

Investment in the **future**
To our shareholders

1

TO OUR SHAREHOLDERS

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Investment in the future

Globalisation, digitalisation, rising costs and demographic change present businesses with diverse challenges. Successfully shaping the future of KRONES needs foresighted action and courage.

The opportunities are huge. Exploiting them KRONES has to invest significant in all areas. We will invest substantially in expanding our global footprint, but we will also strengthen our base in Germany. At the same time, we are going to continue the development of innovative products and services. This involves substantial investment in the digitalisation of beverage

plants. Most of all, however, we will continue to invest in employee training and development, because our workforce is the foundation of our business.

All investments by KRONES have a single goal: satisfied customers.

Investments require capital. This makes it all the more important for KRONES to attain its medium-term financial targets. Self-generated funding increases the headroom for capital expenditure and enables us to be independent of lenders. The KRONES team can shape its own future.

Innovation drives customer satisfaction: **250th Ergo Bloc L shipped to Mexico**



KRONES unveiled a groundbreaking innovation at drinktec in 2009: A system that made it possible to produce, label and fill PET bottles on a single line. ErgoBloc L was a rapid hit with the beverage industry. Now, about nine years later, KRONES has shipped the 250th machine in the series to Niagara Bottling in Mexico.

Niagara found the system compelling from the outset and bought the first such machine back in 2011. In the meantime it has ordered dozens. This ErgoBloc L is the first ever to produce all formats from 0.236 to 1.5 litres with a capacity of up to 84,000 containers per hour. That makes it the fastest PET line of its kind in the world.



Innovation drives customer satisfaction: **Success in the craft beer scene**

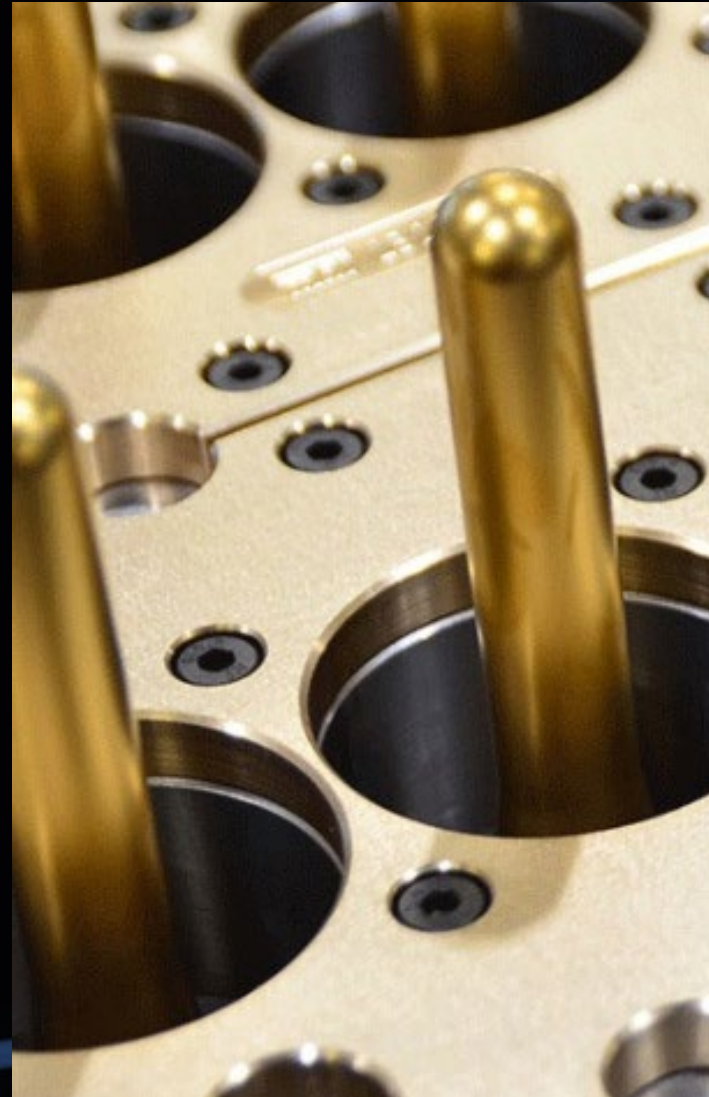


Craft beer is beer made by traditional methods in small breweries, and demand is booming. KRONES identified the trend early on and developed innovative products for this market segment. Like our Craftmate can filler, launched in autumn 2015. With a capacity of 4,800 to 19,200 cans per hour, Craftmate is specially adapted to the needs of smaller brewers.

It is highly versatile, filling cans from 0.25 to 1.0 litres. The machine has a compact form and offers rapid changeover times. And Craftmate does not compromise on quality and hygiene compared with bigger machines in the Modulfill family. Our customers appreciate its many advantages. KRONES has already sold its 50th Craftmate, just three years after market launch.



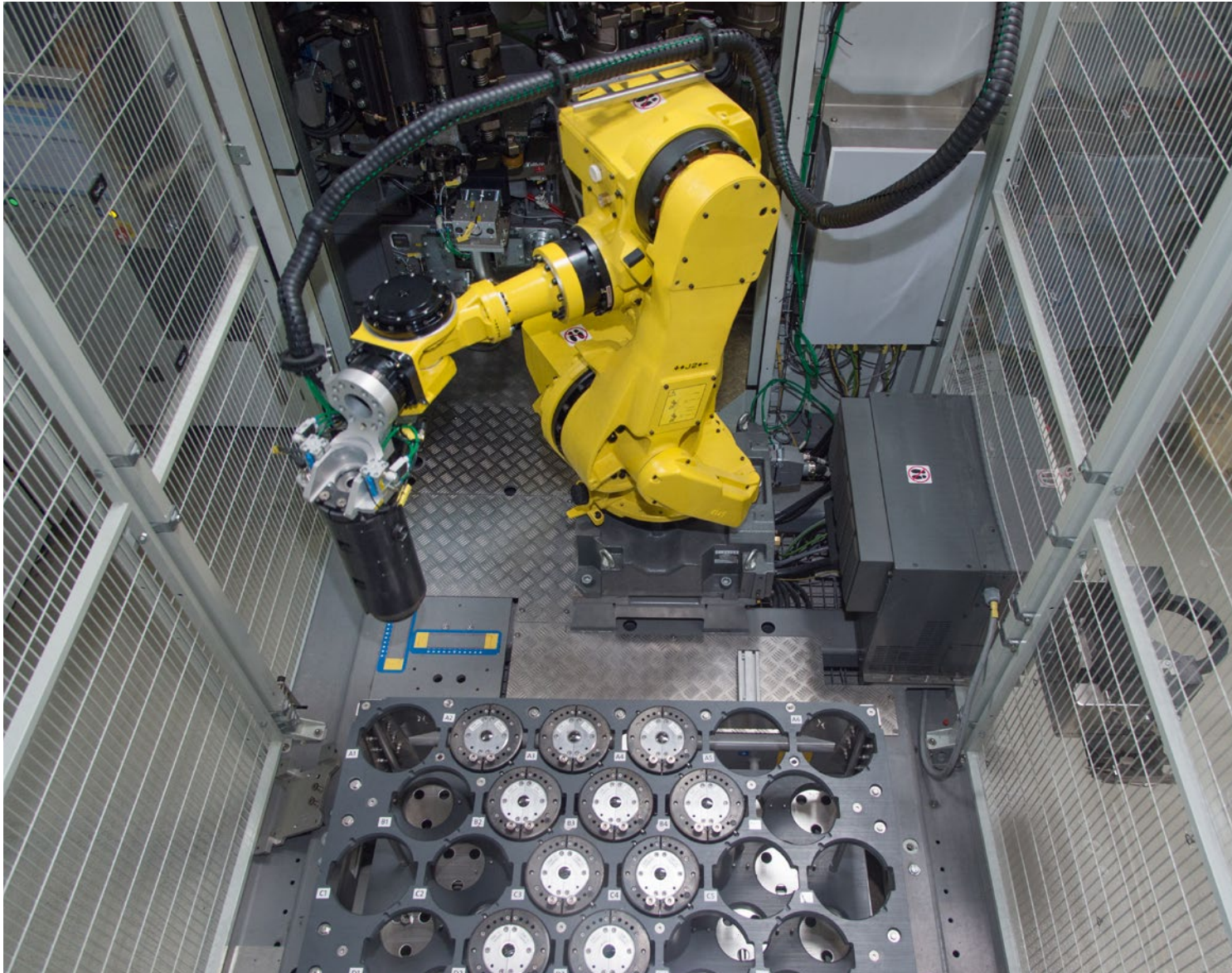
Investment drives customer satisfaction: **PET capabilities expanded**



In the fourth quarter of 2018, KRONES acquired MHT HOLDING AG. Based in Hochheim am Main, Germany and employing 125 people, MHT HOLDING supplies preform moulds and services for the PET industry. With this investment, we filled a gap in our product and service portfolio for PET applications.

KRONES is now able to close the entire PET cycle, providing integrated PET solutions for customers in the beverage industry. Our portfolio includes bottle design services, injection moulding tools for the manufacture of PET preforms and machinery to blow preforms into bottles. We also provide recycling systems that process used PET bottles into bottle-grade resin.

Innovation drives customer satisfaction: **Rapid changeover, maximum customer benefit**



Frankenmarkt in Upper Austria is home to one of the most advanced PET filling lines in the world, which we built for Starzinger, a tradition-rich company from the region. As well as the high quality of the filling line, our longstanding customer is particularly pleased with the line's great flexibility. Its distinguishing feature is that it is the first to be fully integrated with the KRONES LineXpress system.

LineXpress is a range of individual automation components that enable very fast automated changeover. This is a crucial feature for Starzinger, which has a broad product range and sometimes has to produce in small batches. Consequently, the line frequently has to be switched over to different beverages or bottle shapes and sizes. LineXpress significantly cuts downtime and overall system productivity is about 20% higher than with manual changeovers.

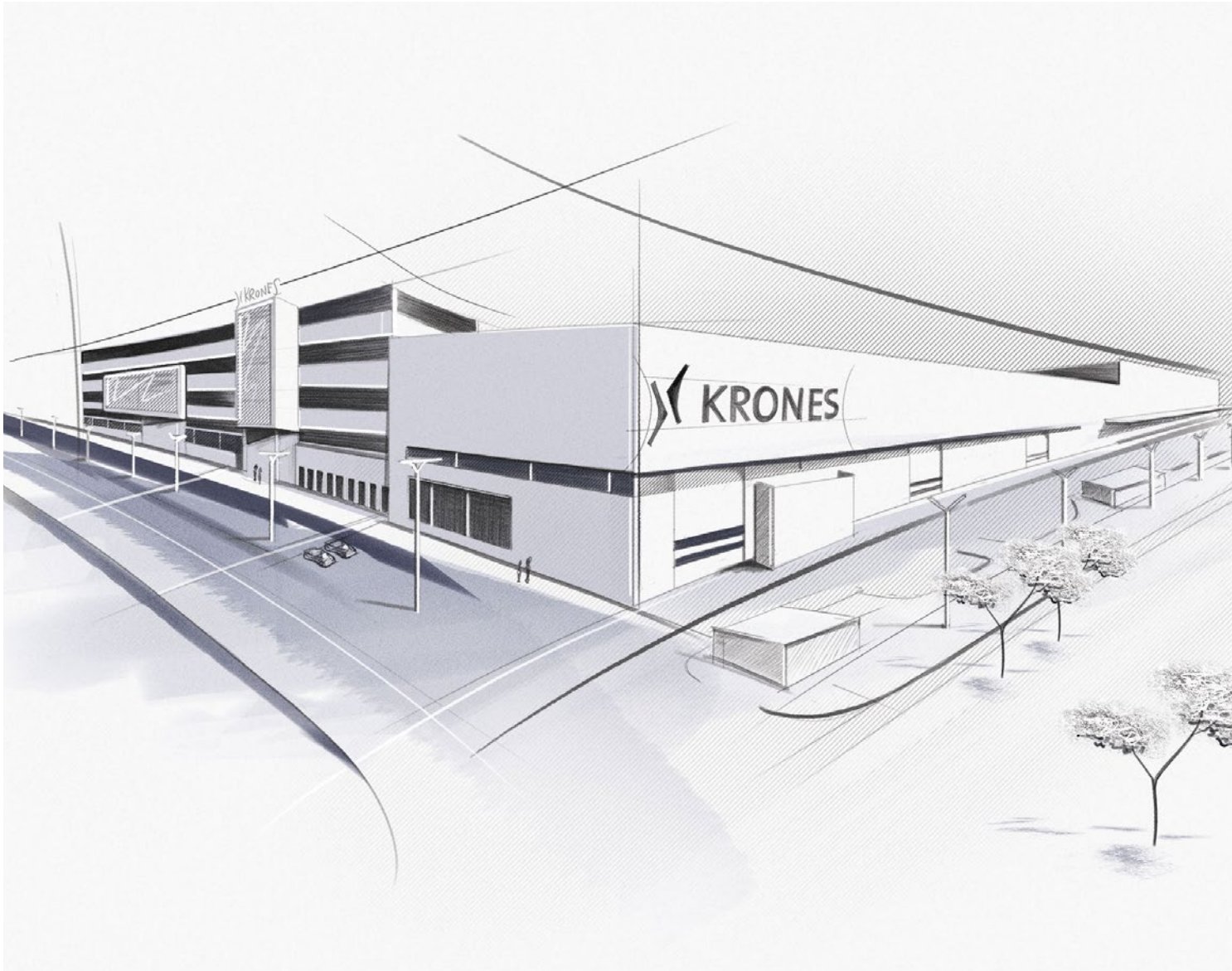
Innovation drives customer satisfaction: **PET recycling – tomorrow’s technology today**



Used PET bottles are not waste plastic, they are a valuable raw material. We have developed the innovative MetaPure recycling system, which processes used PET bottles into food-grade recycled resin – the raw material for new plastic bottles. This is an investment we are certain will pay off. KRONES systems are already in operation in Europe, Asia and Africa.

In California, us company rPlanet Earth has installed one of North America’s largest plants for recycling used PET bottles. This will enable the production of some 36,000 tons of new preforms, containers and extruded film per year. The technology for washing and decontaminating the flakes obtained from used bottles that forms the heart of the system was supplied by KRONES. This was the largest PET recycling project in our corporate history to date.

Investment drives customer satisfaction: **Expanding our global footprint**



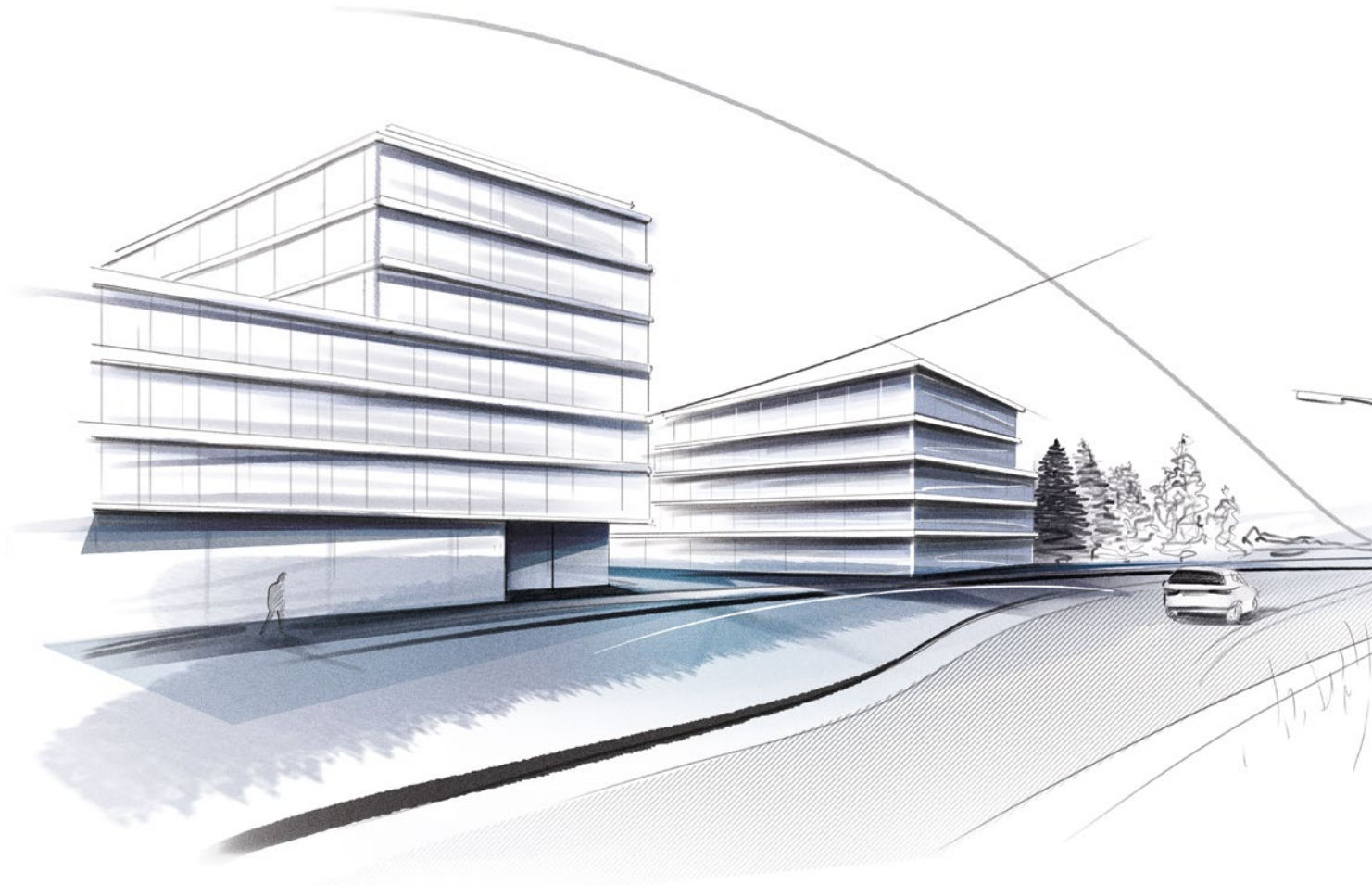
We are expanding our global footprint and increasing international value creation.

A key step in this is the investment in our new production location in Debrecen, Hungary. At this new production plant, KRONES will employ some 500 people. The focus in the decision in favour of the Debrecen location was not only on outstanding connections for logistics and up-to-date infrastructure, but also on access to a skilled workforce. We train future employees and prepare them for their specific task areas before they start work. They will make a valuable contribution in further enhancing customer satisfaction.

We are investing heavily in capacity expansion in China, notably at our Taicang location. Our aim is to serve Chinese customers increasingly with products assembled and in some cases also manufactured in China.



Investment in innovation: **KRONES launches innovation network at TechCampus Regensburg**



KRONES plans to set up an innovation network on the TechCampus in Regensburg, Germany and will be having a new building erected there for the purpose in 2019. The aim is to develop market-ready digitalisation, IT and IoT solutions for the beverage industry. Product innovations are no longer created in isolation inside development departments, but in open networks incorporating expertise from other industries and disciplines.

KRONES intends to make greater use of this type of collaboration in future. We already pursue this approach with our Innovation Lab, which is likewise located on the TechCampus. Digitalisation and IT will have a major impact on business outcomes for our customers going forward. This is why we are systematically investing in these areas through our subsidiary SYSKRON.

Investment in innovation: **Investment in KRONES' own research brewery**

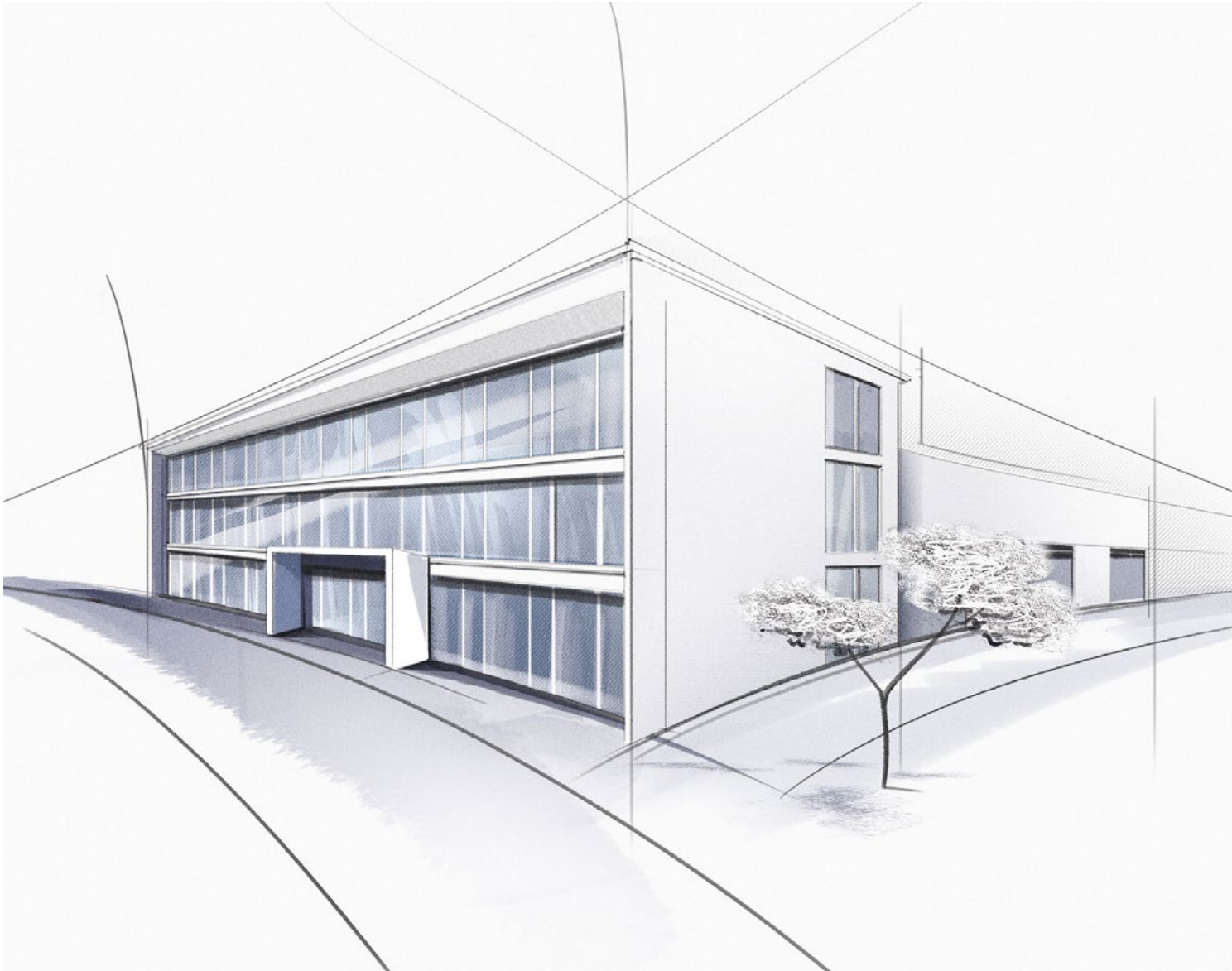


At its STEINECKER facility in Freising, KRONES inaugurated the STEINECKER Brew Center on 19 June 2018. This research brewery incorporates KRONES' entire process technology knowhow. In liaison with subsidiary SYSKRON – the Group's IT and digitalisation specialists – KRONES has created the world's most sophisticated research brewery.

With a capacity of five hectolitres, the brewhouse is relatively small but has a lot to offer. In the STEINECKER Brew Center, customers can experience digitalisation in the brewing process first-hand. The system is highly flexible. It can be used to reproduce a wide range of internationally deployed brewing methods. Customers from all over the world work with KRONES at STEINECKER Brew Center on testing new technologies, produce special beers and train employees – an invaluable service.



Investment in knowledge: **Expanding training capacity at KRONES**

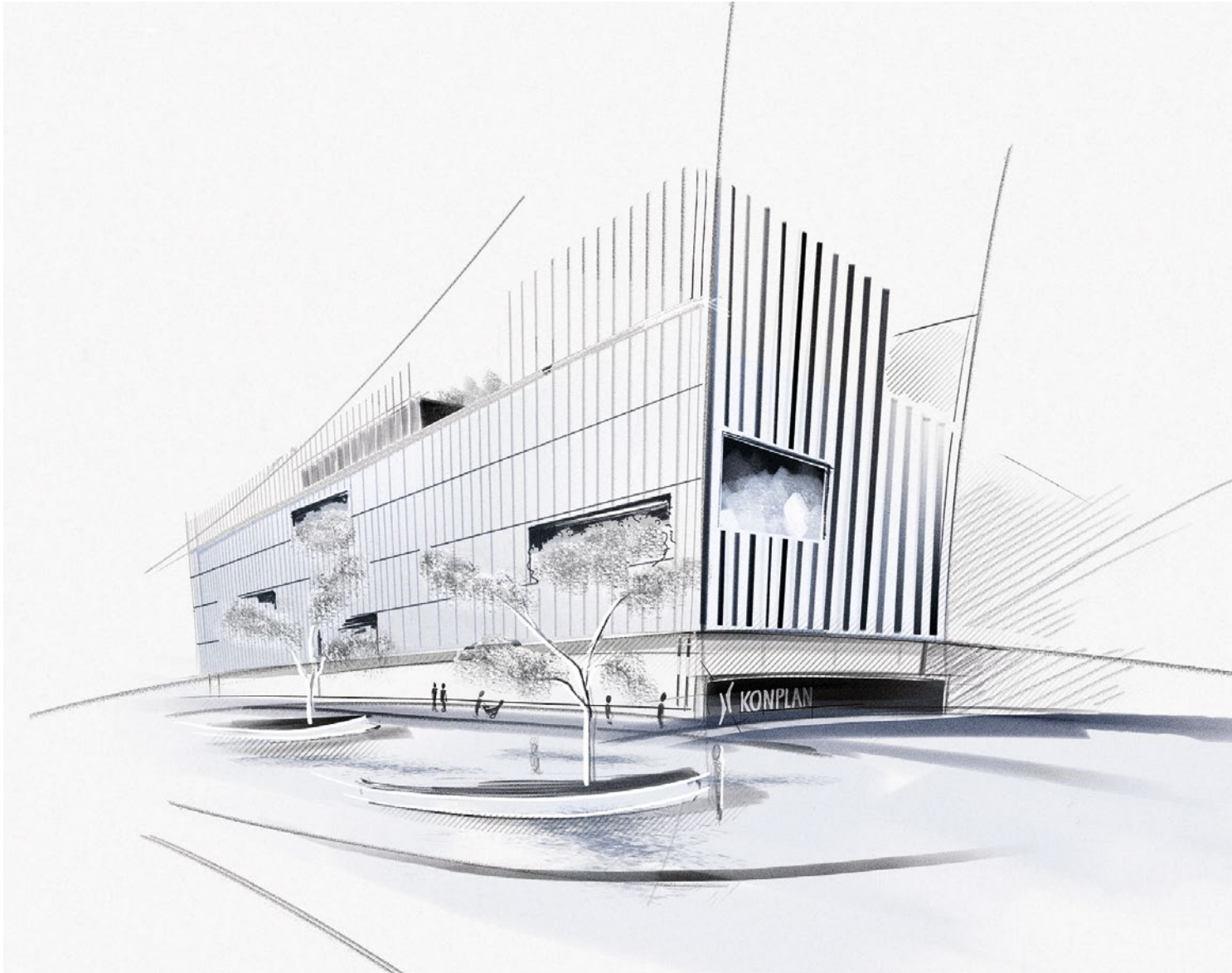


KRONES invests heavily in infrastructure at existing locations in order to exploit growth opportunities in our market. At our headquarters in Neutraubling, for example, we are investing some €5 million in the expansion of the **KRONES Academy**. The Academy keeps customers and our workforce up to date with the latest technology.

To serve the **North America** region better than ever, we continue to develop our US subsidiary KRONES Inc. The company is currently building a 3,700 square metre training and technology centre straight across the road from its headquarters in Franklin, Wisconsin. The new centre includes training rooms for customers and employees together with plastics laboratories.



Investment in knowledge: **New development and design building for KONPLAN**



KONPLAN has provided engineering services since 2007, focusing on mechanical and electrical design, software development and rollout. The company has a philosophy of providing a modern working environment with plenty of scope for creativity, and professional development for employees. As part of ongoing activities for this purpose, KONPLAN is now constructing a new development and design building in the immediate vicinity of the University of West Bohemia, Pilsen, Czech Republic.



Investment drives customer satisfaction: **SPRINKMAN acquisition strengthens KRONES in US process technology**



In process technology, a local presence with proximity to customer projects is a key success factor. KRONES made a substantial addition to its process technology business in North America with the acquisition of US-based W.M. SPRINKMAN in 2018. SPRINKMAN'S 125-strong workforce manufacture food and beverage processing equipment. The focus is on the dairy and brewing industries.

KRONES' US acquisition has a broad customer base ranging from microbreweries to large multi-national food and beverage producers. Sprinkman is an ideal addition to our House of KRONES product portfolio in North America. Together with our own activities and earlier acquisitions such as TRANS-MARKET and JAVLYN, SPRINKMAN plays a major part in enabling us to deliver customer projects in North America cost-efficiently, reliably and to KRONES' accustomed high quality standards.

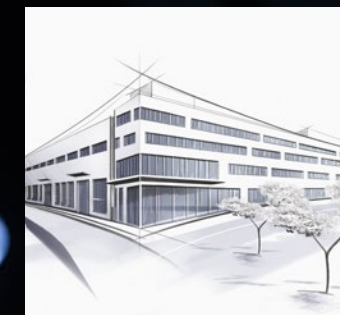


Investment drives customer satisfaction: **Major step forward for KRONES in China**



With effect from 1 September 2018, KRONES acquired the business activities and assets of Shanghai Xiantong Equipment Installation. We have been fabricating and installing process technology equipment together with Xiantong for 20 years. Among other things, Xiantong fabricated and assembled the first MicroCube compact brew-house. For KRONES, the acquisition of this long-standing partner was a logical step in its internationalization strategy for the process technology business.

In consequence, KRONES now has a production location of its own for brewery equipment and other process technology products in China. The acquisition supports KRONES in serving the growing demand for customer-specific solutions. With a total workforce of some 170 employees, we are now able to cover the entire value chain locally, from engineering and fabrication to installation and commissioning.



KRONES now has a base in the south of Shanghai.

Collaboration drives customer satisfaction: **New dairy draws on wide range of KRONES capabilities**



TINE SA is Norway's biggest producer and exporter of dairy products. The company has over 30 production locations across Norway. KRONES secured the contract to design and supply the entire process technology for a new dairy. The factory in Bergen will produce fresh milk, cream and fruit juices. It is dimensioned for an average throughput of 150,000 litres of fresh milk per day.

MILKRON, a KRONES subsidiary, is the vendor responsible for supplying the technology, which includes all systems from milk reception and treatment to storage of the finished products and supplying fillers. KRONES is also providing the dairy's energy supply. State-of-the-art technologies like heat pumps make for highly energy-efficient dairy operation. The dairy's entire control equipment is being handled by KRONES subsidiary SYSKRON. In this way, the customer benefits from a team effort involving multiple KRONES units.

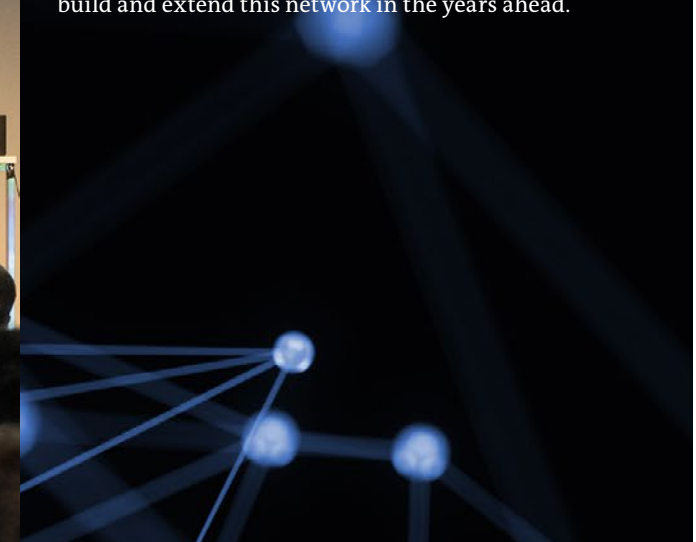


Digitalisation for future success: **First Tech Day a resounding success**



KRONES subsidiary SYSKRON staged its first Tech Day in Munich at the end of June. Some 100 guests from the beverage and IT industries took up the invitation and were richly rewarded with new input on topics such as value chain digitalisation, artificial intelligence and cloud security. Participants attended practice-focused presentations by experts in their field.

The main focus of the Tech Day, however, is as an opportunity for everyone to exchange views. We aim to bring together specialists from the beverage and IT industries to collectively address the challenges of digitalisation. With this successful kick-off event, Syskron has taken the first step towards building a tech community. We will continue to build and extend this network in the years ahead.



Digitalisation for future success: **Direct printing under a single roof**



Digital direct printing has huge potential. It has the great advantage of being far more flexible than conventional labelling techniques. With small batches especially, direct printing is much more economical than, say, paper labels. Using digital printing, each individual bottle can feature a different design. KRONES has already invested heavily and attained initial successes with the technology.

In 2014, we took a majority stake in digital printing technology provider TILL. We have acquired the remaining ownership interests in 2018. To further enhance our impact in digital direct printing, KRONES has brought its entire digital printing activities under TILL and renamed the company DEKRON GmbH. Dekron now combines, under a single roof, the largest pool of expertise in digital printing technology in the industry.



Collaboration drives customer satisfaction: **Side by side with global partners at Hanover Industrial Fair**



April saw KRONES at Hanover Industrial Fair, the global hotspot for Industry 4.0. Rather than on a booth of our own, we presented KRONES in partnership with digitalisation pioneers AMAZON and SAP. The centrepiece of the booth presented by software giant SAP was Bottling on Demand, a proof of concept study by KRONES. Based on this digitalised and highly flexible solution, KRONES and SAP jointly demonstrated what the future could look like for the beverage industry: profitable production with a batch size of just one single unit.

The Amazon Web Services (AWS) booth featured SYSKRON X, with our subsidiary SYSKRON presenting its ReadyKit product. Using ReadyKit, machines can be linked into a central data acquisition system, thus laying the basis for digital processes such as predictive maintenance. The presentation at the AWS trade fair booth was a great opportunity for SYSKRON X to show this innovative solution to a large audience.

Investment in sustainability: **Ten years of enviro**



Operating sustainably and delivering on our corporate social responsibility have always been very important to KRONES. Our customers, too, aim to produce cost-efficiently while setting themselves demanding sustainability targets, which our high-quality, sustainable machines and services enable them to attain even more rapidly and effectively.

KRONES made the decision to introduce the enviro sustainability programme as early as 2008. This puts the spotlight on the eco-efficiency of the KRONES product portfolio. A TÜV SÜD-certified management system, enviro is an integral part of the product development process at KRONES. It is this which enables us to meet our own ambition of providing the food and beverage industry with trailblazing technology for year upon year of high-output yet resource-efficient production.

Letter from the **Executive Board**



“KRONES will continue to invest for sustained profitable growth.”

*Christoph Klenk
CEO*

Demand in our markets – the international beverage and packaging industry – was nonetheless satisfactory. KRONES was able to take advantage of this. Revenue went up by 4.4% year-on-year, from €3.69 billion to €3.85 billion. We thus attained the revised forecast of 4% revenue growth announced in autumn 2018.

Dear shareholders and friends of KRONES,

KRONES again invested heavily in 2018 to secure the company’s successful future. Our markets continue to offer good growth opportunities. At the same time, we also have to manage challenges on the costs side. Both require measures that will temporarily affect our profitability. The focus at KRONES, however, is on sustained profitable performance.

KRONES holds growth course in 2018

The overall economic outlook worsened increasingly during 2018. This was mainly due to the trade conflict between China, the USA and Europe. The threat of a no-deal Brexit also clouded the business

Expenses for reorganisation and acquisitions

We are satisfied with our revenue performance in 2018. The same cannot be said for profitability. Earnings before taxes (EBT) went down from €259 million to €204 million. The EBT margin dropped from 7.0% to 5.3%. Aside from rising material and labour costs, the fall in earnings was also due to expenses for reorganisation and acquisitions in the amount of some €42 million. Had these expenses not been incurred in 2018, the EBT margin would have been 6.4%.

Strengthening profitability by expansion of our global footprint

For sustained profitable growth, we will continue to expand our global footprint. In 2018, for example, we added new capacity at our plants in the USA and China. Also, we invested heavily in establishing the new plant in Hungary, which is to go into production in the second half of 2019. We additionally made several acquisitions last year. In process technology, we strengthened our capabilities with W.M. SPRINKMAN in the USA and SHANGHAI XIATONG EQUIPMENT in China. Establishing a supply chain in China and Hungary will enable us to reduce personnel and material costs in the medium term.

Strong investment secures KRONES' future growth and innovation

As well as expanding our global footprint, we are also strengthening our position in Germany. We have supplemented our PET capabilities in the core segment with a domestic acquisition, MHT HOLDING AG. KRONES also intends to invest some €190 million at its German locations in the next few years. At our headquarters in Neutraubling, we plan for example to build the factory of the future. We are also establishing an innovation network to develop innovative products and solutions for the beverage industry in collaboration with universities, research institutes and start-ups. Overall, we will continue to invest heavily in product development and improvement in order to further add to our innovative capacity – because innovation secures KRONES' future.

Service secures customer satisfaction and stable sales

We aim to achieve sustained improvements in profitability and customer satisfaction by expanding our service activities. Proximity to customers is a key to success in our lifecycle service (LCS) business. We therefore plan to further reinforce our global service network. The trend towards the digital beverage plant also holds huge opportunities specifically for LCS. We are consequently upgrading existing machines and equipment for digital communication. With digital data from the production process, we are developing new, attractive products and services for the after-sales business. The LCS business also benefits from our customers' steadily growing installed base. Recent significant increases in market share for aseptic systems, which require more service, also support the service side in the medium term.

Ambitious targets for 2019

Despite the general economic challenges and the ongoing high level of investment, KRONES has set ambitious growth and earnings targets for 2019. We expect revenue to increase by 3%. The EBT margin is expected to improve to around 6%. For our third performance target, working capital to revenue, we expect to attain 26% in 2019.

Workforce pivotal to KRONES' success

The Executive Board is confident that, working as a team at KRONES, we will meet the challenges and seize the opportunities that lie ahead. To achieve this, we must make even better use of the knowledge and connections possessed by our workforce worldwide. We know that KRONES' past and future success depends solely on our employees. That is why, on behalf of the entire Executive Board, I would like to extend my sincere thanks to the entire KRONES team for contributing their commitment and skill, and I look forward to their ongoing dedicated support.



Christoph Klenk
CEO

The Executive Board

Michael Andersen, cfo
Finance, Controlling,
Process Technology,
Strategic Purchasing

Thomas Ricker
Sales and Marketing

Christoph Klenk, ceo
Human Resources, Intralogistics,
Digitalisation, Communication,
Quality, Information Management

Markus Tischer
International Operations
and Services

Ralf Goldbrunner
Bottling and Packaging
Equipment



Report of the **Supervisory Board**



*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 Com-

pliance 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

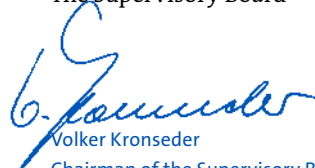
The annual financial statements of KRONES Aktiengesellschaft prepared by the Executive Board, the consolidated financial statements, the management report for KRONES AG and the group management report for the period ended 31 December 2018 were examined by the auditors elected by the annual general meeting, 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.

The members of the Supervisory Board would like to thank the Executive Board and all of the company's employees for their dedication and wholly successful work in the 2018 financial year.

Neutraubling, March 2019

The Supervisory Board


Volker Kronseder
Chairman of the Supervisory Board

The Supervisory Board



Volker Kronseder

Chairman of the Supervisory Board

* University Hospital Regensburg
* Economic Advisory Board,
Bayerische Landesbank



Werner Schrödl**

Group Employees' Council Chairman
Composite Employees' Council Chairman
Chairman of the Supervisory Board

* Executive Board member of the Bavarian
Company Health Insurance Funds
Confederation



Dr. phil. Verena Di Pasquale**

Deputy Chairperson of DGB Bayern
(the German Trade Union Confederation
in Bavaria)



Robert Friedmann

Spokesman for the central managing board
of the Würth Group

* ZF Friedrichshafen AG



Klaus Gerlach**

Head of Central International Operations
and Services



Oliver Grober**

Chairman of the Employees' Council,
Rosenheim



Thomas Hiltl**

Chairman of the Employees' Council, Nittenau



Norman Kronseder

Farmer and forester

* Bayerische Futtersaatbau GmbH

* Other Supervisory Board seats held, pursuant to Section 125 (1) sentence 5 of the German Stock Corporation Act

** Elected by the employees



Prof. Dr. jur. Susanne Nonnast

Professor at Ostbayerische Technische Hochschule (OTH) Regensburg



Beate Eva Maria Pöpperl **

Independent Member of the Employees' Council



Norbert Samhammer

Chief executive of Samhammer AG



Petra Schadeberg-Herrmann

Managing partner
Krombacher Brauerei
Bernhard Schadeberg GmbH & Co. KG,
Krombacher Finance GmbH, Schawei GmbH,
Diversum Holding GmbH & Co. KG



Jürgen Scholz**

First authorised representative IG Metall administrative office in Regensburg

* Infineon Technologies AG



Hans-Jürgen Thaus

* Hawe Hydraulik SE
* Maschinenfabrik Reinhausen GmbH
* Kurtz Holding GmbH & Beteiligungs KG



Josef Weitzer**

Deputy Group Employees' Council Chairman
Deputy Composite Employees' Council Chairman
Employees' Council Chairman, Neutraubling

* Sparkasse Regensburg



Matthias Winkler

Managing partner at
ww+ KN Steuerberatungsgesellschaft mbH

The KRONES share



“2018 was not a good year for the stock markets. KRONES shares fell disproportionately to the market.”

*Olaf Scholz
Head of Investor Relations*

- Stock markets held back by international trade disputes
- KRONES share price down 41.0% in 2018
- Shareholders to receive €1.70 per share dividend for 2018

Major losses on international stock markets

Stock markets started relatively friendly in 2018. The good investor sentiment did not hold up for long, however. There were various reasons for the reversal, including current geopolitical developments and the dispute over the Italian national budget. The main cause of the fraught stock market climate, however, consisted of international trade disputes, notably between the USA and China. At worst, the trade disputes could slide the world economy into recession. Driven by fears of this, stock markets fell repeatedly and virtually collapsed in the fourth quarter of 2018.

The best-known German stock market index, the DAX, was hit especially hard. After setting a new all-time high of just under 13,600 points on 23 January 2018, the index fell steeply. At 10,559 points as of the year-end, the DAX was 18.3% down on the beginning of 2018. The EURO STOXX 50 did not perform much better. Made up of the 50 largest companies in the euro area, this index lost 14.4% last year. US equities were able to escape the negative trend for much of the year. Towards the year-end, however, Wall Street was hit by a sell-off. The Dow Jones index closed 5.6% lower at the end of 2018 than at the beginning of the year. Share prices on the Japanese stock exchange also came under massive pressure in the fourth quarter of 2018. The Nikkei index ended the year with losses of 12.4%.

KRONES shares sharply down in 2018

The general weakness of the stock markets also brought down the KRONES share price. In the first half of the year, the losses remained within reasonable bounds. Our share price even rallied briefly at the end of May, reaching its high for the year at €122.80 on 11 June. KRONES shares ended the first half of 2018 at €110.70, 3.3% lower than at the beginning of the year

The KRONES share price fell sharply in the second half of 2018 and performed worse than the SDAX over the year as a whole.

KRONES share price performance compared with the SDAX 2018



The share price then fell sharply in July because our half-year figures did not fully meet analysts' high expectations. Interim recoveries apart, the KRONES share price subsequently remained on a downward trend. On October 24, we lowered our growth and profitability target for 2018. This further increased the downward momentum in the share price. The end of October brought a strong uptick. Thereafter, our shares were caught in the general downward spiral on

the stock markets. The KRONES share price set its low for the year at €66.10 on 20 December. It closed 2018 at €67.50. KRONES shares thus lost 41.0% in value in 2018. Including the €1.70 per share dividend, the annual performance was minus 39.6%. The SDAX – of which KRONES has been a member since June 2018 – fell by 20.0% last year, which is less than the decrease in the KRONES share price.

KRONES once again took part in numerous international investor conferences in 2018. We also held one-on-one meetings with investors and analysts. On 18 September, we organised a Capital Market Day at our plant in Freising. We provided analysts there with information about new developments in process technology and about KRONES' digitalisation strategy.

Key figures for the KRONES share

at 31 December		2018	2017	2016
Earnings per share	€	4.78	5.97	5.40
Equity per share	€	45.36	42.10	38.79
Free cash flow per share	€	3.82	-4.77	1.56
Price/earning (P/E) ratio based on closing price for the year		14.1	19.2	16.1
Dividend per share	€	1.70*	1.70	1.55
High	€	122.80	121.25	108.60
Low	€	66.10	87.28	80.54
Year's closing price	€	67.50	114.50	86.90

* As per proposal for the appropriation of earnings available for distribution

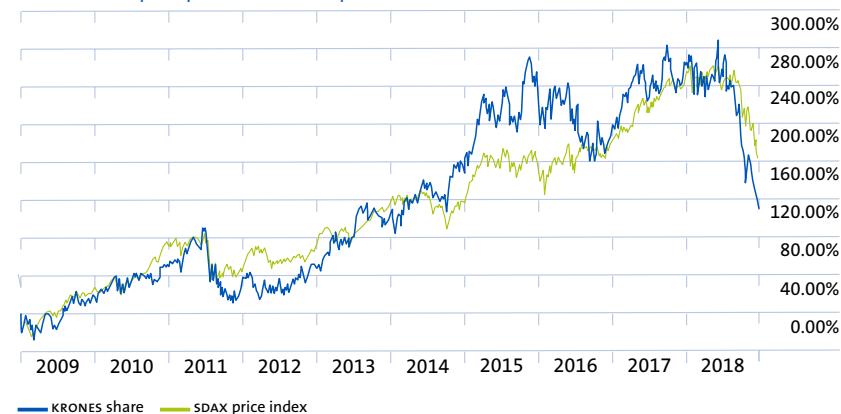
KRONES share offers high long-term returns

Our share price has increased 117% over the past ten years from 2009 to 2018.

The KRONES share price has risen by an average of 8.1% a year over the last ten years.

KRONES' average annual share price gain in this period comes to 8.1%. That is less than the SDAX price index (+10.6%), meaning the SDAX excluding dividends. Including dividends, and assuming reinvestment of the dividends in KRONES shares, the average annual return for the last ten years is 9.6%. The comparable SDAX performance index gained 13.0% annually.

KRONES share price performance compared with the SDAX, 2009–2018



KRONES holds strong position in the SDAX index

While we regret exiting the MDAX in June 2018, the SDAX is also an attractive index. KRONES is among the larger companies of the 70 listed in the SDAX.

KRONES shares have been listed and available for trading on all German stock exchanges since 29 October 1984. Our shares are no par value ordinary bearer shares. Each share carries one vote in the annual general meeting. The total number of KRONES shares is 31,593,072.

Our shares were a member of the MDAX, the German stock exchange's mid-cap index, ever since its inception in 1996. As a result of the fast entry rule, DEUTSCHE BÖRSE AG resolved on 5 June 2018 that KRONES should switch from the MDAX to the SDAX with effect from 18 June 2018. The decisive factor in KRONES' move to the SDAX was the low volume of trading in our shares.

The SDAX is the German stock exchange index containing the 70 companies that succeed those listed in the DAX and the MDAX in market capitalisation and revenue. At the end of 2018, KRONES ranked 13th among SDAX companies by market capitalisation and 23rd by revenue. This makes our shares one of the larger of the 70 SDAX components.

In the 2018 financial year, total daily trading volume in XETRA trading and on Frankfurt stock exchange averaged around 40,000 KRONES shares (previous year: 49,000 shares). Also on alternative trading platforms, which primarily handle orders from institutional investors, a smaller amount of KRONES shares changed hands. Average daily trading volume there came to around 63,000 shares (previous year: around 81,000).

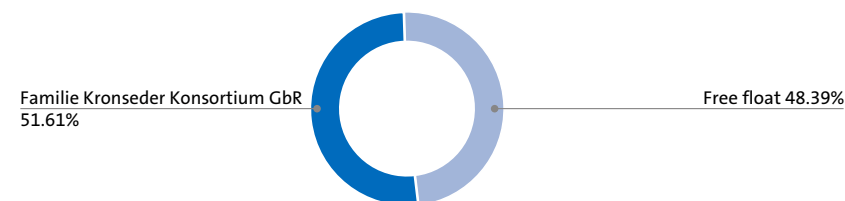
Key data for the KRONES share

Number of shares	31,593,072
German securities identification number (WKN)	633500
ISIN	DE 0006335003
XETRA ticker symbol	KRN

Shareholder structure

There were no significant changes to KRONES' shareholder base in the reporting period. At 31 December 2018, Familie Kronseder Konsortium GbR held the majority of KRONES AG's shares, with 51.61%. The family intends to remain a stable majority shareholder of KRONES AG. The free float (those shares not held by the family) came to 48.39% at the end of 2018.

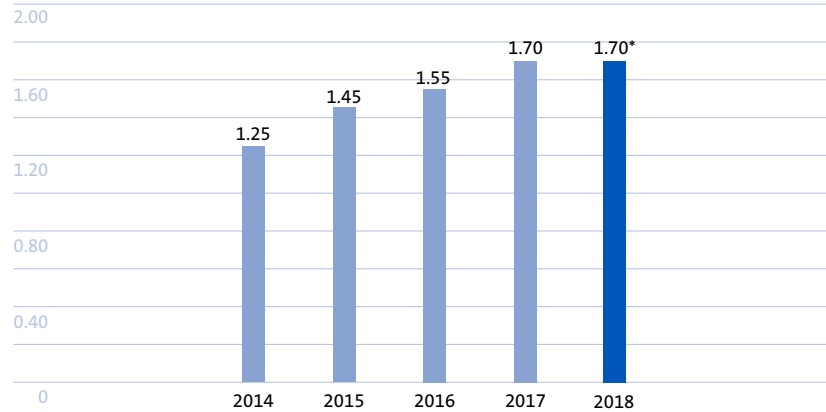
Shareholder structure as of December 2018



KRONES plans to pay a dividend of €1.70 per share for 2018

The company's long-term dividend policy is to pay out 25% to 30% of consolidated profit to shareholders. At the Annual General Meeting on 5 June 2019, the Executive Board and Supervisory Board will be proposing a dividend of €1.70 per share for the 2018 financial year. The dividend thus remains stable relative to the previous year despite the decrease in earnings. The dividend for 2018 corresponds to 35.7% of consolidated net income.

Dividend per share (€)



* As per proposal for the appropriation of earnings available for distribution