agreement (Article 3 of the PLTA)

Article 3 (1) sentence 1 of the PLTA first specifically states that the PLTA is subject to the approval of the general meeting of Controlling Entity and of the shareholder meeting of Controlled Company. According to Article 3 (1) sentence 2 of the PLTA, the PLTA becomes effective upon its entry into the Commercial Register of Controlled Company and applies retroactively to the start of Controlled Company's financial year that is ongoing at the time that the PLTA is entered into the Commercial Register. This retroactive effect is necessary in order to be able to utilise the tax benefits of the Controlled Company for the financial year that is ongoing at the time of entry into the Commercial Register.

The wording of the Agreement that follows then governs the duration and termination of the PLTA. Pursuant to Article 3 (2) sentence 1 of the PLTA, it is concluded for an indefinite period of time. It can only be terminated without cause as of the end of Controlled Company's financial year, subject to a notice period of six months, and no sooner than the end of the financial year in which the consolidated tax group that the PLTA establishes for corporate income tax and trade tax purposes fulfils the minimum term for tax purposes, which, according to current law is five years (cf. Section 14 (1) sentence 1 number 3 in conjunction with Section 17 of the German Corporate Income Tax Act – KStG and Section 2 (2) sentence 2 of the German Trade Tax Act – GewStG).

Under Article 3 (3) of the PLTA, the Controlling Entity and Controlled Company have the right to terminate for good cause under the following circumstances:

- if, as a result of the sale of shares or other reasons, the requirement of financial integration of the Controlled Company into the Controlling Entity is no longer met;
- if the Controlling Entity contributes its interest in the Controlled Company to another company; or
- if the Controlling Entity or the Controlled Company is merged, split up, or liquidated.

If the effectiveness of the PLTA or its proper implementation are not recognised for tax purposes or not fully recognised for tax purposes, the Controlled Company and the Controlling Entity agree that the minimum term shall begin on the first day of the Controlled Company's financial year for which the requirements for recognition of its effectiveness or proper implementation for tax purposes are met for the first time or for the first time again after an interruption in such recognition (Article 3 (4) of the PLTA).

4. Final provisions (Article 4 of the PLTA)

Under Article 4 (1) sentence 1 of the PLTA, any changes or additions to the PLTA are subject to the approval of the general meeting of the Controlling Entity and of the shareholder meeting of the Controlled Company.

Article 4 (2) of the PLTA also provides that changes or additions to the PLTA must be made in writing, provided that notarisation is not required.

Article 4 (3) of the PLTA contains a customary severability clause which is intended to ensure that the PLTA remains effective even if individual provisions of the PLTA become ineffective, invalid, or unenforceable, in whole or in part.

vi. No compensation payments and no financial settlements

Because the Controlling Entity is the sole shareholder of the Controlled Company and there are no external shareholders of the Controlled Company, no provisions are made in the PLTA for compensation payments under Section 304 AktG or financial settlements under Section 305 AktG to outside shareholders of the Controlled Company.

vii. No special consequences of the PLTA for shareholders' interests

Apart from the Controlling Entity's obligation to compensate annual net losses, there are no special consequences for the interests of the Controlling Entity's shareholders because, given that Controlled Company has no outside shareholders, the Controlling Entity will not make any compensation payments or financial settlements.

viii. No audit of the PLTA

Because the Controlling Entity is the sole shareholder of the Controlled Company, there is no need to have the PLTA audited by one or more expert auditors (contract auditors) pursuant to Section 293b (1) AktG. Therefore, no such audit was conducted nor will one be conducted.

In summary, the PLTA is deemed to be of advantage to both KRONES Aktiengesellschaft as Controlling Entity and KRONES Beteiligungsgesellschaft mbH as Controlled Company.

Neutraubling, 30 March 2017

KRONES Aktiengesellschaft

KRONES Beteiligungsgesellschaft mbH



Christoph Klenk
Chairman of the Executive Board (CEO)



Michael Andersen
Managing director

Annexes:

1. Profit and Loss Transfer Agreement from 30 March 2017 between KRONES Aktiengesellschaft, Neutraubling, and KRONES Beteiligungsgesellschaft mbH, Neutraubling

This version of the Joint report of the Executive Board of KRONES Aktiengesellschaft, Neutraubling, and the management of KRONES Beteiligungsgesellschaft mbH, Neutraubling, pursuant to Section 293a AktG on the conclusion and content of a profit and loss transfer agreement dated 30 March 2017 between KRONES Aktiengesellschaft, Neutraubling, and KRONES Beteiligungsgesellschaft mbH, Neutraubling, prepared for the convenience of English-speaking readers, is a translation of the German original. For the purposes of interpretation the German text shall prevail.