

KOENIG & BAUER

Annual Report 2021

we're on it.

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Letter to the shareholders

Dear shareholders,

2021 was both a positive and a challenging year for Koenig & Bauer. The predominant Covid-19 pandemic manifested itself in a wide variety of different forms over the course of the year. The Management Board therefore consistently concentrated on protecting the health of all employees, supporting our customers and fulfilling our corporate goals. As a team, we achieved this outstandingly well, given that, despite the challenging underlying conditions such as supply chain constraints and the associated increases in the cost of material and energy, we were able to achieve our annual forecast with revenue of €1,115.8m and exceed our EBIT target with a figure of €28.5m, which translated into an EBIT margin of 2.6%.

Our broad product portfolio has proved its merits

In addition to our P24x efficiency program, this performance was materially underpinned by our proven, broad and diversified product portfolio and our balanced global presence. Our products primarily address the structurally growing market for packaging that is not only pandemic-resistant but also offers growth opportunities in view of the boom in e-commerce business and the rising demand for household-size food packaging. In banknote and security printing, the projects currently in the pipeline point to a continuation of the robust business performance in this segment. Our service business, which is becoming increasingly digital, accounted for around 30% of Group revenue in the year under review, with revenue and earnings continuing to grow.

Gradual operational improvements in the segments leads to success

Operating earnings continued to improve from quarter to quarter in 2021. At the end of December 2021, we had an order backlog worth around €807m, which was also high compared to earlier years, reflecting the 32% increase in customer orders over the previous year. At the level of the individual segments, the recovery was particularly evident from the first quarter with strong order intake in the Sheetfed segment. This was followed in June by MetalPrint, which is part of the Special segment and registered one of the best order intakes in its history. The Digital & Webfed

segment also showed signs of recovery at the end of July, with a total of five CorruCUT presses successfully marketed. The presses are designed for the highly efficient production of rotary die-cut boxes made of corrugated board with the highest Flexo postprint quality. Securities business, which also forms part of the Special segment, also bounced back in the third quarter with strong order intake. This shows that the banknote has retained its rightful place as a means of payment, especially in the pandemic, and will also remain relevant in the virtual world.

The Digital & Webfed segment achieved a further breakthrough in the fourth quarter with the sale of two high-performance digital printing presses for the packaging market. The RotaJET is unique worldwide and one of the most powerful digital printing systems on the market, on which a wide variety of different substrates, from thin printing paper to solid cardboard, can be digitally printed. Packaging, decorations, posters, leaflets, folding boxes, books or coffee bags – almost anything can be printed with this system. This opens up completely new possibilities for our customers that do not yet exist with other technologies in this form. We have also entered the market for digital film printing with water-based inks together with a global partner. This means that the versatility of RotaJET, which until now has been targeted at the decorative sector, is now also available in the packaging market. In total, more than 20 Koenig & Bauer industrial single-pass digital printing systems, including the HP PageWide T1190 and T1100, have been installed or sold. We made further progress in digital printing in the Sheetfed segment with the world premiere of the VariJET 106 from Koenig & Bauer Durst in mid-October. It combines digital printing with the proven modules of the Rapida platform and was developed specifically for automated, efficient, food-safe printing systems. It offers the shortest makeready times, many different variants and scope for individualisation and enables efficient printing of short runs. In this way, it is addressing growing customer demand for sustainability and focusing on the ability to meet brand-name companies' requirements with respect to multichannel communications, including e-commerce. With the Rapida 145 and 164, we have launched a new generation of large-format sheetfed offset presses and are thus expanding our already high market share. New product generations have also been released in the Special segment, with the MetalStar 4 and the alphaJET 5X setting new standards in their markets.

Our customers' investment decisions show that we have done a very good job in recent years and that focusing on growth markets such as conventional and digital packaging printing is paying off.

P24x efficiency programme fully on track

Our P24x efficiency programme, which had already achieved the gross savings forecast for 2021 after nine months, is also making good progress. The necessary one-off costs arising from the four-year programme, which aims at bolstering our competitiveness in the long term in addition to boosting efficiency and scaling the Group, were reduced as a result of the pragmatic partnership aimed at acting in the best interests of the Company with the employee representatives at the locations concerned. We also succeeded in reducing net working capital, which also contributed to an improvement in free cash flow and our net financial position. With a Group equity ratio of around 29% and a free cash flow of more than €250m, we are financially well positioned.

“Exceeding Print” corporate strategy – focus on existing strengths

The resolute continuation of the P24x initiatives will be gradually transferred to the new Group strategy adopted at the beginning of December. We have pooled our corporate goals in “Exceeding Print” by focusing on our existing strengths of sustainability, modularity and digitalisation. In this way, we are driving forward our transformation from a traditional mechanical engineering company to an agile technology group. Based on the global megatrends and intense discussions with customers and experts, we have defined our strategic direction for the coming years. The course it is already taking towards more digitalisation and a higher degree of modularity will not only lead to more success in our core business markets, with packaging printing at the forefront – it will also result in less material and energy being used in printing processes, making them more sustainable. In addition, we are driving forward our agenda for sustainability as the greatest challenge facing the packaging industry in the future and setting ourselves further committed goals in this area. Along with our responsibility towards our customers and employees, as a member of the UN Global Compact, the world's largest sustainability initiative, we aim to increase even further our efforts to deliver our ecological, social and community responsibilities. We are aiming to reduce the carbon emissions of our production plants by 75% by 2025 and to be completely carbon-neutral from 2030 onwards. With our commitment to our environmental, social and community responsibilities, we are also sending out an important signal to the capital markets.

As the name suggests “Exceeding Print” goes beyond “printing” and describes our future actions. The business models for packaging printing are evolving at high speed and we assume that many of our future customers currently do not yet even exist. We will be developing solutions to address the plethora of new requirements. As it is, we are the only printing system manufacturer to master all industrial printing processes on almost all substrates – including corrugated board – and to provide software, systems and services for end-to-end printing and finishing processes. More than ever before, our customers' purchasing decisions are being guided by efforts to optimise their total cost of process. In this way, we see ourselves as a trusted advisor for our customers and a pioneer of change and innovation in the printing industry.

2022 will be another year of transformation in view of the currently unforeseeable consequences of the war in Ukraine and the sanctions imposed on Russia and Belarus as a result, the ongoing Covid-19 pandemic and the protracted supply chain constraints. Accordingly, Koenig & Bauer expects a slight increase over the previous year in Group revenue and the operating EBIT margin in 2022. At the date on which the consolidated financial statements were completed, a reliable assessment of the full impact of the aforementioned risks was not possible due to the limited forward visibility, meaning that no precise statement on future development for 2022 can be made.

Medium-term goals confirmed

Koenig & Bauer confirms its medium-term targets of revenue of €1.3bn, an EBIT margin of at least 7% and a reduction in net working capital to a maximum of 25% of annual revenue, which is to be achieved after the completion of the P24x efficiency programme.

As no dividend distributions are permitted during the term of the KfW loan, the Management Board and the Supervisory Board will be proposing to the Annual General Meeting that the net profit generated by the holding company Koenig & Bauer AG be retained. For this reason, we aim to discharge the KfW loan as quickly as possible so that we can resume dividend distributions as we attach great importance to ensuring that our shareholders benefit appropriately from our business success.

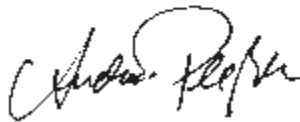
Once again, our day-to-day work will be different than usual this year due to the current challenges. In addition to the ongoing pandemic, it will also

be influenced by events in Ukraine, the full impact of which cannot currently be estimated. Koenig & Bauer is aware of its responsibility as a good corporate citizen, as an employer of people outside and within Russia and towards its customers in the countries concerned and will make every effort to ease the effects of the resulting conflicts. That said, we have no doubt that our qualified and motivated employees will master this situation perfectly. We thank them for what they achieved in 2021.

We also wish to express our gratitude to our customers, shareholders, suppliers and all business partners for their confidence in Koenig & Bauer. The Management Board is looking forward to exchanges with our shareholders and all other stakeholders in established and new formats. The title of our first annual report summary is “Unboxing” [ənˈbɔːksɪŋ] – a phenomenon of our time that shows like no other the interwovenness of the digital and analogue world. Together, we will tackle it. After all, you’ve already unboxed. And so have we with all the figures, data and stories from 2021.

Würzburg, 22 March 2022

Koenig & Bauer AG Management Board



Dr Andreas Pleßke

Chief Executive Officer

Supervisory Board report

Dear shareholders,

In a challenging business environment dominated by the Covid-19 pandemic, inflation and supply chain constraints but also characterised by the encouragingly strong momentum of order intake, the Supervisory Board's activities in 2021 focused in particular on stabilising and improving the Group's operating earnings and financial strength by means of the P24x efficiency and restructuring programme together with strategic matters for advancing the Group based on the three pillars of digitalisation, modularisation and sustainability. In addition, the Supervisory Board dealt in detail with the Group's business and earnings performance as well as its financial situation, discussing matters such as its business policy, the competitive situation, risk management, compliance, cybersecurity, the strategy for the capital market, the ESG road map and the development of the Group including its investments. Alongside the pandemic situation and related activities within the Group, remuneration issues were also on the agenda of the Supervisory Board and its committees. All necessary resolutions were passed after detailed examination and intensive discussion.

In the year under review, the Supervisory Board was again informed promptly, regularly and comprehensively by the Management Board of all events that were of material importance for the Company. In 2021, this was mostly done in hybrid meetings with combined physical and online attendance, in video conferences as well as over the phone and in writing. The Chairman of the Supervisory Board and the Chief Executive Officer meet on a weekly basis, and there are

further regular meetings between the Chair of the Audit Committee and the Chief Financial Officer. In addition, the Supervisory Board received continuous reports concerning the Company's key performance indicators.

The Supervisory Board performed its duties with great care in accordance with the law, the Articles of Association and the Rules of Procedure. A total of eight Supervisory Board meetings and seven information events for the Supervisory Board were held on matters of current interest in 2021. These were supplemented by internal preparatory calls held prior to all Supervisory Board meetings. The chairpersons of the Supervisory Board committees reported regularly to the full Supervisory Board on the agenda and recommendations of the committee meetings. In the year under review, no members of the Supervisory Board were subject to any conflict of interests. The breakdown of the attendance at the meetings of the Supervisory Board and the committees is set out in the following table:

Name	Member since	Total meetings (8)	Personnel Committee (5)	Audit Committee (4)	Strategy Committee (2)	Nomination Committee (1)	Total attendance
Professor Raimund Klinkner, Chairman	2018	8/8	5/5	–	2/2	1/1	100%
Gottfried Weippert, Deputy Chairman	2001	8/8	5/5	4/4	2/2	–	100%
Dagmar Rehm, Deputy Chairman	2014	8/8	5/5	4/4	–	1/1	100%
Julia Cuntz	2016	8/8	–	–	–	–	100%
Carsten Dentler	2017	8/8	–	–	2/2	–	100%
Marc Dotterweich	2015	7/8	–	3/4	–	–	83%
Werner Flierl	11 May 2021	5/8	–	–	–	–	100%
Matthias Hatschek	2006	8/8	–	–	2/2	1/1	100%
Christopher Kessler	2016	7/8	–	–	2/2	–	90%
Professor Gisela Lanza	2015	7/8	–	–	2/2	–	90%
Dr Johannes Liechtenstein	2019	8/8	–	4/4	–	–	100%
Walther Mann (until 11 May 2021)	2006	3/8	–	–	1/2	–	100%
Simone Walter	2016	8/8	–	–	1/2 ¹	–	100%

¹ Simone Walter has been a member of the Strategy Committee since 11 May 2021.

The office held by Matthias Hatschek as a shareholder representative on the Supervisory Board was renewed by the shareholders at the Annual General Meeting on 11 May 2021. Otherwise, there were no changes to the composition of the shareholder representatives on the Supervisory Board during the year under review. On 20 April 2021, the Germany-based employees of the Koenig & Bauer Group held scheduled elections to select employee representatives for the Supervisory Board. Gottfried Weippert, Julia Cuntz, Marc Dotterweich, Christopher Kessler and Simone Walter were re-elected. Werner Flierl was elected to the Supervisory Board as a trade union representative to succeed Walther Mann, who retired from the Supervisory Board at the end of the Annual General Meeting on 11 May 2021. The Supervisory Board thanked Mr Mann for his many years of dedicated service and held a special ceremony in his honour. Following this change in the composition of the employee representatives on the Supervisory Board, the constitutive meeting of the Supervisory Board was held on 11 May 2021 following the Annual General Meeting to select the members of the Supervisory Board committees. Julia Cuntz was elected to the Mediation Committee and Simone Walter to the Strategy Committee. Gottfried Weippert was elected Deputy Chairman of the Supervisory Board. Details of the current composition of the Supervisory Board's committees can be found on the Company's website. There have been no changes in the composition of the Management Board since the last report of the Supervisory Board.

The members of the Supervisory Board receive appropriate support from the Company in the form of training and further education. The Supervisory Board is kept continuously up to date and trained by internal experts and external legal advisors to address any new legal developments and amendments to the German Corporate Governance Code. In 2021, the members of the Supervisory Board underwent extensive training on the new statutory requirements arising from the Act to Strengthen the Integrity of the Financial Markets (FISG). In addition to the training offered by the trade unions and DGB-Bildungswerk, the employee representatives are able to make use of the conferences offered by the Hans Böckler Foundation for the purpose of further education. From 2022, the training system for the Supervisory Board will be expanded to include semi-annual webinars on selected topics and optional external events. In addition, an onboarding process will be implemented for new Supervisory Board members.

The meetings of the Supervisory Board and its committees as well as the video conferences dealt with the following matters in 2021: In addition to

the Management Board's report on the status of the P24x efficiency and restructuring programme and on the plans for the Annual General Meeting on 11 May 2021, the agenda of the Supervisory Board's video conference on 10 February 2021 included Management Board matters and modifications to the Supervisory Board remuneration. Alongside the Management Board's report on the preliminary annual financial statements for 2020, the Supervisory Board's video conference on 25 February 2021 discussed in detail the integration of sustainability/ESG matters in the Supervisory Board's activities and the modifications to the Supervisory Board remuneration. In the ensuing circular resolution, it was determined that responsibility for sustainability/ESG should be additionally assigned to the Personnel Committee.

During its hybrid meeting on 22 March 2021 with physical and online attendance, the Supervisory Board approved the Management Board's resolution to hold the Annual General Meeting on 11 May 2021 in a purely online format in accordance with the Covid-19 Act and the provisions contained in that Act governing the shareholders' right to ask questions. The Supervisory Board approved the wording of the invitation for the virtual Annual General Meeting on 11 May 2021 with nine agenda items and motions including the new Management Board remuneration system and the modifications to the Supervisory Board remuneration.

At its hybrid meeting of 23 March 2021, the Supervisory Board dealt at length with the annual financial statements for Koenig & Bauer AG and the Group, the corresponding audit reports, the combined management report and the non-financial Group report as of 31 December 2020 in addition to the current forecast for 2021 and the P24x status report. In addition to Management Board matters and personnel issues, the agenda also included status reports on the diversity project for the advancement of women/achievement of a level playing field and on capital market communications. Furthermore, the Supervisory Board was informed of the consequences of the draft of the Association Sanctions Act.

On 3 May 2021, the Supervisory Board held a video conference to discuss the Q1 figures. The hybrid Supervisory Board meeting held on 10 May 2021 with physical and online attendance concentrated on preparations for the online Annual General Meeting to be held on the following day. In addition to a detailed discussion of cybersecurity, further items on the agenda concerned the P24x status report and Management Board matters. The

Supervisory Board held a constitutive meeting on 11 May 2021 following the online Annual General Meeting. Due to the changes in the employee representatives, adjustments were made to the composition of the Supervisory Board committees at the hybrid meeting.

On 23 June 2021, the Supervisory Board held a video conference at which the Management Board presented a report on the status of the P24x project. The Management Board also provided information on the background and effects of the partial reversal of the P24x restructuring provisions.

Prior to the commencement of the strategy conference on 27 July 2021, the Supervisory Board was briefed on the report on the first half of 2021. Furthermore, the new obligations for Koenig & Bauer arising from the Supply Chain Due Diligence Act and the Transparency Register and Financial Information Act were outlined. During its strategy conference, the Supervisory Board held a video conference in which it discussed in detail the strategic topics presented by the Management Board on the basis of a comprehensive strategy process together with thoughts on the future general Group strategy aimed at channelling existing strengths to advance sustainability, modularity and digitalisation. In addition to the D&O insurance for the Supervisory Board, the meeting of 28 July 2021, which was held as a video conference, dealt with the current forecast for 2021. As well as this, the results of the Supervisory Board's efficiency audit, which is conducted internally every year with external support and regularly updated in the light of current requirements, were discussed.

In a hybrid Supervisory Board meeting held on 20 September 2021 with both physical and online attendance, the Management Board presented the high-level business plan for the years 2022 to 2026. The Management Board also submitted a status report on the P24x project and an interim report on the diversity project for the advancement of women/achievement of a level playing field.

The Supervisory Board held video conferences on 27 October 2021 on the Q3 report and on 9 November 2021 on the status of the P24x project. At the Supervisory Board meeting on 10 December 2021, which was held as a video conference, the Management Board presented in detail the corporate and investment plans for 2022 and provided an outlook for the following years until 2026. The Supervisory Board approved the corporate and investment budget for 2022 and acknowledged the medium-term plans. In

order to streamline the Group's structure, the Supervisory Board approved the Management Board's proposal to restructure Koenig & Bauer Industrial AG & Co. KG and to give it the status of a separate entity (limited liability company). In addition to cybersecurity, Management Board matters and remuneration questions, the agenda included updates on the P24x project, IR/capital market communications and the ESG roadmap. In addition, a comprehensive training programme for the Supervisory Board was adopted.

Much of the Supervisory Board's work is performed by its various committees. Five ordinary committees assist the Supervisory Board in the performance of its duties by preparing the resolutions to be passed by the Supervisory Board and the matters to be discussed in the plenary sessions. The Personnel Committee met five times, the Audit Committee four times and the Nomination Committee once. In addition to the strategy conference, which was attended by the entire Supervisory Board, a further two meetings of the Strategy Committee were held during the year under review. The meeting of the Pandemic Committee consisting of Dagmar Rehm, Matthias Hatschek and Gottfried Weippert as well as the Chairman of the Supervisory Board discussed the latest developments in the pandemic situation and the response taken by the Company. It was again not necessary for the Mediation Committee appointed under section 27 (3) of the Code-termination Act to convene in 2021.

In addition to the quarterly reports, one of the main tasks of the Audit Committee was to review in detail the annual financial statements of Koenig & Bauer AG and the consolidated financial statements as well as the combined management report, the non-financial Group report and the corresponding audit reports. Throughout the entire process of preparing the financial statements, regular meetings were held between the Chair of the Audit Committee and the external auditor. During the discussion of the annual financial statements, the representatives of the statutory auditor reported to the Committee on the results of their audit and were available to answer any questions and for detailed discussion of various matters. The Audit Committee prepared the approval and adoption of the financial statements by the Supervisory Board. It monitored the independence of the external auditor and obtained its declaration of independence. The Audit Committee also prepared the proposal for the election of the auditor of the annual financial statements and the consolidated financial statements to be submitted to the Annual General Meeting. The Audit Committee

reviewed the non-auditing activities performed by the external auditor on a quarterly basis. In addition to determining the priorities of the audit of the financial statements, the compliance and risk management system, the risk situation in the Group, the Audit Committee also discussed internal auditing and export controls as well as cybersecurity. In addition, it received comprehensive and regular updates on the progress of SAP migration. The Chief Executive Officer and the Chief Financial Officer regularly attended the meetings of the Audit Committee.

In the year under review, Management Board and remuneration matters dominated the meetings of the Personnel Committee. Another focus entailed the explanation of the ESG roadmap by the Management Board. The Nomination Committee prepared the recommendations for candidates for submission to the full Supervisory Board for the Supervisory Board election scheduled for the next Annual General Meeting. The Strategy Committee was closely involved in the new Group strategy process and informed at length by the Management Board in the meetings about the key topics of digitalisation, modularisation and service as well as focus markets and applications.

The application and further development of the corporate governance rules in the Company, particularly implementation of the recommendations of the Code, are regularly monitored by the Supervisory Board. The Corporate Governance Statement published on the Company's website describes the activities of the Supervisory Board with regard to the Declaration of Conformity pursuant to section 161 of the German Stock Corporation Act.

At its meeting on 22 March 2022, the Supervisory Board adopted the Koenig & Bauer financial statements prepared by the Management Board and approved the consolidated financial statements for the Koenig & Bauer Group as of 31 December 2021, including the combined management report and separate non-financial Group report as well as the remuneration report following a discussion with the auditors, its own careful examination and intensive deliberation. The annual financial statements of Koenig & Bauer AG are thus duly adopted in accordance with section 172 of the German Stock Corporation Act. The resolutions were prepared by the Audit Committee. The chairperson of the Audit Committee reported to the Supervisory Board in detail on the results of the intensive audits and the Committee's findings as well as on the discussions with the auditors and the Management Board. The auditors reported at length to the Supervisory

Board on their audit procedures and findings and were available to answer additional questions. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft in Frankfurt am Main, Nuremberg branch, issued unqualified audit opinions for both sets of financial statements including the combined management report. Furthermore, the separate non-financial Group report underwent a limited assurance review and the remuneration report a review of sufficient assurance (audit of contents) by PricewaterhouseCoopers GmbH. The Supervisory Board, like the Audit Committee, approved the auditor's findings based on its own review. Neither body raised any objections to the consolidated financial statements, the annual financial statements of Koenig & Bauer AG, the combined management report, the non-financial Group report or the remuneration report for 2021.

The external auditor also confirmed that the Management Board had established a risk early detection system meeting the requirements of section 91 (2) of the German Stock Corporation Act. The information and monitoring system, which is appropriate and meets the requirements of the Company, appears to be suitable in terms of its design and actual implementation to identify at an early stage any developments liable to jeopardise the Company's going-concern status. No material shortcomings in the internal control system and the early risk detection system were reported.

The Supervisory Board would like to thank all employees, the Management Board, all managers and employee representatives for their great commitment to our Group in 2021, which was a challenging year in view of the demanding underlying conditions. Our thanks also go out to our shareholders for their confidence in our Company.

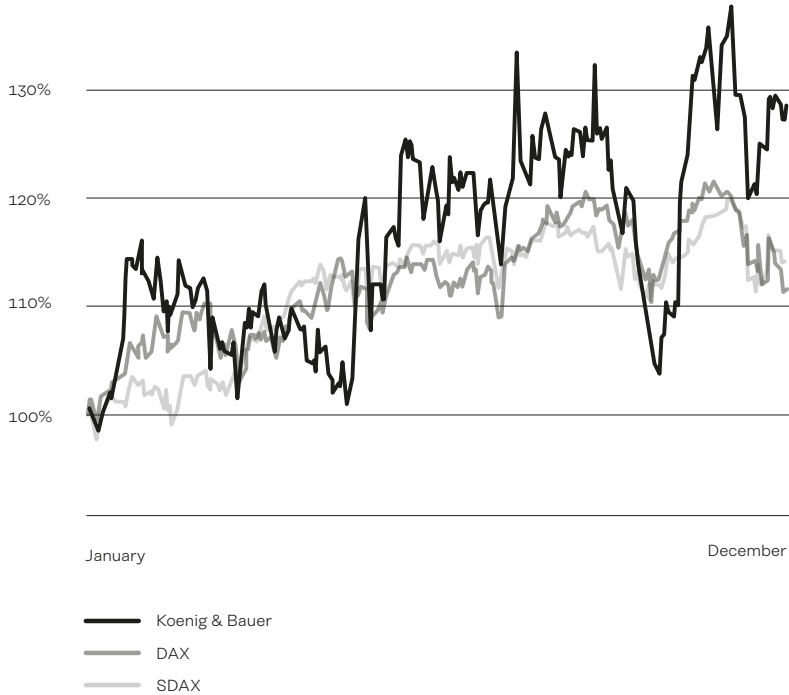
Würzburg, 22 March 2022
Koenig & Bauer AG Supervisory Board



Professor Raimund Klinkner
Chairman of the Supervisory Board

Koenig & Bauer Shares

Performance of the share 2021



2021: a good year for equities including Koenig & Bauer shares – share price boosted by good business performance and new strategy

The German benchmark index DAX passed the 15,000 point mark at the end of March, subsequently moving on to reach further highs. Supply chain constraints as well as insufficient transport capacities and the growing number of new coronavirus infections had an adverse economic effect in some countries and regions during the third quarter. This was also evident in September, which has a reputation for being a difficult month for stock markets. Most companies were able to present better-than-expected figures in the third-quarter reporting season and this was also reflected in rising equity prices, causing the DAX to peak at 16,250 points in mid-November. The emergence of the new Covid Omicron variant in November placed

a noticeable damper on equity markets. The German benchmark index DAX closed the year on 30 December 2021 at around 15,885 points, up 15.8% on the end of the previous year. The German SDAX small cap index, which closed 11.2% up on the end of the previous year, painted a similar picture.

As with other mechanical engineering companies, Koenig & Bauer shares remained volatile during the year under review, hitting a low for the year of €23.60 on 30 April 2021 in Xetra trading. With business performance improving from quarter to quarter, the shares subsequently recovered, boosting investor sentiment. On 17 November, Koenig & Bauer shares reached a Xetra high for the year of €32.15. The capital market acknowledged the success of the efficiency programme and the new “Exceeding Print” strategy presented at the end of November at the Capital Markets Day. After closing 2020 at €23.92, Koenig & Bauer shares saw the year out at €31.30 on 30 December 2021, thus advancing by 30.9% over the year as a whole. Consequently, they outperformed the DAX and the SDAX in 2021. (All figures based on Xetra closing prices.)

Average daily trading volumes of Koenig & Bauer shares fell short of the previous year’s figure in the year under review. Our goal is to return to the former trading volumes, and the addition of a second designated sponsor should help to achieve this.

The quarterly review index by Deutsche Börse on 3 June 2021 resulted in the removal of Koenig & Bauer AG from the SDAX effective 21 June 2021 due to the lower trading volumes. Under the fast-exit rules applicable on that date, a minimum ranking of 175/175 is required in the free-float market capitalisation and stock exchange trading volumes of listed companies in Germany. In future index reviews, the trading volume criterion will be replaced by minimum liquidity requirements. Obviously, we regret our departure from the SDAX. However, the review is performed regularly. As a general principle, inclusion in an index is not a priority for Koenig & Bauer AG. Rather, it seeks to achieve an appropriate valuation of its shares, something which is reflected in their favourable performance.

Koenig & Bauer share performance indicators

in €	2020	2021
Earnings per share	-6.27	0.83
High for the year	29.84	32.15
Low for the year	14.42	23.60
Price at the beginning of the year ¹	27.94	23.92
Price at the end of the year ¹	23.92	31.30
Number of bearer shares issued	16,524,783	16,524,783
Market capitalisation at the end of the year in million	395.3	517.2
Cash flow per share	0.74	5.75
Dividend	0.00 ²	0.00³

¹ Xetra closing price, source: Bloomberg

² The dividend payment for the 2019 financial year was omitted due to the challenging environment caused by the Covid-19 crisis.

³ The KfW loan does not permit the payment of dividends

Koenig & Bauer with a free float of around 90 percent

Under the Deutsche Börse definition, free float includes all shares not held by principal shareholders (i.e. those holding more than 5 percent of the share capital). On the basis of the voting right notifications received, Koenig & Bauer thus has a free float of around 90% of the total of 16,524,783 bearer shares issued as of 31 December 2021. The following notifications of voting rights over 3% had been received as of 31 December 2021:

Shareholder structure Koenig & Bauer AG

	Shares	Stake
AlternInvest GmbH, Vienna/Austria	1,683,428	10.2%
Universal-Investment-GmbH, Frankfurt/Germany	1,680,574	10.2%
Union Investment Privatfonds GmbH, Frankfurt/Germany	841,693	5.1%
Claus Bolza-Schünemann	826,220	5.0%
Loys Investment S.A., Munsbach/Luxembourg	776,870	4.7%
Albrecht Bolza-Schünemann	599,728	3.6%
Rota Klaeger	589,514	3.6%
As at 31 December 2021	Total issued: 16,524,783	

Intensive virtual dialogue with the capital market

In the second year marked by the pandemic, many annual general meetings, roadshows and international capital market conferences were again

held online. However, they are no replacement for personal contact with current and potential shareholders. We have adapted our capital market communications in the light of this extraordinary situation by adopting new approaches and formats for presenting Koenig & Bauer transparently on the capital market in order to ensure a well-researched assessment of the Group's business performance and strategy. This reflects our aim to inform all stakeholders continuously, promptly, comprehensively and transparently of current and future developments of relevance for the Company and the market in which it operates. Looking forward, we also want to make greater use of different communication channels and additionally expand our range of information on our new Investor Relations website. We were also able to address the growing importance attached to sustainability in the capital market to a significantly greater extent by highlighting the progress made by our activities in this area, which is of crucial importance for the Group's future development. Read more about this in our Group non-financial report on page 135 and explore our new sustainability page at sustainability.koenig-bauer.com.

We attach particular importance to intensive and open discussions. This also includes ongoing cooperation with banks and brokers that actively cover Koenig & Bauer and regularly publish assessments of our share price as well as sector studies. As of the date on which this report was published, three analysts rated our shares a "buy", while one analyst issued a "hold" recommendation on the basis of his model.

On 24 March 2021, the Management Board presented in virtual form the results for 2020 and the successfully launched measures under the P24x efficiency programme. In addition to the regular online conferences on the quarterly figures, our investor relations activities also engage in an ongoing exchange with investors and analysts at national and international capital market conferences and roadshows, in which we participated on an online basis last year. Our work was also supplemented by many individual and group discussions with the Management Board and Investor Relations Management. The Koenig & Bauer Capital Markets Day was also held as an online event on 30 November 2021. With the Kyana Experience, Koenig & Bauer's online event platform was also used successfully for the capital market for the first time. The Management Board and other speakers unveiled the new "Exceeding Print" corporate strategy, driving forward the Company's transformation from a traditional machine manufacturer to an agile technology group. You can read more about this in the chapter

entitled “Strategies” on page 22. As avatars, the participants were able to explore Koenig & Bauer virtually and autonomously in various rooms, talk to each other and ask questions.

As always, the Investor Relations department is available to investors at any time by phone on +49 (0) 931 909-4085 or in writing (investors@koenig-bauer.com) to answer any questions concerning the shares and the Company. Updated information is also available in the Investor relations section of our website at <https://www.koenig-bauer.com/en/investor-relations/>, where you will also find financial reports and presentations as well as the latest financial calendar and information on the share.

96th annual general meeting of Koenig & Bauer AG held online for a second time – all motions approved by the shareholders with a substantial majority

Koenig & Bauer AG’s 96th annual general meeting was held on 11 May 2021 in virtual form due to the ongoing Covid-19 pandemic in the interests of our shareholders’ health. The Chairman of the Supervisory Board, Professor Raimund Klinkner, presided over the meeting and outlined in the Supervisory Board’s report the main aspects of its activities, stating that, in a business environment dominated by the Covid-19 pandemic, the Supervisory Board’s activities had particularly focused on stabilising and improving the Group’s operating earnings and financial strength and dealing with Management Board matters, strategic issues and, above all, the Management Board’s pandemic crisis management. In the live stream, the Management Board reported to the shareholders on the Company’s strategy and business performance in 2020 and the first quarter of 2021 as well as the progress being made with the P24x efficiency programme.

The Company’s shareholders were asked to vote on eight of the nine items on the agenda at the annual general meeting, including the re-election of Matthias Hatschek as a shareholder representative. They accepted management’s proposal with a large majority, also approving item two of the agenda, providing for the holding company Koenig & Bauer AG to carry forward the unappropriated surplus. In addition to ratifying the actions of the Management Board and the Supervisory Board, the shareholders elected PricewaterhouseCoopers, Frankfurt am Main, as the external auditor of the annual financial statements and the consolidated financial statements for 2021. As well as this, the shareholders approved the proposed amendment of the remuneration systems (“say on pay”) for the Management Board and

the Supervisory Board. Under item nine of the agenda, they approved two profit transfer agreements, likewise with a large majority.

Combined management report

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Corporate structures

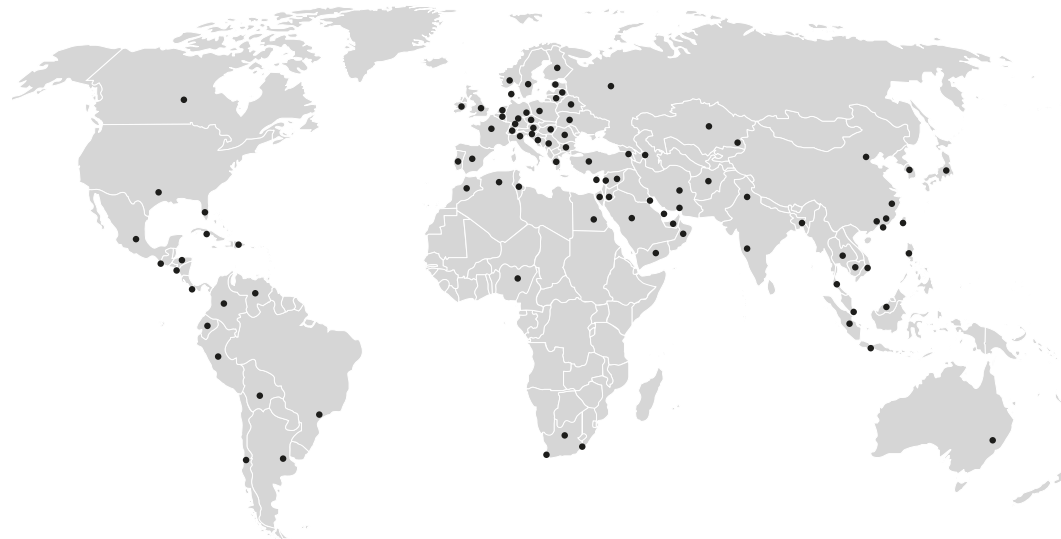
Company profile

For the past 204 years, the Koenig & Bauer Group has been synonymous with innovation and technical progress in the global printing industry and is thus also the world's oldest printing press manufacturer. Koenig & Bauer's high-tech presses and systems, which are consistently tailored to meet customer requirements, and its comprehensive range of services enable people all over the world to come into contact with printed, processed and finished products. In addition to various types of packaging for the food, beverage, pharmaceutical and cosmetics industries, this also includes banknotes, decorations and laminates as well as magazines and newspapers. The products are used in packaging, banknote, security, industrial, commercial and publication printing.

Koenig & Bauer addresses these (end) markets through the development, assembly and worldwide distribution of sheetfed and web offset, flexo and digital printing presses, flatbed and rotary die cutters, folding-box gluers and special presses for security, metal decorating, glass/hollow containers and coding. The presses use almost all common printing technologies that apply ink efficiently and precisely to a wide variety of substrates such as

paper, cardboard, foil, glass, hollow containers and sheet metal. This makes Koenig & Bauer's range one of the broadest in the industry. The comprehensive expertise derived from addressing many sub-markets provides a good basis for innovation and for new applications in the growing packaging printing markets. The Koenig & Bauer Group is the global market and technology leader in the growing market for packaging printing and banknote printing. Its services encompass a wide range of customer-oriented offerings from fully automated print workflows to networked printing and constitute an important component of our business model alongside new press business. Koenig & Bauer thus intends to continue expanding its service business, which is less dependent on economic cycles, and is aiming for a long-term share of around 30% of Group revenue. Group revenue came to €1,115.8m in 2021. Worldwide, a total of 5,397 employees at eleven production sites and many sales and service organisations ensure the satisfaction of our customers.

Global presence and employees

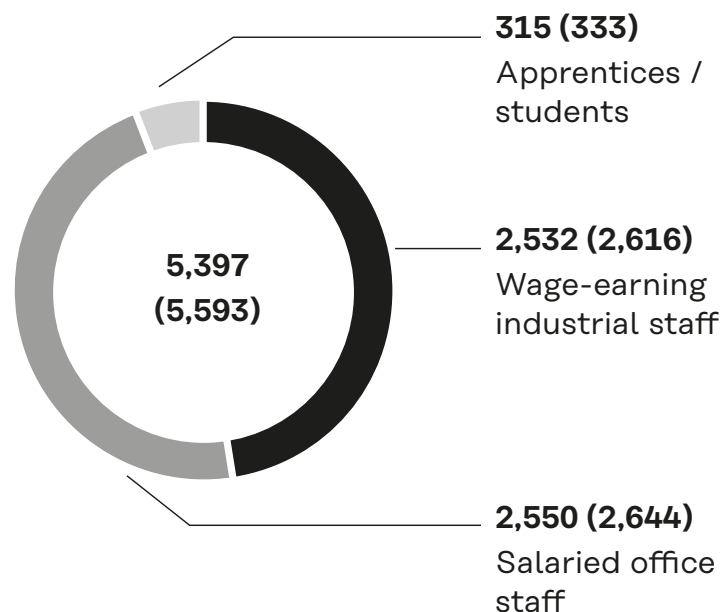


Koenig & Bauer operates eleven manufacturing plants in Europe and many sales and service organisations in almost all parts of the world. The P24x efficiency programme is to optimise the production and assembly plants, including intra-group sharing by means of relocation and realignment, particularly at the Tavazzano site in Italy.

The export ratio widened slightly from 84.6% to 86.2% in the year under review. Over the last few years, we have expanded our sales and service network in the markets of the future, including the emerging markets on the peripheries of Europe and in Asia. A nationwide sales and service system has been established throughout Latin America via our subsidiary Koenig & Bauer LATAM.

The Koenig & Bauer Group employed 5,397 people worldwide at the end of 2021. Compared to the previous year (31 December 2020: 5,593), this was a decline of 196.

Workforce as of 31 December 2021

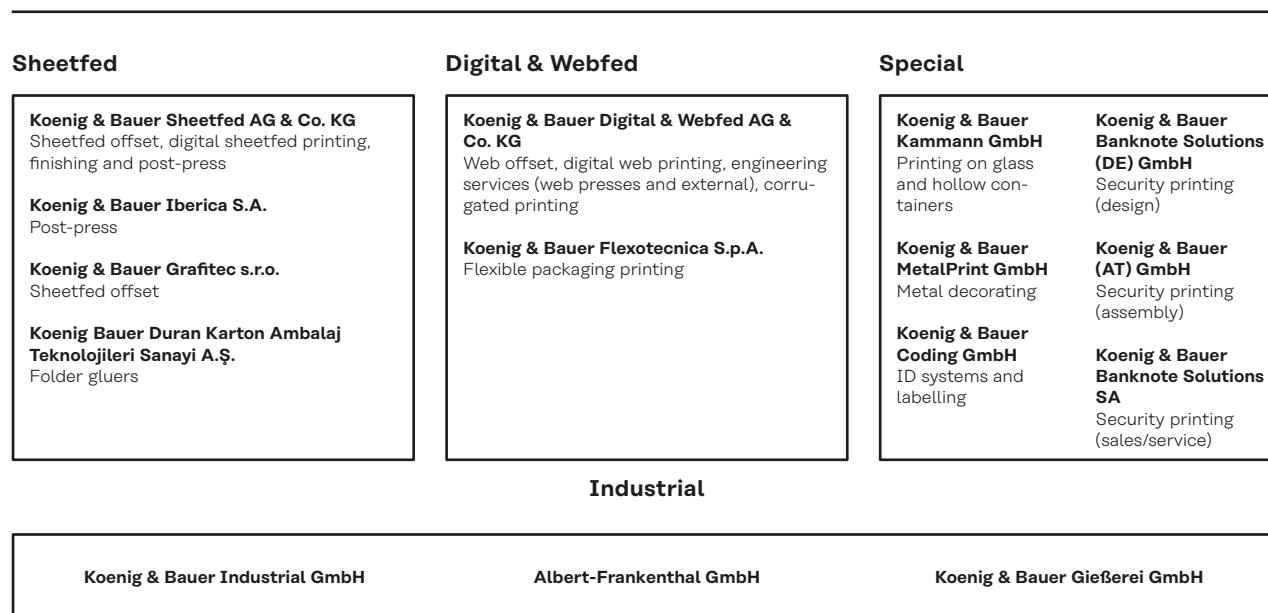


As planned, the effects of the global Covid-19 pandemic led to a staff reduction in 2021 via the P24x efficiency programme. These staff reductions were achieved through socially acceptable measures such as natural fluctuation and by leaving vacant positions unfilled as well as through the use of phased retirement arrangements, transfers and ring exchanges, pension bridge agreements and the adoption of a voluntary leaver programme. Due to the progress made in achieving the personnel targets under P24x, the Management Board decided on 23 June 2021 that there would be no redundancies for operational reasons at the German sites in 2021 and 2022. In addition, use was made – albeit to a lesser extent than in the previous year – of short-time working instruments depending on the capacity utilisation in the individual areas at the German sites. The Koenig & Bauer Group recruited additional staff in key growth areas, including IT and services as well as new applications and products for the expanding packaging market. In connection with the apprenticeship year starting in September 2021, the Koenig & Bauer Group is retaining its training policy despite the difficult global economy in order to create career openings by offering talented young people an apprenticeship. In this way, the Company is covering its high demand for qualified specialists, especially in the technology sector and in mechanical engineering, by means of in-house training. In 2021 a total of 71 apprentices (previous year: 76) and dual-course students embarked on their first steps in their new careers with the Koenig & Bauer Group. They already have the promise of a permanent employment contract upon the successful completion of their apprenticeships.

Sustainability

With its “Exceeding Print” strategy, Koenig & Bauer is driving forward sustainability as the greatest challenge facing the packaging industry in the future, thus systematically expanding its already successful activities in this area, which is of crucial importance for the Group’s future development. The statutory reporting obligations under the CSR Directive Implementation Act (CSR-RUG) are discharged with the publication of the non-financial Group report as a separate part of this annual report with references to the combined management report on pages 135 ff. The non-financial Group report is available on the Company’s website at <https://www.koenig-bauer.com/en/investor-relations/financial-reports/>.

Koenig & Bauer AG



Decentralised organisation with a holding company structure

The Koenig & Bauer Group is composed of Koenig & Bauer AG as the holding company and its subsidiaries. As of 31 December 2021, 38 companies were included in the consolidated financial statements in addition to Koenig & Bauer AG. As shown in simplified form in the diagram, the core subsidiaries are allocated to the three segments Sheetfed, Digital & Webfed and Special on the basis of their business activities. The domestic and foreign sales companies that mostly offer sales and service functions for several segments are allocated to the segments in accordance with their activities. Similarly, the business units defined as production service providers (“Industrial”, see diagram) are allocated to the three segments on the basis of their activities.

Business activities of the segments

The diagram setting out the Group structure also shows the internal reporting structure of the Koenig & Bauer Group in 2021. In line with its operating business, the internal reporting structure is divided into the following segments: Sheetfed, Digital & Webfed and Special. These also form the reportable segments in accordance with IFRS.

The **Sheetfed segment**, which makes the greatest contribution to revenue, offers a wide range of sheetfed offset presses under the “Rapida” name from half to super-large formats for the packaging and commercial printing market. The presses are individually equipped with a variety of quality measurement and control systems in accordance with customer requirements. In addition, customers can also expand their sheetfed offset press by adding a variety of finishing modules, e.g. to enhance packaging with the addition of a hologram foil. The segment portfolio also includes aggregates for the further processing of printed products such as rotary and flatbed die-cutters as well as folding-box gluers. These are particularly important

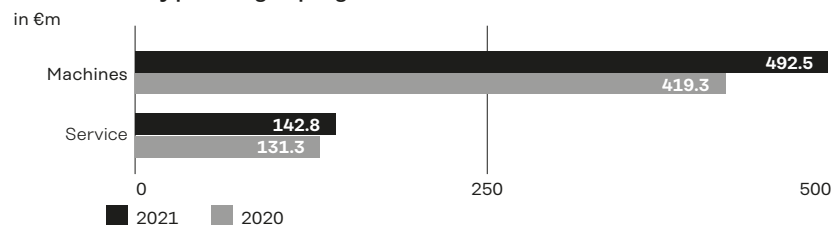
for the rapidly growing packaging market, as a folding box still has to be die-cut, folded and glued after the printing process.

In conjunction with its joint venture partner Durst, the Koenig & Bauer Group also offers a sheetfed digital press under the VariJET 106 name for the production of personalised, individualised and versioned print products, especially for the folding-carton market. It integrates inkjet technology in the platform of the high-performance Rapida 106 press. The system's modular design enables digital inkjet printing to be combined with optional printing and inline finishing options used in offset printing. The joint venture with the Durst Group for the development and marketing of single-pass digital printing systems for the folding-carton and corrugated-board industry was established in 2019.

In addition to classic services, a variety of digital services are also offered and are constantly being expanded. This also includes digital workflow and logistics solutions. The Koenig & Bauer Customer Community is increasingly combining numerous digital services for our customers in a user-friendly interface. Looking forward, it will be launched under the name "myKyana" with new branding and an expanded range of functions available to all Koenig & Bauer customers.

The following diagram illustrates the development of new press business and service business in the Sheetfed segment.

Sales revenue by product group segment Sheetfed



The **Digital & Webfed** segment offers a variety of new presses that address the three printing processes: letterpress (flexographic printing), gravure and flat printing (offset printing).

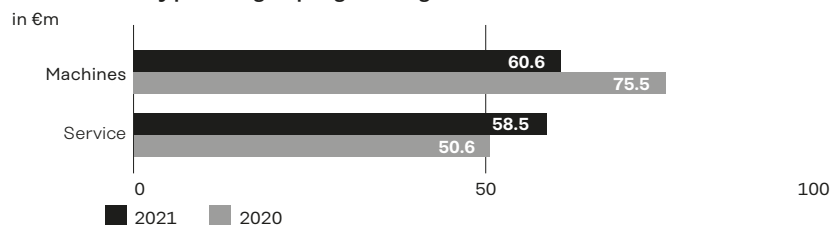
In addition to web offset presses, which are mainly used in newspaper, commercial and publication printing, web presses for digital printing are also offered (RotaJET platform). They address commercial printing as well as decorative and beverage carton printing in the industrial printing market. The RotaJET is able to print on a wide variety of different substrates, from thin printing paper to solid cardboard. This includes packaging, decorations, posters, leaflets, folding boxes, books and coffee bags. Since 2014, HP has been partnering with Koenig & Bauer to develop the world's widest digital printing press. The HP PageWide T1190 for pre-printing corrugated-board cover layers is also targeted at the packaging market and complements Koenig & Bauer's web digital printing activities. Customer requirements for individualised and personalised packaging as well as swift time-to-market productions necessitate shorter turnaround times and smaller print runs while at the same time calling for high quality requirements. The combination of analogue (flexographic) and digital printing allows small, medium or large runs to be completed. In addition to the web presses, integrated paper logistics are available. This is because automation, an integrated workflow and process optimisation are crucial elements of the "total cost of process" approach.

The segment offers the CorruFLEX for direct (sheetfed) corrugated printing and post-print. In addition to direct printing, the CorruCUT (with rotary die-cutters) enables inline production of rotary die-cut boxes from corrugated-board sheets. The CorruJET complements direct corrugated-board printing by offering a digital printing solution for the production of personalised, individualised and versioned corrugated-board print products in conjunction with Durst. The Corru family also addresses the packaging printing market.

The segment offers various flexoprinting presses that are used for producing flexible packaging, especially in the food sector. At the customer's request, the presses can be equipped with a variety of inline integrations. The paper logistics referred to above are also used for the film reels.

The second pillar of the Digital & Webfed segment is a broad range of services that includes both traditional and digital services. The following diagram illustrates the development of new press and service business in the Digital & Webfed segment.

Sales revenue by product group segment Digital & Webfed



Just under 50% of the segment's revenue is accounted for by spare parts and services, with newsprint presses exhibiting a downward trend. Revenue from sales of new offset newsprint presses contributed 6.0% to segment revenue (31 December 2020: 19.2%) and 0.7% to Group revenue (31 December 2020: 2.4%).

The **Special segment** addresses the market for banknote and security printing via the Banknote Solutions business unit as well as three other interesting submarkets within the packaging printing market.

In addition to special presses for banknote and security printing, Banknote Solutions also holds expertise in banknote and security design and production and offers sophisticated electronic quality control systems. The comprehensive range of services from conventional technical service to the webshop round off the banknote and security printing range.

Kammann supplies printing systems for the direct decoration of hollow bodies made of glass, plastic or metal. Directly decorated glass containers are mainly used for cosmetics, perfume and spirits products in the premium segment. In addition to the predominant screen printing process, hot stamping, digital printing and many other decoration processes can be optionally integrated in the precise and flexible transport systems. Here, too, the digital printing process enables customised, personalised and versioned printed products for glass/hollow-body direct printing. Worldwide service and support is offered through an international service network.

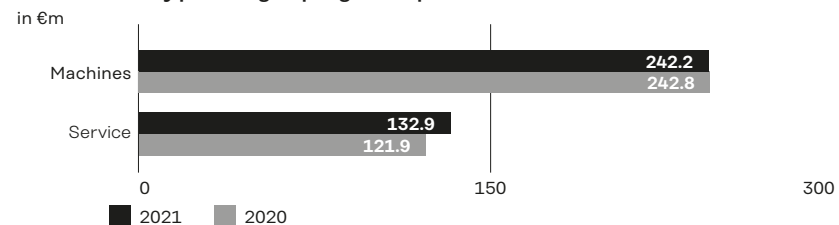
MetalPrint offers end-to-end systems for the decoration of 2- and 3-piece cans. To decorate a 3-piece can – which is mainly used for food – complete production lines that print, paint and dry tinplate sheets are utilised. The range includes multicolour presses and coaters in combination with

thermal sheet dryers or UV drying systems, as well as customised sheet handling systems and energy-efficient exhaust air purification technology. Metal sheets are not used to decorate 2-piece cans for beverages. Instead, cups or bowls are printed directly, painted and then dried with CS Metal-Can. Comprehensive services, from technical support to individual training, complete the range of services offered by MetalPrint.

Coding supplements the segment portfolio with solutions for all industries from pharmaceuticals and cosmetics to floristry: variable data, logos and barcodes are printed, marked and coded on different substrates on a just-in-time basis. Production reliability and speed with a typeface of excellent print quality is crucial for the food and beverage industry in order to apply the legally required best-before date or batch traceability data accurately. In the pharmaceutical and cosmetics industries in particular, manipulation-proof labelling and seamless product traceability are playing an increasingly important role. The comprehensive service portfolio ranges from service and maintenance contracts to "Visual ServiceSupport".

The following diagram illustrates the development of new press business and service business in the Special segment.

Sales revenue by product group segment Special



Industrial is an internal and external production service provider, manufacturing high-precision components for printing presses and external customers in the mechanical and plant engineering sector in conjunction with other companies. It specialises in precision-machined large parts made of cast iron or steel, complex prismatic and rotating parts, gears, curves, sheet metal assemblies, rollers and the environmentally friendly coating of rotating parts. In addition, Industrial offers further services such as assembly, engineering and logistics.

Management and control

Koenig & Bauer AG is a public limited company (“Aktiengesellschaft”) under German law with a dual management structure. Its Management Board is composed of five members:

- Dr Andreas Pleßke, (Chief Executive Officer and responsible for the Special segment),
- Dr Stephen Kimmich (Chief Financial Officer),
- Christoph Müller (responsible for the Digital & Webfed segment),
- Ralf Sammeck (responsible for the Sheetfed segment and Chief Digital Officer) and
- Michael Ulverich (Chief Operation Officer – Production, Purchasing & Logistics).

The business allocation plan shows the breakdown of the Management Board duties as well as the distribution of functional responsibilities as of 31 December 2021.

Business distribution plan of the Koenig & Bauer AG Management Board – valid from 1 January 2021

Dr Andreas Pleßke Chief Executive Officer and Director for the Special segment	Dr Stephen Kimmich Chief Financial Officer	Christoph Müller Director for the Digital & Webfed segment	Ralf Sammeck Director for the Sheetfed segment and Chief Digital Officer	Michael Ulverich Chief Operation Officer – Production, Purchasing & Logistics
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The Chief Executive Officer represents the Management Board and the management in relations with the Supervisory Board and its committees.
 He is responsible for:

<ul style="list-style-type: none"> • Strategic Group development • Segment responsibility for “Special” • Public relations • Group human resources • Compliance & audit • Legal and insurance • Marketing • Corporate responsibility (ESG) 	<ul style="list-style-type: none"> • Finances, accounting, income taxes • Information technology (IT) • Investments • Investor relations • Group controlling & consolidation • Operational corporate planning • M&A processes* 	<ul style="list-style-type: none"> • Segment responsibility for “Digital & Webfed” • Management of Koenig & Bauer Digital & Webfed • Group-wide service coordination 	<ul style="list-style-type: none"> • Segment responsibility for “Sheetfed” • Management of Koenig & Bauer Sheetfed • Group-wide sales coordination • Group-wide coordination of the digital transformation • Brand ownership management* • Group key account management* 	<ul style="list-style-type: none"> • Responsibility for “Industrial” & Foundry • Group-wide strategic purchasing • Operational purchasing and disposition (holding company, D&W, Industrial, Banknote Solutions, Sheetfed) • Intellectual property • Corporate technical standards • Machine platform concept*
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* Additional responsibilities from 10 December 2021

Koenig & Bauer AG's Supervisory Board consisted of twelve members as of 31 December. Under the German Stock Corporation Act (AktG), the Supervisory Board is responsible for appointing or dismissing the members of the Management Board, monitoring and advising the Management Board, adopting the annual financial statements, approving the consolidated financial statements and approving or advising on important aspects of corporate planning and decisions. The Supervisory Board report on page 7 and the corporate governance declaration provide details on how the Management Board and the Supervisory Board work together and on corporate governance at Koenig & Bauer AG.

Goals and strategy

P24x efficiency programme achieving steady progress in 2021 fully in line with the implementation plan

In order to strengthen our position as one of leading suppliers for the printing industry and to increase operating profitability, the efficiency programme "Performance 2024", which has been in place since 2019, was further developed and extended in 2020 in response to the impact of the Covid-19 pandemic and renamed "Performance 2024 extended" (P24x).

In addition to increasing efficiency, the programme also aims to scale the Group. The primary aim of the four-year programme is to strengthen long-term competitiveness, with a focus on the growth market of packaging. A variety of initiatives are being taken to enhance the range of printing presses in line with market needs, digitalise processes and reduce production costs.

Specifically, the programme provides for the following measures:

- A change in the supply chain organisation by adapting Group-wide structures, harmonising procurement and production processes and adopting innovative approaches to parts and component optimisation.
- Adjustment of cost and personnel structures and improvement of productivity by streamlining and standardising processes.
- Increased development and design effectiveness and efficiency through product, process and organisational optimisation such as design-to-cost projects.
- Continuation and acceleration of the development of new products for

packaging in sheetfed and web printing with analogue and digital printing technology, hollow-body printing, finishing as well as solutions for banknote production.

- Reduced administrative expenses through the further bundling of tasks as shared services, adjustments to sales and service structures.
- Optimisation of production and assembly plants, including intra-group sharing, relocation and realignment of production and assembly.

Assuming that all innovation processes as well as process and product developments are continued and stepped up, this should yield savings that will increase annually to reach over €100m by 2024. Koenig & Bauer is aiming for the adoption of the defined measures to have a positive impact in 2021, with more than 30% of the planned savings to be achieved. At around €46m, they were significantly higher than in the previous year. The implementation of the measures planned for 2021 should ensure that more than 60% of the total cost savings take effect in 2022. Following the completion of the measures planned for 2022 under the efficiency programme, a good 90% of the total targeted savings should be noticeable in 2023.

Provisions were recognised in 2020 for the short-term and medium term non-recurring costs of €57.6m for the personnel measures required for this, with a corresponding effect on earnings. Due to the progress made in achieving the personnel targets under P24x, no redundancies for operational reasons are necessary at the German sites in 2021 and 2022. The resultant reduction of around €23m net in the expenses required for this was made possible only through the constructive and cooperative collaboration with the employee representatives, with whom modern and socially acceptable measures to reduce job numbers were agreed upon.

"Exceeding Print" corporate strategy

The resolute continuation of the P24x initiatives will be gradually transferred to the new Group strategy adopted at the beginning of December. Koenig & Bauer has pooled its corporate goals in "Exceeding Print" by focusing on its existing strengths of sustainability, modularity and digitalisation. Based on the global megatrends and intense discussions with customers and experts, the Company has defined its strategic direction for the coming years. Megatrends play a crucial role in corporate strategic planning. They describe complex, long-term processes of transformation with enormous dimensions and effects on the economy and society. Their impact is not isolated. Rather, they influence and strengthen each other

mutually. This is also reflected in the path that Koenig & Bauer has already adopted, leading to greater digitalisation and modularity and resulting in more economic success in its core markets, especially packaging printing, as printing processes will require less material and energy, thus becoming more sustainable. The way in which Koenig & Bauer is driving forward its transformation from a traditional mechanical engineering company into an agile technology group is addressed in the three strategic areas of action.

Koenig & Bauer is becoming MORE SUSTAINABLE:

Sustainability is one of the greatest worldwide challenges of our times. It is with this in mind that Koenig & Bauer is designing its products and processes to make them ready for the future. In addition to the European Green Deal, the main drivers are the Company's own sustainability goals. Along with its responsibility towards its customers and employees, as a member of the UN Global Compact, the world's largest sustainability initiative, the Group aims to increase even further its efforts to deliver its ecological, social and community responsibilities. It is aiming to reduce the carbon emissions of its own production plants by 75% by 2025 and to be completely carbon-neutral from 2030 onwards. To support its customers in reducing their ecological footprint, the Company is pursuing the following goals:

- Accelerate the portfolio of solutions for a circular economy through products, substrates and process expertise
- Create new innovations to replace non-ecological packaging and reduce waste
- Enable customers to reduce energy and resource requirements

The Company wants to achieve these goals jointly with others; for example as a member of the 4evergreen alliance network, in which Koenig & Bauer can look for suitable solutions at an early stage with producers of paper, cardboard and folding cartons, brand owners, suppliers of technology and materials as well as the waste collection, sorting and recycling industry. Working with ClimatePartner, Koenig & Bauer supports carbon offsets by promoting certified climate protection projects. In addition, it is a partner in industry association VDMA's "BlueCompetence" sustainability initiative and is the first printing press manufacturer to join the "Healthy Printing" network.

For Koenig & Bauer, sustainability also means championing social responsibility, diversity and anti-discrimination. Greater diversity with regard to

gender, age and international background also forms part of the Company's strategic orientation as a social goal. One priority is the promotion of women, for example through mentoring and career programmes, and extensive measures for achieving a viable work-life balance, as well as anti-discrimination and anti-racism initiatives. Koenig & Bauer assumed social responsibility very early on. For more than 150 years, it has been running its own vocational school, which to this very day guides potential career-beginners and guarantees them a permanent employment contract upon the successful completion of their apprenticeships. As well as this, the Company has had its own in-company health insurance fund since 1855.

Koenig & Bauer is becoming MORE DIGITAL:

In addition to digital printing presses, this also means digital business models and processes for the Company and also involves stepping up the digital transformation within the Koenig & Bauer organisation. Alongside hardware, digital services are becoming increasingly important for networking presses, for collecting and analysing data and for managing processes efficiently. Koenig & Bauer is developing digital services on the basis of highly scalable cloud platforms, making them available to customers via a collaboration portal. The analysis of printing press data forms the basis for evaluating performance, setting benchmarks and defining industrial analytics scenarios. In combination with machine learning, Koenig & Bauer can detect potential disruptions in processes at a much earlier stage and more reliably, triggering service and maintenance on a fully automated basis. This can reduce unplanned downtimes and modify service intervals appropriately.

In addition, Koenig & Bauer's high-performance digital presses for packaging printing offer new business models for short printing runs, addressing rapidly changing requirements, security elements, track-and-trace solutions as well as personalisation and individualisation. The focus is on the entire value chain to enhance cost optimisation and sustainability. Simple human-machine interfaces help to make operation more intuitive for customers. Koenig & Bauer is responding to the trend towards hybrid printing processes for paper, cardboard, corrugated board and foil by combining analogue and digital printing and finishing technologies. This is widening the range of substrates that can be used for printing. With its forays into the food and beverage cardboard industry, Koenig & Bauer will be able to print full-colour digital prints on cardboard packaging.

The digital transformation within the Koenig & Bauer organisation is also helping us to turn “big data” into “smart data” internally and to make use of the opportunities arising from this. Group-wide networking with Google Workspace permits mobile work across different time zones, the advantages of which became particularly evident during the pandemic. Koenig & Bauer relies on SAP S/4 HANA for efficient corporate processes. This system is already in use and is being gradually rolled out across the remaining core companies.

Koenig & Bauer is becoming MORE MODULAR:

In order to offer its customers a broad range of products and solutions, Koenig & Bauer is working on a modular platform for the further development and production of its printing and finishing presses as it masters all industrial printing processes on almost all substrates in its core markets. Modularisation and standardisation offer not only flexibility and efficiency benefits but also cost-saving potential through the systematic shared use of common parts, systems, modules and platforms. This can be explained in very simplified terms by taking the modular sheet construction kit as an example. In sheet-fed printing presses, the sheets for printing are transported from a sheet feeder via the printing units to a sheet delivery unit and then deposited on a stack. Printing presses in the Sheetfed and Special segments have a sheet feeder with a very similar function. One of the purposes of the sheet construction kit is, for example, to achieve the greatest possible standardisation in the feeder model at a wide variety of different levels, such as the aggregate, individual assemblies, components and individual parts. On the one hand, this increases the number of shared parts, generating volume and scale effects that can also have a positive impact on procurement and production. At the same time, the availability of spare parts can also be increased and inventory management simplified. On the other hand, it is possible to optimise product development and design processes and assembly. From the customer’s point of view, a modular platform for future generations of printing presses means that new technologies reach the market more quickly, press operation is more consistent across the board and more uniform maintenance activities can be adopted. At the same time, there are more opportunities for innovation and individualisation, allowing bespoke solutions to be developed.

However, the “Exceeding Print” strategy goes one step further: in order to master the unique complexity of the Koenig & Bauer range, we are also working on Group-wide sales activities in addition to the modular printing

press platform. With the establishment of the Group Sales division, Koenig & Bauer has been able to take a further step towards harnessing the synergistic benefits of cross-segment sales and optimising cross-selling on the basis of a shared service promise. In addition to Group key account management as a trusted advisor for comprehensive customer support across Koenig & Bauer’s range, brand ownership management is an essential part of these activities as a basis for entering into a dialogue with international manufacturers and their packaging suppliers about possible printing and packaging technologies and trends.

Markets addressed and growth opportunities

With our range of products and services we address the sub-markets of packaging, banknote, security, industrial, commercial and publication printing and seek to make proactive use of the market opportunities currently arising. Each of these markets offers different growth opportunities, which we describe below.

Future opportunities in packaging printing and industrial printing

The Koenig & Bauer Group’s focus is on structural and sustained growth in packaging printing, which is expanding in tandem with the growth in global gross domestic product (GDP) and the world’s population. Within this market, there are attractive niches on which we are also focusing. In addition to rising global consumption, packaging consumption is benefiting from the boom in e-commerce, smaller sizes due to a greater number of one-person households and heightened regulatory requirements. New online food markets and the trend towards quick commerce, the next stage of e-commerce, are additionally spurring packaging consumption. The restrictions resulting from the Covid-19 pandemic have accelerated some of these trends. What is clear, however, is that e-commerce has emerged as the permanent winner of the coronavirus crisis. On average, global packaging printing is growing at a rate of around 4% p.a. according to various industry studies, with higher growth rates being registered for corrugated-board packaging. For Koenig & Bauer the packaging printing markets for food, beverages and pharmaceuticals are particularly attractive due to their lower cyclical sensitivity. Alongside the rising demands of consumer goods producers with respect to quality, flexibility, cost efficiency and delivery periods, trends in favour of more complex, elegant and colourful packaging will additionally spur capital spending by packaging printers. Packaging is increasingly becoming a brand ambassador and an integral part of the product experience. Unboxing is a core element of the shopping and brand

experience. This trend has also been spurred by the pandemic and is continuing. In view of the amount of time spent at home, all customer contact arises in printed form during the “unboxing” stage. This means that flyers, brochures and other printed products are enclosed in the corrugated cardboard box. In addition, more and more exclusive department stores are sending products ordered online in corrugated cardboard boxes that are printed in several colours on the inside.

Growth opportunities through digital printing and in industrial printing

Analogue technologies such as flexo, gravure, offset and screen printing dominate global packaging printing. For reasons of cost, productivity and quality, digital processes such as inkjet printing will only be successful in industrially oriented packaging printing for applications that are economically viable for customers. Technically and economically solid digital printing offers good market opportunities for business models specialising in short runs, greater personalisation and versioning, greater format flexibility, quick time-to-market production and other advantages.

Following the latest RotaJET orders, Koenig & Bauer sees great potential for the sophisticated, high-quality digital printing solution, because digital web printing opens up entirely new possibilities in the customisation of products, i.e. very small print runs, through to disruptive approaches by changing value chains. We assume that gravure and flexo presses in particular will be replaced by high-performance digital presses for industrial applications over the next few years. Digital printing technology not only simplifies the complexity of design handling but also shortens the time from design to print and offers greater flexibility in order placement and customisation of products. This is an advantage in the light of the trend towards shorter runs, more individualised products and fast time-to-market production. Decors for furniture and flooring are printed products that are becoming more and more sophisticated and creative and are also being replaced increasingly quickly in everyday use. Digital printing is spurring the trend towards individuality and design change as it permits swift production even in very small print runs. In addition, manufacturers are able to test new ideas on the market at low cost and with minimum effort. With digital preprint and direct printing on corrugated board, products can not only be placed in the market safely using water-based, food-certified ink jet ink, for example, but also communicate product information to the end consumer and attract their attention by means of seasonal corrugated-cardboard displays at the point of sale (POS), for example. Packaging is thus increasingly

taking on the function of a marketing and sales tool. The multitude of new products and the trends towards versioning and personalisation together with ever shorter marketing cycles are ushering in a change in production requirements for liquid packaging (beverage cartons) and, in the future, also film packaging. As a general principle, improved total cost of ownership is the main driver for the shift from analogue to digital production.

Service business in security printing creates stability

Thanks to its good project situation, Koenig & Bauer expects business in security printing presses to remain stable. In view of the highly intense competition, the newly developed, innovative security features are a decisive differentiator and a unique selling point. Despite the increased use of digital payment methods and the Covid-19 pandemic, global banknote production continues to grow at a moderate rate. Growing prosperity and rising population numbers in emerging markets with their high cash ratios as well as widespread scepticism towards electronic payments mean that there will be no reversal in this trend in the market in the medium term, although developments in some countries will vary. Alongside intensive work on new products and security features, service business for the large installed base is being systematically expanded and will make a good contribution to Group earnings in the medium to long term. With packaging printing contributing a larger share of Group revenue, the influence of volatile security printing business will recede.

Muted conditions in the media-related print sectors

Koenig & Bauer anticipates stable business in sheetfed offset presses for commercial printing. The global book market is proving to be flat to slightly expansionary. Web offset presses for newspaper and commercial printing are expected to decline in tandem with lower service business due to a further increase in press shutdowns and printshop closures.

Expansion of service with a focus on digitalisation

The Koenig & Bauer Group is more than just a producer of printing and postprint systems. We define ourselves as a provider of end-to-end solutions that help our customers to achieve success on the market. Our services include inspection, maintenance and calibration as well as retrofits/upgrades and service contracts. We also offer spare parts, consumables and accessories for the presses, which can be ordered online via webshops. Training and consulting services are also provided because innovative presses together with qualified personnel and the identification of potential

for improvement in the printshop workflow are crucial for achieving greater productivity and quality along the entire production process. Workflows in the printing industry are becoming increasingly digital and networked. Ever smaller print runs have to be produced in ever shorter times in a high quality and at competitive prices. For this reason, the Koenig & Bauer Group offers integrated workflow solutions to boost productivity and competitiveness.

Remote diagnosis tools have been part of our control centre technology since 1995. Digitalisation is creating increasingly effective services in this area. "Visual ServiceSupport" gives users and hotline technicians a tool allowing them to see exactly what printers or service technicians see when they are standing in front of the press. They can view processes and sequences in the form of moving images and thus gain a quick and comprehensive overview of the state of the press. This facilitates communications, obviates the need for extensive descriptions and reduces the risk of misunderstandings compared with a conventional telephone conversation. "Visual ServiceSupport" thus helps to increase the first-time-fix rate in service cases.

Our integrated workflow solutions are based on the principle of the "networked print factory", where products, presses and tools constantly share information via RFID chips and sensors. The presses self-configure, switch between different jobs fully automatically and support the operators in their work. This requires tight integration of all business processes with production and the measurement and control systems fitted to the presses. It is achieved by linking data from sales, order preparation, planning, production, controlling, logistics and even web-to-print systems. Information from all process steps along the value chain is available enterprise-wide and in real time. This gives management a 360-degree view of the Company. Our demonstration centre for digital networking solutions in Radebeul shows various workflow solutions. As different presses and programmes are used in each individual case, the optimum workflow cannot be bought off the peg, which is why Koenig & Bauer advises its customers individually.

With "Predictive Maintenance", we offer our customers a pre-emptive service for our presses and systems to identify faults before they occur and cause unplanned downtimes. We use the sensor data and performance data of the presses installed and networked in the market to identify and

proactively prevent a potential malfunction before it occurs using complex algorithms and artificial intelligence methods.

Our digital customer portal, the "Customer Community", offers our Rapida customers a growing number of digital services combined in a user-friendly and device-agnostic user interface. Via this platform, customers also have access to performance data on their presses via dynamic or performance reports, which offer an overview of the key performance indicators (KPIs) of the press. This gives them access to information at any time and from any location, while at the same time providing them with individual support. The automatically filed predictive maintenance service cases and the information provided to customers in this context by our service engineers allow us to turn unplanned downtimes into planned ones, thus increasing press availability and, not least of all, our customers' productivity.

"Managed Services" is a virtual assistant supporting customers in the marking and coding segment. The Kyana dashboard provides an overview of the integrated systems, thus making monitoring and central control of networked production facilities easier and safer. At the same time, Kyana provides real-time data around the clock and enables optimum remote service. The Kyana chatbot answers questions about the alphaJET inkjet printer at any time.

Koenig & Bauer is consistently expanding the Customer Community to make it the central platform for service management, customer communications and also for the monetisation of digital services and products. Looking forward, the Customer Community will be launched under the name "myKyana" with new branding and an expanded range of functions available to all Koenig & Bauer customers.

Planning, control and monitoring

Comprehensive set of tools for efficient Group planning and control

The established business management system with differentiated cost accounting provides management with a swift, valid and meaningful set of figures for operational controlling, efficient monitoring and strategic planning and management of the Group and the segments. In addition to central Group controlling for overarching Group and segment management, the individual business units have access to controlling resources.

The results of the annual strategy process culminate in high-level business planning and are presented in detail in the ensuing integrated budget planning phase. The planning horizon for high-level business planning and budget planning is five years. P24x is also embedded in high-level business planning – the content of the programme is controlled in the corresponding workstreams and steering committees as well as a corresponding tool at the system level. The budgets prepared by the Group and the segments are based on detailed income statements, balance sheets and cash flow statements for all consolidated Group companies compiled on a monthly basis in the first two years. Forecasts for the current year are updated on the basis of the reported figures at the same time as the semi-annual and quarterly (Q1 and Q3) financial statements are prepared and also shortly before the end of the year. Scenario analyses simulate different market and cost parameters on a case-by-case basis.

Detailed monthly reporting tracks the current business and earnings situation as well as trends in net working capital and is discussed in the monthly earnings meetings. Service reporting permits efficient coordination of the service activities. Roll-over liquidity previews with cash management provide an accurate view of the financial situation. A 24-month liquidity budget has been prepared since January 2021. Regular reviews by Group management with the responsible segment managers addressing the economic and financial situation, current trends and forecasts supplement ongoing deviation analyses performed by controlling. Measures are defined in the event of any negative deviation in the interests of a swift and targeted response. Systematic implementation of the measures is tracked by close monitoring. Opportunities and risks are detected at an early stage by means of a roll-over budget, forecast and reporting process. A risk early detection system has been established to monitor developments and to identify possible threats to the Company's going-concern status. Any necessary decisions can be made at an early stage on the basis of this comprehensive assessment of Group and segment performance.

The Koenig & Bauer Group tracks revenue and the EBIT margin calculated in accordance with the International Financial Reporting Standards (IFRS) in the version endorsed by the EU on a cross-segment basis as its main target-achievement and management indicators. In addition to these two main financial performance indicators, the Management Board additionally receives reports on order intake, order backlog and service business indicators. Changes in capital employed are monitored on the basis of the

cash conversion cycle. To determine this indicator, the ratio of inventories, advance payments for inventories and trade receivables less trade payables and customer prepayments to revenue is calculated. In addition to financial indicators, the Management Board also tracks non-financial performance indicators, particularly quality assurance costs and staff development.

Target agreements providing for variable remuneration components tied to Group, segment and/or personal goals for the year for all executives and non-pay-scale employees heighten motivation and commitment towards the achievement of the Company's goals.

Research and development

Koenig & Bauer focuses on workflow and digitalisation solutions

Alongside new product developments and enhancements with a focus on packaging and industrial printing, new customer-oriented digital services form the main thrust of Koenig & Bauer's research and development activities. By offering customised and integrated solutions, we want to improve our customers' competitiveness by means of improved quality and productivity as well as greater transparency. Group research and development expenses equalled 4.2% of revenue in 2021 (previous year: 3.8%). As well as this, development costs equivalent to 0.5% of revenue were capitalised (2020: 1.1%). Looking forward, the Koenig & Bauer Group's research and development expenditure will not be curtailed despite the challenging business environment.

In addition to the design-based revisions to press performance, our new and further developments in the **Sheetfed segment** focused on different formats and efforts to ready the new products for series production together with press design. The new products primarily aim to increase productivity, e.g. with respect to printing plate logistics, which results in improved quality and efficiency, especially for customers with frequent print job changes. In addition, there were further developments in the range of printing substrates. In sheetfed digital printing, further enhancements were made to the VariJET106 together with our partner Durst and unveiled in autumn 2021. In the postpress segment, which includes rotary and flatbed die-cutters as well as folding-box gluers, the new Ipress 145 K PRO large-format press generation was presented alongside other product developments.

In the **Digital & Webfed segment**, the focus was on product enhancements and particularly also the new pre-toolable rotary press for CorruCUT. This development makes it possible to pre-fit the punching cylinder not in use during production, thus reducing downtimes and boosting productivity. In the area of digital web printing, investments were made in the further development of software, ink and the range of substrates for printing with the RotaJET press. This latter aspect should also be seen in the light of the ability of the press to print on different substrates – from beverage packaging to decors such as laminates and thin paper – and these each have unique requirements or properties.

In the **Special segment**, Group subsidiary MetalPrint launched MetalStar 4, a new generation of sheet metal printing presses. In addition to the new Laika series, Banknote Solutions also developed two smartphone apps in the year under review. ValiCash™ performs a check based primarily on a structural analysis of intaglio printing and the specific optical features of high-security printing in general by taking a simple photo of the banknote. This technology will particularly help to promote intaglio printing as an essential process in the banknote industry and for other high-security printed products. This verification technology can also be applied to other products such as tax stamps or birth certificates. Smill™ allows users to store digital content on a physical banknote. Both apps help to promote the use of cash, make it safer and easier to handle, add further functions and open up a pipeline of different business models in different markets. For the first time, Group subsidiary Kammann successfully launched a method known as “Digital Printed Relief” for producing embossed structures on glass by means of digital printing in the production environment. This gives customers greater flexibility in decorating products and lowering their costs as dedicated glass shapes are no longer needed. In developing the new alphaJET5 X inkjet printer, Group subsidiary Coding has focused on a new design and operating concept. The printer can now be operated intuitively like a smartphone via wipe gestures, while the system’s extensive connectivity opens up a full range of possibilities for managed services and predictive maintenance.

The connected customer

Using modern technologies such as artificial intelligence with learning algorithms and the Industrial Internet of Things (IoT), Koenig & Bauer is developing the “Connected Customer”. The purpose of predictive maintenance is to detect faults before they cause a press to stop, to minimise

downtimes and to convert unplanned downtimes into planned ones. To enable predictive maintenance of printing presses, large amounts of data are collected using artificial intelligence and evaluated at high speed and with a high degree of precision. With the end-to-end IoT-based service process, potential faults and their causes are automatically analysed in the presses before they occur. The results of this analysis are available to all service system operatives including the service technician on site. In addition to this information on the current service case, technicians can also access the full press and service history via the field service app on their mobile device. In this way, service managers plan remote maintenance, required service deployments and downtimes in a customer-friendly and cost-effective manner during production-free times. Further modules to expand the customer community were developed in the year under review. Using Performance Analytics Plus, for example, customers will receive a modern business intelligence tool and instrument that ensures high transparency in the customer’s value chain and supports him in boosting efficiency and effectiveness by means of overall equipment efficiency dashboards and highly customisable diagrams.

Quality management

We want to strengthen customer satisfaction and increase customer loyalty with our standards of quality. Accordingly, we are focusing on optimising all relevant internal processes to offer our customers the best possible quality in our products and services. Quality management covers the entire process chain from product development to after-sales service. We systematically and consistently protect our high quality standards by means of clear rules for contracts, comprehensive control, acceptance and testing processes for the purchase of components, in the production and assembly phase and in the launch of new innovations. Overall, we have achieved further progress in lowering our quality costs but see further considerable potential for reinforcing our quality leadership.

Business report

Macroeconomic and industry conditions

Following the historic slump in the global economy in the wake of the previous year's global Covid-19 pandemic, the International Monetary Fund (IMF) originally stated in January that it expected an economic recovery to emerge in 2021, with growth in global production of 5.5%. In April, it revised its forecast for world economic growth upwards by 0.5% due to the availability of vaccinations, the greater adaptability of the economy and measures to stimulate the economy and the labour market. This was followed in October by a further correction, this time by 0.1% downwards, in response to the spread of the highly contagious delta variant, which triggered a fourth wave of the pandemic and new restrictions in many countries. In addition, after several years of low inflation rates, prices rose at an unusually swift rate. In addition to baseline effects, the second half of the year saw large increases as the prices of fossil-based commodities triggered an increase in energy costs, while persistent supply chain constraints drove up transport costs and the prices of various consumer and industrial goods. The global economy came under renewed pressure with the emergence of the omicron variant in November. All told, the IMF assumes that global economic output grew by 5.9% in price-adjusted terms in 2021 as a whole. In the developed economies, the recovery process has not been as consistent as expected. They were particularly hit by the heightened strain on the global production networks, especially in the manufacturing sector. As a result, several countries were unable to achieve the growth targets that had been initially forecast.

Year-on-year gross domestic product (%)

Country/region	2019	2020	2021 (estimate)
Global	2.8	-3.1	5.9
Developed economies	1.7	-4.5	5.0
Eurozone	1.5	-6.4	5.2
Germany	1.0	-4.6	2.7
France	1.8	-8.0	6.7
Italy	0.3	-8.9	6.2
Spain	2.1	-10.8	4.9
United Kingdom	1.4	-9.4	7.2
United States	2.3	-3.4	5.6
Japan	0.0	-4.5	1.6
Emerging markets and developing countries	3.7	-2.0	6.5
ASEAN*	4.9	-3.4	3.1
Brazil	1.4	-3.9	4.7
China	6.0	2.3	8.1
India**	4.0	-7.3	9.0
Russia	2.0	-2.7	4.5

*) Indonesia, Malaysia, Philippines, Thailand, Vietnam.
 **) Fiscal year from 1 April to 31 March

The German Mechanical and Plant Engineering Association (VDMA) also raised its forecast for mechanical engineering production in Germany for 2021 several times during the year: in January 2021, it projected an increase of 4% in real terms, raising this figure to 7% in April and 10% in June, which it subsequently confirmed in October. In mid-December 2021, the VDMA revised its forecast downwards again to a price-adjusted year-on-year increase of 7% (as of February 2022, still provisional result; corrections still pending). According to revised figures of the German Federal Statistical Office, production in the machinery and plant engineering sector in Germany increased by 6.4% in real terms in 2021. This almost matches the estimate of the VDMA economists. In summary, it notes that production growth could have been significantly higher if the supply chain constraints had not placed such a damper on mechanical engineering output, as order intake had been very promising in real terms, rising by roughly 32% over the year as a whole. However, supply chains came under strong pressure from the rapid rise in demand, triggering persistent shortfalls in the availability of intermediate products and raw materials. These were particularly pronounced in the case of electronic components and metal products.

Logistics bottlenecks are exacerbating the supply chain constraints even further, for example due to the lack of euro pallets and containers. Temporary pandemic-related port closures, such as in China, also had a negative impact. All told, revenue from mechanical and plant engineering sales climbed by 6.6% in price-adjusted terms. In the printing press sector, order intake rose by a price-adjusted year-on-year rate of 22.5% in 2021. Growth of 7.1% was registered in the fourth quarter. Revenue climbed by 4.9% year-on-year in price-adjusted terms but fell short of the same quarter of the previous year by 1.8% in the fourth quarter.

The first few months of 2022 continue to be dominated worldwide by the Covid-19 pandemic, the conflict between Russia and Ukraine, the protracted delivery shortfalls and the related increase in the cost of materials as well as reduced transport capacity and increased energy costs.

Business performance

Overall statement on business performance

With its international orientation and large export quota, the Koenig & Bauer Group's business performance in 2021 was influenced by the impact of and uncertainty arising from the global Covid-19 pandemic. Additional strain came from supply chain constraints and, resulting from this, the increase in the price of materials as well as insufficient transport capacities. The Koenig & Bauer Group took extensive measures at an early stage to prepare for the challenging conditions, offering tests and vaccinations at its sites in the interests of ensuring a safe working environment and to simplify the necessary business travel by employees. Despite local restrictions, production, which is based solely in Europe, was maintained and the spare parts depots in Europe, Asia and the United States remained in operation, with warehoused parts dispatched to destinations around the world every day. However, the travel restrictions impeded the worldwide deployment of Koenig & Bauer assembly staff and service technicians in view of the spread of the pandemic. For this reason, modern remote maintenance technology is of particular importance in a pandemic. Thanks to "Visual ServiceSupport", the Koenig & Bauer Group is available to its customers around the clock and is able to resolve more than 80% of customer service queries quickly and easily without the physical presence of the service technician. The measures introduced in the previous year to maintain delivery and service capabilities as well as supplies of spare parts were duly continued

and stepped up in response to the ongoing delivery shortfalls for key input products as well as low transport capacities. Koenig & Bauer announced a moderate price adjustment for its entire product range in May due to the reduced availability of raw materials.

The final quarter increasingly came under pressure from the coronavirus delta variant, the slowing vaccination rates and the emergence of the new omicron variant in November. In addition, it became evident that the global material and capacity constraints were set to be more extensive and protracted than originally expected, hampering global industrial production. Moreover, energy costs rose sharply in the fourth quarter, and here as well there is no end in sight.

In 2021, the Company worked successfully on the P24x efficiency programme, which had been adopted in September 2020. Provisions were recognised in 2020 through profit and loss for the short-term and medium term non-recurring costs of €57.6m for personnel measures required for this and reduced by roughly €23m net in 2021 due to the progress made in reaching the personnel targets. Koenig & Bauer assumed that 30% of the gross savings defined would be achieved in the year under review, adding more than €100m to Group earnings. This target was already achieved after nine months, with savings reaching roughly €31m. At around €46m as of 31 December 2021, they were significantly higher than in the previous year. This was particularly spurred by measures aimed at boosting the Group's productivity as well as adjustments to capacities and lower quality assurance expenses. Sustainable savings were generated through cost reductions in sales and service activities and by merging the design and service departments of several business units. Furthermore, successful negotiations with suppliers and optimised discounts resulted in significant purchasing benefits, which also fundamentally offset the current price increases.

In addition to strict cost and investment management through improvements to working capital and cash flow, liquidity preservation was also a key priority. In response to the capacity utilisation shortfalls, short-time working was also introduced at various locations from 1 January 2021 – albeit to a lesser extent than in the previous year – in addition to the use of flexible working hours. To strengthen the Group's stability and strategic flexibility, the Company obtained a flexibly repayable KfW loan of up to €120m in November 2020 to supplement the existing syndicated credit facilities. As no dividend distributions are permitted during the term of the KfW loan,

the Management Board and the Supervisory Board will be proposing to the Annual General Meeting that the net profit achieved by the holding company Koenig & Bauer AG be retained. For this reason, the Company aims to discharge the KfW loan as quickly as possible so that dividend distributions can be resumed. Financially, the Koenig & Bauer Group is well positioned with a Group equity ratio of roughly 29% and more than €250m in freely available cash and cash equivalents. This was also aided by active net working capital management in the year under review.

At the end of November 2021, the Koenig & Bauer Group announced its “Exceeding Print” strategy, which is aimed at driving forward its transformation from a traditional mechanical engineering company into an agile technology group. The path that it has already embarked upon is leading to greater digitalisation and modularity, resulting in additional economic success in its core markets, especially packaging printing. Printing processes are using less material and energy, thus becoming more sustainable. In addition, Koenig & Bauer is setting itself further sustainability goals with its new “Exceeding Print” corporate strategy.

Operating earnings continued to improve from quarter to quarter in 2021. At €806.8m at the end of December, the order backlog was high, also compared to previous years. At the level of the individual segments, the recovery was particularly evident from the first quarter with strong order intake in the Sheetfed segment. This was followed in June by MetalPrint, which is part of the Special segment and registered one of the best order intakes in its history. Securities business, which forms part the Special segment, also bounced back in the third quarter with strong order intake. Starting in the third quarter, the Digital & Webfed segment showed signs of recovery, which strengthened in the fourth quarter.

In 2021, the Bauer & Koenig Bauer Group generated revenue of €1,115.8m (previous year: €1,028.6m) and consolidated earnings before interest and taxes (EBIT) of €28.5m (previous year: €-67.9m), translating into an EBIT margin of 2.6% (previous year: -6.6%). The segments contributed the following EBIT in 2021: Sheetfed €24.0m (2020: €-27.8m); Digital & Webfed €-38.5m (2020: €-25.5m), Special €34.9m (2020: €-31.8m). Group revenue thus increased by a rate within the expected range of 7-10%, rising to €1,100-1,135m, with the EBIT margin exceeding the Company’s own forecast of 2.0%. The Sheetfed and Special segments made a disproportionately strong contribution to this improvement in earnings, while the earnings

contribution made by the Digital & Webfed segment was smaller.

With the publication of the figures for the second quarter of 2021, the original forecast was fleshed out in greater detail. It assumed slight organic revenue growth of 4.0% to €1,070m and balanced EBIT but did not include the effects of the adjustment to the restructuring provisions for P24x.

To summarise, the Koenig & Bauer Group’s business performance and business situation in 2021 were better than expected in the light of the effects of the Covid-19 pandemic, the supply chain constraints and, resulting from these, higher material prices and shortfalls in transport capacity.

Earnings

Roughly 32% increase in Group order intake

Order intake gradually returned to pre-crisis levels over the course of the year. At €1,290.6m as of 31 December 2021, Group orders exceeded the previous year’s figure of €974.7m by 32.4% and were thus above the industry trend for printing presses of 22.5%. In the fourth quarter of 2021, new orders increased by 19.1% to €312.0m, thus substantially outpacing the industry-wide growth rate for October - December 2021 of 7.1%.

Group order intake

in €m	2020	2021
Sheetfed	594.6	751.9
Digital & Webfed	109.0	142.3
Special	306.1	430.4
Reconciliation	-35.0	-34.0
Total	974.7	1,290.6

Group revenue up roughly 9% on the previous year

At €1,115.8m, Group revenue for the year ending 31 December 2021 was up 8.5% on the previous year (31 December 2020: €1,028.6m) despite the protracted pandemic-related restrictions. This exceeded the industry-wide increase of 4.9% in revenues from printing presses registered by VDMA. Revenue increased from quarter to quarter, reaching €328.4m in the fourth quarter. This was 24.3% up on the good quarter of the previous year (€264.1m) and easily exceeded the negative industry average of -1.8%.

Group revenue

in €m	2020	2021
Sheetfed	555.6	642.4
Digital & Webfed	128.9	121.4
Special	377.3	390.2
Reconciliation	-33.2	-38.2
Total	1,028.6	1,115.8

Nearly 30% of the Group's revenue was achieved from service business. This means that the target of 30% was also reached on the basis of higher new press business than in the previous year.

Group revenue by product group

in €m	2020	2021
Service	301.2	329.8
Machines	717.6	774.3

The Group export ratio widened from 84.6% to 86.2%, with the proportion of business coming from Latin America and Africa growing substantially to 11.8% (previous year: 8.8%), while Asia/Pacific also accounted for a higher share of 26.0% (previous year: 24.8%). The share of revenue coming from Germany (13.8%), Europe excluding Germany (32.6%) and North America (15.8%) was down on the previous year (15.4%, 32.9% and 18.1%, respectively).

Geographical breakdown of revenue

in €m	2020	2021
Germany	158.7	153.8
Rest of Europe	338.2	364.4
North America	185.9	176.7
Asia/Pacific	255.2	289.6
Africa/Latin America	90.6	131.3
Total	1,028.6	1,115.8

in %

Germany	15.4	13.8
Rest of Europe	32.9	32.6
North America	18.1	15.8
Asia/Pacific	24.8	26.0
Africa/Latin America	8.8	11.8

After a roughly 30% increase, order backlog high

At €806.8m as of 31 December 2021, order backlog was up 27.7% on the previous year's figure of €632.0m, thus reaching a high level compared with earlier years and forming a solid basis for 2022.

Group order backlog

in €m	2020	2021
Sheetfed	332.1	441.6
Digital & Webfed	67.6	88.5
Special	237.4	277.6
Reconciliation	-5.1	-0.9
Total	632.0	806.8

Earnings improved

Despite the ongoing pandemic in 2021 and a challenging procurement environment, earnings improved thanks to the swifter emergence of the savings effects under the P24x efficiency programme and the more efficient implementation of the related personnel measures. Earnings in the individual segments improved at different points in time, as each segment reacted differently to the pandemic as well as the supply chain constraints and the resultant increases in the prices of materials. Non-recurring effects

in 2021 with an impact on the Group's business performance arose from adjustments of around €23m net to the restructuring provisions for the P24x efficiency programme. In the previous year, non-recurring effects had amounted to around €-49m with a corresponding effect on the Group's earnings. Service business, whose share in revenue widened to 29.6% (previous year: 29.3%) despite the decline in Digital & Webfed, is the Group's main source of revenue. With the P24x efficiency programme, we are working intensely on improving earnings from new press business as well. The "Exceeding Print" strategy is focusing on our strengths and thus also vigorously pursuing the goal of permanently widening the share of service business in Group revenue to 30%.

EBIT margin of 2.6% achieved

Despite the pandemic, reduced short-time working and positive volume and mix effects, gross profit increased by 48.4% in 2021 to €298.1m (2020: €200.9m) thanks to lower production costs among other things. Reflecting this, the gross margin widened to 26.7% (2020: 19.5%). At €46.7m, R&D expenses were up on the previous year's figure of €39.1m. Selling expenses increased slightly by €1.4m to €131.1m. Administration expenses fell by €6.3m to €88.4m in the same period. Net other expenses came to €-4.4m, compared with €-6.9m in the previous year.

Accordingly, EBIT reached €28.5m in 2021 (2020: €-67.9m). The improvement of €96.4m over the previous year is mainly due to the more efficient implementation of the P24x personnel measures despite the lower use of short-time work (roughly €22m), positive volume and mix effects (roughly €1.2m) in spite of the increase in the cost of materials in the high single-digit million euros and the cumulative non-recurring effects arising in the previous year (roughly €49m). This is also reflected in the adjustment of the restructuring provisions for the efficiency programme (roughly €23m net) and the P24x savings effects (roughly €46m). In particular, Koenig & Bauer succeeded in replacing the cost-reduction effects from the use of short-time working in the previous year with long-term and sustainable measures under P24x. Consequently, the EBIT margin improved from -6.6% to 2.6% in 2021. Adjusted for the changes to the P24x restructuring provisions, EBIT came to €5.7m; adjusted for the accumulated non-recurring effects, EBIT had equalled €-18.9m in the previous year. EBIT reached €11.8m in the fourth quarter (2020: €6.2m), thus marking a further sequential improvement to earnings in the year under review.

The interest result of €-9.5m (2019: €-5.6m) led to earnings before taxes (EBT) of €19.0m, compared with €-73.5m in the previous year. Income taxes amounted to €4.5m (previous year: €29.6m). The higher tax expense in the previous year is primarily due to impairments of deferred tax assets on unused tax losses, which were not considered to be recoverable for the purposes of the preparation of a new integrated five-year plan. At €14.5m (previous year: €-103.1m), Group net profit translates into earnings per share of €0.83 in 2021 (previous year: €-6.27).

Group income statement

in €m	2020	2021
Revenue	1,028.6	1,115.8
Cost of sales	-827.7	-817.7
Gross profit	200.9	298.1
Research and development costs	-39.1	-46.7
Distribution costs	-129.7	-131.1
Administrative expenses	-94.7	-88.4
Other operating income/expenses	-6.9	-4.4
Impairment gains and losses on financial assets	1.6	0.9
Other financial results	-	0.1
Earnings before interest and taxes (EBIT)	-67.9	28.5
Interest result	-5.6	-9.5
Earnings before taxes (EBT)	-73.5	19.0
Income tax expense	-29.6	-4.5
Net profit	-103.1	14.5
Earnings per share	-6.27	0.83
% of revenue	2020	2021
Cost of sales	-80.5	-73.3
Research and development costs	-3.8	-4.2
Distribution costs	-12.6	-11.7
Administrative expenses	-9.2	-7.9
Other income/expenses	-0.6	-0.4
Interest result	-0.5	-0.9
Income taxes	-2.9	-0.4
Net profit	-10.0	1.3

Finances

Substantial improvement in cash flow from operating activities and in free cash flow; net financial debt reduced

Cash flow from operating activities improved significantly, rising to €95.0m in the period under review, compared with €12.2m in the previous year. Cash flow from investing activities came to €-38.7m (31 December 2020: €-36.3m). Free cash flow also improved substantially, widening from €-24.1 in the previous year to €56.3m. The increase of €80.4m was materially underpinned by the reduction in net working capital from €344.0m as of 31 December 2020 to €297.1m. Cash flow from financing activities came to €-68.4m (31 December 2020: €-25.0m) due to the partial repayment of the syndicated loan of €60.0m. At the end of December 2021, cash and cash equivalents stood at €129.5m (31 December 2020: €137.8m), with freely available liquid funds exceeding €250m. Adjusted for bank liabilities of €126.6m, net financial debt improved substantially by €50.0m to €2.9m (31 December 2020: €-47.1m). The Group has access to syndicated credit facilities of a total of €400m from a consortium of excellent banks. The syndicated finance, which consists of a guarantee credit facility and a revolving credit facility of €200m each, has a term expiring in December 2024. Against the backdrop of the Covid-19 pandemic and the related funding programmes, Koenig & Bauer was also able to reach an agreement with KfW and the syndicate banks in 2020 to increase the revolving credit facility by €120m on standard market terms in order to ensure the Company's economic stability. This adjusted facility also has a term expiring in December 2024. The Group-wide external financing framework also consists of further bilateral credit facilities, including for guarantee lines.

Assets

Increase in equity ratio to roughly 29.0%

The consolidated net profit of €14.5m (31 December 2020: consolidated net loss of €103.1m) contributed significantly to the increase in equity to €369.4m and in the equity ratio to 28.7% (31 December 2020: €342.2m and 25.9%, respectively). The Koenig & Bauer Group's balance sheet total fell to €1,288.7m as of 31 December 2021, down €32.4m on the previous year's figure of €1,321.1m.

Assets: net working capital reduced

36.5m (31 December 2020: €46.5m) was spent on property, plant and equipment and intangible assets in connection with construction and IT projects in the period under review. Capital spending includes capitalised development costs of €5.5m (31 December 2020: €11.8m). This was accompanied by depreciation and amortisation expense of €37.9m (previous year: €34.5m). On balance, intangible assets and property, plant and equipment dropped slightly from €392.3m to €387.3m. With financial investments and other financial receivables up slightly on the previous year accompanied by somewhat higher deferred tax assets, **non-current assets** came to €507.6m and were virtually unchanged over the previous year's figure of €509.7m. **Current assets** decreased by €30.3m to €781.1m, down from €811.4m in the previous year. This was mainly due to the decline of €26.0m in inventories to €331.6m (31 December 2020: €357.6m). As of the end of the year on 31 December 2021, cash and cash equivalents were down €8.3m, standing at €129.5m (31 December 2020: €137.8m). As a result, net working capital fell by €46.9m to €297.1m as of 31 December 2021 (31 December 2020: €344.0m).

Equity and liabilities: net financial debt down over the previous year

The Koenig & Bauer Group's equity rose to €369.4m as of 31 December 2021. Provisions for retirement benefits and similar obligations dropped to €140.8m as of 31 December 2021 (31 December 2020: €165.6m) mainly due to the increase in the discount rate for domestic retirement benefits from 0.9% as of 31 December 2020 to 1.5%. Non-current other provisions rose by €7.6m to €47.9m (31 December 2020: €40.3m). By contrast, non-current financial liabilities and other financial liabilities were reduced by €52.0m to €117.6m as of the reporting date, mainly due to the repayment of the syndicated loan of €60.0m (31 December 2020: €169.6m). Overall, this resulted in a **reduction in non-current liabilities** of €69.3m to €384.7m as of 31 December 2021 (31 December 2020: €454.0m).

On the other hand, **current liabilities** rose slightly by €9.7m to €534.6m (31 December 2020: €524.9m). Current other provisions fell by €21.1m, mainly due to the partial adjustment of around €23m net to the P24x restructuring provisions to €103.7m (31 December 2020: €124.8m). This was offset by an increase of €29.4m in current other liabilities to €251.2m (31 December 2020: €221.8m) as a result of higher liabilities from other taxes.

Group assets and capital structure

	Non-current assets	Current assets less funds	Funds
2021	39.4	50.6	10.0
2020	38.6	51.0	10.4
	Non-current assets	Current assets less funds	Funds

	Equity	Non-current liabilities	Current liabilities
2021	28.7	29.8	41.5
2020	25.9	34.4	39.7
	Equity	Non-current liabilities	Current liabilities

web digital printing with RotaJET presses, HP presses and flexible packaging printing resulted in an increase, especially in the fourth quarter. Orders for web offset presses moved in the opposite direction. At €121.4m, revenue was slightly down on the previous year's figure of €128.9m. Order backlog increased by 30.9% to €88.5m as of 31 December 2021 (previous year: €67.6m). In addition to customers' pandemic-related purchasing restraint, EBIT was still impacted by start-up costs and investments in further product development, reaching €-38.5m (previous year: €-25.5m). Accordingly, the EBIT margin came to -31.7%, compared with -19.8% in the previous year. The adjustment to the P24x restructuring provisions had a negative impact of €6.0m on EBIT.

Segment performance

Sheetfed consistently up on the previous year

In the Sheetfed segment, order intake in particular was very favourable in 2021 thanks to higher orders for sheetfed offset presses and the post-press range. More service orders also led to an increase of 26.5% to €751.9m, which was above the industry average for printing presses of 22.5% (previous year: €594.6m). At the end of the year, revenue was up 15.6%, rising to €642.4m (previous year: €555.6m) and thus significantly exceeding the industry-wide growth of 4.9% registered by VDMA. With the book-to-bill ratio standing at 1.17 (previous year: 1.07), the order backlog rose from €332.1m to a historical high of €441.6m as of 31 December 2021. EBIT increased by €51.8m to €24.0m, translating into an EBIT margin of 3.7% (previous year: -5.0%). The adjustment to the P24x restructuring provisions had a positive impact of €8.9m on EBIT.

Digital & Webfed showing signs of a recovery in order intake in the second half of the year

Order intake in the Digital & Webfed segment was still heavily burdened by pandemic-related spending restraint in the first half of the year but increased cumulatively by 30.6% to €142.3m (previous year: €109.0m), thus exceeding the industry average of 22.5%. In addition to more service orders, higher orders for corrugated board printing presses (Corru family),

Special with a roughly 40% increase in new orders

At €430.4m as of 31 December 2021, order intake in the Special segment exceeded the previous year's figure of €306.1m by 40.6%. This also exceeded the industry-wide average increase of 22.5% registered by VDMA. The growth in orders was also underpinned by a greater number of service orders from all businesses. Revenue grew by 3.4% from €377.3m in the previous year to €390.2m. At €277.6m, the order backlog as of the end of the year was up 16.9% on the previous year's figure of €237.4m. In the period under review, EBIT increased by €66.7m to €34.9m (previous year: €-31.8m), mainly driven by a strong final quarter. Accordingly, the EBIT margin reached 8.9%, up from -8.4% in the previous year. The adjustment to the P24x restructuring provisions had a positive impact of €18.1m on EBIT.

Risk report

Group-wide risk management system

Risks arise from insufficient knowledge of all determinants influencing the occurrence of an event with a possibly negative impact. All business activity entails risks which may have an adverse effect on the Company's ability to achieve its targets. At the same time, entrepreneurial activity means consciously accepting risks to act on opportunities for enhancing enterprise value. If risks are not detected, allowed for and addressed, they may pose a risk to the Company's successful performance.

The Management Board has implemented a Group-wide system for identifying and managing risks so that management is able to respond to the current risk situation by taking early and appropriate measures. This system ensures that possible risks to the Company's business performance are reported at an early stage and their extent rendered transparent and that they are in line with the risk-bearing capacity and the risk tolerance defined by the Management Board. Extreme risks, i.e. risks that may have a very severe effect, but which have a very low probability of occurring, are also addressed. In addition to reporting critical market and corporate developments complete with their possible impact on the Company's results of operations, financial condition and net assets, the risk management system heightens general risk awareness on the part of managers and staff.

In addition to identifying and assessing risks that affect our earnings, financial condition and net assets, the Group-wide risk management system also systematically records risks that Koenig & Bauer triggers, supports or tolerates and that affect the environment or the general public.

Established risk management process

Koenig & Bauer's risk management structure is made up of the central risk coordination unit that reports directly to the Management Board, the risk managers in the companies and business units and the managing directors of the group companies that are included in the scope of risk consolidation. The Management Board controls the risk management system at the Group level and is monitored by the Supervisory Board. The risk management system covers the production units as well as the main sales and service companies. The risk owners at the operating units perform semi-annual local risk inventories and submit corresponding reports. The management of

the operating units in question then reviews the reports for any omissions and evaluates the risks.

A bottom-up approach is applied in which possible risks are reported to the responsible executives combined with a top-down approach comprising a list of assumed basic risk defined by the Group. In addition, the owners of the main strategic projects and value-creation processes are responsible for monitoring project and process risks. In addition to the semi-annual, Group-wide survey of the risk situation, the Group Policy requires the imposition of a duty to report on an ad hoc basis any risks that exceed a defined threshold. In addition, Group Controlling, on behalf of the Management Board, prepares impact analyses based on defined scenarios for current exogenous situations with a potential impact on the order situation, project execution and Group earnings.

The Group's risk management policy documents the tools, processes, relevant factors, reporting channels and risk categories. The Koenig & Bauer Group's risk management system is based on the provisions of German company law and the German Accounting Standards as well as the principles and models of the Institute of Internal Auditors (IAA) and the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Systematic handling of risks creates high transparency for pre-emptive, goal-oriented action.

For the purposes of more accurate coordination of risk-avoidance and mitigation measures, risk is calculated as a negative deviation from an expected figure. This approach systematically tracks risks that are already included in corporate planning as well as additional latent risks that are not accounted for.

Due allowance is made for the risk mitigation precautions already established, after which net risk is quantified according to probability and potential impact on Group earnings on the basis of clearly described scenarios. The underlying assessment period extends to the end of the year following the reporting year. A standardised approach is applied to achieve a systematic and uniform evaluation of risks. Quantitative or qualitative risks which either individually or together with other similar risks exceed a value of €0.5m and a probability of 10% are reported to the Management Board. These risks are aggregated in risk groups according to the following matrix and classified as low, moderate or significant. Furthermore, extreme risks

are also analysed in qualitative terms in the risk management process and any necessary measures defined on this basis.

In addition to monthly Group reporting, the risk management system is supplemented with the established and additionally enhanced operational management elements. These particularly include regular financial reviews. The plans are reviewed during the year on the basis of controlling forecasts. In the event of any actual or expected deviations, suitable precautions and countermeasures are defined with minimum delay and implemented by management. The risk management system installed by the Management Board is reviewed annually by the Supervisory Board's audit committee and reviewed by the external auditor in accordance with statutory requirements. Internal auditing oversees the reporting process and checks it for plausibility.

Description of risks

The following section describes the material risks to which the Group is exposed. In the absence of any indication to the contrary, they are equally relevant for all segments. Group reporting assigns risks to the following categories: business risks, financial risks, operating risks and other risks. The order in which risks are described within the individual categories reflects the potential impact of the risk on the Group's performance. Risks with a higher potential impact are described before those with a lower impact.

Risk matrix

Effect on Group net profit

Very high > €20m	moderate	moderate	significant	significant	Probability
High > €10m–€20m	moderate	moderate	moderate	significant	
Medium > €5m–€10m	low	moderate	moderate	moderate	
Low > €0,5m–€5m	low	low	moderate	moderate	
	Unlikely 10-24%	More unlikely than not 25-49%	Possible 50-75%	Probable >75%	

Business risks

Sector risks

Industry conditions may exert strain on demand for our products and services as well as our business performance through their impact on business confidence and our customers' capital expenditure budgets. Changing ordering practices on the part of our customers or innovations or repositioning by competitors may impact the performance of individual business segments to varying degrees.

The customer structure, which is dominated by government bodies tied by mostly political decisions, limits forward visibility in security printing business, something that gives rise to corresponding capacity and financial risks. There has been a fundamental change in the market environment in the wake of heightened competition and the now predominant use of public tender processes by our customers. In addition to optimising our operations and lowering our costs, we are addressing these specific market conditions in the security printing market by launching new and innovative products, incorporating competitive differentiators in our security features and expanding our service business for the large installed printing press base. Despite the moderate growth expected in global banknote production over the next few years, our large share of the market limits the scope for any increase in revenue from printing presses.

Our competitors often grant considerable price concessions on sheetfed offset presses and in the security printing segment, which may impede the sale of our own products and the acceptance of our prices. We consider this practice to be problematic if it means that our peers are unable to cover their own production costs as a result. We reject such practices as we see long-term disadvantages for innovativeness in the sector. At the same time, such conduct makes it more difficult for us to achieve the targets we have defined for order intake and project profitability. We pursue a strategy of boosting the Group's competitiveness and profitability on a sustained basis by offering customers bespoke solutions and by simultaneously continuing to optimise structures and production costs. By actively presenting and communicating the technical advan-

tages of our products and services for customers, we are able to secure reasonable premiums on our prices. At the same time, clear sales targets and ongoing checks support efforts to ensure sustainable pricing for new and used presses.

In summary, we consider the sector risks to be significant in the light of the measures that have already been taken to address them. With our diversified product range, which targets different industries, we are able to compensate across the Group for exposure to risks in individual industries.

General economy and industrial risks

Our business is influenced by underlying conditions in the global economy. However, political decisions, legislative and regulatory changes, as well as shifts in the value of the euro against other major currencies may also adversely affect the sales of our products and our capacity utilisation and negatively impact our forecasts and budgets. Uncertainties also arise from long-term transformation processes in the population with possibly significant effects on the economy and society. The coronavirus continues to weigh heavily on the macroeconomic outlook and expected investment activity. Risks are increasingly arising from the stricter climate policy, the heavy debt loads in many economies and the current geopolitical tensions.

Russia's intervention in Ukraine is jeopardising peace in Europe. If the conflict is not contained, acts of war could spread beyond Ukraine to other parts of Eastern Europe. Accordingly, our thoughts are first and foremost with the people for whom such despicable conflicts have terrible consequences. However, risk reporting also requires us to mention the economic risks that the war or the sanctions resulting from it may have for Koenig & Bauer. Depending on the impact, on which there is currently no forward visibility, sales potential may be lost in the countries affected by armed conflicts in the short and medium term. Similarly, we may be affected by the imposition of new embargoes on Russia going beyond the sanctions imposed following the annexation of Crimea in 2014. In this respect, there is no certainty over the future development of the Russian market, in which we operate our own sales and service office, as well as the scope that we have for providing services for our customers in that market. We will support all de-escalation efforts and fully comply with existing embargoes and export control regulations. We will be carefully examining the scope for future deliveries to countries facing the threat of war in the light of an assessment of the economic risk.

In view of the fact that the Eastern European countries are not one of Koenig & Bauer's main markets and the other macroeconomic risks described above, we see moderate risks to the Koenig & Bauer Group's future business performance given the prevailing circumstances.

To address the risks of a general decline in sales as a result of the macroeconomic situation, we have been implementing the P24x efficiency programme since the summer of 2020 to enhance our operating profitability and long-term competitiveness. At the same time, we regularly review our Company's strategic orientation. With the recently announced "Exceeding Print" corporate strategy, we are responding to global megatrends and resolutely continuing on the path we have already adopted towards greater digitalisation, sustainability and modularity.

Business environment

New restrictions on international trade such as sanctions, embargoes or export control regimes can, on the one hand, make it more difficult, more expensive or even impossible for us to sell our goods and services in individual countries and, on the other hand, lead to a disruption of global supply chains. By adapting our internal processes, products and purchasing and manufacturing strategies, we can reduce these risks.

Financial risks

Credit and country risks

We monitor credit risks particularly closely. Against the backdrop of the protracted Covid-19 pandemic, an increasing number of insolvencies and payment disruptions which are not yet apparent today due to the grant of development loans and loan-repayment holidays are expected. In addition, the high volume of individual projects with government contractors may yield risks for Koenig & Bauer, particularly in security printing business.

Many printing companies face considerable obstacles in obtaining credit-based finance for capital spending projects as loans are only granted subject to a relatively high risk premium in this sector. In line with customary market practice, Koenig & Bauer must therefore offer sales finance to assist customers in the Sheetfed segment in particular in funding their capital spending projects. In these cases we work, for example, with banks or leasing companies with which we agree on customer-specific risk participation on a case-by-case basis.

We perform credit checks of our customers as well as credit-worthiness reviews in the event of any financing risks. Standard measures for addressing possible payment default risks include government export credit insurance as well as requests for predelivery collateral. After delivery, we retain the ownership rights pending full payment. Proactive receivables management ensures an appropriate response to counterparty and country risks. Sufficient impairments and provisions have been recognised to cover potential defaults, buyback obligations and the recovery of used presses. There is no customer or regional clustering of credit risks. Management receives regular breakdowns of receivables by maturity and region. In this way, it is possible to detect any risk concentration at an early stage and to take suitable precautions. In view of the measures that have been taken and expected market trends, we consider this risk to be moderate.

Interest and exchange rate risks

Exchange-rate fluctuations and interest-rate changes may expose the Koenig & Bauer Group to financial risks. Koenig & Bauer holds financial instruments whose fair value and the resultant cash flows are influenced by market interest rates. In selected cases, we make use of derivative financial instruments to hedge or eliminate any risks. The notes to the consolidated financial statements set out the type, extent and market value of the financial instruments used. We currently consider exchange-rate fluctuations to pose only a minor risk as invoices are mostly issued in euros and in view of the financial instruments used.

Risks from measurement of assets and liabilities

Management has discretionary powers in the application of accounting policies. Future developments must be estimated if no market prices are available for the measurement of assets and liabilities. This fundamentally results in the risk of remeasurements becoming necessary in subsequent financial years. This applies, for example, to provisions for retirement benefits, measurement of which depends on the interest rates applied for discounting future retirement benefit payments and on expected future increases in pensions and salaries. We generally see low risk potential here.

Liquidity risks

Liquidity risk is the risk of not being able to meet existing payment obligations on time due to insufficient liquidity or exhausted credit facilities. Ensuring solvency requires sufficient liquidity resources against the backdrop of existing macroeconomic risks. Koenig & Bauer mainly generates funds

from prepayments. In addition, the Group has had access since 2017 to a syndicated facility consisting of a guarantee and a revolving credit facility. Against the backdrop of the Covid-19 pandemic and the related funding programmes implemented in response to it, Koenig & Bauer was also able to reach an agreement with Kreditanstalt für Wiederaufbau (KfW) and the syndicate banks in 2020 to increase the revolving credit facility significantly in order to safeguard its economic stability. The facility is primarily being drawn on to fund current business and a large part of the investments and to prefinance working capital. The guarantee credit facilities are required as collateral for our customers' prepayments among other things.

We hedge liquidity risks by means of roll-over, Group-wide liquidity planning. The short-term solvency of all Group companies is tracked and controlled in a daily liquidity status. In addition to Group-wide cash management, an updated Group liquidity and finance plan is prepared complete with reports in short intervals. This roll-over planning system covers a period of twelve months. In addition, we prepare monthly cash flow statements for all consolidated Group companies for the first planning year as part of the annual Group planning process. No risks are seen here as incoming and outgoing payments are monitored on an ongoing basis on the basis of budgets. As well as the long-term syndicated credit facility, the Group-wide financing framework includes further significant bilateral credit lines. Unforeseeable cash flow fluctuations in operating business can be bridged with the financial resources available.

Some of the loan agreements entered into within the Koenig & Bauer Group contain provisions that enable the creditor banks to manage credit risk. These financial covenants are customary in the market, follow corresponding standards and are structured on the basis of the current and expected future economic situation. On the basis of the current target figures, these financial covenants do not have any negative implications for Koenig & Bauer.

All in all, we do not see any liquidity risks.

Operational risks

Human resource risks

Our success hinges materially on our ability to recruit and retain motivated and highly qualified engineers, specialists and executives. In the current job market, we are exposed to the risk of losing or failing to find qualified

employees and of being unable to build up a suitable group of management trainees. We address this risk by providing appealing, family-friendly positions and long-term vocational and further education programs for employees and trainees together with long-term development plans for specialists and managers. At the same time, we are working on our external presentation to improve the way in which we are perceived as an attractive and innovative employer. In addition, the non-German production, service and sales companies, whose growth potential is regularly reviewed, have access to specialists in the international job markets.

Instruments such as working time accounts or leased employees are available to address our customers' demand for short delivery times and also to temporarily cushion fluctuations in capacity utilisation at our factories. If our employees are unwilling to accept flexible working hours or qualified external staff are not available in peak-capacity periods, there is a risk that customer orders cannot be executed within the required period and, hence, that orders may be lost or delays experienced. Similarly, there is a risk of existing capacities generating empty costs in the absence of orders, which we can mitigate in the short term by reducing overtime and the number of leased employees used.

In view of the precautions that have been taken and current conditions in the job market, we consider the risk to be moderate.

Development risks

Koenig & Bauer regularly invests substantially in the development of improved or entirely new products and processes in order to preserve its competitiveness, satisfy market requirements and gain new customers. This gives rise to risks with respect to technical implementation and feasibility as well as ultimate market acceptance of the new or revised products. In particular, there is a risk that it may not be possible for the expenses incurred to be recouped from sales of the products and services developed, thus adversely affecting the return on investment. We address the risks by means of a Group-wide stage-gate process with appropriate analyses of market requirements before development begins, continuous profitability and risk assessments during development and marketing activities in the course of the product launch. Any necessary impairments are recognised for capitalised development costs that are not considered to be recoverable. Technical risks are reduced by means of comprehensive project and quality management as well as field-testing with beta users. We currently

consider the resulting risks to be moderate due to the risk-mitigation measures described above and despite the recently accelerated launch of new products and entry into new markets.

Procurement and logistics risks

Procurement risks cannot be ruled out in view of the prevailing uncertainties over the availability of materials from our suppliers, e.g. crucial electronic components such as semiconductors for controlling our printing presses, steel, aluminium and other light metals, or as a result of ongoing supply chain constraints. Following Russia's military attack on Ukraine, risks have also arisen with respect to the large amounts of energy exported from Russia to Germany in terms of the effect this may have on energy prices and, in a worst-case scenario, the availability of gas and oil supplies. In the absence of alternative options, short-term shortfalls in supplies may lead to production stoppages and delays in our own deliveries with negative effects on capacity utilisation and earnings.

In addition to extensive supplier management, in which we monitor the quality, reliability and the economic situation of our key suppliers, we address procurement risks by means of ongoing intensive market monitoring. In special cases, we are currently securing the availability of parts by accumulating inventories in excess of the normal level, something which is resulting in an increase in working capital and higher costs. In the case of single-source suppliers, we pay particular attention to ensuring that back-up solutions are in place. We manufacture strategic components and critical parts ourselves or obtain them through long-term supplier relationships.

We address price risks, which are currently primarily arising as a result of supply chain constraints and in the energy segment, through Group-wide category management, by bundling purchasing volumes and also by entering into long-term supply contracts. In the light of the existing supplier relationships, we otherwise do not expect any significant price increases. By working closely with our suppliers and performing regular audits, we are able to continuously improve the quality of the parts supplied. The quality and backlog rates recorded in supplier management are within the expected range.

Taking into account the measures described, we therefore classify the procurement risks as moderate.

Production risks

Poor quality, rejects and missing parts can result in production and assembly risks. A temporary surge in demand may cause delays in the delivery of individual components. A delivery delay or contractual non-compliance for which Koenig & Bauer is responsible may result in contract penalties or customer credits, thus impairing margins. We have local quality assurance departments at all plants and relevant business units. Continuous quality controls based on standardised processes systematically analyse sources of error and optimise production processes. Internal schedule management is based on regular coordination of schedules and our reporting system. Cost control and management entails periodic cost reports, which are based on our cost accounting system together with structured processes for planning, forecasting and variance analysis. To optimise the entire supply chain in order to permanently reduce delivery times, we are working on operational and strategic adjustments to the internal production network to reduce costs and lead times and to increase productivity. The scope for lowering the quality costs for our technically complex products on a sustained basis exerts considerable influence on our earnings. In the light of all the precautions that are in place, we consider exposure to production risks to be moderate.

Planning, control and monitoring

Our Group targets and annual budgets are based on assumptions that are subject to uncertainties. For the purposes of sales planning, volumes with corresponding margins are defined as the basis for the companies' capacity and resource planning. Among other things, budgets include expected increases in pay scales and the cost of materials as well as the savings achieved as a result of planned improvements. There is a risk that the assumptions underlying our plans do not fully materialise, contrary effects occur or there are delays in the implementation of the necessary measures. In addition to continuous observation and analysis of our business environment, we address this risk by regularly reviewing our budgets when preparing forecasts and by controlling our operating business efficiently together with strategic projects.

Short-term fluctuations in capacity utilisation at our plants due to volatile incoming orders may have a negative impact on profitability. Accordingly, we regularly review the necessary production capacities and coordinate them as far as possible with short-term sales planning. Furthermore, we make use of flexible working hours and leased employees to adjust our

capacities dynamically in the light of the order situation.

We see a moderate risk of the assumptions underlying plans failing to eventuate in the expected form or of the savings potential factored into our budgets not being achieved in full.

IT risks

Society's growing dependence on technology and the increasing online networking of information systems increases the risk of intentional or unintentional damage to the Group through the exploitation of vulnerabilities in the IT products and systems used. The consequences of unauthorised internal and external access may include disruptions to the availability of work and production systems and supply chains, data theft, blackmail and sabotage or damage to the Koenig & Bauer Group's image. The Covid-19 pandemic has significantly accelerated the digitalisation process and stepped up innovations and changes to business models, such as online sales and service, or impacted working methods such as mobile working for the Group's employees. This is reinforcing the need for IT security and a defence response to cyber risks. We are addressing these risks through policies and defined IT processes, compliance with common IT security standards, various lines of defence and the implementation of IT security programmes by a Group-wide Chief Information Security Officer (CISO). In addition, there is adequate insurance cover for cyber risks, including a possible interruption to business.

Following the Group-wide roll-out of the SAP ERP system, the Koenig & Bauer Group is exposed to risks in the event that future business processes do not run smoothly. To mitigate these IT risks, Koenig & Bauer utilises the services of renowned software consulting companies and has installed an SAP project group. If the legacy systems are not replaced and the ERP software is not installed on time and free of any disruptions, the resultant restrictions to operations or cost overruns for the SAP roll-out project may have considerable financial consequences. In order to reduce these risks, the rollout at the operating companies will be executed successively and on the basis of a uniform platform. In view of the successful rollout of the system at the first three companies, the experience gained from similar complex projects and the high degree of involvement of external experts, we see no discernible risks beyond the usual project risks. We consider the existing IT risks to be generally moderate.

Infrastructure and litigation risks

The risk of an interruption to our business cannot be completely excluded. Delays in production due to the failure of or disruption in individual means of production or the technical infrastructure may have adverse effects on production efficiency and leave noticeable traces on our business. We therefore regularly evaluate and audit our production sites with external support and take out appropriate property and selected business interruption insurance to cover fire, severe weather and other risks. As part of our maintenance management system, we analyse possible vulnerabilities and enhance the availability and operational safety of our machines through preventive measures. This limits unplanned outages and plant shutdowns as well as the associated costs. Overall, we consider infrastructure and process risks to be low.

Customer centricity

Our end markets demand a high degree of innovation and bespoke solutions. Our customers' requirements and preferences are changing all the time. For this reason, it is of decisive importance to detect technical trends and customer requirements and to align the product range, services and sales structures to these in good time. There is a moderate risk of lost revenue if customer requirements are not recognised or are not integrated in Group-wide processes early enough.

Acquisitions and alliances

Acquisitions and alliances may arise as part of our strategic further development and our focus on markets of the future. The purpose of such activities and expenses is to achieve an appropriate degree of economic viability for the Group by means of a product portfolio oriented to future requirements. However, this may cause considerable acquisition and follow-up costs. For this reason, careful advance analyses are necessary and are often carried out with external support. The ensuing integration of acquisitions involves risks associated with the harmonisation of company cultures or the combination of processes and systems that may result in the loss of expertise or unplanned additional expenses. We consider the risk of such activities resulting in unforeseen costs in the performance of analyses to be moderate. This also applies to the risk of the expected positive impact on business failing to eventuate or not eventuating within the planned time period.

Contract fulfilment risks

In the case of complex mechanical and plant engineering orders, contract fulfilment risks cannot be entirely ruled out. A failure to deliver in accordance with the contract, a delay in delivery or a breach of ancillary obligations for which Koenig & Bauer is responsible may result in a reduction in margins due to contractual penalties or concessions made to the customer. Delays for which the customer is responsible, such as the completion of print shop buildings, may have a negative impact on incoming payments and the recognition of earnings. In addition to professional project management and the ongoing optimisation of internal coordination and quality assurance processes, we address this risk by drafting the contracts appropriately. Accordingly, we consider this risk to be low.

Other risks

Disasters and force majeure

Koenig & Bauer is exposed to risks arising from epidemics and pandemics, natural and environmental disasters and social unrest. Due to our highly globalised and interconnected world, local disasters may have a major impact on the Koenig & Bauer Group's business.

If the Covid-19 pandemic persists throughout 2022, we see significant risks to the Koenig & Bauer Group's future business performance. The global risks resulting from the pandemic and the restrictions imposed in response to it are exerting a significant impact on the Koenig & Bauer Group's earnings and may individually or cumulatively affect the business risks, financial risks and operational risks already reported.

Restrictions caused by Covid-19, for example, make it difficult or impossible to gain new business, resulting in losses in revenue and profit. Expected project awards are being delayed due to the postponement of investment decisions by our customers. Despite the currently high capacity utilisation of many packaging printers, customers are postponing new investments in view of the travel restrictions and uncertainties resulting from the Covid 19 pandemic.

Likewise, pandemic-related restrictions affect our business activities through the fulfilment of existing contracts, as these also have a major impact on human resources. Staff shortages and production interruptions or supply chain disruptions may occur at our production plants, preventing customer orders from being executed on time. Travel restrictions may limit

or prevent the deployment of assembly staff and service technicians for the installation of new presses or for service calls if specific countries or locations cannot be visited. In such cases, our contracts generally include appropriate clauses which exclude our liability in the event of circumstances beyond our control. Even so, there is a risk that revenue and earnings targets may be missed due to the loss of possibilities for generating revenue. Likewise, possible staff shortages may jeopardise the timely implementation of the P24x programme or the SAP migration project.

We adopt comprehensive hygiene regimes at our plants to protect our employees, customers and suppliers and thus also to preserve our capacities and delivery capabilities. For this reason, the existing hygiene regimes are always adapted in the light of the prevailing situation and contacts reduced as far as possible. The ability for employees to work from home has been expanded to such an extent that employees who can work on a mobile basis during the pandemic are doing so. Face-to-face meetings have largely been shifted to online channels. The new requirements with respect to remote leadership and virtual information and knowledge transfer are addressed in the profile of requirements for managers. The recommendations of the Robert Koch Institute and the German Foreign Office are observed in service assignments worldwide. In addition to the risk of infection, our local staff are also exposed to the risk of restrictions to their freedom of movement and behaviour. We address this by means of very carefully considered decisions on field deployment.

In connection with service and press installations, we rely on the expertise of our worldwide sales and service companies, which have their own mechanics to provide on-site service despite the international travel restrictions. Furthermore, we offer comprehensive hotline services via our "Visual ServiceSupport" video system, remote maintenance and PressCalls to help our customers maintain maximum press availability.

Furthermore, direct damage from natural and environmental disasters such as natural hazards is covered by insurance as far as possible and economically reasonable.

Legal risks

Koenig & Bauer is subject to a wide range of legal and statutory regulations. The breach of contracts, licensing provisions or intellectual property rights, the negative outcome of legal disputes as well as the failure to observe re-

gulatory requirements may cause considerable financial damage in the form of penalties, compensation payments, sanctions or reputational damage. Existing and threatened legal disputes are therefore continuously tracked, analysed, evaluated to determine their legal and financial effects and taken into account in the recognition of provisions in cases in which an obligation is likely. The size of such provisions is very largely based on estimates, e.g. in the case of litigation. They are continuously reviewed in quarterly litigation reports and adjusted in good time in the event of any changes. The Group is not involved in any litigation or administrative proceedings with a material impact on its overall economic position. Generally speaking, we consider the risk of litigation and administrative proceedings having a negative impact to be moderate, although the exposure of globally active mechanical engineering companies to legal risks cannot generally be discarded. We address this risk by using standard contracts and by obtaining comprehensive legal advice from internal and external experts on non-standard business transactions. In addition, the established compliance management system is aimed at identifying and pre-emptively addressing legal risks at an early stage.

Damage to image

In technically demanding capital goods business there is always the latent risk of barely quantifiable harm to the Company's image arising in the event of quality problems, breaches of industrial property rights or the like. At present, we do not see any risks to our image.

Summary of risk situation

Even though the macroeconomic conditions are already factored into our expectations and business plans and we have made considerable progress with the P24x efficiency programme to enhance our competitiveness, we do not see any change in the Group-wide, overall risk situation compared to the previous year on the basis of the risks described here.

Despite the protracted uncertainties in connection with Covid-19, the associated risks in the supply chains and mounting geopolitical tensions, the Group's risk-bearing capacity is sufficient in the light of the current risk assessment. As things currently stand, we do not see any risks that either individually or cumulatively are liable to jeopardise the Koenig & Bauer Group's going-concern status. Our broad-based product range, which is geared to fundamentally intact sell-side markets, the continued successful implementation of the P24x efficiency programme as well as our strong market position and financial stability are limiting risk potential.

Underpinned by our ongoing efforts to optimise risk management, risk awareness within the Koenig & Bauer Group is improving steadily. In particular, there is heightened consciousness of the need to address risks and their potential impact by taking appropriate precautions. More detailed and comprehensive risk reporting improves the scope for tracking risk-mitigation precautions and for encouraging a responsible approach to opportunities and risks within the Company on a sustained basis.

This risk report is necessarily based on available information as well as expectations and estimates believed to be true at the time of reporting and refers to future trends. It is not possible to exclude other or additional risks which may have an influence of the Group but are currently not known or believed to be significant. Moreover, risks may change during the forecast period, resulting in a significant discrepancy in the estimate presented here.

Opportunities

The following section describes the main opportunities available to the Koenig & Bauer Group. In the absence of any indication to the contrary, these affect all segments equally. However, they represent only a selection of the opportunities available to us. The order in which the opportunities are presented reflects the assessment of their relative significance for the Koenig & Bauer Group and provides a basis for assessing them. The assessment of opportunities is also subject to continuous change, as our Company, the technology we use, our markets and our customers are constantly evolving. New opportunities may arise from this, existing ones may cease to exist or the significance of an opportunity may change.

Industry

We see the greatest opportunities for Koenig & Bauer in the printing industry itself. Above all else, we have opportunities for improving our business performance by harnessing the development potential of special applications, such as packaging and industrial printing, the growing importance of digital printing in the packaging sector in the future and the transformations that we expect to continue emerging with regard to digital products, processes and services. Looking forward, we will continue to work intensively on expanding our service business. We are trying to take advantage of additional opportunities, by structuring our service with a focus on digitalisation. These aspects are expressly addressed by our “Exceeding Print”

strategy, which aims to make the Group more sustainable, digital and modular. Further information can be found in “Goals and Strategy” on page 22. Opportunities for growth may also arise from gains in market share if a competitor exits the market or abandons an area of business.

Acquisitions and alliances

We continuously monitor our current and potential markets to identify opportunities for strategic mergers, acquisitions, investments and partnerships that we can use to complement our organic growth. These activities could help Koenig & Bauer to strengthen its position in our current markets, to open up new markets or to complement our portfolio in strategic areas.

Macroeconomic and cyclical opportunities

In particular, the containment of the coronavirus would spur the recovery of the global economy and, along with it, the printing industry. This would also be aided by an easing of the current procurement and transport situation as well as energy costs. In a number of countries there are also opportunities for social and political changes, government intervention, customs regulations and legislative amendments that may have a positive impact on the Koenig & Bauer Group’s business performance. The recent legislative measures and government action to accelerate the response to halt global climate change, especially in Europe, through the Green Deal, are a recent example of this.

Planning, control and monitoring

The forecasts of our future business performance are based on assumptions that are subject to certain uncertainties. In addition to the risks already described, they also entail opportunities. Higher revenue than that assumed for budgeting purposes, a more advantageous cost situation and overachievement of the savings targets defined by the P24x efficiency programme would have a positive impact on earnings.

Financial opportunities

A shift in exchange rates in our favour would have a positive impact on the Koenig & Bauer Group’s revenue and earnings performance. In a favourable capital market environment, an increase in the discount rate for future retirement benefits (as well as the performance of plan assets) offers an opportunity for reducing provisions for retirement benefits and similar obligations and for an increase in equity due to actuarial gains.

Summary of the situation with respect to opportunities

We view the overall situation with regard to opportunities as moderate. Even though the macroeconomic conditions are duly factored into our expectations and business plans, we do not believe that the opportunities presented here outweigh the risks described above given the protracted uncertainties in connection with Covid-19, the associated risks in the supply chains and mounting geopolitical tensions. There are no changes in the opportunities available to the Koenig & Bauer Group compared with the previous year.

Due and proper accounting assured by internal control system in accordance with section 289 (4) and section 315 (4) of the German Commercial Code

The internal control system for the accounting process encompasses all principles, methods and measures within the Koenig & Bauer Group for ensuring effective, economical and proper accounting in accordance with all applicable legal requirements. Policies and work instructions supplement the organisational and control structures.

In addition to accounting for the holding company and a number of associated companies, Koenig & Bauer AG holds responsibility for Group accounting and controlling as well as Group compliance/internal auditing, corporate finance/treasury, taxes and human resources/training. The controlling, human resources, compliance and, in some cases, accounting functions are located at the individual Group companies. The responsibilities are clearly assigned with an unambiguous separation of functions in the units involved in the accounting process. All departments involved in the accounting process have the appropriate resources. The allocation of appropriate rights ensures that the IT systems used for financial and payroll accounting are protected from unauthorised access.

The IT environment, which has previously been characterised by proprietary developments, is gradually being migrated to the SAP system widely used in the mechanical and plant engineering sector. Following comprehensive

planning of the enterprise-wide SAP project and an intensive period of fine-tuning, the staggered roll-out is currently underway. The roll-out is being executed incrementally at other Group companies after the migration at the holding company Koenig & Bauer AG and the large Koenig & Bauer Industrial business unit including the Koenig & Bauer Foundry.

Group accounting is performed on a monthly basis using a consolidation program. Meticulous checks are performed on a quarterly basis. Accounting and measurement guidelines ensure that the principles defined by the International Accounting Standards Board (IASB) as endorsed by the European Union are uniformly applied. The risk management manual defines the process for identifying risks and the procedure for disclosing reportable risks. This ensures early detection of any risks at Koenig & Bauer AG and its subsidiaries and notification of the Management Board. The guidelines are regularly updated and expanded.

Random samples as well as manual or physical checks are performed to prevent any errors or omissions in accounting data. This includes annual inventory counts and work on the annual financial statements as well as asset counts in certain intervals. In addition, specially programmed plausibility checks are performed. The double sign-off principle is applied to all material transactions. Regular training and independent monitoring ensure that the consolidated financial statements comply with all applicable rules. Significant accounting-related processes and areas undergo analytical reviews particularly by internal auditing and controlling. The efficacy of the controls is verified by means of automated input, output and processing checks. External experts are also consulted where necessary, e.g. in the measurement of pension obligations.

Units granting approval are also separated from the units executing the transaction in question. In addition, write and read rights are assigned. There is a strict functional separation in the entry of transactions. Granulated requisitioning powers and access restrictions are applied to employees with respect to the IT applications. Individual employees in the functional areas do not have any access rights to the full accounting process level (incoming goods, inventories, invoice checking, payment approval, remittance). The defined principles, methods and measures ensure that financial reporting complies with the statutory requirements.

Outlook

Expected macroeconomic and industry conditions

The smouldering Ukrainian-Russian conflict came to a head on 24 February 2022 when Russia invaded Ukraine. The currently unforeseeable consequences and their impact have not yet been factored into the forecast issued by the International Monetary Fund (IMF). The IMF stated on 10 March 2022, that it would be lowering its forecast for global economic growth next month because of the fallout from Russia's war of aggression in Ukraine. In addition to human suffering, the war is causing massive economic dislocation — for Ukraine, Russia and beyond — and will lead to higher commodity prices, additionally spur inflation, adversely affect business confidence and result in more difficult financing conditions, according to the IMF.

The outlook for 2022 is exposed to great uncertainties. In January 2022, the IMF had already revised its forecast downwards by 0.5 percentage points compared with October 2021 and believes that global economic growth of 4.4% is possible. The global recovery process emerging in 2021 in the wake of the Covid-19 pandemic will continue in 2022, although the first quarter of 2022 will be more muted than initially expected due to the spread of the omicron variant of the coronavirus and the outbreak of war. The outlook for the further quarters of 2022 is also subject to great uncertainties given the protracted pandemic and the far-reaching sanctions imposed on Russia. Supply chain disruptions, high energy prices and strong inflation will continue this year. Monetary tightening in the United States and the continued contraction of the Chinese real estate sector will also exert pressure on the prospects for growth in 2022. In addition, labour shortages in many different countries are increasingly posing an obstacle to the current recovery. However, there could be strong stimulus for growth provided that households spend part of the savings they have accumulated. This would happen if the pandemic-related restrictions were lifted, thus boosting consumer confidence. The US economy is expected to grow by 4.0% and the eurozone economy by 3.9% this year. Both forecasts have been revised downwards compared to the October 2021 estimate (USA: -1.2 percentage points; Eurozone: -0.4 percentage points). On the other hand, the estimate for Japan was raised by 0.1 percentage points to an increase of 3.3%. The paths

to recovery are also disparate in the emerging and developing countries. At 4.8%, China is expected to continue growing significantly despite various problems, albeit at a slower pace (-0.8 percentage points). After the difficult previous year, growth in the ASEAN countries should reach an average of 5.6% (-0.2 percentage points). By contrast, the outlook for Latin America is subdued at 2.4% (-0.6 percentage points), also due to what are expected to be almost flat conditions in Brazil. Sub-Saharan Africa is set to see an average increase of 3.7% (-0.1 percentage points) in economic output. The situation in the Middle East, including North Africa, could improve somewhat, with growth accelerating to 4.4% (0.3 percentage points). Source: VDMA, GDP figures: IMF World Economic Outlook Update January 2022; differences from the October 2021 estimate in brackets.

According to publications by the German Engineering Federation (VDMA), however, the war in Ukraine — in addition to other risks such as inflation, new waves of pandemics or the China-USA dispute — poses incalculable risks to further economic growth in the current year. Trade disruptions and the sharp rise in energy prices will dampen the economic recovery at the very least. Although Russia now ranks only ninth in German machinery and plant engineering exports (Ukraine: 31st, Belarus: 53rd), all three countries jointly account for total exports of €7.0bn (2021). The VDMA states that, in all likelihood, significant cutbacks to the point of complete loss of business are possible. In addition, it says that the indirect consequences of the Ukraine war, i.e. mutual sanctions, the severance of business relationships as well as a fundamental change in geopolitical and economic conditions, would weigh even more heavily. As a consequence of this and due to a comparatively weak fourth quarter in 2021, the VDMA economists are lowering their previous full-year forecast for real production growth in 2022 from 7% to 4%. Moreover, VDMA states that its forecast does not cover extreme scenarios such as the expansion of warlike actions to other countries, the consequences of which cannot be predicted. However, the VDMA economists caution that this forecast is subject to a high degree of uncertainty as further economic trends depend on many factors that are difficult to estimate. Although almost three quarters of the population in Germany are now fully vaccinated, there is still no sign of an end to the pandemic. On the contrary, the highly contagious yet presumably predominantly weaker omicron variant has led to a record number of incidences. What is more, the emergence of further variants cannot be ruled out, likewise resulting in higher absences and disruptions to company processes. Similarly, the possibility of renewed lockdowns cannot be excluded in many countries, while

travel and residence restrictions may continue to pose problems. Future economic trends will also hinge closely on how long it takes for material and supply bottlenecks to be resolved. The generally positive picture painted by order intake so far could continue to consolidate over the next few months, albeit in a regionally disparate manner. The United States should continue to generate impetus. However, the same thing cannot be said of China, where the economy has been faltering for several months due to worsening supply chain constraints and as a result of the ongoing problems in the real estate sector. Accordingly, China is not likely to be a source of much stimulus. The situation in the EU is considerably more positive. Compared to China and the United States, it is lagging behind the cycle. The EU Recovery Fund, together with some national stimulus programmes, should provide impetus.

Forecast

The expected macroeconomic, political and industry-specific conditions in the markets addressed by the Koenig & Bauer Group provide the basis for the forecast for 2022 (1 January 2022 to 31 December 2022) and subsequent years.

The following estimates are based on the assumption that no further setbacks or intensified restrictions compared with the current situation arise from the Ukraine-Russia crisis, the resulting war and the sanctions imposed on Russia and Belarus as a result, and the fight against the pandemic. In addition, supply chain bottlenecks and the associated material price increases as well as increased energy costs continue to burden the Company and are not foreseeable due to the limited forward visibility with regard to the effects of the Russia-Ukraine conflict.

Koenig & Bauer expects a slight increase over the previous year in Group revenue and operating EBIT margin in 2022.

At the date on which the consolidated financial statements were completed, a reliable assessment of the extent of the impact of the aforementioned risks was not possible due to the limited forward visibility, meaning that no precise statement on future development for 2022 can be made.

Medium-term goals confirmed

The Koenig & Bauer Group reaffirms its medium-term targets based on its

“Exceeding Print” strategy. Following the implementation of the cost and structural adjustments that have been initiated, Group revenue should rise to around €1.3bn by 2024 accompanied by annual cost-reduction effects in the order of €100m by then, while all innovation processes as well as process and product developments will be continued and stepped up. In the medium term, a return on sales (relative to EBIT) of at least 7% is being targeted. A further objective is to reduce net working capital to a maximum of 25% of annual revenue.

As no dividend distributions are permitted during the term of the KfW loan, the Management Board and the Supervisory Board will be proposing to the Annual General Meeting that the net profit generated by the holding company Koenig & Bauer AG be retained. For this reason, we aim to discharge the KfW loan as quickly as possible so that we can resume dividend distributions, as we attach great importance to ensuring that our shareholders benefit appropriately from our business success.

Legal disclosures

Takeover-relevant disclosures pursuant to section 289a (1) and section 315a (1) of the German Commercial Code

Disclosures in accordance with section 289a (1) No. 1, 2 and 3 and section 315a (1) No. 1, 2 and 3 of the German Commercial Code

On 31 December 2021, the share capital of Koenig & Bauer AG, Würzburg, stood at €42,964,435.80, divided into 16,524,783 bearer shares with a nominal value of €2.60 each. In accordance with article 14.7 of the articles of association, each no-par share conveys one voting right. There are no restrictions on voting rights or the transfer of shares and there are no special rights imparting powers of control. To the best of our knowledge, AlternInvest GmbH in Vienna, Austria and Universal-Investment-Gesellschaft mit beschränkter Haftung in Frankfurt am Main each hold shares of over 10% in the share capital. Other institutional and private investors have stakes of between 3% and 6% in Koenig & Bauer AG accounting for around 20% of the capital.

Executive bodies

On 31 December 2021, the shares held by the executive bodies of Koenig & Bauer AG equalled 0.08% of its share capital. The members of the Management Board held 0.05% (Dr Andreas Pleßke 0.03%, Dr Stephen Kimmich 0.02%) and the members of the Supervisory Board 0.03%.

The appointment and dismissal of the members of the Management Board and amendments to the articles of association comply with the statutory regulations (sections 84, 85, 179 of the German Stock Corporation Act, section 31 of the Codetermination Act). Under article 10.2 of the articles of association, the Supervisory Board may pass resolutions to amend the articles of association provided that such amendments concern only the wording. This authorisation particularly applies to the utilisation of authorised capital.

In accordance with the Act on the Equal Participation of Women and Men in Executive Positions in Private and Public Sector, the Management Board

and the Supervisory Board have defined targets for gender representation quotas. The Supervisory Board's gender quota for female representation on the Management Board remains at 0%. The 17% proportion of women at the first management level beneath the Management Board and 7% at the second management level beneath the Management Board is to be retained until at least 31 December 2022 in accordance with a resolution of the Management Board. The Supervisory Board pays attention to diversity in the composition of the Management Board, while the Management Board observes these requirements when filling management positions in the Group. In cases in which female and male candidates have comparable qualifications, the proportion of women is to be increased as far as possible when new appointments are made.

Authorised capital

On 31 December 2021, the Company had authorised capital of €8,580,000, equivalent to 3,300,000 shares, which may be utilised on or before 22 May 2022. The authorisation granted at the annual general meeting is documented in Article 5.3 of the articles of incorporation. The Company did not hold any treasury stock on 31 December 2021.

Disclosures in accordance with section 289a (1) No. 8 and 9 and section 315a (1) No. 8 and 9 of the German Commercial Code

Koenig & Bauer AG has entered into the following material agreements or special arrangements governing a change in or acquisition of control in the event of a takeover bid: The syndicated credit facility refinanced in November 2020 with the assistance of KfW and the current syndicate banks contains in the version applicable on the reporting date standard change-of-control clauses and grants the respective contractual partner additional information and termination rights in the event of a change in the control or majority shareholding structure of the Company. In addition, a joint venture agreement includes a change-of-control clause. There are no compensation agreements with the members of the Management Board or employees for this case.

Corporate governance statement in accordance with sections 289f and 315d of the German Commercial Code

The corporate governance statement in accordance with sections 289f and 315d of the German Commercial Code is published on the Company's website together with the corresponding statements for previous years. <https://www.koenig-bauer.com/en/investor-relations/corporate-governance/corporate-governance-statement/>

Koenig & Bauer AG (notes according to the German Commercial Code)

The annual financial statements of Koenig & Bauer AG were prepared in accordance with the provisions of the German Commercial Code (HGB).

As a holding company Koenig & Bauer AG does not conduct any operating business of its own but performs central and strategic functions for the Group. Central functions for the Koenig & Bauer Group include compliance/auditing, controlling, corporate development, innovation promotion, investor relations, IT, corporate accounting, patent and licensing, human resources, legal and insurance, tax and central marketing/corporate communications. In addition, Koenig & Bauer AG provides IT hardware and operates the computer centre for Group tasks and grants licences and brand rights to the subsidiaries. The number of employees on the reporting date, 31 December 2021, excluding apprentices, was 384 (2020: 291).

In addition to income from the services recharged to the operating Group companies and the fees for the use of licences and brand rights, Koenig & Bauer AG's business performance depends on the dividend income and profit transfers received from the subsidiaries and, hence, their business performance. The direct and indirect investments held by Koenig & Bauer AG are shown in a list in the notes to the consolidated financial statements. The economic environment in which Koenig & Bauer AG operates is essentially the same as the Group's as described in detail in the business report.

Koenig & Bauer Industrial Management GmbH was retroactively merged with Koenig & Bauer FT Engineering GmbH on 1 January 2021. The Supervisory Board of Koenig & Bauer AG unanimously approved this merger on 20 September 2021. Koenig & Bauer FT Engineering GmbH was renamed Koenig & Bauer Industrial GmbH effective 8 February 2022. The Supervisory Board of Koenig & Bauer AG unanimously approved this decision on 10 December 2021. Effective 31 December 2021 there was a further structural change under company law at Koenig & Bauer Industrial AG & Co. KG. On 10 December 2021, the Supervisory Board of Koenig & Bauer unanimously approved this change to restructure the entity, which had previ-

ously been structured in the form of a fiduciary limited partnership, to give it the status of a separate incorporated company subject to a profit and loss transfer agreement. The profit and loss transfer agreement planned between Koenig & Bauer AG and Koenig & Bauer Industrial GmbH requires the shareholders' approval at the annual general meeting in May 2022. The streamlining of the corporate structure achieved with these two measures is expected to have a positive impact on the Group and, in addition to strengthening corporate governance and simplifying the management structure, also reduce administrative expenses. The structural changes adopted under company law have no impact on the Koenig & Bauer Group's net assets, financial condition and results of operations under IFRS, although the change in Koenig & Bauer Industrial AG & Co. KG's legal status as an incorporated entity will result in a slight increase in the equity reported in Koenig & Bauer AG's single-entity financial statements.

Earnings

At €94.8m, revenue was 14.5% above the previous year's figure of €82.8m and chiefly comprised income from transfer pricing for shared services provided by Koenig & Bauer AG for the operating Group companies and fees for the utilisation of licences and brand rights as well as land and buildings. The increase in gross profit results from the greater utilisation of shared services in the Group. On the other hand, the cost of sales increased, especially due to the reorganisation of purchasing at the holding company under the P24x programme. This led to an increase of €9.8m in the cost of sales from €-54.9 m to €-64.7m. The gross margin thus contracted to 31.8 %, down from 33.7% in the previous year. General administrative expenses decreased by €5.8m to €25.5m (2020: €31.3m). The previous year's figure had been burdened by non-recurring personnel effects. The other operating income of €6.8m (2020: €11.8m) mainly shows the effects of the reversal of provisions. The other operating expenses of €6.2m (2020: €136.9m) mainly result from the absorption of Group transfer payments. In the previous year, expenses had arisen from the derecognition of receivables and waivers of loans to affiliated companies. Net investment income consists of dividend distributions (2021: €19.6m; 2020: €2.1m), income from profit transfers (2021: €10.9m; 2020: €3.2m) and loss absorption expenses (2021: €22.7m; 2020: €32.5m) from subsidiaries. After the high net investment income in the previous year, which had reached €218.2m primarily as a result of the legal restructuring of the Banknote Solutions business unit and, related to this, the recognition of unrealised reserves, income of €8.6m arose from the recognition of unrealised re-

serves in connection with the legal restructuring of the Industrial business unit in 2021.

Net interest expense rose to €-7.6m in the year under review (previous year: €-4.7m). Tax expense amounted to €2.4m (2020: €0.2m). On balance, this resulted in net profit for the year of €11.3m (2020: €42.5m). Including the profit carried forward of €29.5m (previous year: €8.3m) and the retained amount of €5.65m, the unappropriated surplus stands at €35.2m (previous year: €29.5m).

The Management Board and the Supervisory Board acting in accordance with section 58 of the German Stock Corporation Act have passed a resolution to retain half of the net profit for the year of €11.3m. The Management Board acting with the Supervisory Board's approval proposes that the unappropriated surplus of €35.2m be retained.

Assets and finances

As of 31 December 2021, Koenig & Bauer AG's balance sheet total stood at €658.2m, up slightly from €651.2m in the previous year. Fixed assets increased by a total of €11.9m to €529.3m (31 December 2020: €517.4m). The increase resulted mainly from the legal restructuring of Koenig & Bauer Industrial GmbH and the associated recognition of unrealised reserves. This resulted in an increase of €8.6m in shares of financial assets in affiliated companies. As of the reporting date, financial assets were valued at €408.4m, up from €399.3m in the previous year. The increase in intangible assets from €35.1m to €43.7m due to the capitalisation of IT projects is accompanied by a decline in property, plant and equipment from €83.0m to €77.2m due to higher depreciation and amortisation. The reduction in current assets from €131.8m to €126.9m was mainly due to the decline in cash and cash equivalents and bank balances from €56.1m to €35.6m due to the partial repayment of the syndicated loan. On the other hand, receivables from affiliated companies increased from €61.4m in the previous year to €77.0m. They include receivables under loans to affiliated companies of €22.9m (31 December 2020: €49.3m), receivables from offsetting cash flows of €41.0m (31 December 2020: €5.5m) as well as trade receivables of €13.0m (31 December 2020: €5.9m).

At the end of 2021, equity amounted to €306.5m (31 December 2020: €295.2m). This translates into an equity ratio of 46.6% relative to the increased balance sheet total (31 December 2020: 45.3%). Provisions rose

slightly from €98.8m in the previous year to €108.6m. At €79.3m, retirement benefit provisions were virtually unchanged over the previous year's figure of €79.4m, while other provisions increased from €19.4m to €27.0m. Liabilities to banks declined from €176.0m to €115.9m mainly due to the partial repayment of the syndicated loan. On the other hand, liabilities to affiliated companies rose from €73.9m to €121.2m.

Risk report

Koenig & Bauer AG is exposed to the risks of its subsidiaries. The extent of such exposure depends on the size of its share in the respective company. For further information, please refer to the Group's risk report on pages 36ff. In addition, strain may arise from the contingent liabilities in existence between Koenig & Bauer AG and its subsidiaries.

Forecast

Koenig & Bauer AG's future economic performance is closely linked to the Group's operating performance. The opportunities report on page 44f. and the forecast on page 46ff. provide information on our prospects and plans for operating business.

Financial and non-financial performance indicators, and thus forecasts of these within the meaning of GAS 20, play only a subordinate role for Koenig & Bauer AG as an individual company. However, this does not have any impact on compliance with the requirements of corporate law.

Remuneration report

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69	Comparative presentation of remuneration and earnings over time

The remuneration report pursuant to section 162 of the German Stock Corporation Act describes the basic principles of the remuneration system for the members of the Management Board and the Supervisory Board and explains the structure and amount of remuneration paid to them. Detailed information on this can be found at <https://www.koenig-bauer.com/en/investor-relations/corporate-governance/compensation/>. The purpose of the remuneration report is to provide shareholders with comprehensive information on the remuneration paid to the members of the Company's executive bodies. It includes details of the remuneration of each current or former member of the Management Board and the Supervisory Board that is granted and owed by the Company itself and by Group companies in the last financial year.

Remuneration is deemed to have been granted if it was actually paid (= granted) in the year under review. Remuneration is deemed to be owed if the underlying obligation is due for payment (= owed). However, in the opinion of the IDW, it can be reasonably assumed on the basis of the draft Act on the Transposition of the Second Shareholder Rights Directive that the remuneration has been paid (= granted) at an earlier point in time when the one-year or multi-year activity on which the remuneration is based has been fully performed. In the year under review, the fixed remuneration components were granted and owed. In this remuneration report, the variable remuneration components granted and owed are the remuneration components earned in the year before last (2020). Of the variable remuneration components, only the expected variable remuneration is disclosed for the year under review.

Management Board remuneration

The active members of the Management Board in the year under review are Dr Pleßke as the Chief Executive Officer, Dr Kimmich, Mr Müller, Mr Sammeck and Mr Ulverich as the ordinary members of the Management Board. On 23 March 2021, the Supervisory Board passed a resolution to terminate the current appointment of Dr Kimmich and Mr Ulverich by mutual agreement at the end of the day on 31 March 2021 and to reappoint them to the Management Board effective 1 April 2021 for a period of five years. Otherwise, the Management Board contracts were not modified in the year under review. It should be noted in connection with 2020 that Dr Kimmich and Mr Ulverich had been appointed to the Management Board on 15 April 2020. Mr Bolza-Schünemann left the Company on 31 December 2020 after reaching the defined age of retirement and Dr Dähn left the Company on 30 April 2020.

Principles of Management Board remuneration

Based on the preparatory work of its Personnel Committee, the Supervisory Board decided to replace the system for the remuneration of the members of the Management Board, which had been submitted for approval to the 2018 Annual General Meeting, with an enhanced remuneration system. At its meeting on 22 March 2021, the Supervisory Board therefore adopted a new remuneration system for the Management Board. The remuneration system for the Management Board complies with all currently applicable legal and regulatory requirements.

At the Annual General Meeting on May 11, 2021, this remuneration system (2021 Management Board remuneration system) was approved by a majority of 69.54% of the capital represented. A description of the remuneration system can be found on the Company's website at <https://www.koenig-bauer.com/en/investor-relations/corporate-governance/compensation/>.

The Supervisory Board sets the specific target and maximum remuneration for each member of the Management Board on the basis of the 2021 remuneration system. In doing so, it attaches great importance to remunerating the members of the Management Board appropriately. The criteria for this are the duties, personal performance and experience of the individual members of the Management Board, as well as the economic situation, success and future prospects of the Company and the customary nature of the remuneration, taking into account the market environment (horizontal appropriateness) and the remuneration structure that otherwise applies in the Company (vertical appropriateness). The companies listed in the MDAX and SDAX are used for the assessment of horizontal appropriateness. In doing so, the Supervisory Board is either guided by remuneration studies published by renowned institutions or a peer group composed of the MDAX or SDAX companies identified by the Supervisory Board, or asks an independent remuneration consultant to assess the remuneration system by reference to a peer group assembled in consultation with the Supervisory Board. In selecting the peer group, the Supervisory Board considers Koenig & Bauer AG's market position and key performance indicators such as revenue, employee numbers and market capitalisation as part of a plausibility check. Since the remuneration systems of the companies listed in the MDAX and SDAX are not fully comparable, the horizontal comparison is primarily intended to achieve an approximate classification within the

selected comparison group on the basis of the total remuneration actually granted or paid.

To assess vertical appropriateness, the Supervisory Board considers the development of the Management Board remuneration in relation to the remuneration of senior management and the workforce in Germany. The Supervisory Board defines senior management as all executives who report directly to members of Koenig & Bauer AG's Management Board. The remaining workforce is made up of employees subject to collective bargaining agreements as well as non-tariff employees of Koenig & Bauer AG. The Supervisory Board reserves the right to apply a Group-wide comparative view instead of one based on Koenig & Bauer AG. A decision has not yet been made on this matter.

The service contracts of all members of the Management Board were amended in 2020 to allow for the amended statutory requirements, in particular the requirements of the German Stock Corporation Act and the

requirements of the Act on the Transposition of the Second Shareholder Rights Directive (ARUG II) as well as the recommendations of the German Corporate Governance Code as amended on 16 December 2019.

From 2021 onwards, the remuneration arrangements are the same for all members of the Management Board. Where remuneration was still granted and owed for 2020, the 2021 remuneration system was applied to the members of the Management Board, Dr Kimmich and Mr Ulverich, and the remuneration system from 2018, which formed the basis of their contracts, was applied to the other members of the Management Board.

As in the past, the 2021 remuneration system for members of the Management Board of Koenig & Bauer AG has four core components:

fixed remuneration, short-term variable remuneration, long-term variable remuneration and pension commitments.

Basic elements of the remuneration system for the Management Board

Create incentives	The remuneration system in its entirety provides incentives for the successful implementation of the Company's operational and strategic objectives.
Pay for performance	The remuneration system combines non-performance-related (fixed) and performance-related (variable) remuneration components.
Long-term nature and sustainability	The variable components of the remuneration system provide incentives for the Company's sustainable and long-term development, taking into account financial and non-financial (especially ESG) targets.
Stakeholder interests	The remuneration system makes an important contribution to aligning the interests of shareholders, customers, employees and other stakeholders.
Consistency	The remuneration system is designed to match the performance incentives for managers below the Management Board.
Appropriateness	The remuneration system offers attractive remuneration to attract and retain the best candidates for management positions at the Koenig & Bauer Group.
Regulatory conformity	The remuneration system is clearly structured and follows the recommendations of the German Corporate Governance Code (the Code).

The 2021 remuneration system is designed to:

- create incentives for the successful implementation of the Company's operational and strategic objectives,
- set non-financial targets in addition to financial ones,
- ensure an appropriate balance between the remuneration function on the one hand and performance-based incentives on the other,
- promote the trusting cooperation of the Management Board members in working towards the jointly developed goals as a team but also to reward individual achievements,
- appropriately match the performance incentives for managers below the Management Board,
- offer attractive remuneration to attract and retain the best candidates for management positions at the Koenig & Bauer Group, and
- promote the Company's sustainable and long-term development. The latter is achieved by tying both the annual bonus (STI) and the long-term performance-related remuneration (LTI), which equal a total of between 50.87% and 52.64% of the remuneration, to targets which the Supervisory Board believes create an incentive to manage the Company sustainably in accordance with the operational and strategic targets defined. While the operational targets differ individually for the respective member of the Management Board, the strategic targets are based on the medium-term strategy adopted in consultation with the Supervisory Board, namely the Performance 2024x efficiency programme. Group-wide and department-specific ESG (environmental-social-governance) factors are applied for the non-financial targets defined in each case. In addition, the blocking period of four years set for the LTI means that the remuneration incentives for members of the Management Board to work towards the long-term development of the Company are linked to the share price (share ownership).

The Supervisory Board reserves the right to make a decision at its own due discretion concerning remuneration for any future outstanding performance or success on the part of the members of the Management Board, including any special remuneration. No special remuneration was granted and owed for the year under review.

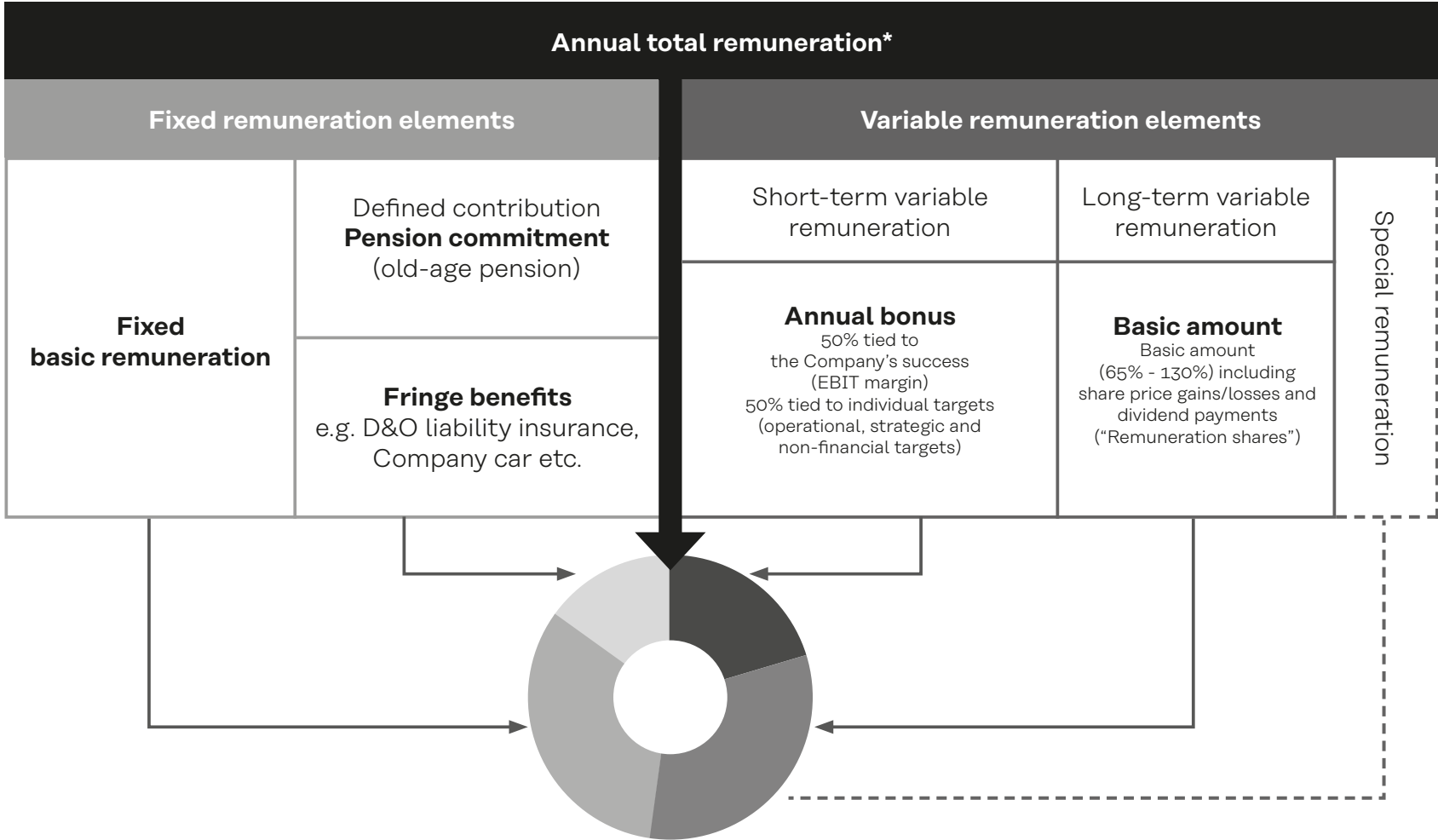
The total annual remuneration is capped at a maximum. The cap on the annual bonus and the staggered payment over time help to ensure that the members of the Management Board are not guided by short-term remuneration interests when managing the Company on their own responsibility.

The early-termination settlement is capped.

The Company may refuse payment of all or part of the annual bonus and the annual remuneration tied to the Company's long-term performance ("performance-related remuneration") in certain defined cases and may demand repayment of remuneration provided in the last year since payment (claw-back). There were no grounds for exercising this right in the financial year.

In addition, the Supervisory Board may temporarily deviate from the remuneration system if this is necessary in the Company's long-term interests. The Supervisory Board saw no need to modify the remuneration.

The Supervisory Board is convinced that the Management Board manages the Company successfully and responsibly and works towards its sustainable and long-term development without neglecting short-term targets. The remuneration system for the Management Board supports this by means of annual target agreements as well as the nature and choice of the agreed targets, by capping the annual variable remuneration components, which encourage steady development rather than an orientation to short-term opportunities, by linking the long-term variable remuneration to the share price for a period of four years and by means of an appropriate fixed remuneration component.



* The total remuneration is the sum total of the fixed remuneration, the annual bonus (100 per cent if the targets are achieved), the annual basic amount of the remuneration based on the Company's long-term success (100 per cent if the targets are achieved), the contribution to the pension scheme and fringe benefits.

The 2021 remuneration system for the Management Board was applied to all active members of the Management Board for the year under review. In the year under review, fixed remuneration components complying with the 2021 remuneration system were granted and owed. The variable remuneration earned in 2020 was granted to Dr Pleßke, Mr Müller and Mr Sammeck under the 2018 remuneration system and to Dr Kimmich and Mr Ulverich under the 2021 remuneration system described above. The variable remuneration for 2021 is calculated in accordance with the remuneration system for all members of the Management Board.

Fixed remuneration elements

Fixed remuneration consists of three components: fixed remuneration, fringe benefits and retirement benefits.

Fixed remuneration

The members of the Management Board receive fixed basic remuneration of the same amount, with the exception of the Chief Executive Officer, whose fixed remuneration is 25% higher. The fixed annual basic remuneration provided for in the respective service contract is €480,000 or €600,000. The fixed basic remuneration is paid in equal monthly amounts.

The granting of a fixed basic salary encourages the autonomous, risk-adjusted and autonomous management of the Company. The structure is intended to promote team-oriented decision-making by the members of the Management Board.

Fringe benefits

The Company provides the members of the Management Board with fringe benefits, which may be taxed as a non-cash benefit. These may include D&O insurance; criminal liability defence insurance; the provision of a company car including for private use; care and maintenance of the vehicle; benefits for voluntary pension insurance as well as health, nursing and accident insurance (including disability and death insurance); the costs of annual medical examinations; rental allowances / one-time relocation allowances; expenses and reimbursement of costs (such as travel expenses); reimbursement of expenses for home trips.

Pension commitments

During their service, the members of the Management Board receive a pension commitment on the basis of a defined contribution scheme.

The pension scheme is based on external pension liability insurance with annual allocations of €200,000. In accordance with IAS 19, the present values of the retirement benefit obligations accruing to Dr Andreas Pleßke amounted to €1,142,748 (€1,135,516), Dr Kimmich €234,490 (€128,434), Christoph Müller €4,187,495 (€4,579,610), Ralf Sammeck €4,289,310 (€4,533,762) and Michael Ulverich €277,148 (€124,290) at the end of 2021. The figures for the previous year are shown in brackets.

Variable remuneration elements

The variable remuneration elements comprise short-term variable remuneration and long-term variable remuneration, for which an annual target agreement applies.

Annual target agreement

The Supervisory Board agrees with each member of the Management Board on targets relevant for the respective financial year as a basis for the calculation of the annual bonus ("target agreement"). The target agreement specifies when the individual targets are deemed to have been 100% achieved and when they are deemed to have been 150% achieved. The annual target agreements are such that the Supervisory Board believes that they create an incentive to manage the Company sustainably in accordance with the operational and strategic targets defined. In doing so, the Supervisory Board seeks to make a contribution to ensuring an attractive and sustainable return for its shareholders in the long term and to enabling them to participate in the Company's success.

Target alignment

The respective variable remuneration is structured as follows:

1. 50 percent is tied to the Group's success and
2. 50 percent to the achievement of individual targets defined for the individual member of the Management Board in the performance of their responsibilities (including any additional tasks assumed).

When setting individual goals, in addition to financial goals, non-financial goals, especially those of a qualitative nature, must also be defined.

The targets tied to the Company's success are aligned with the Group's central performance indicator, the EBIT margin, in order to ensure value-oriented corporate management. The EBIT margin resulting from the audited consolidated financial statements of the Company approved by the Supervisory Board is decisive for this purpose. The EBIT margin is determined by calculating the ratio of the Group's earnings before interest and taxes (EBIT) to its total revenue.

An EBIT margin is determined for

- 100% target achievement
- 50% target achievement
- 150% target achievement

Target achievement between the specified target achievement levels (50%; 100%, 150%) is interpolated on a straight-line basis. If the target is achieved by less than 50%, the annual bonus is cancelled and the annual remuneration tied to the Company's long-term success is limited to the target basic amount. If the maximum is reached, a further increase in the EBIT margin does not lead to any further increase in the annual bonus or in the basic amount of the annual remuneration tied to the Company's long-term success.

The individual goals are based on financial targets as well as non-financial targets, particularly those of a non-quantitative nature. As a rule, (i) an operational, (ii) a strategic and (iii) a non-financial target is agreed with the following weighting: 40:40:20. The aforementioned weightings should not be exceeded or undershot by more than 15 points in the absence of any objective justification.

The operational targets are based on the departmental duties of the member of the Management Board or special tasks or projects managed by him. The strategic targets are based on the medium-term strategy adopted in consultation with the Supervisory Board, i.e. in accordance with the Performance 2024x efficiency programme until 2024. The non-financial targets apply on a Group-wide basis and tied to department-specific environmental-social-governance) factors.

Individual targets	Determined by Supervisory
40% operational target depending on	Department-dependent
40% strategic objective until	By 2024 efficiency programme P24x
20% non-financial target	ESG factors

Amount of short-term variable remuneration (STI)

The annual bonus amounts to 60% of the gross fixed annual salary ("target bonus") if the targets agreed with the Supervisory Board are 100% achieved and to a maximum of 90% of the gross fixed annual salary ("maximum bonus") if the targets agreed are 150% achieved.

Short-term incentive

Target bonus: gross 60% of the fixed annual salary, maximum gross 90% of the fixed annual salary

The respective variable remuneration is structured as follows:

- (1) 50 percent is tied to the Group's success and
- (2) 50 percent to the achievement of individual targets defined for the individual member of the Management Board in the performance of their responsibilities (including any additional tasks assumed).

The individual targets are based on financial targets as well as non-financial targets, particularly those of a non-quantitative nature. (2) As a rule, (i) an operational, (ii) a strategic and (iii) a non-financial target is agreed with the following weighting: 40:40:20.

Short-term variable remuneration, granted and owed

In the year under review, the short-term variable remuneration (one-year variable remuneration) was granted and owed for the 2020 financial year. In the year under review, the short-term variable remuneration was deferred as a resolution approving it had not yet been passed by the Supervisory Board.

The short-term variable remuneration granted for 2020 is calculated for Dr Kimmich and Mr Ulverich in accordance with the 2021 remuneration system. On the other hand, the 2018 remuneration system, which is applicable to 2020, applies under the service contracts for Mr Bolza-Schünemann, Dr Dähn, Mr Müller and Mr Sammeck. Accordingly, the one-year variable remuneration is still tied solely to the Company's business performance in the current year (reference year). The one-year variable remuneration was measured on the basis of EBT for Mr Bolza-Schünemann, on the basis of the Group's EBIT margin for Dr Dähn and otherwise on the basis of the Group's EBIT margin (50%) and on the basis of the EBIT margin for the relevant segment (50%). In the case of Dr Pleßke, 50% of the one-year variable remuneration for 2020 is based on the Group's EBIT margin and 50% on the fulfilment of personal targets.

An EBIT margin of at least 1.1% must be achieved in 2020 for payment of 50% of the target bonus. The bonus target is paid out if the EBIT margin reaches 2.1%; the target is capped at 150% if the EBIT margin reaches 3.1%. The Group's EBIT margin came to -6.6% in 2020. The EBT target was €32.5 million, actual EBT was €-73.5 million in 2020. The EBIT margin for the Special segment was -5.01%, the target margin was 2.4%, with a minimum or maximum cap for a deviation of – or +1%, the EBIT margin for the Web segment was -19.78%, while the target margin was -4.9%, with a minimum or maximum cap for a deviation of – or +1%. The targets set for EBIT margins and EBT for 2020 were not achieved. Accordingly, Mr Bolza-Schünemann, Dr Dähn, Mr Müller and Mr Sammeck did not receive any short-term variable remuneration. The target defined for Dr Pleßke, Dr Kimmich and Mr Ulverich was to develop and implement the Performance 2024 x project at the discretion of the Supervisory Board in the light of certain parameters. Dr Pleßke fulfilled his personal targets at a rate of 120% in accordance with the Supervisory Board's decision of 22 March 2021. On the basis of a 60% weighting, a total target of 50% was thus achieved. For Mr Ulverich achievement of the personal targets was deemed to be 107%. On the basis of a 50% weighting, a total target of 54%

was thus achieved. In the case of Dr Kimmich, achievement of the personal targets was deemed to be 100%. On the basis of a 50% weighting, a total target of 50% was thus achieved.

The personal targets were linked to the structuring and implementation of the 2024 efficiency programme. In order to strengthen the Company's position as a leading supplier of presses for packaging, industrial and security printing and finishing and to boost its operating profitability, the Management Board significantly expanded the "Performance 2024" efficiency programme that had been initiated at the beginning of 2019/end of 2020, renaming it "Performance 2024 extended" in September 2020. It was successfully launched in 2020. In addition to boosting efficiency and scaling the Group on the basis of the moderate revenue growth expected in the next few months, the four-year programme aims at strengthening its competitiveness in the long term. A large number of initiatives are being taken to further develop and systematically expand the proven broad product range, to digitise processes and service offerings and particularly also to reduce manufacturing costs. In addition to a voluntary leaver programme, negotiations were launched with employee representatives and the trade unions to determine the specific and, as far as possible, socially acceptable form of the short and medium-term layoffs within the Group. The basis for the assessment is also the diverse projects at the production level to boost productivity. In addition to the production of all core parts in internal activities and multi-machine operation in production, assembly optimisation and the avoidance of empty costs, the optimisation of line tasks via shop floor management forms part of the comprehensive package of measures.

Member of the Management Board	Target STI amount 2020 (€ thous.)	Target achievement (%) in 2020	STI 2020 granted and owed (€ thous.)
Claus Bolza-Schünemann	342	0	0
Dr Mathias Dähn	36	0	0
Dr Andreas Pleßke	288	60	155
Dr Stephen Kimmich	153	50	102
Christoph Müller	288	0	0
Ralf Sammeck	288	0	0
Michael Ulverich	153	54	109

Variable remuneration for the year under review

The short-term variable remuneration granted to the members of the Management Board for the year under review is determined by the Supervisory Board at the meeting at which it adopts the annual financial statements and approves the consolidated financial statements. For this reason, the remuneration report shows the expected payout amounts that were determined at the meeting of the Personnel Committee on 7 December 2021.

The 2021 remuneration system applies to all members of the Management Board with regard to the short-term variable remuneration expected for the year under review.

Target criteria for 2021:

The performance criteria for the short-term one-year variable remuneration for the year under review are the Company's success, as measured by reference to the Group's EBIT (50%). A further 50% of the short-term variable remuneration depends on the following performance criteria: 20% operational target, 20% strategic target and 10% ESG target.

The Supervisory Board has agreed with each member of the Management Board on objectives relevant for the respective financial year as a basis for the calculation of the annual bonus ("target agreement"). The target agreement specifies when the individual targets are deemed to have been 100% achieved and when the targets are deemed to have been 150% achieved. The annual target agreements are such that the Supervisory Board believes that they create an incentive to manage the Company sustainably in accordance with the operational and strategic objectives communicated. A minimum EBIT margin must be achieved with regard to the corporate

target for the year under review in order to receive payment equalling 50% of the target short-term variable remuneration.

The budget approved by the Supervisory Board forms the target for 100% achievement. The short-term variable remuneration is also capped at 150% of the target.

The operating target is linked to the EBIT of the segment, business unit or division in question. The principles for setting targets correspond to those for the corporate target, i.e. the budget approved by the Supervisory Board forms the target for 100% achievement. In addition, a minimum and a maximum target of 50% and 150%, respectively, is set. For Dr Pleßke, EBIT for the Special segment is the decisive operational target. For Dr Kimmich, the free cash flow in accordance with the budget is the decisive operational target. For Mr Müller, EBIT for the D&W segment is the decisive operational target. For Mr Sammeck, EBIT of the Sheetfed segment is the decisive operational target. For Mr Ulverich, EBIT for the INDAG business unit is the decisive operational target.

For Dr Pleßke, Mr Müller, Mr Sammeck and Mr Ulverich, the strategic target is linked to the implementation of the 2024x efficiency programme. The programme provides for a large number of operational changes, strategic measures, efficiency improvements and process adjustments over a period of five years. The budget approved by the Supervisory Board forms the target for 100% achievement for the year under review.

The ESG target aims to ensure that corporate social responsibility comes to the fore. Responsibility for and commitment to social affairs, the environment and the community have a tradition of more than 200 years and this commitment should be rendered more visible. The ESG targets are based on environment, social and governance targets. The social cluster includes concepts and implementation in the field of equal opportunities, i.e. a level playing field and initiatives against discrimination in the Group and the transparency of corporate social responsibility. In the environment cluster, a focus is placed on green energy concepts; in the governance cluster, priority is given to data security through a cyber security investigation.

Member of the Management Board	Target	STI 2020 (€ thous.)	Assumed target 2021 (%)	Target STI 2021 (€ thous.)
	achievement (%) in 2020			
Dr. Andreas Pleßke	60	155	83.40	500
Dr. Stephen Kimmich	50	102	83.40	400
Christoph Müller	0	0	65.40	314
Ralf Sammeck	0	0	83.40	400
Michael Ulverich	54	109	83.40	400

Remuneration tied to the Company's long-term success

The remuneration of the members of the Management Board includes an annual component that is tied to the Company's long-term success. To this end, a basic amount is invested annually on an actual or virtual basis in shares in the Company, which are released after four years or settled depending on the share price. The remuneration component tied to the Company's long-term success ensures that the remuneration incentives for members of the Management Board to work towards the long-term development of the Company are linked to the share price (share ownership).

The basic amount of the annual remuneration tied to the Company's long-term success is at least 65% gross of the fixed remuneration (target basic amount), which may increase to up to 130% in the event of over-achievement (150% of target achievement). The target basic amount is not tied to the achievement of certain objectives or other conditions. Remuneration beyond the target basic amount is tied to the extent to which the targets set for the one-year variable remuneration are achieved. It is not paid out until after the annual general meeting at which the annual financial statements for the final year in this period are approved. At the discretion of the member of the Management Board in question, the basic amount is invested in shares in the Company by an authorised bank and held in a restricted custody account or held as virtual shares in Koenig & Bauer AG in favour of the member of the Management Board from that date ("remuneration shares"). After the expiry of a four-year blocking period, the members of the Management Board may withdraw the remuneration shares from the blocked account or have the corresponding amount (basic amount plus any

gains or losses in the share price) paid out.

Basic amount (Minimum)	Basic amount (Maximum)	Investment in shares Lock-up period	Blocking period
65 %	130 %	Option of the individual member of the Management Board in favour of an actual or virtual blocked deposit	4 years
No targets	Targets and target achievement level in accordance with one-year variable remuneration		

Long-term incentive

The target basic amount of the annual remuneration tied to the Company's long-term success is at least 65% gross of the fixed remuneration

The target basic amount is not tied to the achievement of certain objectives or other conditions.

Remuneration beyond the target basic amount is tied to the extent to which the targets set for the one-year variable remuneration are achieved, up to a maximum of 130% of the fixed remuneration.

Remuneration tied to the Company's long-term success, granted and owed

Remuneration tied to the Company's long-term success that was granted and owed for 2020 was paid out in 2021. For Dr. Kimmich and Mr. Ulverich, the target basic amount of 65% of the fixed remuneration was granted for 2020 as remuneration tied to the Company's long-term success. The target basic amount was not exceeded due to the target achievement level reached for one-year variable remuneration. Despite this, the multi-year variable remuneration for Dr. Pleßke, Mr. Müller, Mr. Sammeck and Dr. Dähn for 2020 is tied to the Company's business performance in the reference year and the following two years and is measured on the basis of the EBIT margin in accordance with the 2018 remuneration system. It is not paid out until

after the annual general meeting at which the annual financial statements for the final year in this period are approved. The target is defined as 65% of the fixed remuneration, equivalent to an amount of €312,000 for the members of the Management Board and €390,000 for the Chief Executive Officer, which may be increased to up to 130% in the event of excess achievement (200% of the target bonus). In the case of the multi-year variable remuneration, there is no separate segment view, meaning that only Group EBIT is applicable. In derogation of this, EBT for 2020 is used as a basis for determining the one-year bonus as well as the long-term bonus accruing to the Chief Executive Officer Claus Bolza-Schünemann. The long-term bonus is paid in three consecutive years subject to certain conditions, such as an annual increase in EBT, being met.

EBT and the EBIT margin target was achieved for the LTI from 2018 and 2019 but not for 2020, which is why no multi-year variable remuneration was granted. The target EBIT margin was 6.5% for 2018, 5.5% for 2019 and 2.1% for 2020, the actual EBIT margin was 7.1% for 2018, 5.6% for 2019 and -6.6% for 2020. This means that the contractually required achievement of the average EBIT margin was not met (4.7% target EBIT margin versus 2.03% actual EBIT margin).

Member of the Management Board	Target LTI amount 2020 (€ thous.)	Target achievement 2020 (%)	LTI 2020 (€ thous.)
Claus Bolza-Schünemann	570	0	0
Dr Mathias Dähn	104	0	0
Dr Andreas Pleßke	312	0	0
Dr Stephen Kimmich since 15 April 2020	221	65	221
Christoph Müller	312	0	0
Ralf Sammeck	312	0	0
Michael Ulverich since 15 April 2020	221	65	221

(Virtual) investment in shares in the Company

Basic amount of the remuneration tied to the Company's long-term success at the discretion of the member of the Management Board in question, the basic amount is invested in shares in the Company by an authorised bank and held in a restricted custody account or held as virtual shares in Koenig & Bauer AG in favour of the member of the Management Board from that date ("remuneration shares"). The (virtual) shares are subject to

a blocking period of four years. During the blocking period, the member of the Management Board may not sell the shares and/or transfer them in any form whatsoever. The basic amount plus any gains or losses in the share price loss is paid after the expiry of the blocking period.

Member of the Management Board	LTI 2020 (€ thous.)	Share price on exchange day €	Remuneration share 2020	Total remuneration shares in blocked
Claus Bolza-Schünemann				
Dr Mathias Dähn				
Dr Andreas Pleßke				
Dr Stephen Kimmich	221	26.70	8,277.15	8,277.15
Christoph Müller				
Ralf Sammeck				
Michael Ulverich	221	26.70	8,277.15	8,277.15

The shares have been pledged in the form of virtual remuneration shares and have been subject to a blocking period of four years since the exchange date. The exchange rate was €26.70 on the exchange date. Accordingly, 8,277.15 virtual shares have been invested.

Remuneration tied to the Company's long-term success granted for the year under review:

The expected payout amounts for remuneration tied to the Company's long-term success were determined at the meeting of the Personnel Committee on 7 December 2021. Accordingly, remuneration tied to the Company's long-term success was achieved beyond the basic amount. Of the maximum achievable amount of 130% of a gross annual salary, between 78.85% and 125% of a gross annual salary was deferred.

Member of the Management Board	Target achievement LTI 2020 (%)*	LTI 2020 (€ thous.)	Assumed target LTI 2021 (%)	Target LTI 2021 (€ thous.)
Dr Andreas Pleßke	–	–	125	750
Dr Stephen Kimmich	65	221	125	600
Christoph Müller	–	–	78.85	378
Ralf Sammeck	–	–	125	600
Michael Ulverich	65	221	125	600

*equals 100% target base amount

Granted and owed

		Claus Bolza-Schünemann				Dr Andreas Pleßke				Dr Stephen Kimmich				Dr Matthias Dähn			
		CEO until 31 December 2020				Chief Executive Officer/ Special segment from 1 January 2021				CFO from 15 April 2020				CFO until 3 April 2020			
		2020		2021		2020		2021		2020		2021		2020		2021	
		in € thous.	%	in € thous.	%	in € thous.	%	in € thous.	%	in € thous.	%	in € thous.	%	in € thous.	%	in € thous.	%
Non-performance-related remuneration	Fixed remuneration	502	70			480	82	600	76	342	92	480	77	160	18		
	Fringe benefits	24	3			26	4	40	5	28	8	42	7	13	1		
Total		526	73			506	86	640	81	370	100	522	84	173	19		
STI - one-year variable remuneration		196	27			83	14	155	19			102	16	288	33		
LTI - multi-year variable remuneration	Plan description - 2018 (payment in 2020)								0			0	410	48			
	Share-based - 2020 (payment in 2025)								0								
Total		196	27			83	14	155	19	0	0	102	16	698	81		
Other									0			0					
Total remuneration		722	100			589	100	795	100	370	100	624	100	871	100		

		Christoph Müller				Ralf Sammeck				Michael Ulverich			
		Responsible for Digital & Webfed				Responsible for Sheetfed				COO from 15 April 2020			
		2020		2021		2020		2021		2020		2021	
		in € thous.	%	in € thous.	%	in € thous.	%	in € thous.	%	in € thous.	%	in € thous.	%
Non-performance-related remuneration	Fixed remuneration	448	43	480	84	480	44	480	84	342	93	480	78
	Fringe benefits	25	2	26	4	27	2	28	4	27	7	37	5
Total		473	45	506	88	507	46	508	88	369	100	517	83
STI - one-year variable remuneration		194	19	0		216	19	0				109	17
LTI - multi-year variable remuneration	Plan description - 2018 (payment in 2020)	376	36			393	35	0				0	
	Share-based - 2020 (payment in 2025)												
Total		570	55	0	0	609	54	0	0	0	0	109	17
Other				72	12			72	12				0
Total remuneration		1,043	100	578	100	1,116	100	580	100	369	100	626	100

Target remuneration

		Dr Andreas Pleßke				Dr Stephen Kimmich				Christoph Müller			
		Chief Executive Officer/Special segment from 1 January 2021				CFO from 15 April 2020				Responsible for Digital & Webfed			
		Target remuneration	Minimum remuneration	Maximum remuneration	Payment	Target remuneration	Minimum remuneration	Maximum remuneration	Payment	Target remuneration	Minimum remuneration	Maximum remuneration	Payment
Non-performance-related remuneration	Fixed remuneration	600	600	600	600	480	480	480	480	480	480	480	480
	Fringe benefits	40	40	40	40	42	42	42	42	26	26	26	26
Total		640	640	640	640	522	522	522	522	506	506	506	506
STI - one-year variable remuneration		500	0	540	155	400	0	432	102	314	0	432	0
LTI - multi-year variable remuneration		Plan description - 2020 (payment in 2025)			0								
		Share-based - 2021 (payment in 2026)			0	600	312	624	0	378	312	624	0
Total		1,250	390	1,320	155	1,000	312	1,056	102	692	312	1,056	0
Other					0				0				
Total remuneration		1,890	1,030	1,960	795	1,522	834	1,578	624	1,198	818	1,562	578

		Ralf Sammeck				Michael Ulverich			
		Responsible for Sheetfed				COO from 15 April 2020			
		Target remuneration	Minimum remuneration	Maximum remuneration	Payment	Target remuneration	Minimum remuneration	Maximum remuneration	Payment
Non-performance-related remuneration	Fixed remuneration	480	480	480	480	480	480	480	480
	Fringe benefits	28	28	28	28	37	37	37	37
Total		508	508	508	508	517	517	517	517
STI - one-year variable remuneration		400	0	432	0	400	0	432	109
LTI - multi-year variable remuneration		Plan description - 2020 (payment in 2025)			0				
		Share-based - 2021 (payment in 2026)			0	600	312	624	0
Total		1,000	312	1,056	0	1,000	312	1,056	109
Other					72				0
Total remuneration		1,508	820	1,564	580	1,517	829	1,573	626

Special remuneration

The Supervisory Board reserves the right to make a decision at its own due discretion concerning remuneration for any future outstanding performance or success on the part of the members of the Management Board, including any special remuneration. The special remuneration does not exceed the total annual remuneration during the current term of appointment and for a period of five years.

No special remuneration was granted and owed for the year under review. Special remuneration was granted for 2020 in 2021. In a resolution dated 10 May 2021, the Supervisory Board granted Mr Müller and Mr Sammeck special remuneration in the amount of €72,000.00 each in recognition of the preparation of the Performance 2024 efficiency programme as well as the significant contributions they had made to successfully guiding the Company through the Covid-19 pandemic.

Disclosures on former members of the Management Board

In the year under review, former members of the Management Board received no remuneration other than retirement benefits. The total benefits (current pensions) paid to former members of the Management Board and their surviving dependents equals €1,481,355.74 (previous year: €1,410,668.50). Provisions of €25,092,379 (previous year: €23,611,884) were set aside for pension obligations to former members of the Management Board and their surviving dependants in accordance with IFRS; in accordance with the German Commercial Code (HGB), the provisions amount to €27,972,631 (previous year: €22,466,955).

Pursuant to section 162 of the German Stock Corporation Act (AktG), the total remuneration of former members of the Management Board in the first ten years after the termination of their duties must be stated individually as of the year under review.

Remuneration granted and owed to former members of the Management Board who have terminated their services for the Company in the past ten years or less. The pension benefits are fixed remuneration and there are no variable elements.

Former member of the Management Board	Date of retirement	Pension benefits in 2020	Pension benefits in 2021
Claus Bolza-Schünemann	31 December 2020	-	185,005
Helge Hansen	5 February 2021	53,395	53,395

Maximum remuneration

The total annual remuneration of the members of the Management Board is capped at a maximum of €1,750,000 (ordinary members of the Management Board) and €2,170,000 (Chief Executive Officer) (cap on grant and on payment). The total remuneration for the cap on the grant and the cap on the payment is the sum total of the (i) fixed annual salary, (ii) annual bonus, (iii) basic amount of the annual remuneration tied to the Company's long-term success, (iv) any special remuneration, (v) annual pension contribution and (vi) fringe benefits. The maximum remuneration was not achieved in 2020; nor is it expected to be achieved in 2021.

Member of the Management Board	Total remuneration 2020 (€ thous.)	Target remuneration 2021	Maximum cap (€ thous.)
Dr Andreas Pleßke	861	2,090	2,170
Dr Stephen Kimmich	893	1,722	1,750
Christoph Müller	745	1,398	1,750
Ralf Sammeck	779	1,708	1,750
Michael Ulverich	899	1,717	1,750

Share ownership guidelines

By linking the long-term variable remuneration to the share price for a period of four years, the interests of the Management Board and the shareholders are additionally aligned. There are no other share ownership guidelines.

Claw-back arrangements

Koenig & Bauer AG may refuse payment of all or part of the annual bonus and the annual remuneration tied to the Company's long-term performance ("performance-related remuneration") in certain defined cases and may demand repayment of remuneration provided in the last year since payment (claw-back). The service contracts provide for claw-backs in the following cases for example:

If it subsequently becomes evident that the assessment of the performance-related remuneration is based on incorrect or incomplete information about the agreed assessment bases.

If a member of the Management Board has seriously violated the Koenig & Bauer Group's Code of Conduct or legal obligations in the year in which the performance-related remuneration was granted.

There were no claw-backs in the year under review.

Early-termination settlement

In the event of the premature termination of the service contract, the Company does not remunerate more than the value of the claims arising for the remaining term of the contract. Payments, including fringe benefits, may not exceed two years' remuneration (severance cap). The annual remuneration is the sum total of (I) the fixed annual salary, (II) the annual bonus in accordance with the last applicable target agreement, (III) other fringe benefits and (IV) contributions to the pension scheme. Any special remuneration or claims to the annual remuneration tied to the Company's long-term success of the Company are excluded from the calculation of the severance pay cap. If the service contract is prematurely terminated at the request of the members of the Management Board or if there is an important reason for termination by the Company, no severance payments are made.

Supervisory Board remuneration

The remuneration rules applicable to the members of the Supervisory Board for 2021 are set out in Article V, 13 of the Articles of Association of Koenig & Bauer AG and were approved at the 2019 Annual General Meeting. After the regular review required by law, the Supervisory Board and the Management Board came to the conclusion that the remuneration rules for the Supervisory Board were no longer in line with market practice in some respects. Accordingly, the Supervisory Board and the Management Board proposed a new remuneration system for the members of the Supervisory Board at the 2021 annual general meeting. This was approved at the annual general meeting on 11 May 2021 with 99.95% of the capital represented and is to be applied for the first time from 2022. Detailed information and a comparison of the current and future remuneration system can be found on the Company's website at <https://www.koenig-bauer.com/en/investor-relations/corporate-governance/compensation/>.

The following rules still apply in 2021: In addition to an attendance fee and the reimbursement of out-of-pocket expenses, each member receives fixed annual remuneration of €35,000. The Chairman receives twice and his deputies one-and-a-half times this amount. The chairman and the members of the Audit Committee receive €11,250 and €7,500, respectively, the Strategy Committee €9,375 and €6,250, respectively, and the Nomination Committee €4,625 and €3,750, respectively, per year. The members of the other committees do not receive any separate remuneration. Activities on the committees of the Supervisory Board are remunerated once. If a member sits on several committees, he or she receives the amount for the committee with the highest remuneration. Furthermore, each member present at the meeting receives an attendance fee of €250; no attendance fee is granted for meetings of the committees.

D&O insurance has been taken out for the members of the Supervisory Board and is subject to a deductible of €2,500.

As of 2022, the fixed annual remuneration of the members of the Supervisory Board will be increased to €45,000. The Chairman receives €120,000 and his deputies €80,000 each. The Chairman and the members of the Audit Committee receive €22,500 and €15,000, respectively, the Strategy Committee €20,000 and €13,000, respectively and the Nomination Committee €10,000 and €8,000, respectively, per year. In all other respects, the provisions described above for the year under review will continue to apply.

Supervisory Board remuneration system until 2021

Member of the Supervisory Board	Chair	Deputy	Member
Fixed remuneration	70,000 €	52,500 €	35,000 €
Audit Committee (Membership)	11,250 €		7,500 €
Strategy Committee (Membership)	9,375 €		6,250 €
Personnel Committee (Membership)	4,625 €		3,750 €

Supervisory Board remuneration system from 2022

Supervisory Board member	Vorsitz	Stellv.	Mitglied
Fixed remuneration	120,000 €	80,000 €	45,000 €
Audit Committee (Membership)	22,500 €		15,000 €
Strategy Committee (Membership)	20,000 €		13,000 €
Personnel Committee (Membership)	10,000 €		8,000 €

The elections for the employee representatives on the Supervisory Board were held in the year under review. Walther Mann no longer stood for election and stepped down from the Supervisory Board at the end of the annual general meeting on 11 May 2021. Werner Flierl was elected to replace him, joining the Supervisory Board on 11 May 2021. If members of the Supervisory Board leave the Supervisory Board in the course of a year, they receive prorated remuneration rounded up to the nearest whole month.

The total remuneration paid to the Supervisory Board in 2021 came to €0.6m. The remuneration of the Supervisory Board is paid out at the end of the year and distributed to the Supervisory Board members as follows:

Supervisory Board remuneration in 2020 in accordance with Article 13 of the articles of incorporation (version dated 20 October 2020)

Member of the Supervisory Board	Fixed remuneration	Proportion Fixed	Committee remuneration	Proportion Committee remuneration	Attendance fee	Proportion Attendance	Total
Professor Raimund Klinkner, Chair	70,000 €	87.50%	6,250 €	7.81%	3,750 €	4.69%	80,000 €
Gottfried Weippert, Deputy Chair	52,500 €	82%	7,500 €	11.72%	4,000 €	6.25%	64,000 €
Dagmar Rehm, Deputy Chair	52,500 €	77.78%	11,250 €	16.67%	3,750 €	5.56%	67,500 €
Julia Cuntz	35,000 €	90.32%	0 €	0.00%	3,750 €	9.68%	38,750 €
Carsten Dentler	35,000 €	77.78%	6,250 €	13.89%	3,750 €	8.33%	45,000 €
Marc Dotterweich	35,000 €	75.27%	7,500 €	16.13%	4,000 €	8.60%	46,500 €
Matthias Hatschek	35,000 €	77.35%	6,250 €	13.81%	4,000 €	8.84%	45,250 €
Christopher Kessler	35,000 €	77.35%	6,250 €	13.81%	4,000 €	8.84%	45,250 €
Professor Gisela Lanza	35,000 €	72.73%	9,375 €	19.48%	3,750 €	7.79%	48,125 €
Dr Johannes Liechtenstein	35,000 €	76.50%	7,500 €	16.39%	3,250 €	7.10%	45,750 €
Walther Mann	35,000 €	77.35%	6,250 €	13.81%	4,000 €	8.84%	45,250 €
Simone Walter	35,000 €	90.91%	0 €	0.00%	3,500 €	9.09%	38,500 €
Total	490,000 €		74,375 €		45,500 €		609,875 €

Supervisory Board remuneration 2021

Member of the Supervisory Board	Fixed	Proportion Fixed	Committee	Proportion	Attendance fee	Proportion Attendance	Total
	remunera- tion		remunera- tion	remunera- tion			
Professor Raimund Klinkner, Chair	70,000 €	88.05%	6,250 €	7.86%	3,250 €	4.09%	79,500 €
Gottfried Weippert, Deputy Chair	52,500 €	83%	7,500 €	11.86%	3,250 €	5.14%	63,250 €
Dagmar Rehm, Deputy Chair	52,500 €	78.36%	11,250 €	16.79%	3,250 €	4.85%	67,000 €
Julia Cuntz	35,000 €	92.11%	0 €	0.00%	3,000 €	7.89%	38,000 €
Carsten Dentler	35,000 €	79.10%	6,250 €	14.12%	3,000 €	6.78%	44,250 €
Marc Dotterweich	35,000 €	76.92%	7,500 €	16.48 %	3,000 €	6.59%	45,500 €
Werner Flierl	17,500 €	92.11%	0 €	0.00 %	1,500 €	7.89%	19,000 €
Matthias Hatschek	35,000 €	79.10%	6,250 €	14.12 %	3,000 €	6.78%	44,250 €
Christopher Kessler	35,000 €	79.10%	6,250 €	14.12 %	3,000 €	6.78%	44,250 €
Professor Gisela Lanza	35,000 €	74.67%	9,375 €	20.00 %	2,500 €	5.33%	46,875 €
Dr Johannes Liechtenstein	35,000 €	76.92%	7,500 €	16.48 %	3,000 €	6.59%	45,500 €
Walther Mann	17,500 €	79.10%	3,125 €	14.12 %	1,500 €	6.78%	22,125 €
Simone Walter	35,000 €	84.59%	3,125 €	7.55 %	3,250 €	7.85%	41,375 €
Summe	490,000 €		74,375 €		36,500 €		600,875 €

Comparison of remuneration and earnings development over time.

For the purposes of the horizontal comparison, the Supervisory Board has positioned Koenig & Bauer at the 50th percentile in the SDAX and considered a range of the 15 percentiles above and below with regard to customary market remuneration. The following presentation provides a vertical comparison of the remuneration within the Company. As the remuneration of the Management Board is also measured on the basis of the Group's earnings, these are also presented. Senior management is defined as all executives who report directly to members of Koenig & Bauer AG's Management Board. The remaining workforce consists of employees subject to collective bargaining agreements and non-tariff employees of the Company. All employees of the Company are employed in Germany. The variable remuneration is for the year preceding the year of payment. Mr. Hansen is not included in the vertical comparison because he has only received pension benefits for the last 5 years.

Current members of the Supervisory Board	Granted, owed 2021	Granted, owed 2020	Change in 2021 over 2020		Change in 2020 over 2019		Change in 2019 over 2018		Change in 2018 over 2017	
	in thous. €	in thous. €	in thous. €	in %	in thous. €	in %	in thous. €	in %	in thous. €	in %
Dr Andreas Pleßke	795	589	206	35	-57	-9	79	14	38	7
Dr Stephen Kimmich	624	370	254	69						
Christoph Müller	578	1043	-465	-45	-168	-14	512	73	407	139
Ralf Sammeck	580	1117	-537	-48	-114	-9	338	38	590	195
Michael Ulverich	626	368	258	70						
Arbeitnehmer										
Average remuneration of the workforce	58	59	-1	-1	-4	-7	2	4	8	12
Average remuneration of senior management	166	130	36	28	-31	-20	-8	-4	18	10
Company's earnings over time										
in €m	2021	2020			2019		2018		2017	
Group net profit	14.5	-103.1			52.3		64		81.1	
Net profit of Koenig & Bauer AG	11.3	42.5			8.3		16.5		15.4	

Current members of the Supervisory Board	Granted, owed 2021	Granted, owed 2020	Change in 2021 over 2020		Change in 2020 over 2019		Change in 2019 over 2018		Change in 2018 over 2017	
	in €	in €	in thous. €	in %	in thous. €	in %	in thous. €	in %	in thous. €	in %
Professor Raimund Klinkner, Chair	79,500	80,000	-0.5	-1	20	33.8	57	2,462.6		
Gottfried Weippert, Deputy Chair	63,250	64,000	-1	-1	3.5	5.8	11	22.8	-0.5	-1.0
Dagmar Rehm, Deputy Chair	67,000	67,500	-0.5	-1	2	3.1	13	25.4	-0.25	-0.5
Julia Cuntz	38,000	38,750	-1	-2	2.5	6.9	7	25.0	-0.5	-1.7
Carsten Dentler	44,250	45,000	-1	-2	2.25	5.3	8.5	24.8	6	21.6
Marc Dotterweich	45,500	46,500	-1	-2	2.25	5.1	9	25.5	-0.5	-1.4
Werner Fliert	19,000									
Matthias Hatschek	44,250	45,250	-1	-2	2.25	5.2	9	25.5	-0.25	-0.7
Christopher Kessler	44,250	45,250	-1	-2	2.5	5.8	8.5	24.8	-0.5	-1.4
Professor Gisela Lanza	46,875	48,125	-1	-3	2	4.3	9	25.5	-0.25	-0.7
Dr Johannes Liechtenstein	45,500	45,750	-0.25	-1	23	102.2				
Simone Walter	41,375	38,500	3	7	1.8	4.8	7.5	25.6	-0.5	-1.7
Former members of the Supervisory Board										
Walther Mann	22,125	45,250	-23	-51	2.25	5.2	9	25.5	-0.5	-1.4
Dr Martin Hoyos							-30	-47.6	-0.75	-1.2
Dr Andreas Pleßke									-0.5	-3.3

Group financial statements

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Group balance sheet to 31 December 2021

in €m	Note	31.12.2020	31.12.2021
Assets			
Non-current assets			
Intangible assets	(G) (1)	129.8	137.5
Property, plant and equipment	(G) (1)	262.5	249.8
Investments and other financial receivables	(G) (2)	22.3	25.0
Other assets	(G) (2)	3.4	3.0
Deferred tax assets	(G) (6)	91.7	92.3
		509.7	507.6
Current assets			
Inventories	(G) (3)	357.6	331.6
Trade receivables	(G) (2)	91.9	94.7
Other financial receivables	(G) (2)	23.4	26.0
Other assets	(G) (2)	190.6	190.4
Current tax assets		7.3	5.1
Securities	(G) (4)	2.8	3.8
Cash and cash equivalents	(G) (5)	137.8	129.5
		811.4	781.1
		1,321.1	1,288.7

in €m	Note	31.12.2020	31.12.2021
Equity and liabilities			
Equity			
	(G) (7)		
Share capital		43.0	43.0
Share premium		87.5	87.5
Reserves		210.3	237.6
Equity attributable to owners of the Parent		340.8	368.1
Equity attributable to non-controlling interests		1.4	1.3
		342.2	369.4
Liabilities			
Non-current liabilities			
Pension provisions and similar obligations	(G) (8)	165.6	140.8
Other provisions	(G) (9)	40.3	47.9
Bank loans and other financial payables	(G) (10)	169.6	117.6
Other liabilities	(G) (10)	9.9	9.9
Deferred tax liabilities	(G) (6)	68.6	68.5
		454.0	384.7
Current liabilities			
Other provisions	(G) (9)	124.8	103.7
Trade payables	(G) (10)	59.2	64.9
Bank loans and other financial payables	(G) (10)	111.3	108.9
Other liabilities	(G) (10)	221.8	251.2
Current tax liabilities		7.8	5.9
		524.9	534.6
		1,321.1	1,288.7

Group income statement 2021

in €m	Note	2020	2021
Revenue	(H) (15)	1,028.6	1,115.8
Cost of sales	(H) (16)	-827.7	-817.7
Gross profit		200.9	298.1
Research and development costs	(H) (16)	-39.1	-46.7
Distribution costs	(H) (16)	-129.7	-131.1
Administrative expenses	(H) (16)	-94.7	-88.4
Other operating income	(H) (18)	22.2	17.2
Other operating expenses	(H) (18)	-29.1	-21.6
Impairment gains and losses on financial assets	(H) (18)	1.6	0.9
Other financial results	(H) (19)	-	0.1
Earnings before interest and taxes (EBIT)		-67.9	28.5
Other interest and similar income		2.5	1.0
Other interest and similar expenses		-8.1	-10.5
Interest result	(H) (19)	-5.6	-9.5
Earnings before taxes (EBT)		-73.5	19.0
Income tax expense	(H) (20)	-29.6	-4.5
Net profit/loss		-103.1	14.5
of which			
attributable to owners of the Parent		-103.7	13.7
attributable to non-controlling interests		0.6	0.8
Earnings per share (in €, basic/dilutive)	(H) (21)	-6.27	0.83

Statement of comprehensive Group income 2021

in €m	2020	2021
Net profit/loss	-103.1	14.5
Items to be reclassified to consolidated profit or loss		
Foreign currency translation	-4.0	3.1
Measurement of derivatives	2.3	-3.8
Deferred taxes	-0.5	1.0
	-2.2	0.3
Items not to be reclassified to consolidated profit or loss		
Defined benefit plans	-4.5	18.1
Revaluation of land	25.1	-
Deferred taxes	-5.5	-4.9
	15.1	13.2
Gains recognised directly in equity	12.9	13.5
Total comprehensive income	-90.2	28.0
of which		
attributable to owners of the Parent	-90.8	27.2
attributable to non-controlling interests	0.6	0.8

Statement of changes in Group equity 2021

in €m	Reserves							Equity attr. to owners	Equity attr. to non-controlling interests	Total
	Recognised in equity*									
	Share capital	Share premium	Defined benefit plans	Revaluation of land	Derivatives	Exchange differences	Other			
1 January 2020	43.0	87.5	-102.1	–	-1.6	4.5	400.3	431.6	1.2	432.8
Net profit/loss	–	–	–	–	–	–	-103.7	-103.7	0.6	-103.1
Gains/losses recognised directly in equity	–	–	-3.1	18.3	1.7	-4.0	–	12.9	–	12.9
Total comprehensive income	–	–	-3.1	18.3	1.7	-4.0	-103.7	-90.8	0.6	-90.2
Other	–	–	–	–	–	–	–	–	-0.4	-0.4
31 December 2020	43.0	87.5	-105.2	18.3	0.1	0.5	296.6	340.8	1.4	342.2
1 January 2021	43.0	87.5	-105.2	18.3	0.1	0.5	296.6	340.8	1.4	342.2
Net profit	–	–	–	–	–	–	13.7	13.7	0.8	14.5
Gains/losses recognised directly in equity	–	–	13.2	–	-2.7	3.0	–	13.5	–	13.5
Total comprehensive income	–	–	13.2	–	-2.7	3.0	13.7	27.2	0.8	28.0
Other	–	–	–	–	–	–	0.1	0.1	-0.9	-0.8
31 December 2021	43.0	87.5	-92.0	18.3	-2.6	3.5	310.4	368.1	1.3	369.4

* reserves recognised in equity are shown net of deferred taxes

Group cash flow statement 2021

in €m	Note	2020	2021
Earnings before taxes		-73.5	19.0
Appreciation/depreciation on intangible assets, property, plant and equipment	(F)	34.5	39.3
Currency measurement	(H) (18)	-0.3	0.9
Non-cash interest income/expense		3.6	4.8
Other non-cash income/expenses		-0.6	-3.3
Gross cash flow		-36.3	60.7
Changes in inventories		44.7	33.2
Changes in receivables and other assets		3.9	-8.5
Changes in other provisions		60.1	-15.0
Changes in payables and other liabilities		-52.4	37.6
Interest received		0.9	0.6
Interest paid		-2.9	-5.3
Income tax paid		-12.9	-13.7
Income tax refunded		7.1	5.4
Cash flows from operating activities		12.2	95.0
Proceeds from the disposal of intangible assets, property, plant and equipment		12.5	2.9
Payments for investment in intangible assets, property, plant and equipment		-39.3	-32.4
Proceeds from the disposal of investments		–	0.1
Payments for investments		-9.6	-5.6
Dividends received		0.1	0.1
Payments for loans to associates		–	-3.8
Cash flows from investing activities		-36.3	-38.7
Free cash flow		-24.1	56.3
Proceeds from loans		20.0	2.0
Repayment of loans		-34.5	-60.3
Payments for lease liabilities		-10.7	-10.0
Changes in equity attr. to non-controlling interests		0.2	-0.1
Cash flows from financing activities		-25.0	-68.4
Change in funds		-49.1	-12.1
Effect of changes in exchange rates		-4.3	3.8
Effect of changes in consolidated companies		0.2	–
Funds at beginning of period		191.0	137.8
Funds at end of period	(G) (5)	137.8	129.5

for further information see explanatory Note (I)

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.

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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 a 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 pay-

ments 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 reclassified 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 re-working, 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							31.12.
	01.01.	Group additions	Additions	Revaluation surplus	Exchange differences	Reclassifications	Disposals	
2020								
Intangible assets								
Industrial property rights and similar rights	67.0	–	0.7	–	-0.1	–	2.8	64.8
Goodwill ²	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 ²	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	Reclassifications	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	0.2¹	-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.

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(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 Graftec 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, Hori, 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

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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	Term to maturity			Term to maturity		
	31.12.2020	up to 1 year	more than 1 year	31.12.2021	up to 1 year	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.

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(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	
	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021
in €m						
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

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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.

in €m	Present value of reimbursement rights	
	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	
	31.12.2020	31.12.2021	31.12.2020	31.12.2021
in €m				
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	Reclassifications	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		31.12.2021	Term to maturity	
		up to 1 year	more than 1 year		up to 1 year	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).

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

in €m	31.12.2020	Term to maturity			31.12.2021	Term to maturity		
		up to 1 year	1 to 5 years	more than 5 years		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 deducted. 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			Nominal amount		
	Total 31.12.2020	Term to maturity more than 1 year	Market value 31.12.2020	Total 31.12.2021	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.

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(12) Further disclosures on financial instruments

in €m	Measurement					31.12.2020 Fair value
	31.12.2020 Carrying amount	Amortised cost	FVTPL Fair value through profit and loss	FVOCI Fair value through OCI	Fair value hedges	
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	Measurement					31.12.2021 Fair value
	31.12.2021 Carrying amount	Amortised cost	FVTPL Fair value through profit and loss	FVOCI Fair value through OCI	Fair value hedges	
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 subsequent measurement			from disposal	Other
		from interest	due to impairment	currency impact		
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.

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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.

in €m	Equity		Net profit/loss	
	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)).

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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

in €m	31.12.2020	Term to maturity			31.12.2021	Term to maturity		
		up to 1 year	1 to 5 years	more than 5 years		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.

in €m	2020			2021		
	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		2020	2021	2020	2021
	2020	2021	2020	2021	2020	2021				
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

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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.

in €m	Revenue		Capital investments		Non-current assets	
	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%.

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Supervisory Board

Professor Raimund Klinkner

Chairman
Managing Partner
Institute for Management Excellence GmbH
Planegg, Germany

Gottfried Weippert¹

Deputy Chairman
Technician
Eibelstadt, Germany

Dagmar Rehm

Deputy Chairman
Independent business consultant
Langen, Germany

Julia Cuntz¹

Trade union secretary of IG Metall
Berlin, Germany

Carsten Dentler

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

Marc Dotterweich¹

Cutting machine operator
Birkenfeld, Germany

¹ workforce representative

Werner Flierl¹

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

Matthias Hatschek

Entrepreneur
St. Martin, Austria

Christopher Kessler¹

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 Mann¹

(until 11 May 2021)
Consultant
Würzburg, Germany

Simone Walter¹

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 Automative, 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

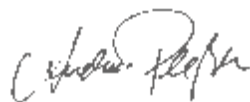
A declaration of compliance was issued in accordance with section 161 of German Stock Corporation Act and made permanently accessible under <http://www.koenig-bauer.com/en/investor-relations/corporate-governance/declaration-of-compliance/>

(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.

Würzburg, 22 March 2022
Management Board



Dr Andreas Pleßke



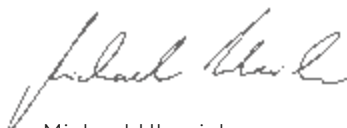
Dr Stephen Kimmich



Christoph Müller



Ralf Sammeck



Michael Ulverich

(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.

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



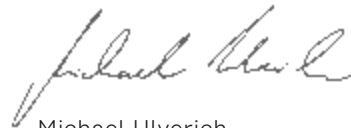
Dr Stephen Kimmich



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").

INDEPENDENT AUDITOR'S REPORT

To Koenig & Bauer AG, Würzburg

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of Koenig & Bauer AG, Würzburg, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Koenig & Bauer AG, which is combined with the Company's management report for the financial year from January 1 to December 31, 2021.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2021, and of its financial performance for the financial year from January 1 to December 31, 2021, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

- 1 Recoverability of deferred tax assets in respect of loss carryforwards
- 2 Restructuring provisions
- 3 Recoverability of goodwill

Our presentation of these key audit matters has been structured in each case as follows:

- 1 Matter and issue
- 2 Audit approach and findings
- 3 Reference to further information

Hereinafter we present the key audit matters:

1 Recoverability of deferred tax assets in respect of loss carryforwards

- 1 After set-offs and impairments, EUR 92.3 million in deferred tax assets (25.0% of Group equity) and EUR 68.5 million in deferred tax liabilities (18.5% of Group equity) are reported in the consolidated financial statements of Koenig & Bauer AG. These items were recognized to the extent that the executive directors consider it probable that taxable profit will be available in the foreseeable future which will enable the deductible temporary differences and unused tax losses to be utilized. For this purpose, insofar as sufficient deferred tax liabilities are not available, future taxable profits are projected on the basis of the adopted business plan. Deferred taxes are calculated using future tax rates, to the extent they have already been enacted or substantively enacted.

Of the Koenig & Bauer Group's in total EUR 92.3 million in deferred tax assets before set-offs and impairments, EUR 36.0 million was attributable to loss carryforwards. No deferred tax assets were recognized in respect of deductible temporary differences and unused tax losses and interest carryforwards amounting in total to EUR 449.6 million since it is not probable that they will be utilized for tax purposes in the forecast period by means of offset against taxable profits.

From our point of view, the accounting treatment of deferred taxes was of particular significance in the context of our audit, as it depends to a large extent on the estimates and assumptions made by the executive directors and is therefore subject to uncertainties.

- 2 As part of our audit, we assessed, in collaboration with internal specialists with appropriate skills and knowledge, the internal processes and controls for recording tax matters as well as the methodology used for the determination, accounting treatment and measurement of deferred taxes, among other things.

We also assessed the recoverability of the deferred tax assets relating to deductible temporary differences and unused tax losses on the basis of the Company's internal forecasts of its future earnings situation, and the appropriateness of the underlying estimates and assumptions.

Based on our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors are substantiated and sufficiently documented.

- 3 The Company's disclosures on deferred taxes are contained in section (6) „Deferred taxes“ under „Accounting policies“ in the notes to the consolidated financial statements.

2 Restructuring provisions

- 1 In order to increase the Group's ability to generate operating earnings, in 2020 a multi-year restructuring and efficiency enhancement program, „P24x“, was resolved which entails wide-ranging personnel measures and a reduction of approximately 700 to 900 staff positions between 2021 and 2024. For that reason, a EUR 57.6 million provision for severance packages, long-term absences, outplacement consulting and ancillary personnel expenses was recognized as of the balance sheet date December 31, 2020.

In fiscal year 2021, EUR 8.2 million of this provision was utilized as planned. Due to the unexpectedly strong order intake in the Sheetfed segment and new socially responsible measures, the staffing targets set out in this restructuring program were achieved ahead of schedule. It was therefore decided that there would be no layoffs in Germany in 2021 or 2022. As a result, EUR 32.6 million of the restructuring provision was reversed as of the balance sheet date.

By contrast, EUR 9.3 million in provisions for severance packages, long-term absences, outplacement consulting an ancillary personnel expenses were expensed for the planned personnel measures in Würzburg and personnel measures in connection with the relocation and realignment of the location at Tavazzano, Italy, which are planned for 2023 and beyond.

As of the balance sheet date December 31, 2021, the restructuring provision for „P24x“ amounted to EUR 26.3 million in total. In our view, this matter was of particular significance for our audit, as the recognition of restructuring provisions is to a large extent based on estimates and assumptions made by the executive directors.

- 2 As part of our audit, we assessed whether the individual recognition criteria were met and whether the measurement of the restructuring provision was appropriate. For this reason, we obtained and evaluated relevant evidence from the executive directors of Koenig & Bauer AG.

We furthermore reviewed the appropriateness of the subsequent measurement of the provision recognized in the previous year. Therefore, we verified the utilization of the provision by inspecting termination agreements and payment records on a test basis. We also assessed the appropriateness of a reversal of the provision and the elimination of the grounds for recognizing the provision by requesting and assessing the appropriate records.

Furthermore, we assessed the appropriateness of the valuation parameters and assumptions used with respect to the newly resolved measures in 2021 by comparing the costs for personnel measures estimated by the executive directors against the actual costs for comparable restructuring measures.

We satisfied ourselves that the matter and the estimates and assumptions made by the executive directors in connection with the recognition and measurement of a restructuring provision were sufficiently documented and substantiated. The measurement occurred within ranges considered by us to be reasonable.

- 3 The Company's disclosures on the restructuring provision are contained in section (9) „Other provisions“ under „Accounting policies“ in the notes to the consolidated financial statements.

3 Recoverability of goodwill

- 1 In the Company's consolidated financial statements goodwill amounting in total to EUR 38.2 million (10.3% of Group equity) is reported under the „Intangible assets“ balance sheet item. Goodwill is tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for write-downs. The impairment test is carried out at the level of the groups of cash-generating units to which the relevant goodwill is allocated. The carrying amount of the relevant cash-generating units, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is generally determined using the value in use. The present value of the future cash flows from the respective group of cash-generating units normally serves as the basis of valuation. Present values are calculated using discounted cash flow models. For this purpose, the adopted medium-term business plan of the Group forms the starting point which is extrapolated based on assumptions about long-term rates of growth. These projections also factor in expectations as to the future development of the market and assumptions as to the development of macroeconomic variables, as well as the expected impacts of the ongoing coronavirus crisis on the Group's business. The discount rate used is the weighted average cost of capital for the respective group of cash-generating units. The impairment test determined that no write-downs were necessary.

The outcome of this valuation is dependent to a large extent not only on the estimates made by the executive directors with respect to the future cash inflows from the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions but also the impacts of the coronavirus pandemic and is therefore subject to

considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

- 2 As part of our audit, we assessed the methodology used for the purposes of performing the impairment test, among other things. After matching the future cash flows used for the calculation against the adopted medium-term business plan of the Group, we assessed the appropriateness of the calculation, in particular by reconciling it with general and sector-specific market expectations. In this context, we also assessed the executive directors' estimate as to the impact of the coronavirus pandemic on the Group's business and evaluated how this was taken into consideration in calculating the future cash flows. In addition, we assessed the appropriate consideration of the costs of Group functions. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate applied, and assessed the calculation model. In order to reflect the uncertainty inherent in the projections, we evaluated the sensitivity analyses performed by the Company and carried out our own sensitivity analyses for those groups of cash-generating units with low headroom (recoverable amount compared with the carrying amount). Taking into account the information available, we determined that the carrying amounts of the cash-generating units, including the allocated goodwill, were adequately covered by the discounted future cash flows.

Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

- 3 The Company's disclosures on goodwill are contained in section (1) „Intangible assets and property plant and equipment“ under „Accounting policies“ in the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information.

The other information comprises

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB
- the separate non-financial group report pursuant to § 315b Abs. 3 HGB
- the remuneration report pursuant to § 162 AktG [Aktiengesetz: German Stock Corporation Act], for which the supervisory board is also responsible
- all remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report disclosures audited in terms of content or with our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB

Assurance Opinion

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file KoenigBauer_AG_KA+LB_ESEF-2021-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from January 1 to December 31, 2021 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Render-

ing, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (10.2021)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on May 11, 2021. We were engaged by the supervisory board on October 13, 2021. We have been the group auditor of the Koenig & Bauer AG, Würzburg, without interruption since the financial year 2020.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

REFERENCE TO AN OTHER MATTER– USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of

the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

NOTE ON SUPPLEMENTARY AUDIT

We issue this auditor's report on the consolidated financial statements and the group management report as well as on the rendering of the consolidated financial statements and the group management report submitted for audit for the first time, contained in the file KoenigBauer_AG_KA+LB_ESEF-2021-12-31.zip and prepared for publication purposes on the basis of our audit, duly completed as at March 22, 2022 and our supplementary audit completed as at March 29, 2022, which related to the initial submission of the ESEF documents.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Marco See.

Nuremberg, March 22, 2022 / limited to the amendment stated in the „Reference to Supplementary Audit“ section above: March 29, 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

sgd. Marco See
Wirtschaftsprüfer
(German Public Auditor)

sgd. Christian König
Wirtschaftsprüfer
(German Public Auditor)

Non-financial Group report

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Koenig & Bauer attaches extraordinarily high importance to its responsibility and its tradition spanning more than 200 years. As a pioneer of in-company social policies, we have always taken our responsibility towards our employees seriously. Indeed, it is firmly anchored in our corporate values. We are committed to the preservation and conservation of the environment through our initiatives for emission-reduced and resource-saving products and manufacturing processes along the entire value chain. As a sustainability enabler, we embrace our responsibility towards our customers. Corporate social responsibility by means of donations and sponsoring is also part of Koenig & Bauer's corporate identity. Integrity in our business activities and respect for human rights are core elements of our corporate governance practices. With our strategic sustainability goals, we seek to address our social, ecological, social and ethical responsibilities even more firmly and develop our Company sustainably.

As part of our strategic process, we have redefined goals for the sustainable development of our Group and adopted a detailed roadmap for our ESG activities. As a provider of solutions, we want to be our customers' sustainability enabler and support them as a technology partner in reducing their ecological footprint. Various eco-components and innovative technical solutions that we have developed help to reduce carbon emissions by lowering energy consumption, waste and the use of other resources such as inks and varnishes. Ecodesign criteria are taken into account in the Group's new and further developments. By applying detailed sustainability profiles, we want to highlight energy consumption and the potential for saving energy, waste and other resources by means of various eco-components and innovative technical solutions in a clear form. We are working on algorithms and software solutions to individually calculate the product carbon footprint (PCF) as an additional feature in the sale of carbon-neutral presses. The printing press is awarded the carbon-neutral ecological seal through offsets for the residual carbon footprint in the form of certified climate action projects. We are aiming to reduce the carbon emissions (Scope 1 and 2) of our production plants by 75% over 2019 by 2025 and to achieve carbon neutrality from 2030 onwards. On the basis of the results of the Scope 3 carbon emission measurements, we want to define measures and corresponding targets for reducing these emissions in a timely manner. Another key objective is to promote the health of our employees, to prevent work-related hazards and to minimise the number of accidents at work as far as possible. In addition, we want to further increase the degree of diversity already achieved in terms of gender, age, international background and

experience. One priority in this regard is the "Level Playing Field Women" project, which is currently being stepped up. In addition to diversity as an element of our corporate culture, we want to make use of additional activities to take a stand against racism and discrimination. And finally, we are committed to the preservation and conservation of the environment through the integration of sustainability in the procurement process and the fulfilment of comprehensive due diligence obligations. At the Koenig Bauer & Group, we accept our responsibility towards the community.

As a UN Global Compact participant, Koenig & Bauer is actively supporting the implementation of the United Nations' 17 Sustainable Development Goals (SDGs), which define the framework for responsible business in economic, ecological and social terms. The UN Global Compact is the world's largest sustainability initiative for sustainable and responsible corporate governance with a global network of over 18,700 participating companies and organisations from 170 countries. The participants have undertaken to support the ten principles of the UN Global Compact in the fields of human rights, labour standards, environmental protection and the fight against corruption, to promote the 17 SDGs within their respective spheres of influence and to report annually on the progress achieved. Koenig & Bauer has identified seven of these SDGs as priorities and is addressing them with strategic sustainability initiatives. In particular, the Group's diverse sustainability activities are targeted at the following SDGs: "3 - Good health and well-being", "4 - Quality education", "5 - Gender equality", "8 - Decent work and economic growth", "12 - Responsible consumption and production", "13 - Climate action" and "17 - Partnerships for the goals". We see our scope for influence and for making a difference in these goals.

In summer 2021, we joined the Blue Competence sustainability initiative. Blue Competence is an initiative launched by German industry association VDMA to promote sustainability in mechanical and plant engineering as well as to further sustainable solutions in this industry. Furthermore, we became the first printing press manufacturer to join the Healthy Printing Initiative in July 2021. The basic idea underlying the initiative is to advance the implementation of the Cradle-to-Cradle (C2C) design approach in the printing industry. Accordingly, the initiative aims to promote the use of environmentally friendly substrates, inks, varnishes and auxiliaries in the printing of paper, corrugated board and cardboard products, plastics and other substrates and ultimately to enable efficient recycling systems. Koenig & Bauer is also a member of the 4evergreen alliance, which networks

paper and board manufacturers, folding carton manufacturers, producers and retailers of brand-name products and suppliers of technology and materials as well as the collecting, sorting and recycling industry. The alliance aims to communicate more effectively the benefits of fibre-based packaging materials as alternatives and to promote EU-wide harmonised product design guidelines that facilitate recyclability and support the optimisation of collection systems as well as appropriate recycling infrastructures and technologies. Finally, as a member of the Holy Grail 2.0 initiative, we are working towards finding a common solution for intelligent packaging recycling. Under the auspices of the European Brands Association (AIM), more than 120 companies and organisations along the packaging value chain are pooling their expertise. Stamp-sized digital watermarks that can be printed on the surface of packaging and function as a “digital recycling passport” are a promising approach for an efficient circular economy.

Disclosure option selected

Koenig & Bauer publishes the non-financial disclosures required under section 315c in connection with sections 289c to 289e of the German Commercial Code and the disclosures required under Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter referred to as the EU Taxonomy Regulation) in this separate non-financial Group report, which is published outside the combined management report. References to disclosures outside the Group’s non-financial report constitute further information and are therefore not part of the report. The two separate reports are published in Bundesanzeiger together with the auditor’s opinion; they are also published on the Company’s website at <https://www.koenig-bauer.com/en/investor-relations/financial-reports/>.

Business model, non-financial risk report and materiality analysis

In order to identify the reportable non-financial topics of the past financial year, we conducted a materiality analysis based on the 2016 version of the Sustainability Reporting Standards of the Global Reporting Initiative (GRI). The Koenig & Bauer Group’s business model is presented in the combined management report (see page 16 of the 2021 annual report). Koenig & Bauer’s Management Board is responsible for sustainability, including non-financial reporting on the environmental, employee and social aspects defined by law, the observance of human rights and anti-bribery and anti-corruption precautions. Under the Management Board’s business

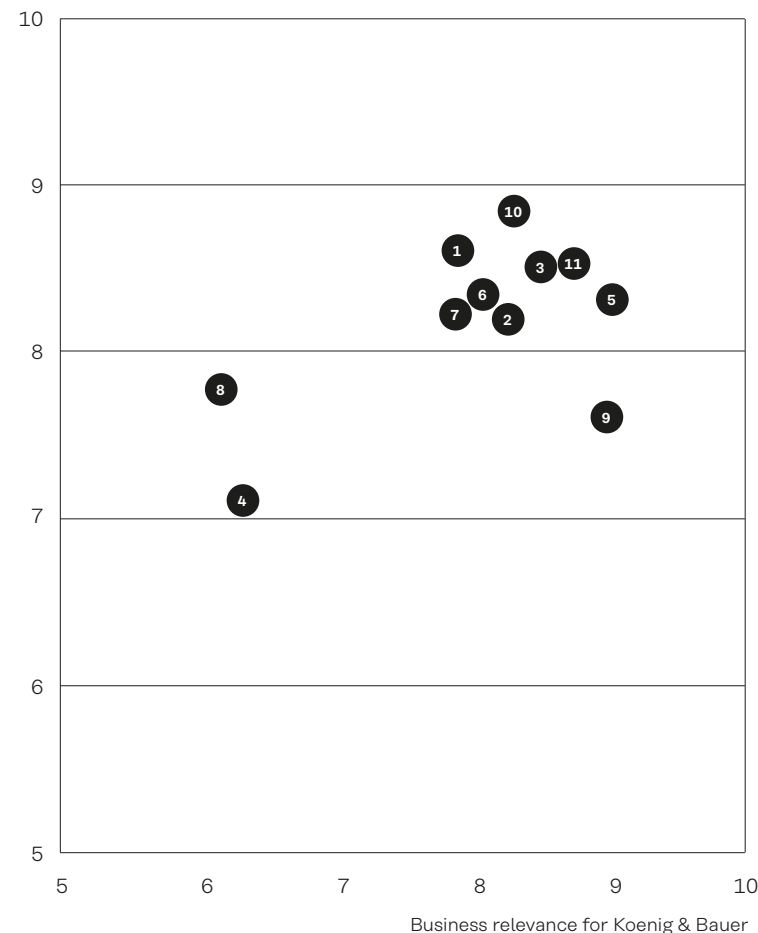
allocation plan, the Chief Executive Officer is responsible for corporate responsibility (ESG) and, hence, for all reported non-financial aspects. Sustainability has been established as a new area of responsibility with direct reporting lines to the Chief Executive Officer. It is currently in the process of being built up. On the Supervisory Board, the Personnel Committee is responsible for sustainability/ESG. In addition to regular updates for the Personnel Committee, the entire Supervisory Board is briefed by the Management Board on the progress of the ESG roadmap during the annual strategy day. Within the scope of its statutory duty of supervision, the Supervisory Board has engaged PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft to audit this separate non-financial consolidated report to obtain limited assurance (see the audit report on pages 152 onwards of the annual report).

The risk inventory conducted at the end of 2021 did not identify any material, reportable non-financial risks resulting from business activities, business relationships, products or services that have an adverse impact on the non-financial aspects mentioned. Risks that affect the Company externally are presented as part of the risk report in the combined management report (see pages 36 et seq. of the 2021 annual report).

A materiality analysis was conducted to define the main aspects of the non-financial Group report. In accordance with the CSR Directive Implementation Act (sections 315c/289c of the German Commercial Code), the analysis is composed of the following elements: environmental, employee and social matters, observance of human rights and anti-bribery and anti-corruption precautions. In a preliminary step, a comprehensive list of non-financial matters potentially of relevance for customers, employees, investors and business partners was prepared within these five aspects in accordance with the German Commercial Code. On the basis of this list, a workshop was held at the end of 2018 to identify the non-financial issues that are of material importance for our business activities and relationships, products and services within the five main aspects identified in accordance with the German Commercial Code. A short list was then prepared setting out all the matters which on a scale from 0 (not material or relevant) to 10 (highly material or relevant) had an average materiality score of at least 5 for the main issue in question and its business relevance. These material non-financial items were included in the non-financial Group reports for 2018 and 2019, as well as in the non-financial Group report for 2020 after a review of the materiality analysis.

At the end of 2021, a new, comprehensive materiality analysis involving external and internal stakeholders was performed on the basis of an online questionnaire. The internal respondents were managers and experts from operations management, production, service, personnel management, personnel development, quality management, product management and innovation, construction, development & process technology, safety/health/environment, facility management, compliance & internal auditing & risk management, corporate strategy, business/corporate development, marketing and communications. All business units and, in particular, employee representatives across the Group were involved. In addition to industry representatives from other components industries, the external stakeholders questioned primarily included customers and brand-owners as their customers together with banks, scientific experts and students. A response rate of 57% was achieved for the online questionnaires. On a scale from 0 (not material) to 10 (highly material), the participants assessed the non-financial matters on which the Company had previously reported in two respects, namely their influence on the applicable non-financial aspects and their business relevance for the Company. The participants did not propose any additional material non-financial aspects in the materiality analysis. The points mentioned had already been covered by earlier reports. All non-financial matters with an average score of at least 5 for both aspects were included in the materiality matrix. The following materiality matrix summarises the results authorised by the Chief Executive Officer:

Influence on the applicable non-financial aspects environmental, employee and social matters, commitment to human rights and combatting corruption and bribery



- | | |
|--|--|
| <ul style="list-style-type: none"> 1. Operational environmental and energy management 2. Ecological printing technology 3. Attractive employer 4. Diversity 5. Recruiting and professionally qualifying talented young staff 6. Systematic personnel development 7. Occupational health and safety | <ul style="list-style-type: none"> 8. Social commitment 9. High product quality for greater on-site and process safety in printing operations 10. Commitment to human rights 11. Combatting corruption and bribery |
|--|--|

The sections below describe the following material non-financial issues on the basis of these results: Environmental aspects entail the Company's environmental and energy management as well as ecological printing technology. In addition to our appeal as an employer and the need for diversity, the key employee-related aspects include recruiting and training junior specialists and managers, systematic personnel development as well as health and safety. With respect to social aspects, social responsibility and high product quality in the interests of greater work and process safety in printing operations have been defined as material. This is followed by a presentation of the aspects of the Company's commitment to human rights and high labour standards as well as anti-corruption and bribery precautions.

Disclosures on the EU taxonomy

The Taxonomy Regulation is a key component of the European Commission's action plan to redirect capital flows towards a more sustainable economy. It represents an important step towards achieving carbon neutrality by 2050 in line with EU goals as the Taxonomy is a classification system for environmentally sustainable economic activities. For implementation, the EU Commission published the delegated act on Article 8 of the EU Taxonomy Regulation on 6 July 2021, the first part of the FAQs on 20 December 2021, which was supplemented on 31 January 2022, and the second part of the FAQs on the implementation of the taxonomy reporting obligations on 2 February 2022.

In the year of first application of the EU Taxonomy Regulation, we make use of the simplification rules set out in Article 10 Paragraph 1 of the delegated act on Article 8 of the EU Taxonomy Regulation. Accordingly, only the share of taxonomy-eligible economic activities as well as those that are not taxonomy-eligible in total revenue, in capital expenditure and in operating expenses and only the qualitative information relevant to such disclosures, as referred to in section 1.2 of annex I to the delegated act, are disclosed in this Group non-financial report 2021. All figures in this section are based on 2021. No capital expenditure and operating expenses coming within category b of the taxonomy arose during this period.

When identifying potential taxonomy-eligible activities, we first classified our economic activities according to the NACE codes. As Koenig & Bauer's business activities match NACE codes 28.29 and 28.99, we followed the requirements of the category "3.6. Manufacture of other low carbon technologies". In terms of the environmental goal of climate protection, we

have classified revenue of products or product groups as taxonomy-eligible where the printing presses and systems also aim to significantly reduce CO2 emissions for customers due to the technology in use and contribute to considerable savings in CO2 emissions over the entire life cycle compared to alternative products on the market. Under environmental matters in the chapter "Ecological printing technology" we present some of our technologies for reducing CO2 emissions in print production. In addition to internal calculations of the energy and resource requirements of the products or product groups in the usage phase at our customers, we have also used publications from competitors obtained from requests for tenders as a basis for identifying taxonomy-eligible revenue. We then aggregated the revenue determined in the accounting departments of the Group or the respective business units for each product or product group classified as taxonomy-eligible. In order to derive the taxonomy-eligible proportion of total revenue, the revenue thus calculated is compared with the Group revenue reported in accordance with IFRS. For more details on our accounting policies for our consolidated revenue, please refer to page 87 of our 2021 Annual Report. Our consolidated net revenues are presented in the consolidated financial statements on page 73 of the 2021 Annual Report within the Revenue line.

R&D expenses, maintenance and servicing costs in production, sales and administration as well as expenses for short-term and low-value leases determined by Group accounting are used as the denominator to identify the proportion of taxonomy-eligible operating expenses. The consolidated income statement on page 73 of the annual report includes the non-capitalised R&D expenses and the other cost items mentioned in cost of sales, distribution costs and administrative expenses. The expenses incurred for measures for reducing energy consumption or increasing energy efficiency at the factory buildings form a partial value in the numerator for identifying the taxonomy-eligible proportion of operating expenses. These expenses, which fall under category 7.3 „Installation, maintenance and repair of energy efficiency equipment“, are classified as taxonomy-eligible operating expenses in accordance with section 1.1.2.2. (c) of Annex I of the delegated act on Article 8 of the EU Taxonomy Regulation. As the remaining part of the total operating expenses arises for taxonomy-eligible and non-taxonomy-eligible economic activities at the Group locations and a more precise breakdown is not possible on the system side, this difference is determined on the basis of the percentage of taxonomy-eligible revenue in the entire product portfolio in order to calculate the taxonomy-eligible operating

expenses of category a. The sum total of the taxonomy-eligible category a and category c operating expenses is used as the numerator for calculating the taxonomy-eligible share of operating expenses and to avoid double inclusion.

In order to identify the taxonomy-eligible proportion of capital expenditure, the investments determined by Group accounting in accordance with IFRS are placed in the denominator. These comprise additions to property, plant and equipment and intangible assets during the financial year before depreciation and revaluation, including those resulting from revaluation and impairment for the financial year 2021 and excluding changes in fair value. The denominator includes additions to property, plant and equipment (IAS 16), intangible assets (IAS 38) and right-of-use assets (IFRS 16). For more details on our accounting policies in relation to our investments, please see the accounting policies section of the notes to our 2021 Annual Report. The total investments are shown in the consolidated statement of changes in intangible assets, property, plant and equipment on page 90 of the 2021 Annual Report in the additions column. The first partial value of the numerator for determining the taxonomy-eligible share of capital expenditure includes the investments for a photovoltaic system at the Radebeul site and for energy efficiency measures at the Mödling site. These investments falling under categories 7.2 “Renovation of existing buildings” and 7.3 “Installation, maintenance and repair of energy efficiency equipment” are classified as taxonomy-eligible capital expenditures according to section 1.1.2.2. (c) of Annex I of the delegated act on Article 8 of the EU Taxonomy Regulation. The second partial value of the numerator includes the capitalised development costs for the taxonomy-eligible products or product groups that are allocated to category a of taxonomy-eligible capital expenditure. As the for general corporate investments adjusted remainder of the total capital expenditure arises for taxonomy-eligible and non-taxonomy-eligible economic activities at the Group locations, e.g. for new production centres, this difference is determined on the basis of the percentage of taxonomy-eligible revenue in the entire product portfolio in order to calculate the taxonomy-eligible proportion of capital expenditure. The taxonomy-eligible capital expenditure determined on this basis is also assigned to category a. The combined total of the three partial amounts calculated in this way is used as the numerator for determining the taxonomy-eligible proportion of capital expenditure and also avoids double inclusion.

In summary, the percentage of taxonomy-eligible and non-taxonomy-eligible

activities at Koenig & Bauer in 2021 in revenue, operating expenses and capital expenditure relative to the Group's total activities is as follows:

	Total in €m	Share of taxonomy-eligible economic activities in %	Share of not taxonomy-eligible economic activities in %
Revenue	1,115.8	32.1	67.9
Capital expenditure	36.5	38.4	61.6
Operating expenses	55.5	33.1	66.9

Environmental matters

At Koenig & Bauer, environmental aspects and the observance of high quality and safety standards are taken into account as far as possible along the entire value chain, from the product idea and purchasing to production and the commissioning of the printing presses. Right from the start of the development and design stage, attention is paid to energy and resource efficiency in the assembly and operation of printing presses and finishing equipment. In addition to carbon emissions, a further focus is placed on minimising noise, dust and odour emissions during the production and utilisation of our presses as well as the use of environment-friendly substrates and consumables in the printing, finishing and postpress phases. There are different management processes for the two divergent environmental priorities – corporate environmental and energy management on the one hand and ecological printing technology for the customers on the other – and comprehensive reporting processes and policies are currently being developed for these.

Operational environmental and energy management

Effective environmental and climate protection in the plants as well as the responsible use of resources are priorities for Koenig & Bauer. A permanent focus of our work is on minimising the consumption of energy and resources in production as well as on reducing workplace emissions. We are consistently investing in efficient technologies and equipment to this end. As every reduction in the consumption of energy and resources is reflected in lower carbon emissions, Koenig & Bauer is also contributing to climate protection in this way. Procuring green primary energies is also an important

aspect. The production plants in Radebeul and Würzburg hold DIN EN ISO 9001:2015 and DIN EN ISO 14001:2015 quality and environment certification. In addition, our foundry in Würzburg operates an energy management system that has been certified in accordance with DIN EN ISO 50001:2018.

Special priority is being given to reducing carbon emissions at our plants. Following a change of supplier at the beginning of 2020, the proportion of electricity from renewable energies has increased significantly, contributing to the substantial cut in carbon emissions. Since the beginning of 2021, the share of green electricity at the main Group sites has been 100%. We are working on further projects to improve our carbon footprint. From 2024, we will be switching to largely carbon-neutral district heating using green energy at our Radebeul site. Our supplier GETEC mainly relies on biomass from wood pellets and also on solar thermal energy for the provision of district heating. In addition to the photovoltaic systems installed at the sites in Radebeul and Mödling, we are also exploring further photovoltaic projects in order to expand our in-house power generation capabilities. At the Lausanne site, there are plans to cover around 20% of the base-load electricity requirements via a photovoltaic system installed on the roof by the owner of the building. In Würzburg, the possibility for the site to cover its own electricity requirements by means of photovoltaic systems or a combined heat and power plant (CHP) is being considered. Energy savings at our plants are a further important pillar of our sustainability activities. In addition to replacing transformer stations and ventilation technology, this is being aided by the modernisation of production and distribution systems for electricity, compressed air and heat at the Würzburg and Radebeul sites. Another component in our efforts to reduce electricity consumption while simultaneously improving working conditions is the accelerated replacement of lighting systems with highly efficient, automatically controlled LED technology at our sites. The corresponding investments and

expenses are included in the taxonomy-eligible category c capital expenditure and operating expenses (see the section on the EU taxonomy).

Dedusting, extraction and solvent distillation plants as well as improved sound insulation in the production and assembly halls reduce workplace emissions such as noise, dust and odour. Supply air systems ensure fresh air at a controlled temperature directly at the workplace. Responsible use of resources also includes sustainable waste management. We avoid waste as far as possible, while waste that cannot be avoided is disposed of correctly in accordance with the legal requirements. With disposal activities, a distinction is drawn between hazardous and non-hazardous materials and between waste recycling and removal. The remeltable metal waste generated in metal-cutting activities in Würzburg is an important raw material in foundry operations. Our waste statistics provide detailed information about the type and quantity of waste produced, broken down according to hazardous and non-hazardous waste.

The following table provides an overview of electricity, natural gas, district heating, water consumption and waste in 2021 compared with the previous year.

2020

2021

	Würzburg	Radebeul	Total	Würzburg	Radebeul	Total
Electricity	18,624,871 kWh	12,245,318 kWh	30,870,189 kWh	21,445,986 kWh	13,205,058 kWh	34,651,044 kWh
Gas	10,757,000 kWh	–	10,757,000 kWh	13,059,762 kWh	–	13,059,762 kWh
District heat	–	10,502,740 kWh	10,502,740 kWh	–	12,171,600 kWh	12,171,600 kWh
Water	26,284 m ³	12,728 m ³	39,012 m ³	26,895 m ³	16,059 m ³	42,954 m ³
Waste	3,633 t	4,590 t	8,223 t	4,047 t	5,332 t	9,379 t

On the basis of these consumption figures, Scope 1 CO₂e emissions at the large plants in Radebeul and Würzburg in 2021 were 3,803.4 t CO₂e above the previous year (3,165.8 t CO₂e), which had been influenced to a greater extent by short-time work and Covid-19 travel restrictions. In addition to the gas consumption figures, the fuel consumption of the predominantly leased vehicle fleet was taken into account for the first time in both reporting years. The site-based Scope 2 CO₂e emissions amounted to 15,248.7 t CO₂e, up from 12,621.5 t CO₂e in the previous year. In addition to higher capacity utilisation, the emission factors for the German electricity mix, which climbed from 350 g/kWh in the previous year to 380 g/kWh, contributed to this increase. The calculations for located-based Scope 2 CO₂e emissions are derived from the provisional average emission factors for the German electricity mix published by Federal Association of Energy and Water Management. Among other things, the increase in specific emissions from electricity production in Germany was caused by the greater demand for electricity in connection with a decline in wind energy output. On the other hand, the market-based Scope 2 CO₂e emissions were reduced significantly from the previous year's figure of 10,314.9 t CO₂e to 4,727.3 t CO₂e due to the full procurement of electricity from renewable energy sources.

In order to estimate the Scope 3 CO₂e emissions, an initial analysis was carried out with external support and the following results obtained. Scope 3 CO₂ emissions of 1,755 kt were measured for 2021, making these the largest part of Koenig & Bauer's carbon footprint at a figure of around 99%. Accounting for roughly 90% of the total, downstream product usage is the largest driver of Scope 3 emissions. Accordingly, top priority is being given to lowering the energy consumption of products by improving their energy efficiency, expanding digital services such as artificial intelligence for optimum press utilisation and offering the "climate-neutral print production" service. On the upstream side, the strategic orientation in purchasing activities in favour of materials with the lowest possible carbon footprint and the more responsible transportation of materials, finished products and service parts provide further levers for reducing Scope 3 CO₂ emissions. A reduction in carbon emissions can also be achieved through targeted incentives directed at employees' commutes to work. One aspect of this is the planned expansion of the e-charging infrastructure at the employee car parks.

Another direct contribution to climate protection can be achieved through sustainable travel management. Restrictions in business travel to a limited number of participants and important occasions is a significant sustainability lever. In addition, the carbon footprint of every business trip can be significantly improved by means of targeted travel planning including the selection of the method of transport. Koenig & Bauer has modified the Group Policy on Company Travel to reflect this strong commitment to more sustainable business trips.

Ecological printing technology

We view sustainability and climate protection as part of our responsibility towards future generations, especially with regard to our products. Specifically, this is already opening up a wide range of opportunities for placing new products, equipment options and services on the market and for standing apart from the competition. Accordingly, we pay attention to energy and resource efficiency in the production process and in the operation of the presses and equipment when developing and designing our products. A further focus is placed on minimising noise, dust, odour and carbon emissions during the production and utilisation of our presses as well as the use of environment-friendly substrates and consumables in the printing, finishing and postpress processes. When considering the environmental impact of our products, we also take account of the recyclability of the equipment. The components made of steel and grey cast iron are fully recyclable.

We incorporate energy-saving technologies in our new and enhanced products to lower carbon emissions in industrial printing. Koenig & Bauer offers a range of energy-saving alternatives for the drying process, which is one of the most energy-intensive functions in printing operations. The VariDry^{Blue} drying system that we have developed for sheetfed presses is an energy-efficient solution. Energy requirements for drying water-based dispersion coating can be reduced by 22%. This is done by using the hot air twice in the dryer modules. HR and LED dryer modules for interim and final drying are powerful but more efficient alternatives to conventional UV dryers. Waste can be saved and make-ready times shortened by means of various quality measurement and control systems, inspection systems, preset functions and other equipment options. This allows customers to significantly increase the resource efficiency of their printing operations.

In banknote printing, we have developed a system for reducing the carbon emissions of intaglio presses by lowering power requirements. Intaglio

presses require a wiping solution which must be pre-heated before use. On the other hand, some parts must be cooled by means of thermoregulation. In order to conserve and reuse energy, a power-saving unit has been developed to harness the synergistic effects between thermoregulation and the provision of a preheated wiping solution. This solution in combination with compressed air saves approximately 83 kW per hour during operation of the intaglio printing press. If all intaglio presses in operation were to use this system, the carbon footprint of banknote printing could be reduced by around 45,000 tonnes of carbon dioxide per year.

Banknote printing presses are as a rule equipped with conventional UV lamps for curing the inks during or at the end of the printing process. As an alternative to this, Koenig & Bauer offers UV-LED systems. This does away with the need for air extraction and lowers energy consumption by roughly 45% per press. In addition, UV LED lamps have a far longer service life, do not contain any mercury and do not give off any ozone. If all of Koenig & Bauer's banknote customers were to use this new LED technology, carbon emissions could be reduced by around 10,000 tonnes a year.

Further innovative solutions in banknote printing permit greater resource efficiency through lower waste and a reduction of up to 25% in ink consumption on the intaglio printing presses. Ink consumption is optimised by aligning the paper to the length and position of the printing plate. The size of the stencil, which has a direct bearing on ink consumption, can be reduced significantly without impairing the print quality. If all intaglio banknote printing machines were equipped with this technology, around 2,500 tonnes of ink would be saved annually, while 5,000 tonnes of waste and the associated carbon emissions would be avoided. A current project is also making it possible to apply ink in the printing process only where it is needed. This reduces ink consumption by a further 25% to up to 50%.

Koenig & Bauer offers customers the VisuEnergy X management system to further improve energy and resource efficiency in their printing operations and throughout the entire company. As a trusted advisor in the field of sustainability, we provide customers with comprehensive support ranging from system and requirements analysis to energy consulting covering energy technology, efficiency and procurement strategies and their orientation as climate-neutral companies. This extends from the planning phase of a printing press investment to efficient production and greater economic viability. VisuEnergy X permits end-to-end digitalisation of the company,

helps to record environmental data and supports an energy management system that has been certified under DIN EN ISO 50001:2018. Additional tools and services for reducing carbon emissions are also offered.

In addition to technical solutions and systems for energy and resource efficiency, the focus is on minimising further emissions. Examples include low-alcohol or alcohol-free offset printing, reduced powder use, biodegradable fountain solution additives and the minimisation of noise, dust, odour and carbon emissions. Product users can select various equipment options to achieve these goals. Roll covers permit low-alcohol printing or the use of alcohol substitutes for conventional, UV and mixed inks to avoid unpleasant odours at the printing company. The emission extraction system is additionally available for UV printing and finishing. Unpleasant odours are prevented and dust simultaneously removed at the press operator's main place of work, i.e. the press delivery point. In the case of UV printing, suction of the inking units can also help to minimise ink mist. It is no coincidence that in 2000 our Rapida press was the world's first sheetfed offset press to be awarded the "Emission checked" ecological certificate by the German industrial compensation society for the printing and paper processing industry.

A further example of our active environmental policies is the migration-harmless ink for food packaging. The food-safe water-based inks used by Koenig & Bauer Durst for digital printing meet the lifecycle-based environmental performance criteria set out in UL ECOLOGO Standard 2801 - 2012 (Standard for Sustainability for Printing Inks). UL ECOLOGO certification was achieved after the assessment of various criteria such as energy use, waste disposal and the reduction of toxic ingredients throughout the entire product life cycle.

Koenig & Bauer has in Climate-Partner a competent partner for climate-neutral printing at its side. With the front print manager on ClimatePartner's online portal, it is possible to calculate in detail carbon dioxide emissions from printing and, at click of a button, to neutralise them by funding climate protection projects. Numerous certified climate protection projects meeting various internationally acknowledged standards such as Gold Standard, VCS and Social Carbon are available. The participating printing companies can utilise the "climate-neutral printing" label as a competitive differentiator.

Employee matters

A committed, experienced, highly qualified, loyal and healthy workforce permanently strengthens the Company. With their ability to develop bespoke premium-quality high-tech printing presses and to provide comprehensive services, our employees generate sustained value for our Company. In the competition for talent, Koenig & Bauer comes to the fore as a globally active and innovative company with its pronounced orientation to values that are firmly entrenched in its corporate culture. In addition to offering appealing jobs offering a favourable life/work balance, the Company's human resources strategy concentrates on recruiting specialist and management staff and developing, motivating and retaining employees. A variety of measures, such as the early involvement of young management talent in projects and various training opportunities assist employees in unleashing their full potential. The Company suggestion scheme actively integrates employees in improvement processes on an ongoing basis. Employees receive 20% of the annual savings achieved from quantifiable improvement proposals.

Attractive employer

Koenig & Bauer offers its employees modern working conditions including mobile working, flexitime and working time accounts. Mobile working allows employees to perform duties outside the Company's offices via mobile devices provided that this is compatible with the activities they are required to perform. Mobile workplaces are generally available for these groups of employees. The Group ensures good working conditions for employees offering high standards of occupational health and safety. By pushing new technologies such as digital printing and expanding into structurally growing packaging printing markets, the Company is enhancing its appeal as an employer by engaging in fields of activity offering potential for the future.

Employees are assisted in finding an appropriate work/life balance including special offers for working mothers and fathers as well as flexible working hours, temporary or permanent part-time working arrangements, mobile working arrangements, childcare and additional vacation leave as well as family breaks and sabbaticals. At 3.8%, the proportion of part-time employees in the Group was the same as in the previous year. Childcare facilities during the school holidays, including comprehensive holiday camps during the summer holidays, are constantly being expanded. The child-minding centre adjacent to the Company premises in Radebeul

enjoys strong employee acceptance as it is aligned to their working hours. Koenig & Bauer has been a member of the Family and Work Alliance in the Würzburg region since 2006. Company childcare is also to be provided at the Würzburg site. Other activities and events such as excursions and swimming courses for employees' children as well as the children's and youth day held at the Würzburg plant on the school-free Day of Repentance and Prayer in recent years had to be cancelled due to the pandemic. This was also the case with the customary sports events, the annual children's Christmas party in Radebeul organised in cooperation with the kindergarten as well as the Advent church service for all active and former employees followed by a Christmas party and a visit by Santa Claus for the little ones in Würzburg. We will be offering these events and activities again as soon as the underlying conditions permit this.

In addition to a low fluctuation rate of 1%, the average length of service of 20.2 years at the Company's sites in Radebeul and Würzburg is a good indicator of employee loyalty at Koenig & Bauer. 92 long-service staff celebrated milestone career anniversaries in Radebeul and Würzburg in 2021. 37 were able to look back on 40 years of service, while 55 had been with the Company for 25 years.

Diversity

Koenig & Bauer attaches particular importance to the diversity of its workforce. A high degree of diversity has already been achieved in terms of ethnicity, age and religion or world view. Of the 2,989 employees in Radebeul and Würzburg, 20.1% are younger than 35 years, 48.5% aged between 35 and 55 and 31.4% are over 55. As with many other mechanical engineering companies, Koenig & Bauer has a relatively small proportion of women of 13.7% (previous year: 13.8%) in the Group compared with other sectors. Various activities are being initiated to widen the proportion of female employees, including correspondingly worded job advertisements, a "girls day", career fairs, internships and school visits. In addition to the general efforts aimed at increasing the share of female employees at our Company, a diversity initiative with a comprehensive package of measures such as special training and female mentoring programmes to increase the proportion of women in management positions has been launched. Our diversity policy also aims at achieving a greater variety in terms of international background and experience. We want to use the potential arising from heterogeneous teams in the interests of sustained corporate development. At the end of 2021, the proportion of women stood at 25% at the first

management level and at 12.5% at the second management level below the Management Board at Koenig & Bauer AG. These ratios had stood at 14.3% and 6.7%, respectively, one year prior to this.

Recruiting and professionally qualifying talented young staff

In-house training ensures Koenig & Bauer is able to meet its high demand for qualified specialists in development, design, production, commissioning and service. The dual vocational training model has a long tradition at the Company. The Company's own state-recognised vocational training centre in Würzburg has been qualifying specialists for over 150 years by closely interlinking theory and practice. In view of recent developments in the labour market, it is also becoming increasingly challenging for Koenig & Bauer to fill all apprenticeship positions – especially in the commercial and technical professions. In addition to tried and tested tools such as open training days, we also use social media to recruit junior staff. In this way, school-leavers can gain insight into what a traineeship with the Company entails together with the training syllabus and methods. The vocational training department in Radebeul works with numerous schools in the region to inform them at an early stage of the training available at the plant. The vocational training centre in Würzburg also makes use of its good contacts with schools in the region. In addition to the various opportunities for learning more about apprenticeships at Koenig & Bauer, work placements for school students offer a good basis for early career orientation for when they leave school. All internships are structured in such a way that the school students can try things out for themselves and acquaint themselves with the apprenticeship professions at the Company. A number of undergraduates are completing their theses at Koenig & Bauer or attending internships or practical semesters at Koenig & Bauer. In addition, the Company offers placements for undergraduates in almost all parts of the Company to acquaint them with the world of Koenig & Bauer printing presses.

At 315 as of 31 December 2021, the number of apprentices and interns was slightly down on the previous year's figure of 333. Accordingly, the Group-wide apprenticeship ratio fell to 5.8% (2020: 6%). In the year under review, 71 young people embarked on their industrial/technical or commercial apprenticeships in 14 different professions at Group locations. The apprenticeships range from mechatronics technician to industrial mechanics and from machining mechanics to industrial business management assistants. As in earlier years, the 22 trainee mechatronics technicians accounted for

the greatest proportion of apprentices. For the first time, we are training IT specialists in the field of process and data analysis. In 2022, we will be expanding our apprenticeships to include electronics technicians for automation technology. Career beginners at Koenig & Bauer also include students enrolled in dual-studies courses, who are completing their practical phase at the Company in addition to attending university. 63 apprentices at the two main plants in Radebeul and Würzburg successfully sat for their final exams at the chambers of industry and commerce. Regular top rankings as top, second- or third-best performers and good to very good results in the final examinations testify to the acknowledged high quality of the training centres. In 2021, the best young skilled workers in Saxony in the occupations of mechatronics technician and metalworking mechanic came from the Radebeul plant. Koenig & Bauer Radebeul was included for the 22nd time on the list of the top training companies in the Saxon metalworking and electrical industry and, thus, more frequently than any other member company. Upon successful completion of their apprenticeships, the future specialists face good career prospects with the possibility of permanent employment at the Group's main sites in Würzburg and Radebeul.

Systematic personnel development

In the interest of the Group-wide advancement of employees, we have established a personnel development program as a modular system that defines target-oriented methods for various hierarchical levels. All personnel development initiatives have an international focus and incorporate all Group companies as well as the global sales and service units. The annual employee appraisals are a proven personnel management tool that give employees and their line managers the opportunity of providing direct feedback in both directions and discussing their current views and goals. In addition, executives also receive training in various areas such as leadership, team building and conflict management. Development assessments are used to appraise executives and junior staff externally. This is followed by an internal process in which the immediate line managers draw up competence profiles on the basis of the results gained. In an ensuing step, the managing directors and department heads evaluate the executives and junior staff from their business units in calibration workshops to gain a neutral view. A comprehensive competence matrix is available in a database for the group undergoing assessment. Within this group, high potentials are identified in the subsequent coordination rounds for each business unit attended by members of the Management Board and executive staff on the basis of criteria such as age, language skills, international profile, leadership

capabilities, expertise (technical/commercial skills), career background, mobility/willingness to change and skills/potential. Thereupon, individual development plans with further training measures are drawn up. The goal is to fill management positions from the Company's own ranks. We want to strengthen our appeal as an employer by means of this systematic career development. Moreover, systematic talent management addresses the expectations of career-oriented high performers and thus also helps the Company to retain qualified employees.

In addition, the one-year junior management programme (JuMP) with participants aged between the early 20s and 30s aims to systematically prepare junior staff for management tasks. It commenced in 2021 with 22 junior managers in two groups. In addition to the technical learning modules, junior managers work on practical projects from everyday business life. This encourages international networking and allows them to develop innovative problem-solving approaches for business challenges.

Another indication of the strong employee involvement is the "From Employees for Employees" training series, which consistently addresses topics of current interest. A total of 252 employees attended 14 lectures in the year under review. Another component of the human resources development portfolio is consulting services for organisational development at the team, departmental and divisional level including corresponding workshops. In addition, professional and personal coaching is available for all target groups in the Company. 47 new employees completed a targeted digital onboarding process to prepare them for their duties at the Company and to familiarise them with its corporate culture. Professional provider management for purchasing and coordination as well as quality assurance for external service providers such as trainers and coaches is a further aspect of human resources development.

The Koenig & Bauer Campus learning management system is a modern platform for in-company training and further education within the Group. All employees worldwide have access to the online catalogue via a personal profile, in which they can view all training courses available to them. In addition to traditional face-to-face training, the catalogue also includes online learning applications in all relevant fields in order to encourage decentralised virtual learning. Each employee can register for the compulsory training courses at their own initiative and apply for the voluntary offerings set out in this catalogue. Line managers can confirm the request for train-

ing directly in the system with a click of the mouse. The system documents each employee's education history, generating reminders of training sessions and instructing line manager to register their employees for training courses. In addition to 876 face-to-face training sessions (2020: 218), 16,860 e-learning sessions, including the 952 GoodHabitZ online courses, were held in the year under review. This is a significant increase over the previous year's figure of 9,714 e-learning sessions. Compliance was a key topic covered by e-learning, with 7,541 online sessions held (2020: 3,920).

At the Würzburg site, the Azubis@work personnel development programme is used to support the training of career-beginners. In four modules spread over the first two years of their apprenticeship, the trainees work on topics such as correspondence, telephone skills, communications and conflict management as well as personality development and team skills. In response to advancing digitalisation, the vocational training centre has developed a media concept for conveying to junior staff the relevant skills on a comprehensive basis. Starting with basic skills such as knowledge of how media offerings and IT systems work and their underlying principles, the media concept focuses on the ability to analyse and critically evaluate data and information together with a detailed consideration of the significance of media and digital technologies for the economy and the career and working world. For the first time, an alumni meeting of Würzburg apprentices was organised in the year under review to give current third-year trainees an insight into various career paths.

Occupational health and safety

The health and safety standards at the production plants in Würzburg and Radebeul are certified in accordance with DIN ISO 45001:2018. Various measures are being taken to achieve further improvements in safety and ergonomics. Regular checks and consultations are held to monitor compliance with health and safety regulations and to make recommendations for optimising work processes. By avoiding non-ergonomic movements and heavy lifting, it is possible to minimise illness and accidents. The hazard assessments are updated regularly. Regular instruction and training seek to raise employees' awareness of any hazards that may arise.

15 accidents per 1 million hours worked with lost working time of one day or more were registered for the core workforce in the year under review at workplaces at the Würzburg and Radebeul plants. The previous year's figure of 12.3 had particularly been influenced by the greater use of short-

time work. Extensive analyses of these incidents are performed as a basis for defining preventive measures for reducing workplace accidents. At the same time, the monthly report on accident frequency rates by business unit and department facilitates the development of targeted responses. Potential hazards are addressed and highlighted in special monthly campaigns.

Workplace health promotion and prevention also enjoy high priority at Koenig & Bauer. The various preventive health programmes are managed and implemented by HR management and by the Koenig & Bauer in-company health insurance fund (Koenig & Bauer BKK), which is operated as an autonomous public-law corporation. Individual counselling and training sessions are used to teach employees health skills and encourage them to work in a health-conscious manner. As in earlier years, courses were held for the apprentices as part of a health promotion programme specifically tailored to their needs. New additions to the Koenig & Bauer BKK programme included yoga courses, which are held both face-to-face and online.

The diverse offers also include occupational health management. As a result of the Covid-19 pandemic, meetings were often held in the form of videoconferencing to avoid direct contact. Regardless of where they live, employees suffering from mental illnesses receive a qualified initial diagnosis within 14 days through the in-company health insurance fund's ProPsych programme. If the initial diagnosis indicates the need for a medical response, the employee concerned receives psychotherapeutic treatment within a further 14 days. Special behavioural therapy for obesity is also offered under this programme. The aim of the "BGM-innovativ" programme initiated at the Würzburg and Radebeul sites is to provide coordinated care for at-risk and ill employees suffering from musculoskeletal disorders in order to avert illness or to prevent it from becoming chronic, to shorten the duration of the illness and absences and to permanently maintain employability. The new health and fitness app provides members of the Koenig & Bauer health insurance fund with useful tips on healthy eating, living more consciously and moving correctly and effectively.

Under the motto "Our eventful life – For me. For you. For us." employees can take part in different activities each quarter, e.g. "Strengthening your immune system in the winter", "Getting off to a strong start in the spring", "Simply living in summer" and "Arriving in autumn". Posters and flyers distributed at the factories were used to draw attention to the changing

offers, information on which is published via an app and on the Koenig & Bauer BKK website.

Reflecting the fact that employee health is a top priority for Koenig & Bauer, extensive hygiene and prevention measures were consistently implemented throughout the Covid 19 pandemic. In addition to comprehensive opportunities for tests, a broad-based vaccination campaign was carried out at the Würzburg and Radebeul sites in different waves for first, second and booster vaccinations. Ventilation and filtration were another focus of the package of measures to contain the pandemic.

Social matters

Koenig & Bauer is a pioneer in employee welfare as well as a supporter of social projects. Even before social security was introduced in Germany, the Company had already established the predecessor of an in-company health insurance fund in 1855. Founded in 1873, the fund for disability, widow and orphan benefits continues to exist to this very day. We are committed to our responsibility to society and sponsor social and cultural projects alongside initiatives for preserving and protecting the environment.

Social commitment

At Koenig & Bauer, social and community involvement includes comprehensive sponsoring and donation activities for projects in the fields of culture, social affairs, the environment, science and technology. The Group sponsoring and donations policy governs its basic approach to these matters and defines a consistent process throughout the Group, including approval rules.

Cultural sponsorships support individuals, groups, organisations or events in artistic fields such as music or theatre via the Koenig & Bauer Cultural Foundation. In 2021, the Mozart Festival and Africa Festival in Würzburg were supported.

Via its community sponsoring activities, Koenig & Bauer provides financial resources or donations in kind all over the world to support social projects and the activities of charitable and non-profit organisations and institutions such as foundations or associations. In addition to supporting regional institutions and initiatives, it particularly focused in 2021 on supporting activities in Africa. In Ghana, the Baobab Children Foundation, which has built up a training centre with an integrated school in recent years, is being

funded. The aim is to enable young people between the ages of 13 and 18 years to complete vocational training by sitting for a state examination after four years of schooling and one practical year. Fanny Koenig, the wife of the Company's founder, was a major supporter of social issues at Koenig & Bauer in the mid-19th century. A Fanny Koenig workshop was set up at the Baobab Children Foundation school in memory of the manager. In Würzburg, an inclusion-oriented primary school already bears its name, while our company founder Friedrich Koenig is also the namesake of grammar schools in Würzburg and Suhl. In addition, Koenig & Bauer is supporting the Bakita Girls Community Centre in Tanzania, which is based on a micro- and macro-sustainability model and provides school education for young mothers and orphans in particular by providing additional vocational training resources. The Ubuhle Care & Development Centre near Pretoria in South Africa was able to purchase a school bus thanks to a donation received from Koenig & Bauer. In addition to its broad-based community activities, the Company also provides Christmas donations for social projects in lieu of gifts for customers. In addition to supporting the Bakita Girls Community Centre in Tanzania, the bulk of the 2021 Christmas donation went to three social projects and institutions in Würzburg. One part of the donation was given to the Antonia Werr House, which offers comprehensive living and support services for women in crisis situations, for purchases of interior furnishings. Support association "Bahnhofsmision" also received a donation for the "Encourager" project, which seeks to train volunteers in psychosocial counselling work. The joint fundraising campaign of employees and companies for the Würzburg Advent charity run supports the activities to promote school and club sports in the Mwanza region in Tanzania. Koenig & Bauer MetalPrint organises an annual fundraising campaign in the form of an employee raffle, with the proceeds going to a children's and young people's hospice in Stuttgart, with the Company doubling the amount donated.

In environmental sponsoring, the activities of non-profit and non-commercial organisations in the field of ecology are supported through monetary and non-monetary donations. Koenig & Bauer is supporting a rainforest project in Ghana as part of the Baobab Project. The preservation of the rainforest benefits the agricultural training project via a more stable local climate, serving as a mosaic stone in global climate action. Industry awards sponsored by Koenig & Bauer, such as the Print & Media Award for the most environmentally oriented company of the year, acknowledge printing companies' ecological commitment.

Koenig & Bauer supports science and technology with financial and non-financial support. It has established an endowed professorship at the Ostwestfalen-Lippe University of Applied Sciences with the aim of promoting development and research in the field of document authentication and classification. The Dr Hans and Benno Bolza Foundation awards prizes for outstanding scientific work in the fields of mechanical and electrical engineering offering sustainable solutions and practical relevance to printing press engineering and technology. The foundations are named after the two great-grandchildren of the Company's founder, the industrial pioneer Friedrich Koenig.

With their extensive voluntary activities at the Chambers of Industry and Commerce and the Chambers of Crafts, as honorary judges at the labour and social courts, in emergency-assistance organisations such as the Federal Agency for Technical Relief, the fire brigade and the rescue service, as well as in city and municipal councils, the executives and employees make a great contribution to the community. In many cases, employees are given time off to engage in the wide range of voluntary activities undertaken by Koenig & Bauer.

As a globally active printing press manufacturer, Koenig & Bauer has always stood for cosmopolitanism and tolerance. At its Radebeul site it supports the association "Business for a Cosmopolitan Saxony" by taking specific measures to assist and promote the integration of newcomers and immigrants in the local economy. Refugees who have fled their country for political or religious reasons are completing vocational training at Koenig & Bauer or have started work directly and are now part of the regular workforce.

High product quality for greater on-site and process safety in printing operations

Koenig & Bauer attaches great importance to the quality of its products and services. Reflecting this, the quality management system aims at achieving ongoing compliance with the highest quality standards in the production and assembly of the Company's bespoke, innovative and complex products. The quality management systems at the major production plants in Radebeul and Würzburg, at the Sheetfed business unit in Radebeul, at the Security business unit at the three sites in Würzburg, Lausanne and Mödling and at the Coding business unit in Veitshöchheim are certified in accordance with DIN EN ISO 9001:2015. Product development focuses on work and process safety, reliability and user-friendliness.

Commitment to human rights and high labour standards

In its role as an employer as well as a supplier and buyer of products and services, Koenig & Bauer is committed to protecting human rights and views this as a core element of responsible corporate governance. The United Nations Framework on Business and Human Rights (“Protect, Respect and Remedy”) offers a guideline for corporate policy. With the incorporation of a duty to observe human rights in the terms and conditions of purchase and the systematic observance of these requirements in all material business activities, the Company makes sure that its business partners acknowledge and respect human rights in the same way that it does. Further measures are being implemented under the Supply Chain Due Diligence Act, which comes into force on 1 January 2023. The purchasing conditions impose on external business partners a duty to respect employee rights and to observe labour law. The code of conduct for suppliers included in the terms and conditions of purchase also stipulates the observance of statutory and contractual quality and safety standards as well as environmental requirements particularly in connection with the use and processing of hazardous substances. Suppliers particularly undertake to refrain from using child labour and to avoid any form of discrimination. In addition to the main business processes, the selection of and cooperation with relevant business partners are also subject to initial and ongoing review. As part of the digitalised compliance check, business partners express their commitment to the code of business conduct and receive compulsory training on Koenig & Bauer’s compliance standards.

The Group provides good working conditions for employees offering high standards of occupational health and safety. Koenig & Bauer makes sure to offer all employees equal opportunities. We want to additionally consolidate equal opportunities as the basis for personnel decisions in the Group. Respectful and responsible interaction with each other and the prevention of all forms of discrimination are an integral part of our corporate culture. We want to ensure discrimination-free workplaces for employees regardless of gender, age, disability, religion, origin or sexual orientation and promote inclusiveness. People with restricted mobility also have a place in Koenig & Bauer’s regular workforce.

Combatting corruption and bribery

Responsible and transparent corporate governance oriented to long-term value creation has high priority at Koenig & Bauer. We regard integrity and compliance as indispensable in business transactions and pursue a zero-tolerance policy. The Group-wide compliance management system (CMS) creates the basis for ensuring that business practices satisfy the highest compliance and integrity standards. The contents and activities of the compliance organisation are reviewed on the basis of a compliance plan adopted in consultation with the Management Board and the Supervisory Board’s Audit Committee at the beginning of each year.

The CMS focuses on preventing any violations of laws, standards or internal guidelines. A regular compliance risk analysis forms the basis for the organisation and processes. In addition to monitoring changes in the law and reported compliance risks, one component of the risk assessment entails the continuous sharing of information on the internal processes of the Koenig & Bauer Group companies. For this purpose, a compliance team has been set up and is composed of representatives from information technology, human resources, accounting, taxes, data protection as well as the local compliance officers. In 2021, all subsidiaries additionally submitted for the first time a standardised report on their compliance situation as part of the fixed agenda of the meetings of the relevant supervisory bodies (e.g. boards, shareholder assemblies, supervisory boards, governance bodies). Comprehensive guidelines have been issued and the necessary processes established on the basis of the results of the risk analysis to ensure compliance and integrity in all business activities. Any changes that are identified in the risk situation or requirements are addressed by duly modifying the internal guidelines. The corporate compliance manual issued across the entire Group combines our business code of conduct, compliance rules and the main Group policies in a single document. The latest version of the policies can be viewed in the policies portal on the Koenig & Bauer intranet. Reflecting the far-reaching adjustments to the policies, we are currently in the process of creating a new, updated compliance manual. The CMS attaches great importance to combating corruption and bribery. This also reflects Koenig & Bauer’s broad-based commitment to promoting fair competition.

The comprehensive compliance and integrity standards can only be fully effective if employees are aware of them and adhere to them. For this

purpose, 13 online training sessions on the main aspects of compliance and the code of conduct are currently available throughout the Group. Available in several languages, they are mandatory for every new employee. The use of an IT process with the Koenig & Bauer Campus training management system, which is based on SuccessFactors, automatically ensures that training is held in cycles determined by risk criteria applicable to the employee's specific position. Compliance with this requirement is monitored through regular reminders and escalation processes. Following the initial implementation of online training at the Koenig & Bauer Campus at the end of 2017, almost 24,000 compliance training courses had been completed by the end of 2021, including over 16,500 that were directly related to anti-corruption precautions. The Koenig & Bauer Campus has since been rolled out across all 50 relevant subsidiaries, meaning that almost all employees in Europe, Asia, North and South America can attend compliance training via the Koenig & Bauer Campus. The training courses are made available via the Koenig & Bauer intranet to local branches that are not linked to the Campus system. The local compliance officers were responsible for monitoring the completion of training. Due to the Covid-19 pandemic, only a small number of face-to-face training sessions were held in 2021. However, relevant and updated compliance information was communicated via the Intranet, the compliance officers at the subsidiaries or individual messages.

The preventive CMS measures are complemented by a regular review of their effectiveness to identify potential for improvement. In particular, internal and external compliance assessments are carried out periodically at Koenig & Bauer AG and its subsidiaries for this purpose. The established, internal whistle-blower system is currently being replaced by a new online platform that will continue to ensure that potential compliance violations can be reported anonymously by employees and additionally also by third parties in contrast to the previous system. Under the Group policy, all suspicions are followed up consistently and, if necessary, disciplinary or legal action taken. This applies equally to reports by the media or authorities of any violations by Koenig & Bauer companies. In such cases, cooperation is sought to clarify the circumstances. Koenig & Bauer complies in full with any notification or cooperation duties.

Koenig & Bauer is also committed to fighting corruption and encouraging compliance beyond its own business activities. Since its foundation in 2013, the Banknote Ethics Initiative (BnEI) has established a strict code

to prevent and combat corruption and anti-trust violations in the field of banknote printing and trading. The principles espoused are not only recognised among the members of the BnEI but are also adopted by a significant proportion of central banks and banknote printers worldwide and form part of their procurement processes. As a founding member of the BnEI, Koenig & Bauer Banknote Solutions has agreed to be bound by strict rules of conduct and transparency, compliance with which is verified as part of regular recertification based on an audit programme developed by the BnEI. This accreditation was successfully renewed in 2020.

The promotion of ethical behaviour, transparency and compliance forms the focus of our activities, particularly in the security and banknote printing industry. With the KBA-NotaSys Integrity Fund, which was founded in 2017, Koenig & Bauer finances international projects to enhance compliance processes and culture. By the end of 2021 a total of 42 projects initiated by universities, associations and institutions in Europe, South America and Africa had been funded. The project initiators include Transparency International, the German Institute for Compliance (DICO), the German Institute for Efficiency Testing (DIEP) and various Swiss and German universities. The results of the projects were published and presented to interested groups and also discussed at the meetings of the project managers organised by the Fund. Total funding of EUR 5 million was allocated.

Further details of the compliance management system can be found in the compliance section of Koenig & Bauer's website.

The ongoing analysis of possible compliance risks is a decisive prerequisite for the Company's ability to continue meeting the high standards of rule-compliant business conduct and integrity in the future. The analyses conducted in the individual business units in 2021 did not indicate any new compliance risks, nor were any suspected compliance violations confirmed.

Independent Practitioner's Report on a Limited Assurance Engagement on Non-financial Reporting

To Koenig & Bauer AG, Würzburg

We have performed a limited assurance engagement on the separate non-financial group report of Koenig & Bauer AG, Würzburg, (hereinafter the "Company") for the period from 1 January to 31 December 2021 (hereinafter the "Separate Non-financial Group Report").

Not subject to our assurance engagement are the external sources of documentation or expert opinions mentioned in the Separate Non-financial Group Report.

Responsibility of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Separate Non-financial Group Report in accordance with §§ (Articles) 315c in conjunction with 289c to 289e HGB („Handelsgesetzbuch“: „German Commercial Code“) and Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18. June 2020 on establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the „EU Taxonomy Regulation“) and the Delegated Acts adopted thereunder, as well as for making their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereunder, as set out in section "Angaben zur EU-Taxonomie" of the Separate Non-financial Group Report.

This responsibility includes the selection and application of appropriate non-financial reporting methods and making assumptions and estimates about individual non-financial disclosures of the Group that are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as the executive directors consider necessary to enable the preparation of a Separate Non-financial Group Report that is free from material misstatement whether due to fraud or error.

The EU Taxonomy Regulation and the Delegated Acts issued thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the executive directors have disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section "Angaben zur EU-Taxonomie" of the Separate Non-financial Group Report. They are responsible for the defensibility of this interpretation. Due to the immanent risk that indeterminate legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

Independence and Quality Control of the Audit Firm

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis - IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Responsibility of the Assurance Practitioner

Our responsibility is to express a conclusion with limited assurance on the Separate Non-financial Group Report based on our assurance engagement.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the Company's Separate Non-financial Group Report, other than the external sources of documentation or expert opinions mentioned in the Separate

Non-financial Group Report, are not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section "Angaben zur EU-Taxonomie" of the Separate Non-financial Group Report.

In a limited assurance engagement the procedures performed are less extensive than in a reasonable assurance engagement, and accordingly a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgement of the assurance practitioner.

In the course of our assurance engagement, we have, amongst other things, performed the following assurance procedures and other activities:

- Gain an understanding of the structure of the Group's sustainability organisation and stakeholder engagement
- Inquiries of the executive directors and relevant employees involved in the preparation of the Separate Non-financial Group Report about the preparation process, about the internal control system relating to this process and about disclosures in the Separate Non-financial Group Report
- Identification of likely risks of material misstatement in the Separate Non-financial Group Report
- Analytical procedures on selected disclosures in the Separate Non-financial Group Report
- Reconciliation of selected disclosures with the corresponding data in the consolidated financial statements and group management report
- Evaluation of the presentation of the Separate Non-financial Group Report
- Evaluation of the process to identify taxonomy-eligible economic activities and the corresponding disclosures in the Separate Non-financial Group Report

In determining the disclosures in accordance with Article 8 of the EU Taxonomy Regulation, the executive directors are required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

Assurance Opinion

Based on the assurance procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Separate Non-financial Group Report of the Company for the period from 1 January to 31 December 2021 is not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section "Angaben zur EU-Taxonomie" of the Separate Non-financial Group Report.

We do not express an assurance opinion on the external sources of documentation or expert opinions mentioned in the Separate Non-financial Group Report.

Restriction of Use

We draw attention to the fact that the assurance engagement was conducted for the Company's purposes and that the report is intended solely to inform the Company about the result of the assurance engagement. Consequently, it may not be suitable for any other purpose than the aforementioned. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility is to the Company. We do not accept any responsibility to third parties. Our assurance opinion is not modified in this respect.

Frankfurt, 22 March 2022
PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Nicolette Behncke
German public auditor

ppa. Felix Wandel
German public auditor

Additional Information

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Balance sheet for Koenig & Bauer AG to 31 December 2021

Under the German Commercial Code (HGB)

in €m	31.12.2020	31.12.2021
Assets		
Non-current assets		
Intangible assets	35.1	43.7
Property, plant and equipment	83.0	77.2
Financial assets	399.3	408.4
	517.4	529.3
Current assets		
Other receivables and assets	75.7	91.3
Cash and cash equivalents	56.1	35.6
	131.8	126.9
Deferred income	2.0	2.0
	651.2	658.2

in €m	31.12.2020	31.12.2021
Equity and liabilities		
Equity		
Share capital	43.0	43.0
Share premium	87.5	87.5
Reserves	135.2	140.8
Retained earnings	29.5	35.2
	295.2	306.5
Special items with equity portion	1.3	1.0
Provisions		
Pension and similar provisions	79.4	79.3
Tax provisions	–	2.3
Other provisions	19.4	27.0
	98.8	108.6
Liabilities		
Bank loans	176.0	115.9
Trade payables	1.0	1.3
Other liabilities	78.9	124.9
	255.9	242.1
	651.2	658.2

Income statement for Koenig & Bauer AG 2021

Under the German Commercial Code (HGB)

in €m	2020	2021
Revenue	82.8	94.8
Cost of sales	-54.9	-64.7
Gross profit	27.9	30.1
Administrative expenses	-31.3	-25.5
Other operating income	11.8	6.8
Other operating expenses	-136.9	-6.2
Profit from operations	-128.5	5.2
Financial result	171.7	8.8
Income taxes	-0.2	-2.4
Earnings after taxes	43.0	11.6
Other taxes	-0.5	-0.3
Net profit	42.5	11.3
Profit carried forward	8.3	29.5
Transfer to other reserves	-21.3	-5.6
Retained earnings	29.5	35.2

Key financial dates

Statement on 1st quarter 2022

5 May 2022

Koenig & Bauer Annual General Meeting

24 May 2022
Vogel Convention Center, Würzburg

Report on 2nd quarter 2022

29 July 2022

Statement on 3rd quarter 2022

8 November 2022

Contact / Imprint

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