

KRONES Aktiengesellschaft, Neutraubling
Annual general meeting of KRONES AG
on Wednesday, 13 June 2018, 2:00 pm,
in the Stadthalle Neutraubling,
Regensburger Strasse 9,
93073 Neutraubling, Germany.

Report of the **Supervisory Board**



Volker Kronseder
Vorsitzender des Aufsichtsrats

Ladies and Gentlemen,

KRONES was successful in 2017. Revenue and earnings were strong, as was the company's showing at the drinktec, the industry's premier trade fair worldwide, which takes place every four years. The weeks leading up to the drinktec and then the fair itself demand a great deal of time and energy of the Executive Board and employees alike. It is, after all, the most important trade fair for KRONES worldwide. The company's success there testifies to the trade fair team's great accomplishment. For that, I offer my sincere thanks.

I visited the KRONES booth several times myself and saw great enthusiasm on the faces of many attendees. But drinktec also showed me that KRONES is up against strong competition. The challenges of the future will require the unwavering commitment of the entire team. The Supervisory Board will continue to actively monitor and support the company's development and do its part to ensure KRONES' continued success.

Unfortunately, we also have some sad news to report from the Supervisory Board. Philipp Graf von und zu Lerchenfeld passed away on 1 December 2017. He had been a member of the board since 2009 and, with his considerable knowledge and expertise, contributed greatly to KRONES' success.

Advising and oversight

In the financial year 2017, the Supervisory Board of KRONES AG continuously oversaw and advised the company's Executive Board as prescribed by the law and the articles of association. Topics relating to strategy, such as expanding the company's global footprint, were a focus of the Supervisory Board's work in 2017. The Executive Board regularly informed the Supervisory Board about the progress of business, the company's financial position, and risk management in the form of written and oral reports, both in and out-side the Supervisory Board meetings.

Five regular Supervisory Board meetings were held in 2017. The first was on 22 March. Representatives from KRONES' auditing firm were present for a portion of the meeting. They explained to the Supervisory Board their audit mandate and the areas on which their review of the 2016 annual financial statements focused and provided a detailed overview of the audit. The Supervisory Board then ratified the annual financial statements and management report for KRONES AG and approved the consolidated financial statements and consolidated management report. Matters relating to the Supervisory Board and Executive Board were another item on the agenda. At the recommendation of the Standing Committee, the Supervisory Board resolved that Thomas Ricker, the Executive Board member hitherto responsible for Bottling and Packaging Equipment, change responsibilities and take on the role of Chief Sales Officer (CSO) effective 1 January 2018.

The Supervisory Board convened again on 20 June 2017, for its constitutive meeting immediately following the annual general meeting. Chairman of the Supervisory Board Volker Kronseder welcomed Beate Eva Maria Pöpperl, whom employees had elected as a representative to the board. She replaces Johann Robold, whom Volker Kronseder thanked for his many years of service on the Supervisory Board. The remainder of this meeting was devoted to appointing members to the Standing Committee and to the Audit and Risk Management Committee.

The Supervisory Board convened for its third meeting of 2017 on 19 July. One item on the agenda was succession planning for the Bottling and Packaging Equipment area of Executive Board responsibility. At the recommendation of the Standing Committee, the Supervisory Board resolved as part of the succession plan for Bottling and Packaging Equipment to reduce the size of KRONES AG's Executive Board from six members to five effective 1 January 2018 and to redistribute the areas of Executive Board responsibility. Then, as part of the report on economic position, the respective Executive Board members provided current reports on the segments for which they are responsible. The Executive Board also informed the Supervisory Board in detail about the planned expansion of the company's global footprint and discussed manufacturing in the regions of Eastern Europe, China, and North America.

The fourth meeting of the Supervisory Board in 2017 took place on 28 September at the offices of KRONES' subsidiary SYSKRON in Wackersdorf, Germany. As the first order of business, the board adopted the current by-laws for the Supervisory Board and then took necessary decisions relating to the CSR Directive Implementation Act. In its report on economic position, the Executive Board informed the Supervisory Board about the medium-term capital expenditure and human resources forecasts, which will be significantly affected by the expansion of the company's global footprint and the company's plans to build the "factory of the future". The Executive Board also presented in detail the management's overall strategy for the company as well as the sales strategy and strategies for the individual segments. The Executive Board then explained KRONES' medium-term targets and the measures designed for achieving them.

The Supervisory Board held its fifth meeting of 2017 on 29 November. Under the agenda item "Matters relating to the Executive Board and the Supervisory Board", the Supervisory Board adopted resolutions relating to diversity policy and to Executive Board remuneration. Another item on the meeting's agenda was the Audit and Risk Management Committee's report, which covered such topics as risk management, internal auditing, and compliance. Chief Financial Officer Michael Andersen then presented the results from the third quarter of 2017 to the board. The final agenda item related to Executive Board's forecasts and planning for the financial year 2018.

The work of the Audit and Risk Management Committee

The Audit and Risk Management Committee consists of Supervisory Board Chairman Volker Kronseder and Deputy Chairman Werner Schrödl as well as the following Supervisory Board members: Norman Kronseder, Philipp Graf von und zu Lerchenfeld (until 1 December 2017), Josef Weitzer, Johann Robold (until 20 June 2017), and Jürgen Scholz (since 20 June 2017). Philipp Graf von und zu Lerchenfeld chaired the committee until 1 December 2017. The Audit and Risk Management Committee oversees the company's accounting and financial reporting and the audit of the financial statements and other reporting and prepares corresponding proposals for Supervisory Board resolutions. 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 Audit and Risk Management Committee monitors the effectiveness of the internal control system, the risk management system, and the compliance system.

The Audit and Risk Management Committee met twice in 2017. On 21 March, the committee prepared the Supervisory Board meeting held to ratify the financial statements. Based on the remarks of the auditor and information from the auditor's report, the members of the Audit and Risk Management Committee unanimously agreed to recommend to the Supervisory Board that the annual financial statements and management report of KRONES AG for the financial year 2016 be ratified and the consolidated financial statements and consolidated management report for 2016 be approved.

The Audit and Risk Management Committee held its second meeting on 28 November. At this meeting, committee members were informed about current risks and the status of the Internal Auditing and Compliance Management departments. In addition, the committee resolved to appoint KPMG AG Wirtschaftsprüfungsgesellschaft to audit the consolidated non-financial report for 2017.

In keeping with Item 5.4.7 of the German Corporate Governance Code, I hereby report that, due to illness, Philipp Graf von und zu Lerchenfeld and Volker Kronseder were able to participate in only half of the Audit and Risk Management Committee meetings that took place in 2017.

The work of the Standing Committee

The Standing Committee consists of Werner Schrödl, Norman Kronseder, Josef Weitzer, and Volker Kronseder. Chairman of the Standing Committee is Volker Kronseder. The committee deals with all other topics that fall outside the scope of the Audit and Risk Management Committee. These include, for example, human resources strategy and Executive Board and Supervisory Board remuneration. The Standing Committee met three times in 2017.

The meeting on 21 March was convened in order to discuss succession of responsibility for Sales and Marketing within the Executive Board. The members of the Standing Committee decided unanimously to recommend that the Supervisory Board resolve that Thomas Ricker, the Executive Board member then responsible for Bottling and Packaging Equipment, change responsibilities and take on the role of Chief Sales Officer (CSO) effective 1 January 2018.

The Standing Committee's second meeting took place on 18 July. The main item on the agenda was succession planning for the Bottling and Packaging Equipment area of Executive Board responsibility. As part of its search for a successor to Thomas Ricker, the Standing Committee also considered the possibility of reducing the Executive Board from six members to five. Owing to the advantages of this alternative, the Standing Committee recommended that the Supervisory Board resolve to reduce the size of the Executive Board of KRONES AG from six members to five effective 1 January 2018 and to redistribute the areas of Executive Board responsibility. It was decided that Ralf Goldbrunner, previously responsible for Plants and Components at the Executive Board level, should take over responsibility for Bottling and Packaging Equipment, effective 1 January 2018.

The committee's third meeting on 18 November was convened to discuss the review of the Executive Board remuneration system ahead of the 29 November Supervisory Board meeting. The Standing Committee resolved to recommend to the Supervisory Board that the fixed and variable remuneration for Executive Board members be adjusted.

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 2017 were examined by the auditors elected by the annual general meeting, KPMG AG Wirtschaftsprüfungsgesellschaft, 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 2017 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 14 March 2018. 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 ratified the annual financial statements for KRONES AG and approved the consolidated financial statements as well as the Executive Board's proposal for the appropriation of retained earnings. The 2017 annual financial statements for KRONES AG are thereby ratified.

Combined separate Non-financial Report

The Supervisory Board also addressed the combined separate Non-financial Report for KRONES Aktiengesellschaft (KRONES AG) and the KRONES Group prepared by the Executive Board for the period from 1 January to 31 December 2017. On the basis of its review under a limited assurance engagement, KPMG AG Wirtschaftsprüfungsgesellschaft has issued an unqualified limited assurance report for the Non-financial Report. That means that, on based on the review conducted and the evidence obtained, no matters have come to the attention of the auditors that cause them to believe that the combined separate Non-financial Report for KRONES AG and the KRONES Group for the period from 1 January to 31 December 2017 has not been prepared, in all material respects, in accordance with Sections 315b and 315c HGB in conjunction with Sections 289c to 289e HGB.

After this review, the combined separate Non-financial Report and the evidence obtained by KPMG AG Wirtschaftsprüfungsgesellschaft were carefully reviewed by the Audit and Risk Management Committee in its 13 April 2018 meeting and then by the entire Supervisory Board. The relevant documents were made available to all members of the Supervisory Board in good time for such review. The Executive Board and the auditors of KPMG AG Wirtschaftsprüfungsgesellschaft were present at the Audit and Risk Management Committee's meeting and explained the report and the conclusions. They also responded to all further questions from Supervisory Board members and provided additional information. This detailed discussion did not reveal any reasons that might have prevented the combined separate Non-financial Report being prepared properly and appropriately. Therefore, the board concurred with KPMG AG Wirtschaftsprüfungsgesellschaft's conclusions.

Based on its own review and the recommendation of the Audit and Risk Management Committee, the Supervisory Board has noted and approved the combined separate Non-Financial Report for KRONES AG and the Group, taking into account the results of the review by KPMG AG Wirtschaftsprüfungsgesellschaft on 23 April 2018 and has no objections to the report.

The members of the Supervisory Board would like to thank the Executive Board and all of the company's employees for their dedication and accomplishments in 2017.

Neutraubling, April 2018

The Supervisory Board



Volker Kronseder
Chairman of the Supervisory Board



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