

KRONES Aktiengesellschaft, Neutraubling
Annual general meeting of KRONES AG
on Wednesday, 5 June 2019, 2:00 pm,
in the Stadthalle Neutraubling, Regensburger Strasse 9,
93073 Neutraubling, Germany.

Report of the **Supervisory Board**

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*Volker Kronseder
Chairman of the
Supervisory Board*

Ladies and Gentlemen,

Since the end of the Annual General Meeting on 13 June 2018, the KRONES Supervisory Board has consisted no longer of twelve, but of 16 members. This is due to the fact that KRONES AG, as the parent of the KRONES Group, has more than 10,000 employees. The Supervisory Board has not only grown numerically, however: The new members also bring with them additional competences.

The 2018 financial year was a challenging year for KRONES. We are convinced, however, that KRONES has the right strategy to exploit the good medium and long-term market growth opportunities. The Supervisory Board will continue to work closely and constructively with the Executive Board and contribute to the successful future of KRONES.

Advice and oversight

The Supervisory Board of KRONES AG continuously oversaw and advised the Executive Board during the 2018 financial year, as prescribed by the German Stock Corporation Act and the company's articles of association. Focuses of the Supervisory Board's work in 2018 were market and competition issues, corporate strategy, profitability and target achievement. The Executive Board regularly informed the Supervisory Board about the company's business and financial situation and risk management in written and oral reports both during and outside of Supervisory Board meetings.

In total, five regular Supervisory Board meetings were held in 2018. The Supervisory Board convened on 14 March for its first meeting of the 2018 financial year. Representatives from KRONES' auditing firm were present for a portion of the meeting. They gave the Supervisory Board a detailed explanation of their audit engagement together with the key audit matters of their audit of the 2017 annual financial statements and provided a detailed overview of the audit. The Supervisory Board then ratified the annual financial statements and management report of KRONES AG and approved the consolidated financial statements and consolidated management report. On the same occasion, the Supervisory Board approved the agenda for the 2018 annual general meeting. Matters relating to the Supervisory Board and Executive Board were a further item on the agenda. At the recommendation of the Standing Committee, the Supervisory Board resolved to extend the Executive Board contract for Michael Andersen by five years to 31 December 2023.

On 13 June, the Supervisory Board held its second meeting for 2018, which was also its constitutive meeting directly following the KRONES annual general meeting. Volker Kronseder congratulated the Supervisory Board members on their election. The Supervisory Board then elected Volker Kronseder as Chairman of the Supervisory Board and Werner Schrödl as his deputy. Subsequently, the newly constituted Supervisory Board turned to the appointment of members to the Standing Committee and to the Audit and Risk Management Committee.

The Supervisory Board convened for its third meeting of 2018 on 25 July. Reporting on the business situation, the Executive Board informed the Supervisory Board about the up-to-date figures for the second quarter of 2018 and the outlook for the year as a whole. The Executive Board members additionally

gave a current status report on the business areas within their respective portfolios. Other major topics at the third Supervisory Board meeting comprised KRONES' market and competition together with basic policy on external growth opportunities.

The fourth meeting of the Supervisory Board in 2018 took place on 26 September at the STEINECKER plant in Freising. One item on the agenda consisted of Supervisory Board and Executive Board matters. Among other things, this included the main issues related to the Supervisory Board's efficiency review. The Executive Board then informed the Supervisory Board about the current order situation, production capacity utilisation and the business situation of the company and its segments. In addition, the Executive Board provided a status report on construction of the new plant in Debrecen, Hungary. A further focus of the meeting was the company's medium-term planning. Among other matters, the Executive Board reported on planning with regard to capital expenditure, finances and human resources. The Executive Board then provided the Supervisory Board with a detailed explanation of KRONES' strategy.

On 28 November, the Supervisory Board held its fifth meeting for 2018, at which it adopted the rules of procedure for the Executive Board. Another item on the meeting's agenda was the report of the Audit and Risk Management Committee addressing the topics of risk management, internal auditing and compliance. The Executive Board then informed the Supervisory Board about the figures for the third quarter and the outlook for the final quarter of 2018. This also included an explanation of the overall economic situation and how that could affect business for KRONES looking ahead. In addition, the Executive Board informed the Supervisory Board about strategic issues. The Executive Board's forecasts and planning for the 2019 financial year were a further item on the agenda at the Supervisory Board's final meeting of 2018.

The work of the Audit and Risk Management Committee

The Audit and Risk Management Committee consists of Supervisory Board Chairman Volker Kronseder, his deputy Werner Schrödl and Supervisory Board members Norman Kronseder, Hans-Jürgen Thaus, Josef Weitzer and Jürgen Scholz. Its Chairman is Hans-Jürgen Thaus. The Audit and Risk Management Committee oversees the company's accounting and financial reporting, the audit of the financial statements and other reporting, and prepares related proposals for Supervisory Board resolutions. In addition, the committee 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. Furthermore, 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 four times in 2018. On 13 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 agreed to recommend that the Supervisory Board ratify the annual financial statements and management report of KRONES AG for the 2017 financial year and approve the consolidated financial statements and consolidated management report for 2017.

At the second meeting of the Audit and Risk Management Committee, on April 13, KPMG AG Wirtschaftsprüfungsgesellschaft presented the results of its review of the 2017 consolidated non-financial report. The Audit and Risk Management Committee approved the audit findings and had no objections. The committee members decided to recommend that the Supervisory Board ratify the consolidated non-financial report.

The committee had two items on its agenda at its third meeting on 13 June. Firstly, Hans-Jürgen Thaus was elected Chairman and Werner Schrödl Deputy Chairman of the Audit and Risk Management Committee. Secondly, the members resolved to put the audit of the annual and consolidated financial statements for the 2019 financial year out to public tender and asked CFO Michael Andersen to look into the legal framework for doing so.

At the fourth meeting of the Audit and Risk Management Committee on 21 November, the company's heads of Controlling, Internal Audit and Compliance informed the members of the committee about the current risk situation, internal audit and compliance management at KRONES. Committee Chairman Hans-Jürgen Thaus then presented the steps involved in the tender procedure for the audit of the annual consolidated financial statements and informed the committee about the current status of the procedure.

The work of the Standing Committee

The Standing Committee consists of Werner Schrödl, Norman Kronseder, Josef Weitzer and Volker Kronseder. It is chaired by Volker Kronseder. The committee generally deals with all other topics that are outside the remit 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 2018.

At its March 8 meeting, the committee addressed the extension of the contract with CFO Michael Andersen. The members of the Standing Committee resolved to recommend that the Supervisory Board adopt the resolution to extend the contract with Michael Andersen by five years to 31 December 2023. At the same meeting, the committee also reviewed the existing remuneration system for members of the Executive Board and presented a new overall policy for Executive Board remuneration.

The Standing Committee's second meeting took place on 11 July. Major topics comprised the business figures and forecasts for 2018, the competitive situation and the expansion of the company's global footprint. The main point of focus was construction of the new plant in Hungary.

The August 13 meeting was convened to discuss the acquisition of W. M. SPRINKMAN in the United States. The members of the Standing Committee resolved to recommend that the Supervisory Board approve the acquisition.

Supervisory Board concurs with audit findings

The annual financial statements of KRONES Aktiengesellschaft prepared by the Executive Board, the consolidated financial statements, the management report for KRONES AG and the group management report for the period ended 31 December 2018 were examined by the auditors elected by the annual general meeting, KPMG AG Wirtschaftsprüfungsgesellschaft, and each issued with an unqualified audit report. The audited annual financial statements and consolidated financial statements, the management report for KRONES AG and the consolidated management report for the period ended 31 December 2018 were duly submitted to all members of the Supervisory Board for review. The audited financial statements and management reports were the subject of the Supervisory Board meeting held to ratify the financial statements on 20 March 2019. Representatives of the auditing firm also participated in the meeting and reported to the Supervisory Board on their audit findings and the focal points of their audit.

The Supervisory Board noted and approved the audit findings. Following the final review by the Supervisory Board, no objections were raised. 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 earnings available for distribution. The 2018 annual financial statements for KRONES AG are thus 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 2018. 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 2018 has not been prepared, in all material respects, in accordance with Sections 315b and 315c HGB in conjunction with Sections 289b 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 10 April 2019 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 17 April 2019 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 2018.

Neutraubling, April 2019

The Supervisory Board



Volker Kronseder
Chairman of the Supervisory Board