Notes to the Group financial statements

(A) Preliminary remarks

The Koenig & Bauer Group (the "Group") develops, assembles and sells sheetfed and web offset, flexo and digital presses, flatbed/rotary die cutters, folding-box gluing lines and special equipment for security, metal decorating, glass and hollow container printing and marking and coding together with comprehensive services. The Parent, Koenig & Bauer AG at Friedrich-Koenig-Str. 4, 97080 Würzburg, Germany, is a public limited company under German law, listed in the commercial register at the local court, Würzburg, under HR B-No. 109. The consolidated financial statements include the Parent and all consolidated affiliates.

Koenig & Bauer has prepared consolidated financial statements and a combined management report for the annual accounting period from 1 January 2021 to 31 December 2021 in accordance with section 315a of the HGB (German Commercial Code), which will be published together in the **Bundesanzeiger** (Federal Gazette).

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) valid on that date, as issued by the International Accounting Standards Board (IASB), London, and all binding interpretations by the International Financial Reporting Interpretation Committee (IFRIC), with due regard for EU directives.

Individual items aggregated in the balance sheet and the income statement are disclosed and explained separately in the notes below. For the income statement we used the cost of sales method. The reporting currency is the euro, and all amounts disclosed in the financial statements represent million euros (€m), unless otherwise indicated.

On 22 March 2022 the Koenig & Bauer management board authorised the submission of the Group financial statements to the supervisory board for scrutiny and approval.

(B) New and amended standards and interpretations

The financial statements for 2021 were prepared in accordance with the following International Financial Reporting Standards that are required to be applied for annual periods beginning on or after 1 January 2021.

IAS 39 / IFRS 4 / IFRS 7 / IFRS 9 / IFRS 16	Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16 - IBOR Reform - Phase 2
IFRS 4	Amendments to IFRS 4 - Extension of temporary exemption from IFRS 9
IFRS 16	Amendments to IFRS 16 - Covid-19-Related Rent Concessions beyond 30 June 2021

The above standards were applied in compliance with the relevant transitional provisions. Where appropriate, amendments were made retrospectively, i.e. as if the new accounting policies had always applied. The effects on the periods of time specified in the consolidated financial statements are described below.

Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16 – IBOR Reform - Phase 2
The amendments to the standards address possible consequences of the reform of the reference interest rates (IBOR reform) for financial reporting. This particularly includes the effects resulting from the replacement of a reference interest rate with an alternative reference interest rate on changes in contractual cash flows or hedging relationships. This does not result in any material changes for 2021.

Amendments to IFRS 16 – Covid-19-Related Rent Concessions beyond 30 June 2021
The amendments grant lessees an exemption from assessing whether rent concessions given as a result of the coronavirus pandemic constitute a lease modification. When the exemption is utilised, the rental concessions must be accounted for as if they were not a lease modification. The amendments originally applied to rent concessions that reduce rent payments due on or before 30 June 2021. A further amendment to IFRS 16 extends the period of application by one year to 30 June 2022. This does not have any material impact on Koenig & Bauer AG's consolidated financial statements.

The Koenig & Bauer Group did not apply in advance the following IASB standards, interpretations and amendments to existing standards that are not yet mandatory.

		Application from financial year
IFRS 3	Amendments to IFRS 3 - Reference to the Conceptual Framework	2022
IAS 37	Amendments to IAS 37 - Onerous Contracts: Costs of Fulfilling a Contract	2022
IAS 16	Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use	2022
Various	Improvements to IFRS (2018 – 2020)	2022
IFRS 17	Insurance Contracts and amendments to IFRS 17	2023
IAS 1	Amendments to IAS 1 - Classification of Liabilities as Current and Non-Current	2023
IAS 1	Amendments to IAS 1 - Presentation of Financial Statements	2023
IAS 8	Amendments to IAS 8 - Accounting Policies, Changes of Accounting Estimates and Errors	2023
IAS 12	Amendments to IAS 12 - Restriction on "Initial Recognition Exception"	2023
IFRS 10/IAS 28	Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	open

The amendments to IFRS 3, IAS 37 and IAS 16 have been endorsed by the EU. The Koenig & Bauer Group does not intend to early adopt any new or amended standards or their improvements. The effects on the consolidated financial statements are currently being reviewed, but no material changes are expected unless they are explained in more detail.

IAS 37 – Onerous Contracts: Costs of Fulfilling a Contract
The amendment to IAS 37 clarifies the composition of the costs of fulfilling a contract that are used to assess whether a contract is onerous. Unavoidable costs for the performance of the contract are the lower of the cost to fulfil and any compensation payments or fines resulting from non-fulfilment.

Amendment to IAS 1 – Classification of Liabilities as Current or Non-Current
The amendment to IAS 1 clarifies that liabilities are classified as non-current if the entity has substantial rights at the reporting date to defer settlement of the liability for at least one year. If certain conditions exist for the exercise of these rights, they must be fulfilled on the reporting date, otherwise the liability in question is classified as current.

Amendments to IAS 1 – Presentation of the Financial Statements
The amendments to IAS 1 and IFRS guidance document 2 clarify that entities must disclose all material accounting policies. Accounting policy information is material whenever the users of the financial statements would not be able to understand any other material information of the financial statements without it. Insignificant information on accounting policies should not be disclosed.

Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors
The amendment clarifies the distinction between changes in accounting policies and accounting estimates. Changes in estimates are prospective and changes in accounting policies are retrospective.

Amendments to IAS 12 – Restriction on "Initial Recognition Exception"
The amendment to IAS 12 narrows the scope of the initial recognition exception, under which no deferred tax assets or liabilities are recognised at the time an asset or liability is acquired. If, upon a transaction arising, deductible and taxable temporary differences of the same amount arise at the same time, these are no longer covered by the exception, with the result that deferred tax assets and liabilities must be recognised. This may result in changes for Koenig & Bauer if corresponding transactions occur.

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
To eliminate any inconsistency between IFRS 10 and IAS 28 on the disposal or contribution of assets to associates or joint ventures, future gains or losses should be recognised only if the assets disposed of or contributed constitute a business as defined in IFRS 3. Otherwise, gains or losses may only be recognised on a pro rata basis. This may result in changes for Koenig & Bauer if corresponding transactions occur.

(C) Accounting policies

The financial statements for Koenig & Bauer AG and its domestic and foreign subsidiaries were prepared using uniform accounting policies.

Measurement basis and judgements
The measurement of financial assets and liabilities is based on the historical or amortised cost, with the exception of financial assets and derivative financial instruments, which are measured at fair value through profit and loss. Changes in the value of equity instruments are recognised in other comprehensive income.

In the process of applying the entity's accounting policies management makes various judgements, essentially on the categorisation of the financial assets measured at amortised cost.

Estimates and assumptions
Where no market prices are available for assessing the value of assets and liabilities, this must be estimated and may give rise to adjustments in subsequent years to the assets and liabilities disclosed. The imputed value is predicated on past experience and current knowledge.

Koenig & Bauer assumes that its business model is only marginally affected by sustainability and climate change risks.

Significant estimates relate to the following matters, which are explained in more detail under the individual items of the balance sheet:

- Recognition and measurement of development costs and the measurement of goodwill - particularly management assumptions using the discounted cash flow method and determination of the discount rate and future cash flows
- Useful lives of intangible assets and property, plant and equipment
- Measurement of the impairment of financial assets
- Recognition and measurement of other provisions - particularly provisions for warranties
- Recognition and measurement of restructuring provisions - management's assessment of the implementation of restructuring, expectations of significant changes to the restructuring plan and estimate of the amount of expected termination benefits using appropriate assumptions
- Recognition and measurement of provisions for retirement benefits and similar obligations - particularly the calculation of the present value on the basis of actuarial assumptions and the calculation of the discount rate
- Recognition and measurement of deferred tax assets - particularly estimates as to their recoverability
- Revenue recognition - determination of the percentage of completion for over-time revenue recognition
- Disposal of financial assets - management's assessment of the transfer of beneficial ownership

Intangible assets

Purchased intangible assets are disclosed at their purchase price if it is likely that economic benefits attributable to the use of the assets will flow to the enterprise and their cost can be measured reliably. Each asset with a limited useful life is amortised on a straight-line basis over its estimated useful life.

Development costs for new or significantly improved products are capitalised at cost if the technical feasibility, an intention to sell and the existence of a market can be demonstrated, the attributed expenditure can be measured reliably, adequate development and marketing resources are available and future economic benefits are probable. From the time of marketability of the affected product, the capitalized development costs are depreciated on a straight-line basis over their projected useful life and tested for impairment annually. Adequate allowance is made for future market trends. Research costs and non-capitalised development costs are recognised as an expense as they arise.

Property, plant and equipment

The option provided for by IAS 16 to revalue land at its fair value was exercised for the first time on 31.12.2020 with the use of independent valuation experts. Accordingly, increases in the carrying amount in excess of amortised cost are recognised in retained earnings. However, if an impairment loss previously recognised in profit or loss is reversed, the increase in the carrying amount is recognised in profit or loss up to an amount equalling amortised cost. If, on the other hand, revaluation results in a reduction in the carrying amount, the impairment is recognised in profit or loss unless an increase in the carrying amount previously recognised directly in equity is reversed. In this case, the impairment is recognised within retained earnings. Deferred taxes are recognised accordingly in retained earnings or in profit or loss. Land is revalued at regular intervals of 5 years.

All other items of property, plant and equipment are disclosed at cost less depreciation and accumulated impairment losses, based on the use to which they are put. Each item with a significant value relative to the total asset value is treated as a separate depreciable asset (component recognition). Manufacturing costs for self-constructed plant and equipment include an appropriate proportion of production overheads, material and labour costs.

Where borrowing costs are directly attributable to a qualifying asset they are capitalised as part of the cost of that asset. Subsequent costs associated with the acquisition or replacement of an item of property, plant or equipment are capitalised and written down over the individual useful life. Replaced items are de-recognised accordingly. Costs for maintenance and repairs are also recognised as an expense.

No land or buildings are held as financial investments as defined in IAS 40.

Grants

Government grants reduce the cost of assets and are recognised as a reduced depreciation charge over the asset life.

One condition for the disbursement of research funds is that a complete record must be kept of all the costs incurred, and submitted upon completion of the relevant project.

The Federal Employment Agency in Germany reimburses part of the social security expense relating to short-time employment. The reimbursements are directly offset against the personnel expenses disclosed under the individual functions.

Leases

A determination is generally made at the beginning of an contract whether the agreement contains a lease. To this end, the lessor must transfer to the lessee the right of use for a clearly specified asset for a specified period of time in return for payment of a fee. Non-lease components are separated from the lease components at the inception of the agreement and recognised as an expense.

As **lessee**, Koenig & Bauer recognises a right-of-use asset in intangible assets and property, plant and equipment and a lease liability in other financial liabilities on the commencement date of the lease. The right-of-use asset is measured at the present value of the lease liabilities at the commencement date plus initial direct costs, any lease payments already made before the commencement date and the present value of estimated costs at the end of the term, minus lease incentives received. The lease liability is recognised at the present value of the lease payments not yet made at that date, comprising fixed and variable lease instalments and expected payments from residual value guarantees and the exercise price of purchase options if there is sufficient certainty that they will be exercised. Discounting is based on the underlying interest rate for the lease or, if this is not known, the lessee's incremental borrowing rate. The incremental borrowing rate is determined using various external sources and adjusted to the economic environment and the term of the respective lease agreement.

In subsequent measurement, the right-of-use asset is amortised on a straight-line basis until the end of the lease term. In the case of lease agreements with transfer of ownership or the probable exercise of a purchase option, the right-of-use asset is depreciated until the end of the expected useful life. If there is an indication that the right-of-use asset may be impaired, an impairment test is carried out in accordance with IAS 36. If necessary, an impairment loss is recognised or, if the reason for the impairment no longer applies, the impairment loss is reversed. The lease liability is measured at amortised cost using the effective interest method. In the event of contractual changes that may result from a change in the assessment of residual value guarantees, purchase or extension options or changes in future lease payments, the lease is remeasured.

Lease payments from short-term leases as well as leases for a low-value asset are recognised as lease expenses over the term of the agreement with an effect on income.

As the **lessor**, Koenig & Bauer assesses the lease at inception on the basis of certain criteria, such as the lease term, the present value of the minimum lease payments or the likely exercise of purchase options, to determine if the lease transfers all significant risks and rewards to the lessee. If this is the case, the present value of the minimum lease payments is recognised as a lease receivable under other financial receivables and subsequently measured at amortized cost using the effective interest method. If these conditions are not met, the lease instalments received are recognised as a profit.

Depreciation

The systematic straight-line depreciation of intangible assets, property, plant and equipment is based on their useful lives as shown in the chart.

	Years
Industrial property rights and similar rights	3 to 7
Product development costs	4 to 6
Buildings	5 to 50
Plant and machinery	3 to 15
Other facilities, factory and office equipment	2 to 12

In the case of intangible assets and property, plant and equipment, the determination of the economic useful lives is subject to management's assessment. Any change in the economic useful lives may result in an increase or decrease of systematic straight-line depreciation.

If there is any indication that intangible assets, property, plant and equipment might be impaired or that the reason for such an impairment might have become obsolete these assets are tested for impairment on the balance sheet date as per IAS 36. The recoverable amount is defined as the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use. Cash-generating units are the smallest group of units defined by the entity whose products are available for sale on an active market. The discounted free cash flow is the amount recoverable for the unit and corresponds to the value in use, with the discount calculated at post-tax interest rates, which correspond to the weighted average cost of capital. It comprises a risk-free interest rate for equity components, adjusted for business risks, and the average borrowing rate of interest for debts, tax-adjusted for each unit. Future cash flows are calculated on the basis of the five-year integrated detailed plan approved by the management at the time when the impairment test is valid. The perpetual annuity for cash flows which surpass the planning period is calculated using a growth rate of 0.8%. If the recoverable amount approximates the residual carrying amount, both the value in use and the fair value less costs to sell are regularly determined. Where the recoverable amount is lower than the carrying amount the difference is disclosed as an impairment loss. If the reason for an impairment no longer applies, an adjustment in the allowance account is made, up to the amortised cost of acquisition or manufacture.

Depreciation on and impairments in intangible assets, property, plant and equipment are disclosed under the individual functions, reversals of impairment losses are disclosed as other operating income.

Goodwill is tested for impairment annually and attributed to the cash-generating units. Where the recoverable amount exceeds the carrying amount (goodwill included) of the cash-generating unit, the unit is defined as unimpaired. Where the carrying amount exceeds the value in use, an impairment adjustment to the lower market value is made by deducting the impairment loss from goodwill and distributing the difference among the unit assets, taking as the lower value limit the recoverable amount of the individual asset or zero, whichever is higher. The cash flow forecast based on the management's integrated five-year detailed planning together with a subsequent perpetual annuity is used to calculate the value in use of a cash-generating unit, which contains goodwill. Along with the discount rate, planning includes anticipated developments in sales and the EBIT margin. Planning is created based on a past experience, future market predictions and margin developments expected by the management. External data concerning the development of relevant markets is also taken into account. Adjustments are made for the impact of special and one-off effects on past values when predicting individual EBIT margins.

Individual items, depreciation, impairments and impairment reversals under IAS 36 are disclosed under "Changes in Intangible Assets, Property, Plant and Equipment".

Financial assets

If contractual claims exist, financial assets are recognised at fair value upon initial recognition and are accounted for on the settlement date.

For the purpose of subsequent measurement in accordance with IFRS 9 financial assets are classified as "measured at amortised cost", "measured at fair value through other comprehensive income (FVOCI)" or "measured at fair value through profit or loss (FVTPL)". The allocation of a financial instrument to one of these three categories depends on the Group's business model and the characteristics of the instrument in question. The business model is determined on a portfolio basis in the light of past experience and the management strategy for the future, taking into account the risks associated with financial assets. The analysis of the product features includes an assessment of whether contractually agreed cash flows are solely payments of principal and interest.

A financial asset is measured **at amortised cost** using the effective interest method if it is held as part of a business model whose objective it is to collect the contractual cash flows and the terms of the contract result in solely payments of principal and interest. Any changes are recognised in profit or loss.

The **FVOCI** category includes financial assets held within a business model whose objective is both to collect the contractual cash flows and to sell those assets, provided that the terms of the contract result in solely payments of principal and interest. They are remeasured on the basis of their fair value. In the case of equity instruments, dividends are recognised in profit or loss, while other net gains or losses are recognised in other comprehensive income. They are not reclassed to the income statement.

All other assets are measured at fair value through profit and loss **(FVTPL)**. Interest income, dividends and other net gains or losses are recognised through profit and loss.

Shares in affiliated, non-consolidated companies are reported under **financial investments** and classified as “FVOCI”. As their business individually and in sum is not material for the Group and the fair presentation of financial position, liquidity and capital resources, and profitability, they are measured at cost. Loans are measured at amortised cost.

Shares in associates are measured using the equity method of accounting.

Other financial receivables include derivative financial instruments in the FVTPL category that are carried at fair value and receivables from lease agreements measured at their present value. Miscellaneous other financial receivables are measured at amortised cost.

Trade receivables are measured at amortised cost. Non-interest-bearing or low-interest receivables due for settlement in more than one year are discounted.

The **securities** are financial assets in the FVTPL category that are carried at fair value as of the balance sheet date.

Cash and cash equivalents are measured at amortised cost.

They are assigned to one of three levels of a fair-value hierarchy defined in IFRS 7, where level 1 refers to quoted prices in active markets for the same instrument (without modification or repackaging); level 2 refers to quoted prices in active markets for similar assets or liabilities or other valuation techniques for which all significant inputs are based on observable market data; and level 3 refers to valuation techniques for which any significant input is not based on observable market data. Transfers between levels are made at the end of each reporting period.

Impairment gains and losses are recognised on financial assets measured at amortised cost and for contract assets in an amount equalling the expected credit loss. In the case of receivables and contract assets, this involves checking on each balance sheet date whether there has been any impairment of creditworthiness and whether the credit risk has thus increased significantly. Both quantitative and qualitative information and analyses such as the length of time overdue, the nature and duration of financial difficulties or the geographical location are taken into account and forward-looking assessments are made on the basis of past experience. In addition, the average historical defaults and forward-looking information (such as a Covid surcharge) were taken into account when determining the probabilities of default. There are no material risk concentrations due to the existing broad customer base.

The following table sets out the ranges applicable to each overdue band in the Group as from this year.

Expected Credit Loss %	min.	max.
not overdue	0.0%	0.9%
overdue for ≤ 30 days	0.0%	2.3%
overdue for 31 - 90 days	0.0%	4.0%
overdue for 91 - 180 days	0.0%	8.0%
overdue for 181 - 360 days	5.3%	11.0%
overdue for > 360 days	75.0%	75.0%

If the creditworthiness of an asset is impaired, the expected credit losses are recognised as a loss allowance over the entire term of the financial asset.

If the credit risk has increased significantly since the initial recognition of assets coming within the scope of application of the general model but there is no impairment of creditworthiness, the possible payment defaults over the entire term are taken into account as a loss allowance. In the case of trade receivables and contract assets, expected credit losses are measured on the basis of a loss allowance matrix. For each business segment, the historical default probabilities of the last three years are used as a basis and adjusted to the current economic conditions using scaling factors.

All other financial assets are adjusted by the amount of the expected credit loss that may be incurred within 12 months of the balance sheet date.

The loss allowance model described in IFRS 9 requires discretionary decisions in forecasting the development of future economic conditions. However, the assumptions made are subject to uncertainty, as Koenig & Bauer can only partially influence future business developments.

Derivatives

In accordance with IFRS 9 all instruments such as swaps and future currency contracts are carried at fair value. The derivatives disclosed in the Group financial statements are classified as level 2.

Changes in fair value are reported in net profit or loss where no hedge accounting is used.

Where hedge accounting is used, changes in fair value are reported either in equity or in the income statement. With a fair value hedge, changes in the fair value of a hedging instrument and the underlying transaction are reported as a profit or loss. With a cash flow hedge, the portion of the gain or loss in the hedging relationship that is determined to be an effective hedge is recognised directly in equity and the ineffective portion reported in the income statement. Gains and losses are reported in the income statement as soon as the hedged transaction itself is recognised.

The Group is exposed to numerous risks deriving from its global activities.

Currency risk is the risk that the value of business transactions conducted in other currencies, particularly US dollars, will fluctuate due to changes in foreign exchange rates.

Interest-related **cash flow risk** is the risk that future cash flows will fluctuate following changes in market interest rates.

Interest rate risk is the risk that the interest on deposits or loans will fluctuate as a result of changes in market interest rates.

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

These risks are contained by a risk management system. The principles laid down ensure that risk is assessed and documented in accordance with systematic and uniform procedures. Further information can be found on page 36 onwards. Derivatives in the form of marketable foreign exchange transactions (forwards and swaps) and interest rate hedges were used. Where the conditions defined in IFRS 7 for an effective hedging relationship were fulfilled, hedge accounting was used, more specifically cash flow hedges.

Inventories

Inventories are carried at the cost of purchase or conversion, with the latter including individual items, their proportionate share of total overheads and depreciation based on a normal level of plant utilisation. Where borrowing costs are directly attributable to a qualifying asset they are capitalised as part of the cost of that asset. The cost of inventories that cannot be measured on an item-by-item basis is calculated using the weighted average cost formula.

Inventories whose net realisable value on the balance sheet date were lower than cost, for example due to damage, impaired marketability or prolonged storage, are written down to the lower value. The net realisable value is the estimated sales revenue realisable in normal business minus the estimated cost of completion and pertinent distribution costs.

Equity

The issued capital is calculated from the number of no-par shares issued by Koenig & Bauer AG up to the balance sheet date.

The share premium includes the extra charge from the issue of shares, and is subject to the limitations imposed by section 150 of German Company Law.

Reserves encompass the net profits posted and retained in previous years by consolidated companies, and adjustments arising from the adoption of IFRS, more specifically IFRS 3 in 2004. Other components are the differences arising from the currency translation of foreign individual financial statements, changes in the measurement of defined benefit plans after tax, the revaluation of land after tax and changes in the market value of financial instruments after tax unless these are recognised in profit or loss.

Pension provisions

Pension provisions are measured using the projected unit credit method described in IAS 19, based on actuarial reports that recognise the present and potential benefits known on the balance sheet date, and include an estimate of anticipated increases in salaries and pensions. Actuarial gains and losses are recognised in reserves without an effect on profit or loss.

As a rule, in accordance with national and regional regulations we offer our employees defined-benefit pension plans, with benefits determined by the individual's length of service and compensation.

Pensions are partially financed through a funded benefit system. Obligations not covered by fund assets are carried in pension provisions at the present value of the liability. The interest of the market value of plan assets is calculated with the discount rate of the pension obligation.

If the pension plans are not fully reinsured, the measurement of the retirement benefit obligations is subject to actuarial risks such as longevity risk, the risk of salary increases and interest rate risk. Market price risks exist in particular in connection with plan assets. In the case of Swiss pension funds, there is also the risk of an obligation to make additional contributions in the event of underfunding, i.e. if the benefit obligations exceed the plan assets, there is an obligation to contribute funding.

Current service costs are recognised in the individual functions. Interest income from plan assets as well as expenses from discounting obligations are recognised in the financial result.

Other provisions

These included all other corporate risks and uncertain liabilities to third parties, insofar as an outflow of resources is probable and can be reliably assessed. The amounts disclosed represent the best estimate of the expenditure needed to settle current obligations. Long-term provisions were disclosed at their present value where the interest effect was substantial.

Provisions are recognised for the **realignment** of the Group as soon as management has developed and approved a programme to improve the Group's profitability and competitiveness through capacity and structural adjustments and the measures have been publicly announced. Provisions are estimated on the basis of the planned programs, taking into account past experience. For this purpose, the assessments of both management and external experts are used. If changes occur as a result of new findings or agreements, the amount of the provisions is duly adjusted.

The recognition of provisions for **warranties and goodwill gestures** results from statutory, contractual or individual obligations to customers for reworking, replacement deliveries and compensation payments. A lump-sum provision is recognised as a percentage of average sales in recent years on the basis of past experience. In addition, concrete and expected individual facts are allowed for.

Financial payables

A financial payable is recognised on the balance sheet as soon as contractual obligations arise from a financial instrument. Financial payables which are initially recognised at fair value, net of transaction costs, and subsequently carried at their amortised cost, are reported on the settlement date.

Bank loans are defined as **financial liabilities**.

Other financial liabilities include derivative financial instruments with a negative fair value assigned to the FVTPL category and measured at fair value. Lease liabilities are recognised at their present value.

Income taxes

Deferred tax assets and liabilities are recognised on temporary differences between IFRS and tax bases for Group enterprises, and on consolidation measures. Differences are calculated using the liability method specified in IAS 12, and only tax-relevant temporary differences are taken into account. Deferred tax assets include temporary differences as well as claims to future tax reductions arising from the anticipated use of existing tax loss carryforwards, where this use is probable or verified by convincing substantial evidence. Where the use is improbable, an impairment is disclosed. Deferred tax assets are calculated on the basis of 5-year corporate planning and the expected impact on earnings of taxable temporary differences. However, the assumptions made with regard to the future taxable income available for the utilisation of deferred tax assets are subject to uncertainties.

The tax rates used to calculate deferred taxes were the national rates applicable or notified on the balance sheet date, and ranged from 9% to 31%.

The effect of changes in tax rates on deferred taxes is reported when such changes were published.

The Group tax rate is the same as the Parent tax rate. Differences arising from calculations based on national tax rates are disclosed separately under "variances due to different tax rates".

Actual income taxes are determined and recognised on the basis of the respective tax results and taking into account national regulations, provided that their tax recognition is probable. On the other hand, if there are uncertainties regarding the recognition, a tax liability is created in the amount of the best possible estimate of the expected tax payment. Tax receivables from uncertain tax positions are only recognised if they are likely to be realised. The assumptions and decisions made are reviewed on each balance sheet date and adjusted if necessary based on new knowledge.

Assets held for sale

A non-current asset is classified as being held for sale if management is committed to a plan to sell the asset and it is highly probable that the sale will be completed within one year from the date of classification. The asset is valued at the lower of its carrying amount and fair value less costs to sell. Such an asset will no longer be written down.

Revenue

In the case of the sale of standardised **new or used machines**, the transfer of control after delivery and assembly occurs upon the customer's readiness for production. The invoice is issued at the time of the transfer of control. In addition to individual contractual agreements, payments by the customer are usually staggered and are often divided into a prepayment, a payment at the time of delivery and a final payment after acceptance of the press. Revenue is recognised when the performance obligation is fulfilled and the customer obtains control of the press, neither a right of disposal nor effective control remains with Koenig & Bauer and it is probable that the economic benefits associated with the transaction will flow to the Company.

In the case of **customer-specific production**, control is transferred to the customer over the period in which the performance is completed. The project-specific payment terms usually provide for a prepayment and other progress billings staggered over the term.

Revenue from customer-specific production is recognised over the period in which the service is provided in accordance with IFRS 15, provided that the product has no alternative use for the Company and the Company has a legal claim to payment for the services already provided. The progress made towards complete satisfaction of a performance obligation is measured on an input basis, whereby the progress of work is determined as the ratio of the costs incurred to the calculated contract costs. The ratio of the costs incurred to the calculated contract costs adequately represents the performance progress of a customer-specific production.

In the case of **spare parts and consumables**, control generally passes to the customer upon delivery of the products. The invoice is issued at the same time, the payment period is usually up to 30 days.

Revenue is recognised when the invoice is issued to the customer.

The provision of **services** mainly comprises maintenance, repairs, consulting and similar services. Control passes to the customer and the invoice is issued when the service has been rendered. Service contracts are usually due for immediate payment, the maximum payment period is usually 30 days. In the case of service agreements, the transaction price is allocated to individual service components. Revenue is recognised when the individual service components have been fulfilled.

Revenues are recognised in the amount of the transaction price for the individual performance obligations. The transaction price is the consideration that the Company expects to receive for the promised goods or services. It is generally determined on the basis of contractually agreed amounts for the sale of new and used machines, spare parts, consumables and services. Price reductions, cash discounts, bonuses and volume rebates granted are recognised at their expected value if an adjustment to the transaction price is probable.

The performance obligations for products and services rendered and invoiced to the customer are recognised under trade receivables to the extent that there is an unconditional right to consideration. Where products and services have been transferred to a customer but the Group does not yet have a contractual right to payment, the contingent consideration receivable is recognised within contract assets. Contract assets are reclassified as trade receivables as soon as there is an unconditional legal claim to payment; they are reported under other assets.

Prepayments received include the Company's obligations to transfer goods and services to customers for whom a payment has already been made.

The relief provided by IFRS 15.129 and IFRS 15.121(a) was used.

Other income

Interest is recognised as profit if the amount can be measured reliably and there is a reasonable likelihood of future economic benefit. Dividends are balanced with the origination of a legal claim to payment.

Expenses by function

Cost of sales include the purchase and conversion costs of products sold. In addition to directly attributable material and prime costs these incorporate overheads, depreciation on production plant and inventory adjustments.

Research and development costs encompass costs for original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding, and these are recognised in full in the income statement together with development costs not recognised by IAS 38.

Distribution costs include costs for open house promotions and demonstrations for customers.

Administrative expenses include the amortisation of goodwill.

Wherever possible, income and expenses are attributed to their respective functions; those that cannot be attributed are disclosed under other operating income and expenses.

(D) Consolidated companies and consolidation principles

Consolidated companies

In addition to Koenig & Bauer AG, Würzburg, the consolidated financial statements include 37 (previous year: 39) companies. One company is accounted for using the equity method.

Altogether 25 (previous year: 28) subsidiaries are excluded from the consolidated financial statements since they are of minor significance to the Group's financial position and performance.

Consolidation principles

Upon control being acquired, affiliated companies and business combinations are consolidated by netting the acquisition costs with the Group's share in the equity of the consolidated companies measured at fair value. Hidden reserves or liabilities are allocated to the subsidiary's assets and liabilities. Contingent liabilities are offset against equity, and any excess of cost over the amounts allocated is recognised as goodwill. Goodwill generated prior to 1 January 1995 remains netted against reserves as permitted by IAS 22. Any negative goodwill is recognised in profit or loss after a further review of the amounts calculated.

Receivables, liabilities, income and expenses relating to transactions among consolidated companies are eliminated, as were the profits from such transactions. With the exception of goodwill, temporary tax deferrals arising from the consolidation are recognised as deferred taxes under IAS 12.

(E) Foreign currency translation

The financial statements of consolidated companies prepared in a foreign currency are translated using their functional currency and the foreign entity method specified in IAS 21.

Since foreign subsidiaries are financially, economically and organisationally autonomous, their functional currency is normally the same as their local currency. In the consolidated financial statements, assets and liabilities are translated into the reporting currency at the closing rate, expenses and income at the average rate for the year and other equity at historical rates. The resulting exchange differences are disclosed in equity.

The financial statements for subsidiaries consolidated for the first time, the goodwill arising from the acquisition of such subsidiaries and adjustments in the carrying amounts of assets and liabilities to fair value are translated at the closing rate on the date of the initial consolidation. In subsequent periods goodwill is translated at the closing rate on the balance sheet date.

Currency gains and losses ensuing from consolidation are recognised as income or expense.

(F) Changes in intangible assets, property, plant and equipment

in €m	Cost							
	01.01.	Group additions	Additions	Revaluation surplus	Exchange differences	Reclassifica-tions	Disposals	31.12.
2020								
Intangible assets								
Industrial property rights and similar rights	67.0	–	0.7	–	-0.1	–	2.8	**64.8**
Goodwill[3]	39.0	–	-	–	–	–	0.6	**38.4**
Product development costs[3]	42.6	–	11.8	–	–	–	–	**54.4**
Prepayments and assets under construction	15.7	0.2	6.0	–	–	–	–	**21.9**
	164.3	**0.2**	**18.5**	**–**	**-0.1**	**–**	**3.4**	**179.5**
Property, plant and equipment								
Land and buildings	275.0	–	3.9	25.1	-0.7	9.1	16.5	**295.9**
Plant and machinery	201.6	0.2	1.9	–	-0.7	0.6	9.9	**193.7**
Other facilities, factory and office equipment	153.4	–	17.5	–	-0.5	13.0	18.7	**164.7**
Prepayments and assets under construction	31.4	–	4.7	–	–	-22.7	–	**13.4**
	661.4	**0.2**	**28.0**	**25.1**	**-1.9**	**–**	**45.1**	**667.7**
	825.7	**0.4**	**46.5**	**25.1**	**-2.0**	**–**	**48.5**	**847.2**
2021								
Intangible assets								
Industrial property rights and similar rights	64.8	–	3.4	–	0.1	0.1	–	**68.4**
Goodwill[3]	38.4	–	–	–	–	–	–	**38.4**
Product development costs[3]	54.4	–	5.5	–	–	–	5.0	**54.9**
Prepayments and assets under construction	21.9	–	8.1	–	–	-0.1	0.1	**29.8**
	179.5	**–**	**17.0**	**–**	**0.1**	**–**	**5.1**	**191.5**
Property, plant and equipment								
Land and buildings	295.9	–	1.6	–	1.2	3.5	0.4	**301.8**
Plant and machinery	193.7	–	5.6	–	1.1	0.5	13.4	**187.5**
Other facilities, factory and office equipment	164.7	–	8.0	–	0.3	3.5	11.2	**165.3**
Prepayments and assets under construction	13.4	–	4.3	–	–	-7.5	–	**10.2**
	667.7	**–**	**19.5**	**–**	**2.6**	**–**	**25.0**	**664.8**
	847.2	**–**	**36.5**	**–**	**2.7**	**–**	**30.1**	**856.3**

[1] Segment Digital & Webfed
[2] Segment Special
[3] Level 3 of fair-value hierarchy

Depreciation							Carrying amount	
01.01.	Annual depreciation	Impairments	Exchange differences	Reclassifica-tions	Disposals	**31.12.**	01.01.	**31.12.**
43.7	3.7	–	-0.1	–	2.8	**44.5**	23.3	**20.3**
0.2	–	–	–	–	–	**0.2**	38.8	**38.2**
5.0	–	–	–	–	–	**5.0**	37.6	**49.4**
–	–	–	–	–	–	**–**	15.7	**21.9**
48.9	**3.7**	**–**	**-0.1**	**–**	**2.8**	**49.7**	**115.4**	**129.8**
147.0	9.2	0.2	-0.4	0.2	15.8	**140.4**	128.0	**155.5**
158.0	8.3	–	-0.5	–	9.6	**156.2**	43.6	**37.5**
110.8	13.3	–	-0.4	-0.2	14.9	**108.6**	42.6	**56.1**
–	–	–	–	–	–	**–**	31.4	**13.4**
415.8	**30.8**	**0.2**	**-1.3**	**–**	**40.3**	**405.2**	**245.6**	**262.5**
464.7	**34.5**	**0.2** [1]	**-1.4**	**–**	**43.1**	**454.9**	**361.0**	**392.3**
44.5	4.1	–	0.1	–	–	**48.7**	20.3	**19.7**
0.2	–	0.6 [1]	–	–	–	**0.8**	38.2	**37.6**
5.0	3.7	0.8 [2]	–	–	5.0	**4.5**	49.4	**50.4**
–	–	–	–	–	–	**–**	21.9	**29.8**
49.7	**7.8**	**1.4**	**0.1**	**–**	**5.0**	**54.0**	**129.8**	**137.5**
140.4	9.3	–	0.7	–	0.4	**150.0**	155.5	**151.8**
156.2	7.7	–	0.8	–	13.3	**151.4**	37.5	**36.1**
108.6	13.1	–	0.4	–	8.5	**113.6**	56.1	**51.7**
–	–	–	–	–	–	**–**	13.4	**10.2**
405.2	**30.1**	**–**	**1.9**	**–**	**22.2**	**415.0**	**262.5**	**249.8**
454.9	**37.9**	**1.4**	**2.0**	**–**	**27.2**	**469.0**	**392.3**	**387.3**

(G) Explanatory notes to the balance sheet

(1) Intangible assets, property, plant and equipment

Information on the intangible assets and property, plant and equipment contained in leases in accordance with IFRS 16 is provided for leases under Note (G) (13).

Government grants for promoting investment reduced the carrying amounts for property, plant and equipment by €2.1m (previous year: €2.4m).

Intangible assets
The additions to industrial property rights and similar rights as well as prepayments made and assets under construction primarily relate to the implementation of the SAP ERP system, additions to development costs result from new developments in the Sheetfed, Digital & Webfed and Special segments.

Goodwill is made up as follows:

in €m	31.12.2020	**31.12.2021**
Koenig & Bauer MetalPrint GmbH, Stuttgart, Germany	12.6	12.6
Business Unit Security	8.8	8.8
Koenig & Bauer Kammann GmbH, Löhne, Germany	5.4	5.4
Koenig & Bauer Flexotecnica S.p.A., Tavazzano, Italy	0.8	0.2
Koenig Bauer Duran Karton Ambalaj Teknolojileri Sanayi A.Ş., Istanbul, Turkey	10.6	10.6
	38.2	**37.6**

The goodwill attributable to Koenig & Bauer Flexotecnica S.p.A. was impaired by €0.6m.

A contingent liability of €0.6m (previous year: €0.6m) arose from the acquisition of Koenig & Bauer Iberica S.A. in 2016 for the settlement of warranty claims towards the former shareholders; this amount has been accounted for in full.

In compliance with IAS 36 the following impairment tests were conducted on the balance sheet date for all cash-generating units to which goodwill was attributable.

Cash-generating unit	Number of planning periods	Pre-tax interest rate	Post-tax interest rate
2020			
Koenig & Bauer MetalPrint GmbH, Stuttgart, Germany	5	9.5%	7.3%
Business Unit Security	5	8.3%	7.3%
Koenig & Bauer Kammann GmbH, Löhne, Germany	5	10.1%	7.3%
Koenig & Bauer Flexotecnica S.p.A., Tavazzano, Italy	5	9.0%	7.3%
Koenig Bauer Duran Karton Ambalaj Teknolojileri Sanayi A.Ş., Istanbul, Turkey	5	9.1%	7.3%
2021			
Koenig & Bauer MetalPrint GmbH, Stuttgart, Germany	5	10.1%	7.6%
Business Unit Security	5	8.8%	7.7%
Koenig & Bauer Kammann GmbH, Löhne, Germany	5	10.3%	7.6%
Koenig & Bauer Flexotecnica S.p.A., Tavazzano, Italy	5	9.4%	7.6%
Koenig Bauer Duran Karton Ambalaj Teknolojileri Sanayi A.Ş., Istanbul, Turkey	5	9.5%	7.7%

Koenig & Bauer assumes on the basis of various sensitivity analyses that no impairment is required for the cash-generating units even in the event of any changes in the key planning assumptions that are considered to be possible.

Property, plant and equipment
Additions to property, plant and equipment primarily related to new and replacement plant and machinery as well as other facilities, factory and office equipment.

In the year under review, no changes in value were recognised as a result of the application of the revaluation method to land.

Applying the acquisition cost method would have resulted in a book value of €21.3m (previous year: €21.3m) for land.

(2) Financial and other assets

Investments

All interests and associates held by Koenig & Bauer AG are shown in the table below. Unless otherwise indicated, the figures for equity are those disclosed in the single-entity statements audited under the pertinent national accounting laws, and correspond to additional disclosures under the German Commercial Code. Statements in foreign currencies show equity translated at the balance sheet date. Capital share corresponds to the number of voting rights.

Company, location	Capital share in %	Equity in €m
Consolidated affiliates		
Koenig & Bauer Industrial GmbH, Würzburg, Germany (formerly: Koenig & Bauer FT Engineering GmbH)	100.0	27.9
Koenig & Bauer Sheetfed Management GmbH, Radebeul, Germany	100.0	0.1
Koenig & Bauer Sheetfed AG & Co. KG, Radebeul, Germany	100.0	-5.5 [2]
Koenig & Bauer Digital & Webfed Management GmbH, Würzburg, Germany	100.0	0.1
Koenig & Bauer Digital & Webfed AG & Co. KG, Würzburg, Germany	100.0	-12.6 [2]
Koenig & Bauer Banknote Solutions GmbH, Würzburg, Germany	100.0	256.5
Koenig & Bauer Banknote Solutions (DE) GmbH, Würzburg, Germany[1]	100.0	149.8
Koenig & Bauer Finance GmbH, Würzburg, Germany	100.0	0.1
Koenig & Bauer Immobilien GmbH, Würzburg, Germany	100.0	0.2
Koenig & Bauer Gießerei GmbH, Würzburg, Germany[1]	100.0	2.6
Albert-Frankenthal GmbH, Frankenthal, Germany	100.0	0.4
Koenig & Bauer (DE) GmbH, Radebeul, Germany	100.0	0.4
Koenig & Bauer Coding GmbH, Veitshöchheim, Germany	100.0	18.6
Koenig & Bauer MetalPrint GmbH, Stuttgart, Germany	100.0	6.1
Koenig & Bauer Kammann GmbH, Löhne, Germany	100.0	2.5
Koenig & Bauer (AT) GmbH, Mödling, Austria[1]	100.0	20.2
Holland Graphic Occasions B.V., Wieringerwerf, Netherlands	100.0	0.9
Koenig & Bauer (FR) SAS, Tremblay-en-France, France	100.0	3.2
Koenig & Bauer IT S.R.L., Lainate, Italy	100.0	2.6
Koenig & Bauer Flexotecnica S.p.A., Tavazzano, Italy	100.0	1.4
Koenig & Bauer Iberica, S.A., El Prat de Llobregat, Spain	100.0	5.1
Koenig & Bauer (UK) Limited, Watford, UK	100.0	2.3
Koenig & Bauer Grafitec s.r.o., Dobruška, Czech Republic	100.0	24.1
KBA-SWISS HOLDING SA, Lausanne, Switzerland[1]	100.0	50.1
Koenig & Bauer Banknote Solutions SA, Lausanne, Switzerland[1]	100.0	75.0
Koenig & Bauer Banknote Solutions International SA, Geneva, Switzerland[1]	100.0	0.4
KBA NOTASYS Egypt LLC, Cairo, Egypt[1]	100.0	1.1
Koenig & Bauer (CH) AG, Höri, Switzerland	100.0	2.6
Koenig & Bauer (CEE) Sp. z o.o., Warsaw, Poland	100.0	2.7
Koenig Bauer Duran Karton Ambalaj Teknolojileri Sanayi A.Ş., Istanbul, Turkey	80.0	3.5
Koenig & Bauer (US) Inc., Wilmington, DE, USA[4]	100.0	31.6
Koenig & Bauer LATAM, S.A.P.I. de C.V., Mexico City, Mexico	90.0	2.0
Koenig & Bauer (HK) Co. Limited, Hong Kong, China[5]	100.0	2.3 [3]
Koenig & Bauer Printing Machinery (Shanghai) Co., Limited, Shanghai, China	100.0	2.5

[1] Indirect interests
[2] Deficit not covered by equity
[3] Preliminary figures
[4] Including pre-consolidation Koenig & Bauer (CA) Inc., Toronto, Canada (100%)
[5] Including pre-consolidation Koenig & Bauer Printing Machinery (Dongguan) Co. Limited, Dongguan, China (100%) and Taiwan Koenig & Bauer Co. Limited, Taipei, Taiwan (100%)

Company, location	Capital share in %	Equity in €m
Non-consolidated affiliates		
Koenig & Bauer DK A/S, Værløse, Denmark	100.0	-0.5 [2, 3]
Koenig & Bauer Banknote Solutions (US) Inc., Washington D.C., USA[1]	100.0	0.5
Koenig & Bauer (RU), LLC, Moscow, Russia	100.0	-1.0 [2]
Koenig & Bauer Kammann (US), Inc., Portsmouth, NH, USA[1]	100.0	4.2
Koenig & Bauer Kammann (Shanghai) Co., Ltd., Shanghai, China[1]	100.0	0.5
Koenig & Bauer RS d.o.o., Belgrade, Serbia[1]	100.0	0.3 [3]
Koenig & Bauer (HU) Kft., Fót, Hungary[1]	100.0	0.3 [3]
Koenig & Bauer (BR) Comércio de Impressoras e Serviços Ltda., São Paulo, Brasil	100.0	0.2
Koenig & Bauer (SEA) Sdn. Bhd., Kuala Lumpur, Malaysia	100.0	1.3
Koenig & Bauer KR Co. Ltd., Goyang-si, South Korea	100.0	0.4
Koenig & Bauer (JP) Co., Ltd, Tokyo, Japan	100.0	-0.3 [2]
Koenig & Bauer (AU) Pty Ltd, Mount Waverley, Australia	100.0	0.1
Koenig & Bauer Coding (NL) B.V., Bergschenhoek, Netherlands[1]	100.0	0.1 [3]
Koenig & Bauer Coding (FRA) SAS, Taluyers, France[1]	70.0	0.7
Koenig & Bauer Coding (PL) Sp. z.o.o., Dopiewo-Dabrowa, Poland[1]	80.0	0.3
Koenig & Bauer Coding (Hangzhou) Co., Ltd., Hangzhou, China[1]	80.0	0.4
All-Print Holding AB, Stockholm, Sweden[1]	100.0	0.8 [3]
Koenig & Bauer Coding Sverige AB, Stockholm, Sweden[1]	96.0	0.7 [3]
Koenig & Bauer Banknote Solutions (IN) Private Limited, New Delhi, India (formerly: KBA NotaSys India Private Limited)[1]	100.0	1.3
Koenig & Bauer Banknote Solutions (Beijing) Ltd., Beijing, China (formerly: KBA-NotaSys Security Printing Equipment (Beijing), Ltd.)[1]	100.0	0.7 [3]
Koenig & Bauer Banknote Solutions (SEA) Limited, Hong Kong, China (formerly: Koenig & Bauer Currency Solutions SEA Company Limited)[1]	100.0	0.1 [3]
KOENIG & BAUER CURRENCY SOLUTIONS, SOCIEDAD ANÓNIMA DE CAPITAL VARIABLE, Mexico City, Mexico[1]	60.0	0.0 [3]
LenSys Sarl, Lausanne, Switzerland[1]	70.0	0.3 [3]
Koenig & Bauer Press Consum DK ApS, Hasselager, Denmark[1]	51.0	0.1 [3]
Koenig & Bauer Press Consum (SWE) AB, Löddeköpinge, Sweden[1]	51.0	0.0 [3]
Associates		
Koenig & Bauer Durst GmbH, Würzburg, Germany	50.0	-20.1 [2, 3]

[1] Indirect interests
[2] Deficit not covered by equity
[3] Preliminary figures

Koenig & Bauer Industrial Management GmbH was retroactively merged with Koenig & Bauer FT Engineering GmbH with effect from 1 January 2021. Koenig & Bauer FT Engineering GmbH was renamed as Koenig & Bauer Industrial GmbH on 8 February 2022.

Effective 31 December 2021, there was a further structural change under company law at Koenig & Bauer Industrial AG & Co. KG. The entity, which had been structured as a fiduciary limited partnership, was converted into a solely limited liability company subject to a domination agreement. The domination agreement planned between Koenig & Bauer AG and Koenig & Bauer Industrial GmbH requires the shareholders' approval at the annual general meeting in May 2022.

Since 17 May 2019, Koenig & Bauer Durst GmbH, Würzburg has been operated as a joint venture between Koenig & Bauer and the Durst Group, with both parent companies each holding a 50% stake. The company is dedicated to the development and marketing of single-pass digital printing systems for the folding carton and corrugated board industry.

Under the terms of the contractual agreement, both parties will provide the joint venture with distribution channels and service capacities and grant limited rights of use to the required intellectual property rights. The financing of ongoing operations is governed by a jointly agreed business plan. If necessary, both parties are contractually obliged to comply with their financing activities towards Koenig & Bauer Durst GmbH.

The Group's share in Koenig & Bauer Durst GmbH is presented under **financial investments** in associates and is accounted for using the equity method. Reconciliation of the combined financial information to the carrying amount of the interest in the Group and the Group's share of the profit for the year is presented in the following tables.

in €m	31.12.2020	**31.12.2021**
Current assets	5.1	4.8
Current liabilities	-18.6	-24.9
Net assets (100%)	**-13.5**	**-20.1**
Group share in net assets (50%)	-6.8	-10.1
Shares in associates	-0.2	-0.2
Unrecognised share of net assets	-6.6	-9.9
Financial investments in associates (50%)	**–**	**–**

in €m	2020	**2021**
Revenue	–	10.1
Cost of sales	-0.1	-8.8
Gross profit	**-0.1**	**1.3**
Research and development costs	-6.0	-4.1
Distribution costs	-1.6	-2.5
Administrative expenses	-0.7	-0.9
Other operating income	0.3	0.1
Other interest and similar expenses	-0.1	-0.5
Earnings (100%)	**-8.2**	**-6.6**
Group share of earnings (50%)	-4.1	-3.3
Unrecognised share of earnings	-4.1	-3.3
Group share of earnings (50 %)	**–**	**–**

The terms to maturity of financial and other assets are shown below:

in €m	31.12.2020	Term to maturity up to 1 year	Term to maturity more than 1 year	**31.12.2021**	**Term to maturity up to 1 year**	**Term to maturity more than 1 year**
Trade receivables						
from affiliates	6.9	6.9	–	5.6	5.6	–
from associates	0.7	0.7	–	2.3	2.3	–
from third parties	84.3	83.3	1.0	86.8	82.4	4.4
	91.9	**90.9**	**1.0**	**94.7**	**90.3**	**4.4**
Investments	6.3	–	6.3	6.9	–	6.9
Other financial receivables						
from affiliates	3.7	3.7	–	3.0	3.0	–
from associates	5.7	5.7	–	9.5	9.5	–
derivatives	1.9	1.9	–	0.1	0.1	–
sundry other financial receivables	28.1	12.1	16.0	31.5	13.4	18.1
	45.7	**23.4**	**22.3**	**51.0**	**26.0**	**25.0**
Other assets						
contract assets	139.2	139.2	–	122.6	122.4	0.2
payments for inventories from affiliates	0.1	0.1	–	–	–	–
payments for inventories from third parties	18.3	18.3	–	12.9	12.9	–
tax receivables	27.3	27.0	0.3	50.3	49.7	0.6
prepayments	9.1	6.0	3.1	7.6	5.2	2.4
	194.0	**190.6**	**3.4**	**193.4**	**190.2**	**3.2**
	331.6	**304.9**	**26.7**	**339.1**	**306.5**	**32.6**

Performance obligations for customer contracts comprise **trade receivables** of €12.6m (previous year: €15.7m) and **contract assets** of €116.5m (previous year: €128.7m).

The decline in contract assets in the Group is mainly due to the fulfilment of the contractual performance obligations and the associated reclassification as trade receivables or settlement of the amount owed by our customers. The slight increase in the previous year results from the roughly balance of new and completed customer orders.

Other financial receivables from derivatives are detailed in Note (G) (11).

Miscellaneous **other financial assets** comprise non-current claims of €16.2m (previous year: €15.4m) held against insurance companies arising from the partial external funding of the company pension scheme in Germany.

At the end of the year, the other financial assets included €0.8m from customer finance lease contract entered in 2021, totalling €0.8m and an interest share of €0m, with those due in less than one year representing €0.2m of a total of €0.2m. For the years 2023 to 2025 the amount of receivables due is €0.2m each with a total of €0.2m each. This contract expires in 2026.

(3) Inventories

in €m	31.12.2020	31.12.2021
Raw materials, consumables and supplies	111.9	118.0
Work in progress	235.8	206.5
Finished goods and products	9.9	7.1
	357.6	**331.6**

The carrying amount of inventories balanced at net realisable value was €140.7m (previous year: €173.4m). Total value adjustments were decreased by €5.2m (previous year: €2.4m).

(4) Securities

These refer to shares in a fund combining stocks and bonds. The market value of the fund was €7.3m (previous year: €4.9m). In so far as the securities are pledged to employees in order to hedge phased retirement schemes, a balancing of the market value with the other provisions takes place.

(5) Cash and cash equivalents

in €m	31.12.2020	31.12.2021
Cheques, cash in hand	0.5	0.3
Balances with banks	137.3	129.2
	137.8	**129.5**

(6) Deferred taxes

Deferred tax assets and liabilities relate to the following items:

	Deferred tax assets		**Deferred tax liabilities**	
in €m	31.12.2020	31.12.2021	31.12.2020	31.12.2021
Assets				
Intangible assets, property, plant and equipment	0.5	2.0	42.0	43.0
Inventories	46.8	41.3	5.1	1.9
Financial receivables and other assets	5.1	5.8	34.5	30.0
Securities	0.1	0.6	0.5	0.5
Equity and liabilities				
Provisions	48.9	41.9	5.4	6.5
Financial payables and other liabilities	14.4	18.7	40.1	40.1
	115.8	**110.3**	**127.6**	**122.0**
Tax loss carryforwards	34.9	36.0	–	–
Others	–	-0.5	–	–
Offset	-59.0	-53.5	-59.0	-53.5
	91.7	**92.3**	**68.6**	**68.5**
of which current deferred taxes	5.2	9.4	25.9	19.4

At the end of the year there were loss carryforwards of €295.3m (previous year: €310.6m) and temporary differences of €156.6m (previous year: €144.2m) for which no deferred tax assets were recognised. The planned realignment of the Group under the “P24x” efficiency programme resulted in positive earnings forecasts, which led to the recognition of deferred tax assets of €28.3m (previous year: €26.1m) despite the loss generated by the companies concerned.

No deferred tax liability was recognised on temporary differences on shares of €9.6m (previous year: €5.2m), as a reversal is not likely in the foreseeable future.

(7) Equity

The purpose of capital management is to maintain our creditworthiness in capital markets, support our operating activities with adequate liquidity and substantially enhance our corporate value.

Management controls the Group's liquidity on the basis of continuous monitoring and planning of cash flows, taking into account credit lines and the maturity structure of financial assets and liabilities. For this purpose, net working capital (31 December 2021: €297.1m, previous year: €344m) and the net financial position (31 December 2021: €2.9m, previous year: -€47.1m) are the main target and control parameters.

The Group has access to syndicated finance consisting of a guarantee facility and a revolving credit facility of €200m each with a term expiring in December 2024, which was increased in the previous year by a further €120m due to the Covid-19 pandemic and with the help of KfW. No dividend distributions can be made during the term of the KfW loan. Compliance with the contractual leverage ratio, which was changed to an equity ratio with the expansion of the credit facility, was reviewed at regular intervals. The covenants were complied with in 2021.

The Group-wide external financing framework also consists of further credit facilities, including for guarantees, of a significant scale.

Credit facilities not utilised by Koenig & Bauer amounted to €214.9m as of the reporting date (previous year: €154.7m).

Changes in shareholders' equity are described in a separate schedule on page 75 and capital management methods on page 35.

Share capital
The Parent's share capital at 31 December 2021 totalled 16,524,783 (previous year: 16,524,783) no-par shares with a nominal value of €2.60. At the annual general meeting held on 23 May 2017, the shareholders authorised the Management Board to increase the Company's subscribed capital by up to €8.6m through the issue of new shares. This authorisation expires on 22 May 2022.

All bearer shares issued were paid up in full and convey attendance and voting rights at shareholder meetings plus full dividend entitlement.

Share premium
There was no change to capital reserves compared to the previous year.

Reserves
The use of hedge accounting reduced reserves by €3.1m (previous year: increase of €3.2m). During completion of the underlying transactions €0.7m was recognised as an expense (previous year: €0.8m).

Deferred taxes increased reserves by -€3.9m (previous year: -€6m), with revaluation of land of €0m (previous year: -€6.8m), defined benefit pension plans accounting for -€4.9 m (previous year: €1.4m), derivatives of €1.1m (previous year: -€0.6m) and -€0.1 Mio. € from currency translations.

(8) Pension provisions and similar obligations

Koenig & Bauer grants retirement, disability and survivors' benefits to a large number of employees. The main pension obligations are in Germany and Switzerland.

In Germany, the company pension scheme has been converted from a defined benefit obligation with pension benefits which were defined as a fixed amount subject to adjustment rates or which were based on the applicable wage and salary group upon eligibility arising in favour of a defined contribution obligation. Koenig & Bauer provides the participating employees with an initial component for the past service period until 31 December 2016 as well as recurring contributions based on the salary group which are paid into a pension liability insurance scheme together with the contributions made by the employees. The benefits are paid in the form of a monthly pension. Parts of the pension liability insurance are individually pledged to the respective beneficiaries or are held as part of a CTA construction and are thus classified as plan assets, which are offset against the underlying obligation. In addition, there are further non-pledged pension liability insurance policies classified as refund claims in accordance with IAS 19. They are reported within other financial receivables.

In Switzerland retirement benefits include legally defined benefits that are secured by pension funds. Employers' and employees' contributions are paid into these pension funds. Employees can choose between a one-off payment or regular payments upon retirement, invalidity or death. The plans are fully funded by the Group's subsidiaries. The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan.

The extent of the (defined-benefit) pension obligation was calculated using actuarial methods which necessarily entailed making estimates.

The discount rate of 1.52% (previous year: 0.86%) applied in Germany was calculated on the basis of capital market interest rates provided by Heubeck AG. It is based on the individual cash flow profile and the final interest rate is determined using the discounted cash flow method.

In the case of other European companies, a weighted discount rate of 0.7% (previous year: 0.3%) is applied. In addition, salary increase rates of 1.8% (previous year: 1.6%) are assumed for other European countries. The pension adjustment rate is assumed to be 1.7% (previous year: 1.7%) in Germany and 0.4% (previous year: 0.2%) in other European countries. Changes in actuarial assumptions that are not otherwise explained in detail had only an insignificant impact on the retirement benefit obligations. The 2018 G Heubeck guidelines are used as a basis for the assessment of the German pension obligations.

The present value of pension obligations and the fair value of plan assets changed as follows:

	Present value of pension obligations		Fair value of plan assets		Net obligation/ net asset	
in €m	31.12.2020	**31.12.2021**	31.12.2020	**31.12.2021**	31.12.2020	**31.12.2021**
Status at 01.01. before cap due to limitation of net assets	307.8	320.7	-145.6	-155.8	162.2	164.9
Cap due to limitation of net assets	–	–	–	–	2.5	–
Status at 01.01.	**307.8**	**320.7**	**-145.6**	**-155.8**	**164.7**	**164.9**
Recognised in profit or loss						
Current service cost	9.3	9.5	–	–	9.3	9.5
Past service cost	0.1	-4.2	–	–	0.1	-4.2
Interest cost/income	2.9	2.2	-1.4	-1.0	1.5	1.2
	12.3	**7.5**	**-1.4**	**-1.0**	**10.9**	**6.5**
Recognised in other comprehensive income						
Actuarial gain/loss						
demographic assumptions	-1.1	-1.0	–	–	-1.1	-1.0
financial assumptions	15.5	-27.2	-0.5	0.1	15.0	-27.1
experience adjustments	-3.6	-2.4	-4.2	-1.1	-7.8	-3.5
Return on plan assets	–	–	0.9	13.5	0.9	13.5
Cap due to limitation of net assets	–	–	–	–	-2.5	–
	10.8	**-30.6**	**-3.8**	**12.5**	**4.5**	**-18.1**
Other						
Contributions paid by employer	–	–	-6.7	-6.5	-6.7	-6.5
Contributions paid by plan beneficiaries	0.3	0.2	-2.9	-2.8	-2.6	-2.6
Benefits paid	-10.9	-9.5	5.0	3.5	-5.9	-6.0
Foreign currency changes	-0.4	4.5	0.6	-3.7	0.2	0.8
Transfers	–	–	-1.0	–	-1.0	–
Sundry	0.8	0.1	–	–	0.8	0.1
	-10.2	**-4.7**	**-5.0**	**-9.5**	**-15.2**	**-14.2**
Status at 31.12.	**320.7**	**292.9**	**-155.8**	**-153.8**	**164.9**	**139.1**

A reduction in the conversion rate in Switzerland led to past service costs of -€4.2m.

Pension provisions and similar obligations constituted the following:

in €m	31.12.2020	31.12.2021
Present value of non-funded obligations	124.9	108.7
Present value of funded obligations	195.8	184.2
Present value of obligations	**320.7**	**292.9**
Fair value of plan assets	-155.8	-153.8
Cap due to limitation of net assets	–	–
Net value	**164.9**	**139.1**
Pension provisions and similar obligations	165.6	140.8
Net defined benefit asset	-0.7	-1.7

Plan assets comprised €24.8m (previous year: €22.2m) from shares and equity securities, €8.7m (previous year: €8.1m) from loans, €1.4m (previous year: €1.2m) from cash and cash equivalents, €83.7m (previous year: €91.6m) from pension liability insurance, €16.8m (previous year: €17.6m) from real estate and €18.4m (previous year: €15.2m) from other assets. All shares, equity securities and loans have quoted prices in active markets. All loans are bonds issued by European governments and are rated AAA or AA, based on rating agency ratings.

Furthermore, the following reimbursement rights exist under pension liability insurance.

	Present value of reimbursement rights	
in €m	31.12.2020	31.12.2021
Status at 01.01.	**6.8**	**7.0**
Recognised in profit or loss		
Interest cost/income	0.1	0.1
	0.1	**0.1**
Recognised in other comprehensive income		
Other income from reimbursement rights	–	0.2
	–	**0.2**
Other		
Contributions paid by employer	1.4	0.9
Benefits paid	-0.3	-0.3
Sundry	-1.0	-0.1
	0.1	**0.5**
Status at 31.12.	**7.0**	**7.8**

The actual return on plan assets was €0.9m (previous year: €1.9m). The anticipated rate of return is 0.7% (previous year: 0.9%), based on returns in previous years.

The plan contributions to be paid in 2022 will amount to €9.3m (previous year: €9.6m). In addition, retirement benefits of €5.7m (previous year: €5.6m) are payable.

The weighted duration of pension obligations is 17.9 years (previous year: 19).

Defined-benefit plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market risk.

Expenses for defined-contribution plans totalled €34.8m (previous year: €32.8m).

The impacts of a change to an actuarial parameter on the present value of a pension obligation, whereby residual parameters remain unchanged, were as follows:

	Benefit obligation			
	Increase		Decrease	
in €m	31.12.2020	**31.12.2021**	31.12.2020	**31.12.2021**
Discount rate (0.5% change)	-27.4	**-23.2**	31.6	**26.5**
Salary increase rate (0.5% change)	1.3	**1.1**	-1.2	**-1.0**
Pension increase rate (0.5% change)	14.3	**12.2**	-9.2	**-7.7**
Fluctuation rate (0.5% change)	-1.4	**-1.0**	0.8	**0.5**
Life expectancy (1 year change)	13.0	**10.5**	-12.9	**-10.5**

(9) Other provisions

in €m	01.01.2021	Utilisation	Reversal	Addition	Unwind of discount	Exchange differences	Reclassi-fications	31.12.2021
Other provisions								
for personnel and social obligations	13.4	6.5	0.5	9.1	–	0.2	–	**15.7**
for restructuring	57.8	8.2	32.6	9.3	–	–	–	**26.3**
for warranties and goodwill gestures	35.4	9.0	6.2	19.9	–	0.4	–	**40.5**
for obligations related to sales	15.1	4.6	1.7	10.6	–	0.1	–	**19.5**
for sundry obligations	43.4	19.3	4.2	29.0	–	0.7	–	**49.6**
	165.1	**47.6**	**45.2**	**77.9**	**–**	**1.4**	**–**	**151.6**
of which								
non-current provisions	40.3							**47.9**
current provisions	124.8							**103.7**
	165.1							**151.6**

Provisions for **personnel and social obligations** include provisions for long-service benefits, performance-related remuneration and phased retirement credits as far as these were not offset against securities.

Restructuring provisions include amounts set aside for the realignment of the Group under the “P24x” efficiency programme for continuing and accelerating innovation processes and new process and product developments. The provisions were reduced by €32.6m in the financial year due to the unexpectedly strong order intake in the Sheetfed segment and the adoption of the new socially acceptable measures. Measures planned in Germany and Italy for 2023 resulted in an allocation of €9.3m to provisions.

Provisions for **obligations related to sales** refer in particular to litigation risks, commission obligations and provisions for contingent losses.

The provisions for **sundry obligations** include performance obligations of €14.5m (previous year: €15.5m) as well as variable compensation, dismantling obligations and other obligations.

Long-term provisions included obligations relating to phased retirements plans, long-service benefits and all sundry other provisions with a maturity of more than 1 year.

Koenig & Bauer assumes that of the current provisions €9.4m for personnel obligations, €12.6m for restructuring, €36.2m for warranties and goodwill gestures, €16.5m for obligations related to sales and €29m for sundry obligations will lead to a cash outflow within one year. Cash outflows are not expected to occur until 2023 in the case of all the other provisions.

(10) Financial and other liabilities

in €m	31.12.2020	Term to maturity up to 1 year	Term to maturity more than 1 year	**31.12.2021**	**Term to maturity up to 1 year**	**Term to maturity more than 1 year**
Trade payables						
to affiliates	1.1	1.1	–	1.0	1.0	–
to third parties	58.1	58.1	–	63.9	63.8	0.1
	59.2	**59.2**	**–**	**64.9**	**64.8**	**0.1**
Bank loans	184.9	44.2	140.7	126.6	34.2	92.4
Other financial payables						
from derivatives	0.1	0.1	–	3.1	3.1	–
sundry	95.9	67.0	28.9	96.8	71.6	25.2
	280.9	**111.3**	**169.6**	**226.5**	**108.9**	**117.6**
Other liabilities						
from payments received from third parties	197.4	197.4	–	192.9	192.9	–
from taxes	13.5	13.5	–	44.1	44.1	–
sundry	20.8	10.9	9.9	24.1	14.2	9.9
	231.7	**221.8**	**9.9**	**261.1**	**251.2**	**9.9**
	571.8	**392.3**	**179.5**	**552.5**	**424.9**	**127.6**

Bank loans were secured by mortgages to the value of €7.6m (previous year: €5.6m) and the assignment of trade receivables totalling €2.8m (previous year: €2.8m). The carrying amounts of property, plant and equipment pledged as collateral came to €17.9m (previous year: €18.1m) and of trade receivables €3.1m (previous year: €3.4m). Failure to fulfil contractual obligations may result in the seizure of collateral.

Sundry other financial payables included finance leases to the sum of €31.4m (previous year: €36.3m). Further information on leases is provided under Note (G) (13).

The present value of future payments for finance leases was broken down as follows:

		Term to maturity				**Term to maturity**		
in €m	31.12.2020	up to 1 year	1 to 5 years	more than 5 years	**31.12.2021**	**up to 1 year**	**1 to 5 years**	**more than 5 years**
Minimum lease payments	37.0	9.2	16.8	11.0	31.9	7.5	15.7	8.7
Interest portion	-0.7	-0.2	-0.4	-0.1	-0.5	-0.1	-0.3	-0.1
Present value of finance lease	**36.3**	**9.0**	**16.4**	**10.9**	**31.4**	**7.4**	**15.4**	**8.6**

The derivatives included in sundry other financial liabilities are explained more fully in Note (G) (11).

Furthermore, sundry other financial liabilities in particular comprised Group obligations for outstanding supplier invoices and liabilities to employees for holiday entitlements and overtime.

Other liabilities included payments received of €27m (previous year: €20.1m) for customer-specific production.

The reduction in prepayments received by the Group for the year under review as well as for the previous year is primarily due to the increased achievement of production readiness and the associated revenue recognition.

(11) Derivatives

The nominal amounts underlying derivatives, and their market values, are listed below.

The **nominal amount** of derivatives signifies a calculated reference amount from which payments are deduced. The risk therefore lies not in the nominal amount but in changes in the related exchange and interest rates.

The **market value** corresponds to the gains and losses derived from a fictitious offsetting of derivatives on the balance sheet date calculated using standardised measurement procedures.

in €m	Nominal amount Total 31.12.2020	Nominal amount Term to maturity more than 1 year	Market value 31.12.2020	**Nominal amount Total 31.12.2021**	**Nominal amount Term to maturity more than 1 year**	**Market value 31.12.2021**
Forward contracts	52.1	–	1.6	80.4	–	-3.0
Currency options	3.5	–	0.2	–	–	–
	55.6	**–**	**1.8**	**80.4**	**–**	**-3.0**

Forward contracts with a maturity of up to 12 months (previous year: up to 12 months), which were used to hedge the calculation rate of other foreign currency trade contracts, correlated with underlying transactions with the same maturity. The currencies hedged were primarily USD, JPY and GBP. The fair value of forward contracts qualifying as hedges with a nominal amount totalling €80.4m (previous year: €54.2m) was -€3m (previous year: €1.6m).

The average hedging rate is 1.1953 for EUR/USD, 129.4975 for EUR/JPY and 0.8637 for EUR/GBP.

In the year under review, a change in value of -€3.8m (previous year: €2.3m) was recognised in other comprehensive income. As the parameters of the hedged item and the hedge fully match, changes in the value of these items are exactly balanced. There was no ineffectiveness requiring recognition.

Short-term currency options are used to hedge delivery and service contracts in USD.

(12) Further disclosures on financial instruments

in €m	31.12.2020 Carrying amount	Measurement: Amortised cost	Measurement: FVTPL Fair value through profit and loss	Measurement: FVOCI Fair value through OCI	Measurement: Fair value hedges	31.12.2020 Fair value
Assets						
Investments and other financial receivables						
interests in affiliates	6.3	–	–	6.3	–	–
loans	–	–	–	–	–	–
lease receivables	–	–	–	–	–	–
other financial receivables from derivatives	0.2	–	0.2[2]	–	–	0.2
other financial receivables from hedge accounting	1.7	–	–	–	1.7[2]	1.7
sundry other financial receivables	37.5	37.5	–	–	–	37.5
	45.7	**37.5**	**0.2**	**6.3**	**1.7**	**39.4**
Trade receivables	76.2	76.2	–	–	–	76.2
Gross amounts due from customers for contract work	15.7	15.7	–	–	–	15.7
Securities	2.8	–	2.8[1]	–	–	2.8
Cash and cash equivalents	137.8	137.8	–	–	–	–
	278.2	**267.2**	**3.0**	**6.3**	**1.7**	**134.1**
Liabilities						
Bank loans and other financial payables						
bank loans	184.9	184.9	–	–	–	184.9
lease liabilities	36.3	36.3	–	–	–	36.3
other financial payables from hedge accounting	0.1	–	–	–	0.1[2]	0.1
sundry other financial payables	59.6	59.6	–	–	–	59.6
	280.9	**280.8**	**–**	**–**	**0.1**	**280.9**
Trade payables	59.2	59.2	–	–	–	59.2
	340.1	**340.0**	**–**	**–**	**0.1**	**340.1**

[1] level 1 of fair-value hierarchy
[2] level 2 of fair-value hierarchy

in €m	31.12.2021 Carrying amount	Measurement: Amortised cost	Measurement: FVTPL Fair value through profit and loss	Measurement: FVOCI Fair value through OCI	Measurement: Fair value hedges	31.12.2021 Fair value
Assets						
Investments and other financial receivables						
interests in affiliates	6.8	–	–	6.8	–	–
loans	0.1	0.1	–	–	–	0.1
lease receivables	0.8	0.8	–	–	–	0.8
other financial receivables from derivatives	–	–	–	–	–	–
other financial receivables from hedge accounting	0.1	–	–	–	0.1[2]	0.1
sundry other financial receivables	43.2	43.2	–	–	–	43.2
	51.0	**44.1**	**–**	**6.8**	**0.1**	**44.2**
Trade receivables	82.1	82.1	–	–	–	82.1
Gross amounts due from customers for contract work	12.6	12.6	–	–	–	12.6
Securities	3.8	–	3.8[1]	–	–	3.8
Cash and cash equivalents	129.5	129.5	–	–	–	–
	279.0	**268.3**	**3.8**	**6.8**	**0.1**	**142.7**
Liabilities						
Bank loans and other financial payables						
bank loans	126.6	126.6	–	–	–	126.6
lease liabilities	31.4	31.4	–	–	–	31.4
other financial payables from hedge accounting	3.1	–	–	–	3.1[2]	3.1
sundry other financial payables	65.4	65.4	–	–	–	65.4
	226.5	**223.4**	**–**	**–**	**3.1**	**226.5**
Trade payables	64.9	64.9	–	–	–	64.9
	291.4	**288.3**	**–**	**–**	**3.1**	**291.4**

For **interests in affiliates** no prices were quoted in an active market. A fair value is not determined because the non-consolidated subsidiaries are of minor importance to the Group.

The fair value of **other financial receivables/payables from derivatives** was the market value. This is calculated from forward exchange transactions based on forward exchange rates, for interest rate swaps the expected future cash flows are discounted using current market interest rates.

The figures disclosed for **securities, cash and cash equivalents** were the quoted market prices.

Lease liabilities refer to payment obligations discounted at the market interest rate.

The fair values of **loans** and **sundry other financial receivables/payables** were basically the carrying amounts recognised at amortised cost.

The maximum **credit risk** relating to financial assets corresponded to the carrying amounts, with no perceptible risks relating to financial assets that were neither value-adjusted nor overdue.

The **liquidity risk** derived from cash flows comprising contractual payments of interest and capital on bank loans. Interest-bearing debts and payables from leases will result in a liquidity outflow of €46.3m (previous year: €60.4m) within the next twelve months, €103.5m (previous year: €94m) in one to three years and €15.5m (previous year: €85.2m) in more than three years from now. Derivative financial instruments with a negative market value will result in liquidity outflows of €73.8m and liquidity inflows of €70.7m next year. Additional liquidity will be required for sundry other financial payables, other financial payables and financial guarantees.

Interest, exchange and credit risks relating to financial assets and liabilities at the balance sheet date are indicated in the following chart showing the associated net gains and losses.

in €m	Net gain/loss	from interest	from subsequent measurement due to impairment	from subsequent measurement currency impact	from disposal	Other
2020						
Equity instruments at fair value through other comprehensive income	**0.1**	–	–	–	–	0.1
Debt instruments at fair value through profit and loss	**1.0**	–	–	1.1	–	-0.1
Financial assets at amortised cost	**-7.8**	-4.4	1.2	0.7	-5.3	–
Gross amounts due from customers for contract work at amortised cost	**-0.4**	–	-0.4	–	–	–
Financial liabilities at amortised cost	**-0.5**	-0.7	–	0.2	–	–
	-7.6	**-5.1**	**0.8**	**2.0**	**-5.3**	**–**
2021						
Equity instruments at fair value through other comprehensive income	**0.1**	–	–	–	–	0.1
Debt instruments at fair value through profit and loss	**-1.0**	–	–	-1.0	–	–
Financial assets at amortised cost	**-1.1**	-1.6	-0.8	3.0	-1.7	–
Gross amounts due from customers for contract work at amortised cost	**0.4**	–	0.4	–	–	–
Financial liabilities at amortised cost	**-11.2**	-7.6	–	-3.6	–	–
	-12.8	**-9.2**	**-0.4**	**-1.6**	**-1.7**	**0.1**

The credit risk for trade receivables and contract assets is managed by recognising impairments in the amount of the expected credit losses over the term. The carrying amounts correspond with the maximum credit risk. In addition, there are secured trade receivables of €2.4m (previous year: €1.7m) that are not exposed to any credit risk, as they are covered by appropriate insurances.

Carrying amount

in €m	Creditworthiness not impaired	Creditworthiness impaired	31.12.2020
Carrying amount			
not overdue	185.9	0.1	186.0
overdue by 1-30 days	21.9	–	21.9
overdue by 31-90 days	4.2	–	4.2
overdue by more than 90 days	9.5	0.2	9.7
Group	**221.5**	**0.3**	**221.8**

Carrying amount

in €m	Creditworthiness not impaired	Creditworthiness impaired	31.12.2021
Carrying amount			
not overdue	172.7	–	172.7
overdue by 1-30 days	22.6	–	22.6
overdue by 31-90 days	6.7	–	6.7
overdue by 91-180 days	2.6	–	2.6
overdue by 181-360 days	1.9	–	1.9
overdue by more than 360 days	0.6	–	0.6
Group	**207.1**	**–**	**207.1**

The following table presents the impairments of trade receivables and contract assets. Impairments of €2.3m (previous year: €2.1m) have also been recognised on other financial assets.

Impairments

in €m	Creditworthiness not impaired	Creditworthiness impaired	31.12.2020	Creditworthiness not impaired	Creditworthiness impaired	31.12.2021
1 January	**3.1**	**12.8**	**15.9**	**3.0**	**11.7**	**14.7**
Utilisation	-0.1	-0.3	-0.4	-0.2	-0.5	-0.7
Reversal	–	-3.0	-3.0	–	-1.9	-1.9
Addition	–	2.2	2.2	–	1.5	1.5
31 December	**3.0**	**11.7**	**14.7**	**2.8**	**10.8**	**13.6**

Foreign currency risks were assessed using a sensitivity analysis based on the premise that key currencies for the Group fluctuate in value by +/– 5% relative to the Euro. On the balance sheet date the Group was exposed to a foreign currency risk amounting to €19.8m (previous year: €10.6m), primarily relating to the “not measured at fair value” category (previous year: “at amortised cost”). The effects of changes in currency exchange rates on equity and the net profit/loss are shown in the following table.

	Equity		Net profit/loss	
in €m	31.12.2020	31.12.2021	31.12.2020	31.12.2021
Devaluation USD by 5%	0.7	2.1	-0.6	-0.5
Revaluation USD by 5%	-0.6	-2.3	0.7	0.6
Devaluation CHF by 5%	1.2	1.3	1.2	1.3
Revaluation CHF by 5%	-1.3	-1.4	-1.3	-1.4

A sensitivity analysis to assess **interest rate risks**, based on the assumption that variable interest rates would fluctuate by +/– 5%, revealed that such fluctuations would have had no significant impact on equity in the business year.

(13) Leases

Lease agreements with **Koenig & Bauer as lessee** relate mainly to the rental of land, business premises and warehouses along with the lease of production facilities and vehicles.

The term of the rental agreements for real estate is 5 to 10 years, usually with the option of extending the agreement at the end of the term. The rental instalments are either regularly adjusted on the basis of price indices or renegotiated in the event of a contract extension. Lease agreements for vehicles are generally concluded for a term of 3 years.

Right-of-use assets in connection with lease agreements are reported in intangible assets and property, plant and equipment under Note (F) as follows.

in €m	Carrying amount 01.01.	Additions	Annual depreciation	Other	Carrying amount 31.12.
2020					
Intangible assets					
Industrial property rights and similar rights	0.5	–	0.2	–	0.3
	0.5	**–**	**0.2**	**–**	**0.3**
Property, plant and equipment					
Land and buildings	18.6	3.3	4.0	-0.2	17.7
Plant and machinery	0.3	0.7	0.2	-0.2	0.6
Other facilities, factory and office equipment	5.5	2.0	3.2	-0.1	4.2
	24.4	**6.0**	**7.4**	**-0.5**	**22.5**
	24.9	**6.0**	**7.6**	**-0.5**	**22.8**
2021					
Intangible assets					
Industrial property rights and similar rights	0.3	–	0.1	–	0.2
	0.3	**–**	**0.1**	**–**	**0.2**
Property, plant and equipment					
Land and buildings	17.7	1.3	4.1	0.1	15.0
Plant and machinery	0.6	0.1	0.3	–	0.4
Other facilities, factory and office equipment	4.2	2.7	2.9	-0.1	3.9
	22.5	**4.1**	**7.3**	**–**	**19.3**
	22.8	**4.1**	**7.4**	**–**	**19.5**

Additions to land and buildings in the previous year include an €1.2m right-of-use asset in a sale and leaseback transaction with a lease term of 10 years and two extension options for 5 years each at the same conditions as well as a special right of termination after 5 years. The options can only be exercised by Koenig & Bauer. The Group does not currently expect to exercise the options. Koenig & Bauer estimates that the exercise of all uncertain options would result in an additional lease liability of €28.1m (previous year: €27.9m) for the Group. If the special termination right is exercised, the leasing liabilities will be reduced by €1.3m.

Under a finance lease for a flexible packaging machine, in which **Koenig & Bauer is the lessor**, a gain of €0.1m was realised and receivables under finance leases recognised (see also (G) (2)).

The amounts recognised in the income statement for leases are summarised in the following table.

in €m	
2020	
Depreciation and amortization	7.6
Interest expenses	0.3
Short-term leases	0.3
Leases for low-value assets	0.3
2021	
Depreciation and amortization	7.3
Interest expenses	0.3
Short-term leases	0.4
Leases for low-value assets	0.3

Further details on leases are given in Note (G) (18) and (I).

(14) Other financial obligations and contingent liabilities

Other financial obligations

		Term to maturity				**Term to maturity**		
in €m	**31.12.2020**	up to 1 year	1 to 5 years	more than 5 years	**31.12.2021**	**up to 1 year**	**1 to 5 years**	**more than 5 years**
Obligations from:								
off-balance leases	**1.1**	0.5	0.6	–	**2.7**	0.9	1.8	–
service contracts	**22.9**	11.7	11.2	–	**19.8**	11.5	8.2	0.1
investment plans	**0.8**	0.8	–	–	**3.0**	3.0	–	–
sundry other obligations	**6.9**	6.4	0.4	0.1	**7.8**	7.5	0.3	–
	31.7	**19.4**	**12.2**	**0.1**	**33.3**	**22.9**	**10.3**	**0.1**

Other financial obligations for leases mainly comprise low-value assets and relate primarily to the IT area. There are renewal options at standard market conditions. Obligations from leases are stated at the minimum lease payments. In the year under review, other financial liabilities for leases includes a lease for land and buildings and a residual value guarantee.

Investment plans include obligations to invest in property, plant and equipment to the value of €3m (previous year: €0.8m).

Contingent liabilities
These comprise contingencies totalling €12.3m (previous year: €11.4m) from financial guarantees, primarily relating to repurchase obligations to lessors and banks. The guaranteed repurchase price decreased over the term of the repurchase obligation.

Provisions totalling €2.9m (previous year: €3.6m) were created for existing risks that were not classified as minor.

(H) Explanatory notes to the income statement

(15) Revenue

The Group primarily generated revenue from contracts with customers. Revenue from the sale of presses came to €774.3m (previous year: €717.6m) and revenue from other deliveries and services €341.5m (previous year: €311m). The breakdown by product group is shown in Note (J).

In the year under review, revenue from customer-specific production of €228.5m (previous year: €242.2m) was recognised, cumulative revenue from orders not yet completed as of the balance sheet date amounted to €721.6m (previous year: €660.1m).

The prepayments received as of 1 January resulted in revenues of €181.6m in the year under review (previous year: €184.9m).

Further details can be found in Segment Information, Note (J).

(16) Expenses by function

Cost of sales
The **cost of sales** included product developments of €0.2m (previous year: €0.9m) as well as subsidies for apprentice training and job promotion of €0.1m (previous year: €0.1m).

Manufacturing costs for customer-specific projects still in progress on the balance sheet date amounted to €497.1m (previous year: €468.9m).

Research and development costs
Research and development costs of €46.7m were higher than the previous year's figure of €39.1m. This included research grants of €0.3m.

Distribution costs and administrative expenses
Distribution costs increased slightly over the previous year from €129.7m to €131.1m. **Administrative expenses** fell from €94.7m to €88.4m partly due to saving effects from efficiency programme "P24x". Administrative expenses include an advance of €0.2m (previous year: €0.2m) by the government of Lower Franconia for the vocational training school in Würzburg.

(17) Expenses by nature

Material costs

in €m	2020	2021
Cost of raw materials, consumables, supplies and purchased goods	405.6	440.1
Cost of purchased services	93.4	99.9
	499.0	**540.0**

Personnel costs (in accordance with the nature of expense method)

in €m	2020	2021
Wages and salaries	378.6	350.1
Social security and other benefits	60.7	64.9
Pensions	8.9	5.6
	448.2	**420.6**
Average payroll:		
Wage-earning industrial staff	2,685	2,562
Salaried office staff	2,680	2,586
Apprentices/students	306	289
	5,671	**5,437**

Wages and salaries include provisions of €57.6m for the "P24x" efficiency programme in the previous year. Reimbursements from the Federal Employment Agency for social security expenses in connection with short-time work reduced personnel expenses by €1.9m (previous year: €5.5m).

Due to government support programmes in connection with the Covid-19 pandemic, personnel expenses decreased by €5.8m (previous year: €16.8m).

(18) Other income and expenses

in €m	2020	2021
Gains from the disposal of intangible assets, property, plant and equipment	5.9	0.2
Foreign currency gains	5.8	4.4
Currency measurement	4.2	5.5
Sundry other operating income	6.3	7.1
Other operating income	**22.2**	**17.2**
Losses from the disposal of intangible assets, property, plant and equipment	-0.9	-0.3
Foreign currency losses	-4.1	-6.1
Currency measurement	-3.9	-6.4
Sundry other operating expenses	-20.2	-8.8
Other operating expenses	**-29.1**	**-21.6**
Impairment gains and losses on financial assets	**1.6**	**0.9**
Other income and expenses	**-5.3**	**-3.5**

Gains from the disposal of intangible assets, property, plant and equipment included €5.3m in the previous year from a real-estate sale and lease back transaction. **Sundry other operating income** included an amount of €4.8m (previous year: €0.9m) from the release of provisions and in the previous year grants in connection with the Covid-19 pandemic of €0.4m. It also comprised insurance and compensation claims and other refunds.

Sundry other operating expenses included customer credit notes, warranty claims and contributions to provisions for legal and sales risks.

Impairment gains and losses on financial assets primarily related to trade receivables and contract assets.

(19) Financial result

in €m	2020	2021
Other financial results		
Income from interests in affiliates	0.1	0.1
Expenses from interests in associates	–	-0.1
Expenses/Income from securities	-0.1	0.1
	–	**0.1**
Interest result		
Other interest and similar income	2.5	1.0
of which affiliates	(0.1)	(0.3)
Other interest and similar expenses	-8.1	-10.5
from pension obligations	(-1.5)	(-1.2)
	-5.6	**-9.5**
Financial result	**-5.6**	**-9.4**

(20) Income taxes

in €m	2020	2021
Actual tax expense	-5.3	-8.7
Deferred taxes from loss carryforwards	-21.0	1.1
Deferred taxes from temporary differences	-3.3	2.7
Prior-period income taxes	–	0.4
	-29.6	**-4.5**

in €m	2020	2021
Earnings before taxes	**-73.5**	**19.0**
Group tax rate	30.0%	30.0%
Expected taxes	**22.1**	**-5.7**
Tax effects from		
variances due to different tax rates	2.4	1.8
tax-free earnings	0.5	10.9
impairment gains/losses	-54.4	-6.5
tax additions and settlements	-0.7	-5.0
Other	0.5	–
Income tax	**-29.6**	**-4.5**

The approach of previously unrecognised tax losses and temporary differences relating to subsidiaries led to deferred tax income of €0.1m (previous year: €0.2m). Their use reduced the actual tax expense by €3.4m (previous year: €0.1m).

(21) Earnings per share

	2020	2021
Net profit/loss attributable to owners of the Parent in €m	-103.7	13.7
Weighted average of ordinary shares issued	16,524,783	16,524,783
Earnings per share in €	**-6.27**	**0.83**

(I) Explanatory notes to the cash flow statement

The cash flow statement as per IAS 7 shows how Group funds changed as a result of cash inflows and outflows from operating, investing and financing activities.

Cash flows from operating activities were adjusted for currency translation effects. Funds totalling €129.5m (previous year: €137.8m) included cash and cash equivalents.

Total payments for leases amount to €10.7m (previous year: €11.3m). Interest paid for leases is included in the payments for lease liabilities. The changes in cash flows from financing activities are shown in the following table.

	2020			**2021**		
in €m	Bank loans	Lease liabilities	Equity	Bank loans	Lease liabilities	Equity
Balance as at 1 January	**199.3**	**39.0**	**432.8**	**184.9**	**36.3**	**342.2**
Proceeds from loans	20.0	–	–	2.0	–	–
Repayment of loans	-34.4	–	–	-60.3	–	–
Payments for lease liabilities	–	-10.7	–	–	-10.0	–
Payments for non-controlling interests	–	–	–	–	–	–
Dividends paid	–	–	–	–	–	–
New leases	–	8.2	–	–	4.1	–
Other changes	–	-0.2	-90.6	–	1.0	27.2
Balance as at 31 December	**184.9**	**36.3**	**342.2**	**126.6**	**31.4**	**369.4**

(J) Segment information

Business segments

In accordance with IFRS 8 segment information for the Group distinguishes between the business segments Sheetfed, Digital & Webfed and Special. The operating segments of the Koenig & Bauer Group are determined on the basis of the business activities of the legal entities. The operating segments and products are described below.

The **Sheetfed segment** includes sheetfed offset presses for packaging and commercial printing as well as workflow and logistics solutions. The portfolio also includes peripheral equipment for finishing and processing printed products such as rotary/flatbed die cutters and folding-box gluing lines.

Digital and offset web-fed presses for decor, flexible packaging, newspaper and commercial printing are assigned to the **Digital & Webfed segment**. It also includes flexo presses for flexible packaging as well as presses for flexo and digital printing of corrugated board.

The **Special segment** is made up of special presses for banknote and security printing and systems for industrial marking and coding as well as special systems for direct metal decorating and glass and hollow container printing.

In determining the reportable segments, the following discretionary decisions were made:

- Sales companies are allocated to the segments in accordance with their activities
- Production companies are allocated to the segments in accordance with their activities
- Services are assigned to the respective segment
- Koenig & Bauer assumes that the operating segments have the same long-term earnings outlook

Segment information was based on the same accounting and consolidation procedures as the consolidated financial statements. Internal Group transactions contained in the segment result (earnings before interest and taxes (EBIT)) were classed as arm's length transactions.

Intersegment sales and other reconciliation effects between the business segments are contained in the reconciliation.

	Segments						Reconciliation		Group	
	Sheetfed		Digital & Webfed		Special					
in €m	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**
Revenue by product group										
Presses	419.3	492.5	75.5	60.6	242.8	242.2	-20.0	-21.0	717.6	774.3
Replacement parts	65.2	71.7	26.6	28.6	63.4	61.2	-2.0	-2.7	153.2	158.8
Service	66.1	71.1	24.0	29.9	58.5	71.7	-0.6	-1.7	148.0	171.0
Other	5.0	7.1	2.8	2.3	12.6	15.1	-10.6	-12.8	9.8	11.7
Revenue	**555.6**	**642.4**	**128.9**	**121.4**	**377.3**	**390.2**	**-33.2**	**-38.2**	**1,028.6**	**1,115.8**
EBIT	-27.8	24.0	-25.5	-38.5	-31.8	34.9	17.2	8.1	-67.9	28.5
Depreciation	14.9	15.6	1.6	4.0	9.3	9,2	8.7	9.1	34.5	37.9
Major non-cash expenses	51.7	35.4	10.1	11.2	48.8	17.0	8.4	8.3	119.0	71.9
Capital investments	16.4	10.2	9.6	1.4	10.9	12.1	9.6	12.8	46.5	36.5

Geographical breakdown
The geographical regions were defined according to their significance for Group income.

Reconciliation related to non-current financial assets and deferred tax assets.

	Revenue		Capital investments		Non-current assets	
in €m	2020	2021	2020	2021	2020	2021
Germany	158.7	153.8	41.2	27.8	317.3	311.7
Rest of Europe	338.2	364.4	4.8	7.9	72.8	73.3
North America	185.9	176.7	–	0.1	1.4	1.2
China	112.7	129.2	0.2	0.4	0.6	0.6
Rest of Asia/Pacific	142.5	160.4	0.2	0.2	3.2	2.7
Africa/Latin America	90.6	131.3	0.1	0.1	0.1	0.2
Reconciliation	–	–	–	–	114.3	117.9
Group	**1,028.6**	**1,115.8**	**46.5**	**36.5**	**509.7**	**507.6**

(K) Notes to section 285 no. 17 HGB

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft has served as auditor for Koenig & Bauer AG since the 2020 financial year.

The remuneration paid to PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft in 2021 came to €1,301 thousand for auditing services, €94 thousand for tax consulting and €26 thousand for other services.

The fee for services provided by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft were primarily for the audit of the consolidated financial statements and the annual financial statements of Koenig & Bauer AG. Further audit services arose as part of the ESEF reporting.

The tax consultancy services mainly comprise consultancy services for tax issues in connection with value-added tax and within the framework of the mutual agreement procedure between Germany and Switzerland.

Other services relate to support services in the framework of the Renewable Energy Sources Act.

(L) Exemptions in accordance with sections 264b and 264 (3) HGB

The following consolidated subsidiaries applied the simplification options contained in section 264b respectively 264 (3) of the German Commercial Code (HGB) in 2021.

Company/location
Koenig & Bauer Industrial GmbH, Würzburg, Germany (formerly: Koenig & Bauer FT Engineering GmbH)
Koenig & Bauer Sheetfed AG & Co. KG, Radebeul, Germany
Koenig & Bauer Digital & Webfed AG & Co. KG, Würzburg, Germany
Koenig & Bauer Banknote Solutions (DE) GmbH, Würzburg, Germany
Koenig & Bauer Gießerei GmbH, Würzburg, Germany
Koenig & Bauer (DE) GmbH, Radebeul, Germany
Koenig & Bauer Coding GmbH, Veitshöchheim, Germany
Koenig & Bauer Kammann GmbH, Löhne, Germany
Koenig & Bauer MetalPrint GmbH, Stuttgart, Germany

(M) Related party disclosures

Related parties as defined by IAS 24 are all consolidated subsidiaries, non-consolidated affiliates, associates, interests (see Note (G) (2)) and members of the management and supervisory boards.

Business transactions with related entities resulted essentially from deliveries to and services for our sales and service subsidiaries, which as intermediaries disclosed receivables and revenue of roughly the same amount from customers. The same conditions applied as for arm's length transactions. For terms to maturity see Notes (G) (2) and (G) (10).

in €m	2020	2021
Loans as at 31.12.	**–**	**0.1**
to affiliates	–	0.1
to associates	–	–
Other current financial receivables as at 31.12.	**9.4**	**12.5**
from affiliates	3.7	3.0
from associates	5.7	9.5
Trade receivables as at 31.12.	**7.6**	**7.9**
from affiliates	6.9	5.6
from associates	0.7	2.3
Prepayments made for inventories as at 31.12.	**0.1**	**–**
to affiliates	0.1	–
to associates	–	–
Trade payables as at 31.12.	**1.1**	**1.0**
to affiliates	1.1	1.0
to associates	–	–
Revenue	**23.5**	**33.2**
from affiliates	22.9	30.7
from associates	0.6	2.5

Some members of the Supervisory Board also hold positions on the supervisory boards of other companies with which Koenig & Bauer has business relations. Transactions by the Koenig & Bauer Group with these companies are conducted on arm's length terms. They do not affect the independence of the members of the Supervisory Board concerned.

Short-term management board remuneration totalled €4m (previous year: €7.1m), with the fixed portion representing €2.7m (previous year: €4.9m). The variable portion was based on net profit, with €0.4m (previous year: €2m) being attributable to the multi-year variable remuneration. At the discretion of the individual member of the Management Board, the multi-year variable remuneration may be invested in virtual or actual shares. They are paid out or released after a blocking period of four years. Pension provisions were increased by €0.8m (previous year: €0.6m) for the current service cost. The provisions for the multi-year variable remuneration stand at €5.4m (previous year: €3.3m). The proportion of the share-based multi-year variable remuneration stands at €0.5m.

Provisions of €1.3m (previous year: €3.4m) were recognised for remuneration for former members and their survivors, of which €2m is accounted for by severance payments in previous year. Supervisory board remuneration totalled €0.6m (previous year: €0.6m), of which €0.6m (previous year: €0.6m) was fixed.

Provisions of €10.1m (previous year: €18.4m) were set aside for retirement benefits for the Management Board in accordance with IAS 19. An amount of €25.1m (previous year: €23.6m) was set aside for former members of the Management Board and their surviving dependants.

The total remuneration of the Management Board under the German Commercial Code amounts to €6.3m (previous year: €5.5m), of which €1.6m is the fair value at the grant date of the multi-year variable remuneration.

At 31 December 2021 members of the management board held 0.05% and members of the supervisory board 0.03% of Koenig & Bauer's share capital, giving a total of 0.08%.

Supervisory Board

Professor Raimund Klinkner
Chairman
Managing Partner
Institute for Management Excellence GmbH
Planegg, Germany

Gottfried Weippert[1]
Deputy Chairman
Technician
Eibelstadt, Germany

Dagmar Rehm
Deputy Chairman
Independent business consultant
Langen, Germany

Julia Cuntz[1]
Trade union secretary of IG Metall
Berlin, Germany

Carsten Dentler
Managing Partner Palladio Infrastruktur GmbH
Bad Homburg v. d. Höhe, Germany

Marc Dotterweich[1]
Cutting machine operator
Birkenfeld, Germany

[1] workforce representative

Werner Flierl[1]
(since 11 May 2021)
1st representative of IG Metall
Würzburg office
Sulzbach-Rosenberg, Germany

Matthias Hatschek
Entrepreneur
St. Martin, Austria

Christopher Kessler[1]
General Counsel Koenig & Bauer AG
Würzburg, Germany

Professor Gisela Lanza
Institute director at wbk Institute for Production Technology for Production Systems at the Karlsruhe Institute of Technology (KIT)
Karlsruhe, Germany

Dr Johannes Liechtenstein
CFO Constantia Industries AG
Vienna, Austria

Walther Mann[1]
(until 11 May 2021)
Consultant
Würzburg, Germany

Simone Walter[1]
Head of product development
Koenig & Bauer Coding GmbH
Arnstein, Germany

Committees

Mediation committee as per section 27(3)
Professor Raimund Klinkner (chairman)
Julia Cuntz
Matthias Hatschek
Gottfried Weippert

Personnel Committee
Professor Raimund Klinkner (chairman)
Dagmar Rehm
Gottfried Weippert

Financial Audit Committee
Dagmar Rehm (chairman)
Marc Dotterweich
Dr Johannes Liechtenstein
Gottfried Weippert

Strategy Committee
Professor Gisela Lanza (chairman)
Carsten Dentler
Matthias Hatschek
Christopher Kessler
Professor Raimund Klinkner
Simone Walter
Gottfried Weippert

Nomination Committee
Professor Raimund Klinkner (chairman)
Matthias Hatschek
Dagmar Rehm

Committee appointments to 31 December 2021

Management Board

Dr Andreas Pleßke
CEO (since 1 January 2021)
Executive vice-president
Special segment
Herrsching am Ammersee, Germany

Dr Stephen Kimmich
CFO
Großwallstadt, Germany

Christoph Müller
Executive vice-president
Digital & Webfed segment
Würzburg, Germany

Ralf Sammeck
CDO
Executive vice-president
Sheetfed segment
Radebeul, Germany

Michael Ulverich
COO
Neufahrn, Germany

Other positions held by members of the Koenig & Bauer supervisory board

	Member of the supervisory board at:
Professor Raimund Klinkner Chairman	ebm-papst Mulfingen GmbH & Co. KG, Mulfingen, Germany REHAU Verwaltungszentrale AG / REHAU Automotive, Muri near Bern, Switzerland
Dagmar Rehm Deputy chairman	O'Donovan Consulting AG, Bad Homburg, Germany Renewable Power Capital Ltd., London, UK (since 1 February 2021)
Carsten Dentler	Scope SE & Co. KGaA, Berlin, Germany Scope Management SE, Berlin, Germany
Christopher Kessler	PrintHouseService GmbH, Halle, Germany (until 31 December 2021)
Professor Gisela Lanza	Mahle GmbH, Stuttgart, Germany ZF Friedrichshafen AG, Friedrichshafen, Germany Hager SE, Blieskastel, Germany Balluff GmbH, Neuhausen, Germany
Dr Johannes Liechtenstein	FunderMax Holding AG, Wiener Neudorf, Austria FunderMax GmbH AG, Sankt Veit an der Glan, Austria Isovolta AG, Wiener Neudorf, Austria Argentiera SRL, Donoratico, Italy
Walther Mann	Procter & Gamble Germany GmbH & Co. Operations oHG, Schwalbach am Taunus, Germany

Other information
A declaration of compliance was issued in accordance with section 161 of German Stock Corporation Act and made permanently accessible under http://www.koenig-bauer.com/en/investor-relations/corporate-governance/declaration-of-compliance/

(N) Profit allocation proposal

The annual financial statements of Koenig & Bauer AG have been prepared in accordance with German accounting rules.

With the Supervisory Board's approval, the shareholders will be asked to pass a resolution to retain Koenig & Bauer AG's unappropriated surplus of €35,181,443.80.

(O) Events after the balance sheet date

The first few months of 2022 continue to be dominated worldwide by the Covid-19 pandemic, the conflict between Russia and Ukraine, protracted delivery shortfalls and the related increase in the cost of materials, reduced transport capacity and higher energy costs. The future consequences of these crises are currently not fully foreseeable, making it impossible to assess their financial impact.

Würzburg, 22 March 2022
Management Board

Dr Andreas Pleßke

Dr Stephen Kimmich

Christoph Müller

Ralf Sammeck

Michael Ulverich

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the combined management report includes a fair view of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Würzburg, 22 March 2022
Management Board

Dr Andreas Pleßke

Dr Stephen Kimmich

Christoph Müller

Ralf Sammeck

Michael Ulverich

The following copy of the auditor's report also includes a "Report on the audit of the electronic renderings of the Group financial statements and the Group management report prepared for disclosure purposes in accordance with § 317 Abs. 3a HGB" ("Separate report on ESEF conformity").