

KOENIG & BAUER

We print your world

Annual Report 2020



we're on it.



We print your world

04	Print is ... everywhere
32	Letter to the shareholders
36	Supervisory Board report
42	Corporate governance report
45	Koenig & Bauer shares
50	Combined management report
108	Group financial statements
164	Non-financial Group report
180	Additional information

Koenig & Bauer Group

in €m	2019*	2020	Change in %
Incoming orders	1,141.3	974.7	-14.6
Order backlog on 31 Dec	685.9	632.0	-7.9
Revenue	1,245.8	1,028.6	-17.4
Sales by region (in %)			
Germany	15.1	15.4	
Rest of Europe	32.9	32.9	
North America	13.4	18.1	
Asia/Pacific	26	24.8	
Africa/Latin America	12.6	8.8	
Earnings before interest and taxes (EBIT)	70.1	-67.9	-196.9
EBIT margin (in %)	5.6	-6.6	
Earnings before taxes (EBT)	63.9	-73.5	-215.0
EBT margin (in %)	5.1	-7.1	
Net group profit	52.3	-103.1	-297.10
Balance sheet total	1,413.8	1,321.1	-6.6
Intangible assets, property, plants and equipment	361	392.3	8.7
Equity	432.8	342.2	-20.9
Equity ratio (in %)	30.6	25.9	
Cash flows from operating activities	-7.9	12.2	254.4
Investment in intangible assets, property, plants and equipment	104.9	46.5	-55.7
Depreciation on intangible assets, property, plants and equipment	33.6	34.5	
Payroll: annual average	5.763	5.671	-1.6
Earnings per share in €	3.15	-6.27	-299.0
Dividend per share in €	—	—	

* previous year's figures adjusted





We print your world

The possibilities of print have arrived in every sphere of our daily lives.

Our presses print on the broadest diversity of substrates which is currently imaginable. And new materials are constantly being added to the list. What will we be printing on tomorrow? Who knows.

But one thing is certain: printing is our world. The world of the people who use the products, and that of the operators at the press. The world of our employees and that of those who invest in our ideas. And the world of the pioneers who have written the history of print over the centuries and continue to shape its future.

It is a world which is continually being created anew. Fascinating. Lively. Diverse.

Become part of this world and join us on our journey of discovery!

Print is ... everywhere

Morning



Midday

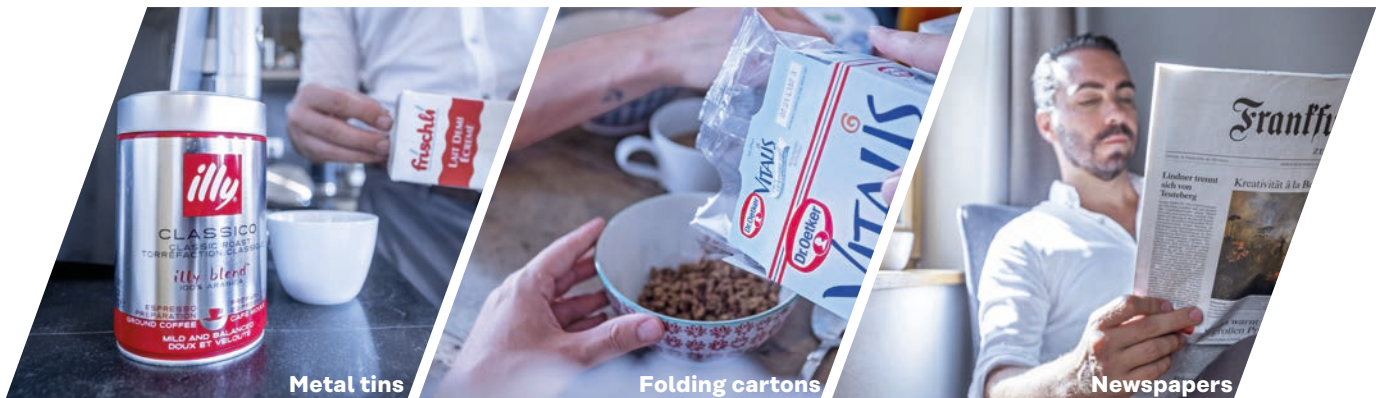


Evening



The print industry has long since transcended the boundaries of its original medium, which was paper. Wood, glass, metal, plastics, carton, corrugated board – all these materials can serve as print substrates. Print is omnipresent and touches every aspect of our lives. The more colourful and more diverse our daily lives become, the more varied the range of products that our customers can produce on machines made by Koenig & Bauer.

Print products accompany us all day long. Some of them are obvious ones – for example newspapers, magazines and books. And yet there are many others which tend to escape our notice at first sight, from the moment we get up in the morning: Toothpaste tubes, soap, skin creams, perfumes and hairspray – they all involve printing or bear a label. Foods also come in printed packaging – whether in bottles, cans, bags or boxes. Even the decors that adorn furniture, flooring or walls are examples of how print products are becoming increasingly sophisticated and more and more individual. People then pay for the majority of these products with banknotes, which must likewise be printed.



Print is ...

Revenue

Around 60 per cent of final purchase decisions are made at the point of sale (PoS) – despite the fact that most purchases were actually planned in advance. Attractively printed folding cartons increase the willingness to buy by up to 13 per cent.



Freedom

Banknotes are an indispensable element of the global payment system. They contribute to inclusivity, free accessibility, counterfeit protection and data privacy.



Brands

People trust brands. Packaging is perceived as part of the product. On a fully stocked supermarket shelf, attractive packaging stands out, offers guidance, and influences purchase decisions.



Aesthetics

Individually designed homes promote a feeling of well-being. Thanks to new print technologies, laminates, furniture and wallpapers can assume any appearance the user desires.





Individuality

The customer's own name or photo on the label of a favourite breakfast cereal or spread? Digital print makes it possible to address customers in an individual and personalised way.

Information

Newspapers, magazines, books, forms, brochures, catalogues, posters, user manuals, leaflets, flyers and labels provide their readers with useful, entertaining or important information.



Security

Sell-by dates, production dates or forgery-proof features. We trust what we read. And batch tracing also permits flawed products to be recalled if the worst comes to pass.

Health

Pharmaceutical and food packaging products must feature specific barrier properties, which serve to prevent the escape of aromas, fats or oils.



Koenig & Bauer brings together

Koenig & Bauer brings together. After all, people around the world encounter products created on and with the aid of Koenig & Bauer machines every day. These products help to make the world more colourful and diverse.

For more than 200 years now, Koenig & Bauer has been bringing together the decisive components: inks & substrates, substrates & technologies, technologies & people. At the beginning, a visionary and pioneering spirit paved the way for an invention which has transformed the world. And even today, Koenig & Bauer remains a company that shapes the technological progress of an entire industry. As a partner to printing and finishing companies, the development compass at Koenig & Bauer consistently points to the needs of the customers.

5,593 employees generated revenue totalling €1.029 billion in 2020. In banknote printing and the growth markets in the packaging sector, Koenig & Bauer is one of the market and technology leaders. And as the innovative force behind the digitalisation of the industry, the company ensures its customers will remain profitable in future.













A future which demands new technologies in printing. For a world which is becoming even more colourful and diverse. Because printing is our world. Today and in the future.



When components become an experience

Our half-format to superlarge-format presses stand for the highest production speeds and fastest makeready in sheetfed printing. From business cards to posters: presses from the Rapida series allow printers in the commercial and packaging sectors to benefit not only from exceptional production outputs and precise results, but also from high quality standards and modern automation solutions.

The broadest product portfolio in the industry

Sheetfed	Digital & Webfed	Special
 Folding cartons*	 Flexible packaging*	 Metal decorating*
 Labels*	 Corrugated board*	 Coding*
 Magazines & catalogues	 Decors & laminates	 Glass & hollow containers*
 Books	 Newspapers	 Banknotes

***Packaging printing**

Koenig & Bauer in figures



3,800
registered patents

So much has been achieved in the more than 200 years that Koenig & Bauer has been part of printing history. When the London “Times” was printed on Friedrich Koenig’s mechanical printing press for the first time in 1814, this marked the beginning of the media age. 3,800 patents pay witness to the company’s tireless endeavours to advance the industry and define its standards. Today, Koenig & Bauer operates eleven manufacturing facilities in Europe and counts 109 sales and service organisations all over the world. 5,593 employees generated revenues totalling €1.029 billion in 2020.



**11**

manufacturing
locations
in Europe

**5,593**

employees worldwide

**#1**

in cardboard packaging, banknotes,
metal decorating and direct printing
on glass

**109**

sales and
service organisations

**€1.03**

billion in revenue
in 2020

Making security tangible

Cash is a secure means of payment – and will remain so in the future. Implementing a variety of sophisticated security features, presses from Koenig & Bauer print banknotes for central banks all over the world. After all, cash is the only means of payment which is available to every single person around the globe.

Keeping foods safe and fresh

The rapidly expanding global packaging market demands a broad range of highly varied solutions to ensure that products can be packaged safely and in accordance with the highest standards. As a system supplier for metal decorating systems, we offer perfect solutions for high-quality printed metal packaging. By providing complete printing and coating lines that cater to individual customer needs, we will uphold the reputation we have long into the future: we are the market and technology leader in metal decorating.



The journey of Koenig & Bauer through the Covid-19 pandemic

The coronavirus holds the world in its grip and has transformed our lives. Responsibly, calmly and with sound judgement, Koenig & Bauer has tackled the threats that arise from the new infectious disease. From the very beginning, the protection of our employees, but also of our customers and employees of our suppliers, has had top priority.

A comprehensive package of measures – from mobile working and new shift models to digital solutions – has enabled operations to be maintained relatively smoothly to date while the pandemic rages. This was not only important for Koenig & Bauer itself, but also allowed it to contribute to efforts to maintain the integrity of supply chains for food and pharmaceutical products. Back in April 2020, the German Federal Ministry of Food and Agriculture explicitly listed “Enterprises producing packaging and packaging materials for products” as critical and therefore system-relevant suppliers to the food industry throughout Europe. Board packaging, folding cartons, plastic films, bottles, cans and the necessary labelling ensure that food and pharmaceutical products reach the end user efficiently and in a hygienic condition.

With a three-stage plan to support print companies, Koenig & Bauer reacted quickly and proactively to maximise press availability, particularly in these challenging times. By ensuring 24/7 hotline availability and launching the “Visual PressSupport” video application, experts were able to offer round-the-clock service assistance – even for companies without a remote maintenance contract.

The “Koenig & Bauer Customer Community” enables customers to communicate with the service department free of charge. And expertly assembled spare parts packages help reduce the risk of waiting times where supply chains are disrupted.



Using the cloud-based Google Workspace (formerly G Suite), Koenig & Bauer has created a global network for staff working all over the world. A strategy which has proved invaluable in times of the pandemic. After all, the dangers posed by the coronavirus have transformed countless workplaces in 2020.

Wherever possible, provisions were made for the employees of Koenig & Bauer to work from home. Video conferences dominated daily work, and even allowed colleagues from different locations to become closer than ever before.

The pandemic forced people to accept compromises and previously unimaginable restrictions. This made a flawless virtual working environment all the more important. Google Workspace is a complete solution for the of-

fice world, and is already used by any number of industrial enterprises. It was rolled out at Koenig & Bauer at the beginning of 2020.

Since then, the systems have all been running stably, around 2,800 video conferences are being held using Google Meet each week, and document sharing has allowed people across the globe to collaborate efficiently. Google Workspace has passed the litmus test – a good decision at the right time.



From digital to real experiences

A combination of creative thinking and digital data translates into new customer experiences and innovative services. In recent years, Koenig & Bauer has emerged as an industry-wide pioneer in the digitalisation of business processes. The starting point for most customer-based services that relate to the company's products is the performance data of the presses and their log files.

Koenig & Bauer presses can supply 20,000 to 30,000 individual operating data every day, enabling errors to be localised before they result in actual downtime.

Artificial intelligence and sensor feedback from the presses enable the development of new services that ensure ultimate productivity and that maximise press availability. With digital assistance like this, customers have more time to concentrate on the things which are really important.



Performance Report

Workflow solutions

Predictive maintenance

Remote maintenance

Customer portal

PressCall

Visual PressSupport

Benchmarking

Data analytics

Ensuring quality products arrive in perfect condition

The increasing global demand for corrugated packaging is characteristic of the times in which we live. Packaging is no longer simply used to protect the product. It acts as a brand ambassador and, quite literally, a point of contact for customers. The “unboxing experience” has become an essential component of the consumer experience. We cater to these digital retail trends and are supporting the growing corrugated market by providing innovative press solutions. The Corru product family lays the foundations for high-quality corrugated packaging.



Flexibility tailored to requirements

Flexible packaging is a product that is very much in trend. It is space-saving, individual and user-friendly. Koenig & Bauer is able to cater to the increasing demand for product diversity and small packaging units in this growth market. Our flexo web presses satisfy the highest standards in the printing and finishing of plastics films, board and paper. In customised configurations and with individual web widths, they define benchmarks not only for productivity, but also in terms of energy efficiency and environment protection.

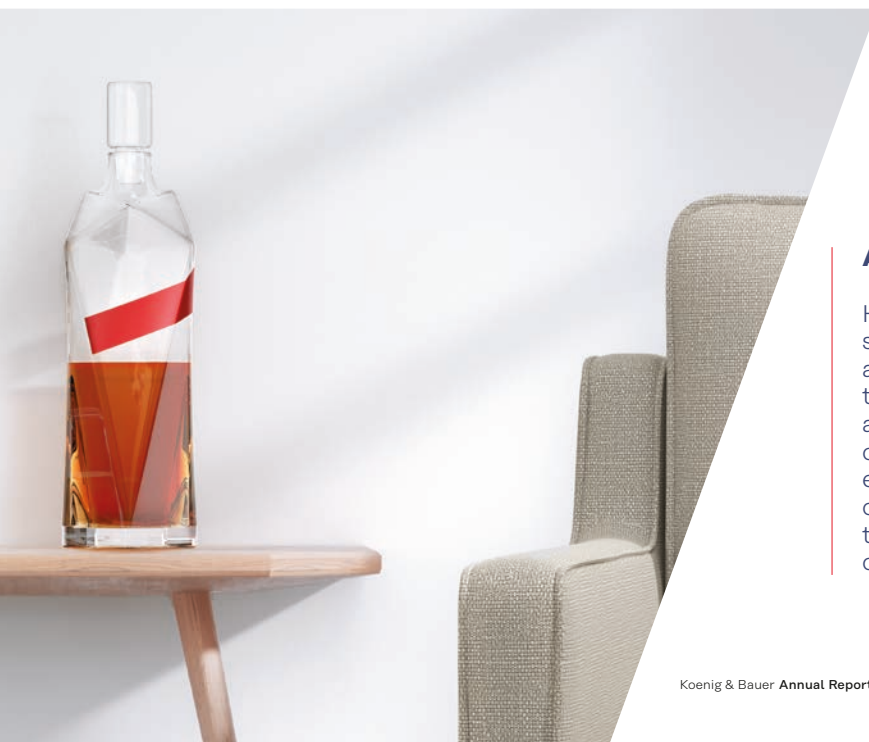


Valuable raw materials

Today's packaging is far more than just packaging. It protects the product and facilitates efficient logistics. It keeps foods fresh and protects them from moisture, dirt and bacteria. It ensures that products reach their destination safely and in hygienic condition. It spares resources and creates value.

And value discourages us from throwing things away unnecessarily. In the food industry, for example, production processes account for around 75% of energy consumption. The packaging accounts for only around 5 per cent of the energy input, but at the same time offers effective protection against spoilage, and may even help prevent the product going to waste.

And value means that even the actual packaging is no longer a disposable product. Over the years, conserving resources has evolved from an environmentally interesting idea into one of the most pressing issues of our time. Packaging materials are valuable raw materials, the recycling of which pays off – both economically and, above all, ecologically. In the case of metal food cans, for example, the recycling rate is up to 95 per cent. Glass, paper and film packaging, too, can look forward to more than one life.



An unmistakable uniqueness

High-quality packaging calls for sophisticated substrates. With its machines for glass, plastic and metal decorating, Koenig & Bauer provides the basis for a unique brand experience. Fully automatic machine platforms allow flexible configuration for a particular application. This ensures the platforms can deliver highly precise and customer-specific hollow body decoration, whether by screen printing, hot stamping, digital print or labelling.



Dr Andreas Pleßke in the Koenig & Bauer factory training school in Würzburg. With a history that extends back for more than 150 years, it is the oldest in the world. Up-and-coming specialists are equipped for a technical career in industry here.

“The portfolio strategy adopted by the group has revealed itself to be the right decision. By utilising synergies and the segment-specific expertise available to us, we continue to expand our market share – and this in existing markets too.”

Leaders in print and packaging

Did you know?

446 M

square metres of laminate were produced in Europe in 2019

(Source: statista.de)

Dr Andreas Pleßke

CEO and Director for Special Segment

You have been spokesman for the management board since 1 January, 2021.

Why is Koenig & Bauer ideally positioned for the future?

Koenig & Bauer is one of the largest printing press manufacturers in the world and boasts the broadest product portfolio.

In our industry, we are accustomed to adapting to changes in market needs. We have mastered the transformation to turn us into a leading supplier of press and post-press solutions for packaging, industrial and security printing applications, with a strong service organisation. We will be rolling out our efficiency programme Performance 24X to further consolidate this position and raise our operating profitability.

Our strategic focus is founded on two pillars.

On the one hand, we address the packaging market, which is the fastest growing market at around 3.5%, especially for food, beverages and pharmaceuticals. But we are also well positioned in high-quality commercial printing.

Secondly, we have concentrated on diverse sectors within the packaging segment, areas in which we either have a good standing or are already market leaders. We have presses for all print technologies and which can print on practically any substrate. This includes metal decorating, printing on flexible materials, glass and hollow-body decoration, and printing for coding purposes. In security printing, we are the undisputed world leader.

The portfolio strategy adopted by the group has revealed itself to be the right decision. By utilising synergies and the segment-specific expertise available to us, we continue to expand our market share – and this in existing markets too. While the newspaper business no longer plays the role it once did in the past, we are still the number 1 in the field of highly automated newspaper presses. In terms of technology, we have implemented platform, module and shared component strategies across all applications. This enables us to manufacture such a wide range of machines quickly and cost-effectively, and we have also reorganised management board duties accordingly. In the field of digital printing, we are shaping the

Did you know?

36.8

million people read a printed newspaper in Germany every day

(Source: "Nutzen" 3/2020)

future with both products of our own and those developed together with our joint venture partner Durst.

To enable our customers to satisfy the high expectations of their target groups, we are continuing to expand on our solutions along the entire value chain. For example, Koenig & Bauer is today a one-stop supplier for the complete packaging printing process – from product design to printing, finishing and inspection, and through to die-cutting, folding and gluing.

Proximity to our customers and the unequivocal importance we attach to customer service are absolute priorities across the whole group. The service business contributes almost 30% of our revenues, and continues to grow. For us, this is a decisive way to optimise the total cost of ownership for our customers. Thinking ahead to the future: Alongside special technical products and services, we are essentially selling "TCO" to our customers. This represents another key to success.

We view sustainability, recycling and environment protection as the defining trends in packaging printing. Even at the design and development stage, we focus on reductions in energy and resource consumption. Users benefit from ecological printing technologies and environmentally friendly substrates and consumables.

A further element of our success is our international presence and the diversity within our workforce. Around one third of Koenig & Bauer employees work outside Germany. This diversity enriches our corporate culture and is also good for our customers, ensuring we are always on the same wavelength as them. We need the constant stream of new ideas and measures to ensure that the workplaces in our traditional mechanical engineering company are also attractive to women and provide a springboard to exciting careers. To ensure that adequate technical expertise will always be available within the company in future, we train young people in our factory's own vocational school and offer subsequent employment to all successful trainees. Family-friendly workplaces and a range of career development and training programmes send a clear signal to our employees: they are part of our success story – especially in these challenging times as we join forces to overcome the pandemic.

All strategies revolve around our customers. As we have done for more than 200 years now, we work with them as equal partners. And we listen carefully to what they have to say. Accordingly, we have not reduced our expenditure on the development of new products due to the pandemic, because we want to have the right answers to our customers' expectations in future, too.



Dr. Andreas Pleßke is shown a semi-manufactured structural steel part by one of our trainees.

In short, we concentrate on packaging and a portfolio strategy in attractive markets, on strong research and development, on synergy effects in production, and on further development of our service business to improve the total cost of ownership for our customers. In this respect, the “P24x” efficiency programme is our road back to the group growth we have planned for the medium term.

This strategy enables us to look to the future with optimism.

The resolve and innovation to shape the future

Did you know?

560 M

US dollars are printed by the US Bureau of Engraving and Printing (BEP) every day

(Source: derstandard.de)

Dr Stephen M. Kimmich
CFO

As CFO, you are not only responsible for figures. You also have to use them as the basis for new developments and outlooks. What does this mean for the specific example of the P24x efficiency programme?

The programme was launched in 2019 to consolidate our position as the leading supplier of press and post-press solutions for packaging, industrial and security printing applications. The impact of the coronavirus pandemic, however, has made it necessary to adapt the original programme – hence the “x” for “extended” – because a return to pre-crisis turnover levels seemed, and still remains, unlikely in the short term.

The key elements involve scaling the group turnover to a volume of around €1 billion, and achieving cost-saving effects amounting to more than €100 million by 2024. Following implementation of the approved cost-related and structural adaptations, we are aiming for modest organic revenue growth of approx. 4 per cent to approx. €1,070 million in 2021 and expect a balanced EBIT. For the medium term, we are still projecting annual revenues of €1.3 billion and an EBIT margin of at least 7 per cent. This will enable us to improve and sustain our long-term competitiveness. Being able to build up on a sound financial base, with a group equity ratio of around 25 per cent and freely available liquid assets totalling more than €250 million, also helps us.

What is the role of digitalisation in financial activities?

“Big data” is evolving into “smart data” as a means of generating knowledge, from which future prospects can be derived. And this development has long since arrived in the print industry. Along with group-wide networking using Google Workspace, Koenig & Bauer relies on SAP S/4 HANA to keep group processes running efficiently. The roll-out has already begun and will continue in the remaining core units of all three segments until the end of 2022.

We are also using the cloud-based ERP software SAP Business ByDesign to link up to our main sales subsidiaries to realise proven best practices and detailed analyses. Our Salesforce platform, which we have been using successfully in customer relationship management for ten years now, supplies additional data. Mention is also to be made of the growing significance of non-financial data, which needs to be closely integrated into our financial reporting in order to offer all stakeholders a holistic overview of our company.



Dr Stephen M. Kimmich with the commemorative banknote from Koenig & Bauer.
In security printing, complex designs and distinctive security features make the difference.

“We can build up on a sound financial basis, with a group equity ratio of around 25 per cent and liquid assets totalling more than €250 million.”



Michael Ulverich in the Koenig & Bauer foundry. The heavy castings produced here must later withstand the forces produced by a complete printing press.

“Networking and trust
are the recipe for success.”

Keeping things moving

Did you know?

3.3 bn

parcels were sent
in Germany in 2019

(Source: statista.de)

Michael Ulverich

COO – Production, Purchasing & Logistics

You have been on board since 2020. And you like to get things done quickly. Where did you start?

We identified three levers: networking within the company, product quality and the “P24x” efficiency programme.

Networking refers not least to the optimisation of our production and assembly facilities. We want to pool know-how within the group, relocate resources where necessary as well, and reorganise our factories. By setting up a group-wide LEAN team, we will be able to increase productivity even further in the future – due to the dedication of our employees and, in equal measure, by using measures to optimise machinery and equipment. One significant success factor has been the cooperation between employees from different locations. That was incentive and motivation alike.

The good ideas from all the teams allowed us to unlock significant potential – in the form of improved processes in purchasing, production and the technical department, along with optimisation of our resource utilisation. Networking and trust are the recipe for success in this regard.

The second lever was product quality. By using a group-wide quality management system, which permits an integrated appraisal of our organisation and processes and to which all employees are committed, we have already taken a first step towards significantly reducing quality costs. We view this as a major opportunity to unlock even more potential in the future.

The third step is about thinking ahead in terms of the new organisation within the context of the efficiency programme. It is also a question of scaling within the group. Regular communication keeps our employees involved in the programme. This ensures that everyone is pulling in the same direction and getting the group fit for the future. This will make establishing a module and platform strategy necessary – on that encompasses all new machine types.

Packaging solutions from a single supplier

Did you know?

14.8 %

**annual growth
in global parcel business volume**
(Source: businesswire.com)

Ralf Sammeck
CDO and Director for Special Segment

In summer 2020, you took on the position of Chief Digital Officer in addition to your duties as director for sales. How digital is Koenig & Bauer and how have sales activities been developing?

Digital solutions and products have become profitable elements of our Koenig & Bauer portfolio. And we intend to, and will, keep expanding this. New approaches are necessary to enable individual responses to customer needs. Our growing market share in commercial and packaging presses, as well as in die-cutters and folder-glueers, show that our overall strategy has been successful, even during the coronavirus pandemic.

With innovative solutions tailored to the demands of our customers, we raise their productivity and enable them to become even more successful. We combine engineering excellence with end-to-end workflow and software solutions, and are a trusted advisor to our customers. We ensure they are capable of realizing their full potential.

With the ongoing development of complete post-press and workflow solutions, we are increasing our technological lead in the packaging industry, while at the same time treading new paths in digital packaging printing with our Koenig & Bauer Durst joint venture. This is how we would like to advance the digital transformation of production processes and set standards in terms of print quality. Sustainable success demands consistent development activities. And this is exactly what we have done with our strategic acquisitions of Iberica and Duran, which are both developing positively.

Our comprehensive, proactive and customer-centric services are defining new benchmarks even beyond our own industry. Intelligently networked products and processes are being used to leverage profitability and efficiency. Digital platforms and virtual assistance tools deliver tangible efficiency gains for our customers in all segments. This all makes us the number one choice for industrial packaging and commercial printers.



Ralf Sammeck with a folding carton. Koenig & Bauer represents the complete production workflow: printing, die-cutting and gluing – all from a single supplier.

“We combine engineering excellence with end-to-end workflow and software solutions and are a trusted advisor to our customers”



Christoph Müller in the Customer Technology Centre.
By tapping into new markets, Koenig & Bauer
has realigned its product world.

“More than two hundred years of experience in handling the most varied substrates, and know-how covering practically all print technologies, qualify us as a strong partner for the industry.”

Strong in new markets, reliable in service

Did you know?

1.3 bn

**tonnes of food are wasted every
year – packaging helps to
reduce that**

(Source: welthungerhilfe.de)

Christoph Müller

Member of the Executive Board and Director for Digital & Webfed Segment

Your remit at Koenig & Bauer covers the development of new products. At the same time, you hold group-wide responsibilities for global service. What do these two worlds have in common?

More than you might think! Without good service, you will not sell products, and without products, no-one will need your service.

Over the past five years, we have developed our service products across all business units and they have become a stable component of group revenues and profit. More than 1,000 highly qualified employees are out on assignments all over the world every day.

Parallel to this, we have responded to the extreme decline in the world market for newspaper and commercial web presses – which once accounted for as much as 50% of group revenues – by developing a series of new and, in part, disruptive products.

Koenig & Bauer is the current benchmark for high-output digital printing systems for the decor and packaging sectors – with presses such as the RotaJET, our joint venture with Durst or the cooperation with HP. In direct corrugated post-printing, we cover printing widths up to 2.8 metres with our inkjet technologies.

The delivery of a press for liquid packaging to the company Tetra Pak, or our most recent partnership in the field of film-based food packaging, have cemented our position as pioneers and champions of this technology.

Our presses cater to the megatrend that is increased individualisation and even personalisation. Koenig & Bauer presses are not only producing decors for the furniture and flooring industries, but also handling ultra-short runs for corrugated board suppliers.

At the same time, we have developed new machines for conventional flexo printing on corrugated board: the CorruCUT and CorruFLEX are both used in daily production at our development partners, and have now reached series maturity.

With this product portfolio, we have carved out a strategic foothold in technologies of the future and are reshaping the world of print.

And what comes next?

The effects of the pandemic will continue to impact the whole world. Koenig & Bauer, however, finds itself in a good starting position, because the principal market segments addressed by the group, such as the structurally expanding areas of packaging and industrial printing, remain fundamentally intact. The portfolio strategy has shown itself to be an important competitive factor. Research and development expenditure is being invested in a comprehensive product range, which will continue to develop in accordance with market needs. Along with digitalisation – whether for products, services or processes – Koenig & Bauer maintains its focus on end-to-end system solutions and optimisation of the total cost of ownership (TCO) for the customers.

With pioneering spirit and conviction, with passion and pragmatism, Koenig & Bauer continues to shape the world of print. And the group is well equipped for the challenges facing us as we carry the history of print into the digital age.

Instilling trust

Coding technologies are part of everyday life – across all areas of life. They are a quality feature that indicate the classification, shelf life or security. Coding systems from Koenig & Bauer are guarantees for market orientation and trust.





Enabling the greatest diversity in packaging

Nowhere is the world of print more diverse than it is in packaging. Folding cartons, glass and hollow-body containers, metal cans, tubes or film packaging – Koenig & Bauer has a machine solution suitable for practically every application. Made-to-measure and attractive packaging is the key to successful brand communication. With innovative processes for printing and finishing, Koenig & Bauer ensures that clear messages become tangible.

Our medium-term goals for the Koenig & Bauer Group:

€1.3

billion

>7%

EBIT margin

Dear shareholders,

As in many other parts of the machinery and plant engineering sector, the Covid-19 pandemic left traces on our figures for 2020. The diverse restrictions, particularly those relating to travel, significantly impaired order and project execution as well as the worldwide deployment of our assembly staff and service technicians. In many cases, packaging printers, which are operating at high capacity utilisation for foods, beverages, pharmaceuticals and the booming online commerce, are not fully accessible to third parties required to ensure smooth production chains and deliveries to the end markets. Despite the continued noticeable interest in our innovative printing, finishing and postpress solutions, customers are postponing new investments in view of the uncertainty unleashed by the Covid-19 pandemic. This is reflected in our orders, which came to €975m for the Group, down 14.6% on the previous year, although this was better than the sector figures for printing presses published by industry association VDMA, which were down 21.9% in the same period. With a single-digit decline of 5.5% in order intake, our Sheet-fed segment bucked the industry trend the most clearly, entering the new year with a good order intake.

On the revenue side, the new internal revenue recognition guideline led to adjustments in revenues in the year under review as well as the previous two years. At €1,029m, revenue was 17.4% lower than in the previous year, primarily due to the effects of the Covid-19 pandemic. Service business, which accounts for almost 30% of Group revenue, is also stable in terms of revenues and earnings despite the Covid-19 pandemic.

The end markets that we address and particularly the structurally growing packaging printing are fundamentally intact

The end markets that we address and particularly the structurally growing packaging printing are fundamentally intact. In banknote printing, current market indicators such as the project pipeline and production figures point to a continuation of the robust business environment. Accordingly, we still see our proven broad product range as appropriate for achieving our goals. With our sheetfed offset presses, we were able to expand our market position in packaging printing. Business with folder gluers was particularly encouraging. In order to strengthen our position as a leading supplier in packaging, industrial, security printing and postpress as well

as to increase the Group's operating profitability, we significantly expanded the Performance 2024 efficiency programme that had been initiated at the turn of the year and decided on the Performance 2024 extended programme in September 2020. In addition to boosting efficiency and scaling the Group on the basis of the moderate revenue growth expected over the next few years, the four-year programme aims at strengthening our competitiveness in the long term.



Dr Andreas Pleßke
CEO –
Board member Special
segment

Dr Stephen M. Kimmich
CFO

Michael Ulverich
COO –
Production, Purchasing &
Logistics

Ralf Sammeck
CDO –
Board member Sheetfed
segment

Christoph Müller
Board member Digital &
Webfed segment

A large number of initiatives are being taken to further develop and systematically expand the proven broad product range in line with market requirements, digitise processes and service offerings and simultaneously reduce manufacturing costs. At the same time, we are continuing to invest in innovations and new products. In order to streamline the Group's structure, the Banknote Solutions business unit, which was designed with Treuhand KGs, has been transformed into a pure corporation. The profit and loss transfer agreement planned between Koenig & Bauer AG and Koenig & Bauer Banknote Solutions GmbH requires the approval of the annual general meeting on 11 May 2021.

Our new and enhanced products focus on integrated system solutions and on optimising the total cost of ownership (TCO) for customers. Following the heavy capital spending on corrugated board and digital printing, we are driving forward investments in these markets of the future and the joint venture with the Durst Group. In corrugated board printing, we were able to successfully launch our three new presses, the CorruJET, CorruCUT and CorruFLEX. With six systems sold, our sophisticated and high-quality RotaJET digital printing platform has firmly established itself in the market for decor printing. The start-up of the RotaJET for digital full-colour beverage carton printing at Tetra Pak has been delayed due to the pandemic. With the further development of the RotaJET for digitally printed, flexible and extensible film in cooperation with an outstanding international player in this field, we are strengthening our strategic focus on the growth market of packaging and digital printing. The press is to go into

production by our partner in 2021. With respect to the joint venture with inkjet pioneer Durst for digital printing on folding carton and corrugated board, we have also made good progress with sales of the Delta SPC 130. Following the advances achieved in the development of the VariJET 106, the beta testing phase will commence in 2021 for selected customers. In bank-note printing, we are working on a new, scalable generation of machines which meet basic requirements while also addressing the highest technical challenges in a modular system.

In addition to ongoing measures such as reducing overtime and temporary staff, the Performance 2024 extended efficiency and restructuring programme will affect between 700 and 900 jobs in the Group in the short and medium term. Provisions of €58m have been recognised to cover the one-off costs in connection with the comprehensive package of measures. One-off income from the successful resolution of a legal dispute (€4m) and a real estate asset sale in Frankenthal (€5m) had a positive effect. On balance, EBIT of -€68m was recorded. Koenig & Bauer has a solid balance sheet with a Group equity ratio of over 25%.

The short and medium-term measures of the Performance programme will take effect from 2021 to 2024. Turning to 2021, we expect slight organic revenue growth for the Group of around 4% to €1,070m. On the earnings side, a balanced Group EBIT is expected for 2021 following the successful start of the P24x efficiency programme and the planned savings effects. Following the implementation of the approved cost and structural adjustments, Group revenue of around €1.3bn and annual cost savings in the order of over €100m should increasingly be achieved until 2024, while continuing and accelerating all innovation processes, product and process developments. 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 revenues. To strengthen the Group's stability in the current economic phase, we were able to obtain a flexibly repayable KfW loan with a volume of up to €120m to supplement the existing syndicated credit facilities. With freely available cash and cash equivalents of more than €250m, the Group is financially well positioned. As no dividend distributions are permitted during the term of the KfW loan, the Management Board and Supervisory Board will propose to the annual general meeting to carry forward the retained profit generated by the holding company Koenig & Bauer AG to new account. In order to resume dividend payments, we aim to discharge the KfW loan as quickly as possible.

In the wake of the Covid-19 pandemic, the Group's SAP migration efforts were largely scaled back in the spring of 2020. Since September, however, the SAP project has regained momentum, with a further rollout of other IT applications such as Salesforce stepped up within the Group. In addition to this, we were able to set visible signs in terms of buildings. At the customer centre at our Radebeul site, which has been expanded to become a global customer experience centre, we are able to professionally demonstrate networked packaging production solutions featuring innovative printing technology, flatbed and rotary die-cutters, folder gluers and fully automated material flows. Koenig & Bauer Kammann performed encouragingly in terms of revenue and earnings in its first year at its new domicile in Löhne.

With the establishment of a sustainability department, we are significantly expanding our activities in this area, which is of crucial importance for the Group's future development. Employees (social responsibility), environment (ecological responsibility), governance, society & outreach and integrity & compliance are the five pillars of our sustainability concept. By widening the share of electricity from renewable energies at the main Group sites, we were able to significantly lower CO₂ emissions in 2020. The goal for 2021 is to increase the share of green electricity to 100%.

The first part of our annual report shows the diversity of the printing products created with our equipment and accompanying us in our daily lives from morning to evening. There is hardly any substrate that we cannot print on: from cardboard, corrugated board, foil, sheet metal and glass packaging to banknote, book, display, marking and coding, magazine, advertising and newspaper printing. This diversity ensures us of strategic stability.

We thank our customers, shareholders, suppliers and all business partners for their confidence in Koenig & Bauer. The Management Board also wishes to express its gratitude to all executives and staff for their commitment to the Company and their ideas for the benefit of the Company in 2020, which proved to be such a challenge on account of the Covid-19 pandemic. The Management Board is looking forward to exchanges with our shareholders and all other stakeholders in established and new formats.

Würzburg, 23 March 2021

Koenig & Bauer AG Management Board

A handwritten signature in blue ink, appearing to read 'Andreas Pleßke', with a stylized flourish at the end.

Dr Andreas Pleßke
Chief Executive Officer

Dear shareholders,

In a challenging business environment due to the Covid-19 pandemic, the Supervisory Board's activities in 2020 focused in particular 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 response to the coronavirus crisis. A separate Supervisory Board committee has been set up, consisting of Dagmar Rehm, Matthias Hatschek and Gottfried Weippert as well as the Chairman of the Supervisory Board, to ensure that the Supervisory Board is able to keep abreast without any delay of the progress of the measures adopted in response to the coronavirus crisis. In addition, the Supervisory Board dealt in detail with the Group's business and earnings development as well as its financial situation and discussed, among other things, its business policy, the competitive situation, risk management, compliance and the development of the Group including its investments. Another major topic concerned the composition of and successor arrangements for the Management Board. The necessary resolutions were passed following detailed examination and intensive consultation.

In the year under review, the Supervisory Board was again informed promptly, regularly and comprehensively by the Management Board of all matters that were of material importance for the Company. This was done in physical meetings of the Supervisory Board, in video and telephone conferences and in hybrid meetings with combined physical and online participation as well as over the phone and in writing. In addition, the Supervisory Board was updated on an ongoing basis with regard to the development of the Company's key figures.

The Supervisory Board performed its duties with great care in accordance with the law, the articles of association and the rules of procedure. In the 2020 financial year, a total of eleven Supervisory Board meetings and eight information events for the Supervisory Board on current



**Professor
Raimund Klinkner**
Chairman of the
supervisory board

topics took place. These were joined by internal preparatory calls held prior to the Supervisory Board meetings. The chairpersons of the Supervisory Board committees reported regularly to the plenary session on the agenda and recommendations of the committee meetings. In the year under review, there were again no conflicts of interest to report concerning the members of the Supervisory Board. The individualised 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 (11)	Personnel committee (5)	Audit committee (4)	Strategy committee (1)	Nomination committee (2)	Total attendance
Professor Raimund Klinkner, chairman	2018	11/11	5/5	–	1/1	2/2	100%
Gottfried Weippert, deputy chairman	2001	11/11	5/5	4/4	1/1	–	100%
Dagmar Rehm, deputy chairman	2014	10/11	5/5	4/4	–	2/2	95%
Julia Cuntz	2016	11/11	–	–	–	–	100%
Carsten Dentler	2017	11/11	–	–	1/1	–	100%
Marc Dotterweich	2015	11/11	–	4/4	–	–	100%
Matthias Hatschek	2006	11/11	–	–	1/1	2/2	100%
Christopher Kessler	2016	11/11	–	–	1/1	–	100%
Professor Gisela Lanza	2015	11/11	–	–	1/1	–	100%
Dr Johannes Liechtenstein	2019	8/11	–	4/4	–	–	80%
Walther Mann	2006	11/11	–	–	1/1	–	100%
Simone Walter	2016	11/11	–	–	–	–	100%

The mandate of Professor Gisela Lanza as a shareholder representative on the Supervisory Board was extended by the annual general meeting on 14 July 2020. Accordingly, there were no changes to the composition of the Supervisory Board and its committees during the year under review. Details of the composition of the Supervisory Board's committees can be found on the Company's website. The members of the Supervisory Board receive appropriate support from the Company in the form of training and further education measures. 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 adjustments to the German Corporate Governance Code. In addition to the training offered by the trade unions and DGB educational institution, the employee representatives are able to make use of the specialist conferences offered by the Hans Böckler Foundation for the purpose of further education.

There have been a number of changes in the composition of the Management Board since the last report of the Supervisory Board. At its meeting on 3 April 2020, the Supervisory Board appointed two new members to the Management Board. Michael Ulverich was appointed Chief Operating Officer with effect from 15 April 2020. Also effective 15 April 2020, Dr Stephen M. Kimmich was appointed Chief Financial Officer to replace Dr Mathias Dähn, who left the Company in agreement with the Supervisory Board on 30 April 2020. In addition to his previous duties, Ralf Sammeck was assigned responsibility for the Group-wide coordination of the digital transformation in order to additionally step up the already successful digitalisation initiative. At its meeting on 25 June 2020, the Supervisory Board appointed Dr Andreas Pleßke, the Management Board member responsible for the Special segment, as Chief Executive Officer with effect from 1 January 2021 until the end of 2025. Dr Pleßke takes over from Claus Bolza-Schünemann, who stepped down from the Management Board on 31 December 2020 after 28 years of service, including nine as Chief Executive Officer, upon reaching the defined age limit. The Supervisory Board thanked Claus Bolza-Schünemann for his successful activities and excellent work in positioning the Company for the future, his untiring personal commitment to Koenig & Bauer and the good and trusting relationship.

In addition to the current business and budget figures as well as the Performance 2024 efficiency programme, the Supervisory Board concentrated on Management Board matters as well as strategic and corporate governance topics at its meetings on 16 January 2020 and 17 February 2020. It approved the corporate planning and investment budget for 2020. Furthermore, it approved the publication of the Supervisory Board's rules of procedure on the Company's website.

Starting with the March meeting, the Supervisory Board meetings and information events were held as video or audio conferences or as hybrid meetings with combined physical and online participation due to the Covid-19 pandemic. At its meeting on 18 March 2020, the Supervisory Board dealt at length with the annual financial statements for Koenig & Bauer AG and the Group as of 31 December 2019, the corresponding audit reports, the combined management report and the non-financial Group report. In addition to strategic matters and current developments on the part of competitors, the agenda also included the Management Board's status report on the coronavirus response plan. The wording of the invitation to the 95th annual general meeting with the seven agenda items was approved. In view of the significantly increased uncertainties caused by the Covid-19 pandemic, the Management Board and the Supervisory Board asked the shareholders to suspend the dividend payment for the 2019 financial year and to carry forward the retained profit generated by the holding company Koenig & Bauer AG to new account. This proposal was accepted by a large majority at the annual general meeting.

At its meeting on 3 April 2020, the Supervisory Board dealt with matters pertaining to the Management Board. A Supervisory Board information on the Q1 figures took place on 6 May

2020. In addition to the current business figures, the Management Board updated the Supervisory Board at its meeting on 18 May 2020 on the status of the coronavirus response plan and provided an interim report on the Performance 2024 programme, which was expanded into an efficiency/restructuring programme and renamed Performance 2024 extended due to the situation with respect to the Group's operating earnings and the expected impact of the Covid-19 pandemic. The Supervisory Board approved the plans presented by the Management Board for a virtual annual general meeting on 14 July 2020. At the Supervisory Board's meeting on 28 May 2020, the Management Board submitted an interim report on the preparations for the virtual annual general meeting, the coronavirus response plan and the Performance 2024 extended programme. Management Board matters and remuneration issues were the main items on the agendas of the Supervisory Board meetings on 25 June 2020 and 8 July 2020. The Supervisory Board meeting on 13 July 2020 concentrated on the preparation of the virtual annual general meeting on the following day. Furthermore, the current forecast for 2020 and information on the Performance 2024 extended programme were discussed in detail. To strengthen the Group's stability, the Supervisory Board approved the Management Board's plan to apply for a flexibly repayable KfW loan of up to €120m to supplement the existing syndicated credit facilities.

On 27 July 2020, the Supervisory Board was informed on the report for the first half of 2020. At its strategy day on 28 July 2020, the Supervisory Board discussed in detail the strategic issues submitted by the Management Board as well as the framework for medium-term planning. A further key topic of the strategy day was the presentation and discussion of an interim status of the Performance 2024 extended efficiency/restructuring programme. On 20 August 2020 and on 11, 22 and 24 September 2020, the Supervisory Board was updated on Performance 2024 extended. At its meeting on 28 September 2020, the Supervisory Board approved the Performance 2024 extended efficiency/restructuring programme and its implementation after intensive analyses and detailed discussion of the documents submitted and on the basis of the previous consultations and information provided.

Resolutions were passed unanimously after intensive, target-oriented discussions and detailed consultations

A Supervisory Board information on the Q3 report was held on 9 November 2020, during which the Management Board outlined the current forecast for 2020 and presented an interim status of the Performance 2024 extended programme. At the Supervisory Board meeting on 3 December 2020, the Management Board presented in detail the corporate and investment plans for 2021 and provided an outlook for the following years until 2025. The Supervisory Board approved the corporate planning and investment budget for 2021. In order to streamline the Group's structure, the Supervisory Board approved the Management Board's proposal to transform the corporate structure of the Banknote Solutions business unit into a pure corporation with profit and loss transfer agreements. The Management Board also provided information on the progress and the implementation of the Performance 2024 extended programme. In addition, the results of the Supervisory Board's efficiency review, which is conducted internally every year in the form of a catalogue of questions developed with external support and regularly updated, were discussed. Strategic and compliance-related topics as well as Management Board matters were also on the agenda.

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 twice. In addition to the strategy day, which was attended by the entire Supervisory Board, another meeting of the strategy committee was held during the year under review. The committee set up in response to the Covid-19 pandemic was briefed by the Management Board on the progress of corona-virus response management and the action plan on several occasions. It was again not necessary for the mediation committee appointed under section 27 (3) of the Codetermination Act to convene in 2020.

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. 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 annual financial statements by the Supervisory Board. It monitored the independence of the external auditor and obtained its declaration of independence. One particular task in the year under review entailed the intensive support for the tender and selection process for the external auditor of the annual financial statements and consolidated financial statements in 2020 in accordance with the EU Statutory Audit Directive including the election proposal for submission to the shareholders at the annual general meeting. The audit committee reviewed the non-auditing activities performed by the external auditor on a quarterly basis. Further topics dealt with at the committee's meetings included the compliance and risk management system, the Group's risk situation, internal auditing and export control plus the determination of the main points to be addressed by the statutory audit. In addition, the committee 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 topics dominated the meetings of the personnel committee. 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. In addition to current developments in the markets addressed by the Company, product innovations and strategic projects as well as competitors, the Strategy Committee was informed in detail by the Management Board of the progress of the digitalisation and service initiative. In addition, the business performance of the latest acquisitions and their integration within the Group were discussed in detail.

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 Report on pages 42 onwards of the annual report 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 23 March 2021, the Supervisory Board adopted the Koenig & Bauer AG annual financial statements prepared by the Management Board and approved the consolidated financial statements for the Koenig & Bauer Group as of 31 December 2020, including the combined management report and separate non-financial Group 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 chairwoman 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 certificates for both sets of financial statements including the combined management report. Furthermore, the separate non-financial Group report underwent a limited assurance review by PricewaterhouseCoopers GmbH. The Supervisory Board, like the audit committee, approved the results of the audit 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 or the non-financial Group report for the 2020 financial year.

The statutory 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 risk early detection system were reported.

The Supervisory Board would like to thank all employees, the Management Board, all executives and employee representatives in the Group for their great commitment to our Company in 2020, which was an extraordinarily difficult year due to the Covid-19 pandemic. Our thanks also go out to our shareholders for their trust in our Company.

Würzburg, 23 March 2021
Koenig & Bauer AG Supervisory Board



Professor Raimund Klinkner
Chairman of the Supervisory Board

Corporate governance report

Strong commitment to compliance

Principles of good corporate governance firmly anchored

Responsible and transparent corporate governance oriented to long-term value creation has high priority at Koenig & Bauer. We are convinced that good corporate governance forms an essential basis for sustainable business success and strengthens the trust of our shareholders, business partners, employees and the financial markets in our Company. We regard integrity and compliance as indispensable in business transactions and pursue a zero-tolerance policy.

Compliance management system meets high standards

The Group-wide compliance management system is subject to a continuous review and development process. Based on a regular update of the risk situation as well as feedback and questions from the departments, the system has been further refined, structured more effectively and placed on a sustainable footing. Regular sharing with employees and managers together with management's strong commitment to compliance (tone from the top) has additionally strengthened the compliance culture in our Group. The corporate compliance manual issued across the entire Group combines our code of conduct, compliance rules and the most important Group guidelines in a single document. The manual is currently available in nine languages and has been distributed to all employees around the world by managers and the compliance officers. Supplemented with additional Group guidelines, the illustrated and established compliance rules ensure correct conduct in a

wide range of different day-to-day situations. Guidelines, work instructions and processes are prepared as required and facilitate the application of the compliance requirements in day-to-day work.

Training and internal communications on the Group-wide intranet promote broad-based awareness of compliance matters and encourage consistent observance of the applicable rules. The introduction of the Koenig & Bauer Campus training management system based on SuccessFactors at the largest Group companies followed by successive implementation at all subsidiaries ensures efficient and effective control of internally developed and externally purchased learning content based on employees' areas of activity. In addition, the software solution facilitates reporting according to defined compliance performance indicators (KPIs). Koenig & Bauer Campus currently reaches around 3,100 employees. The training courses are made available to local branches that are not connected to the Campus via the Koenig & Bauer intranet. Due to the Covid-19 pandemic, only a small number of face-to-face training sessions were held in 2020. However, relevant and updated compliance information was communicated via the intranet, the compliance officers at the subsidiaries or individual messages.

The compliance management system reports to the Chief Executive Officer and is implemented and managed throughout the Group by the Group Compliance Officer. All Koenig & Bauer AG subsidiaries have designated contact persons to answer questions that employees may have on compliance or to communicate compliance-related issues.

Compliance officers have been appointed at the segment level and compliance operatives named at the individual companies. In addition, managers with special responsibility for relevant topics, such as occupational safety and environmental protection are appointed, managing their areas of responsibility independently and competently on the basis of their specific expertise. Beyond their duties in implementing and monitoring standards, processes and reporting at the subsidiaries, the local compliance officers and operatives have a special function as a direct contact and advisor for local employees for compliance-related matters. We have also set up a central export control unit at Koenig & Bauer AG. A Group-wide whistleblower system has been established as a channel for gaining swift and direct information on possible breaches of the law, regulations and internal rules, allowing employees to report any suspicious activities anonymously and in confidence. However, employees can still turn to the trusted internal third parties known to them at their companies, the central compliance organisation or management at any level.

In addition to permanently improving our compliance management system, we are committed to advancing the international compliance culture and, in particular, to combating corruption and other unfair business practices worldwide. With the KBA-NotaSys Integrity Fund, which was established in 2017, Koenig & Bauer finances international projects to enhance compliance processes and culture. To date, 20 projects initiated by universities, associations and institutes have been funded. The project participants include Transparency International, the German Institute for Compliance, the German Institute for Efficiency Assessment and various Swiss and German universities. Of particular importance is the support we provide as a member of the Banknote Ethics Initiative (BnEI). Since its foundation in 2013, 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 developed are not only recognised among the members of the BnEI but also adopted by a

significant proportion of central banks and banknote printers worldwide and form part of their procurement processes. As a 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. The accreditation was successfully renewed in 2020.

Declaration of compliance in accordance with section 161 of the German Stock Corporation Act

The Management Board and the Supervisory Board of Koenig & Bauer AG issued a declaration of compliance on 19 March 2021 on the basis of the current version of the German Corporate Governance Code dated 16 December 2019. This declaration as well as the ones for earlier years are available publicly at the Company's website at <https://www.koenig-bauer.com/en/investor-relations/corporate-governance/declaration-of-compliance/>. Corporate policies and rules of procedure are continuously adapted without delay to meet the new requirements of the Code.

Composition of the Supervisory Board

In accordance with the recommendations of the Code, the Supervisory Board has defined specific objectives for its composition. A limit on the length of service on the Supervisory Board is not in the Company's interests as a rigid rule would fail to take account of the members' individual expertise and qualifications. In addition to international background, management experience and strategic competence, the Supervisory Board considers it necessary for its members to possess expertise in the following areas in order to properly perform its tasks in accordance with the law, the Company's articles of association and the rules of procedure: finance/accounting/auditing, procurement/manufacturing/assembly, markets/products/communication, legal/corporate governance/compliance, IT systems/digitalisation and sustainability. On the basis of the competence matrix devised

**Current
declaration
of compli-
ance issued
on 19 March
2021**

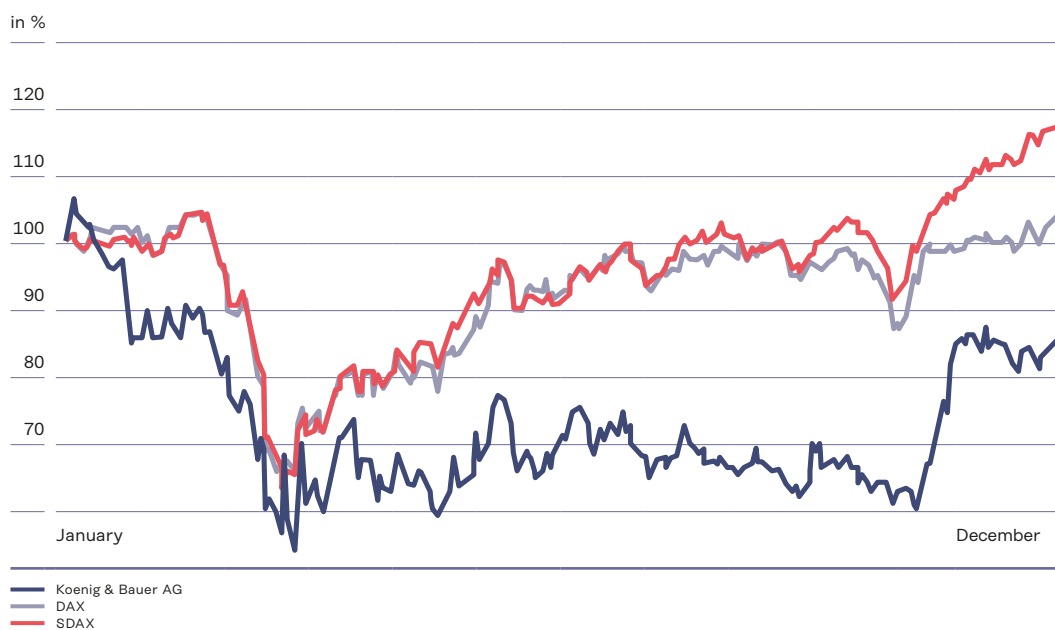
**Comprehensive
expertise and
professional
experience of
the Supervisory
Board**

for it, the Supervisory Board in its entirety possesses the necessary knowledge, capabilities and experience for the due and proper performance of its duties. Diversity has also been duly included as a further criterion. As separate fulfilment by the shareholder and employee representatives has been agreed upon, the gender quota required by the Act on the Equal Participation of Women and Men in Executive Positions in Private and Public Sector has been achieved. Moreover, with the inclusion of Carsten Dentler, Professor Raimund Klinkner, Professor Gisela Lanza, Dr Johannes Liechtenstein and Dagmar Rehm on the Supervisory Board, it believes that it has an appropriate number of independent shareholder representatives. Matthias Hatschek has been a member of the Supervisory Board as a shareholder representative for more than 14 years. He is a minority shareholder of MKB Holding GmbH, which owns AlternInvest GmbH in Vienna, Austria. AlternInvest GmbH holds a significant 10.2% share of Koenig & Bauer AG's share capital.

Furthermore, the Supervisory Board's rules of procedure have been published on the Company's website. These rules of procedures set an age limit for the Supervisory Board. Only persons who have not yet reached the age of 67 at the time they are elected may be nominated for election to the Supervisory Board. The D&O liability insurance taken out for the members of the Supervisory Board is subject to a deductible of €2,500. There were no conflicts of interest on the part of the members of the Supervisory Board and the Management Board in the year under review. The members of the Management Board and Supervisory Board are under a duty to disclose to the Supervisory Board any conflicts of interest arising from material transactions or contracts with the Company without undue delay.

Koenig & Bauer shares

Performance of the share 2020



2020: an exceptional year for the financial markets

2020 is a year to be remembered. Since February 2020, the COVID-19 pandemic has been affecting the lives of people worldwide. The economic and social constraints to curb the pandemic have severely shaken the global economy and the full extent of its impact is not yet foreseeable.

Although the pandemic triggered a global recession of historic proportions and global equity markets plummeted as rapidly and as severely in March 2020 as they did in the “Lehman” year of 2008, an equally rapid recovery emerged as the year progressed due to

copious monetary and fiscal stimulus. In fact, some equity indices reached new all-time highs towards the end of 2020. This was also the case with the German SDAX small cap index, which closed 18.0% up on the end of the previous year. The German blue-chip DAX index gained 3.5% during this period. After an initially positive start to the year, Koenig & Bauer shares reached a high for the year of €29.84 in Xetra trading on 2 January 2020. In the wake of the economic uncertainty and mounting nervousness on the capital market due to the COVID-19 pandemic, they hit a low for the year of €14.42 in Xetra trading on 23 March 2020, drifting sideways as the year progressed. The announcement of the enhanced “P24x” efficiency programme at the end of

September 2020 was applauded by the capital market, but uncertainty was rekindled with the announcement of a second lockdown in Germany to combat the pandemic. With sentiment brightening in the capital market, Koenig & Bauer shares made considerable gains, recouping their losses on the announcement of the figures for the third quarter of 2020 on 11 November 2020. The shares closed at €23.92 on 30 December 2020 in Xetra trading, 14.4% short of the Xetra price on 30 December 2019.

At around 37,200 in the year under review, the average daily number of Koenig & Bauer shares traded in the year under review fell short of the previous year's high figure of around 55,700 but was roughly in line with the average daily trading volume for 2016 and 2017.

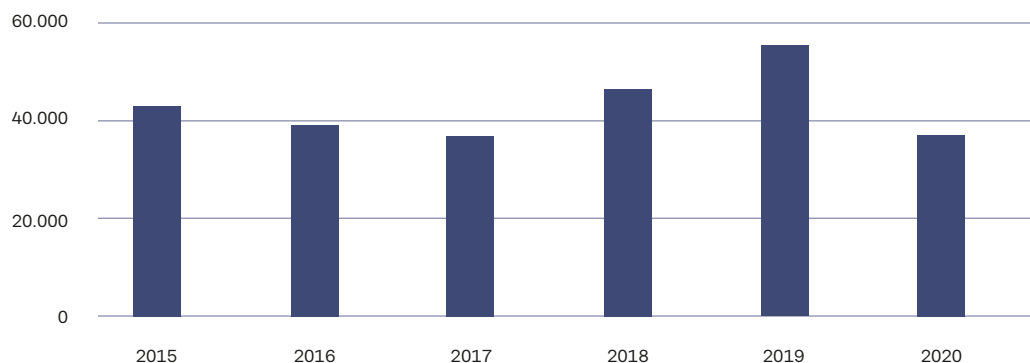
Koenig & Bauer share performance indicators

in €	2019	2020
Earnings per share	3.15	-6.27
High for the year	48.04	29.84
Low for the year	26.50	14.42
Price at the beginning of the year ¹⁾	38.28	27.94
Price at the end of the year ¹⁾	27.94	23.92
Number of bearer shares issued	16,524,783	16,524,783
Market capitalisation at the end of the year in million	461.7	395.3
Cash flow per share	-0.48	0.74
Dividend	0.00	0.00 ²⁾

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.

Average daily Xetra trading volume of Koenig & Bauer shares in units



Capital market communications in transition

2020 was also a year of transition for Koenig & Bauer's capital market communications. Many annual general meetings, including Koenig & Bauer AG's, were held online due to the contact restrictions necessitated by the COVID-19 pandemic. International capital market conferences and roadshows were also organised as virtual events accessible at the click of a mouse. Many established practices are currently in a phase of transition, but not our goal of 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 increasingly use different communication channels and additionally expand our range of information.

We attach great importance to an open dialogue. This also includes continuous cooperation with banks and brokers that actively cover Koenig & Bauer and regularly publish assessments of our share price as well as sector studies. At the beginning of 2021, two analysts rated our shares a buy, while five

issued a "hold" recommendation on the basis of their models and assumptions.

On 19 March 2020, the Management Board held an online presentation at which it outlined the anticipated impact of the COVID-19 pandemic on business and the progress of the "Performance 2024" efficiency programme together with the figures for 2019. In addition to the regular telephone conferences on the quarterly figures, our investor relations activities also engage in a continuous exchange with investors and analysts at capital market conferences and roadshows, in which we mainly 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. As soon as the contact restrictions have been lifted, we also want to offer visits to Koenig & Bauer's production facilities and the Customer Experience Center (CEC) in Radebeul again. Koenig & Bauer is presenting its one-stop shop concept for the growing packaging market at the new Packaging Competence Center within the CEC, which was inaugurated in July 2020.

Koenig & Bauer sees a "sustainable change" in the truest sense of the word in the growing attention being paid by the capital markets to sustainability issues. We want to address this development with the establishment

An updated overview of analyst estimates can always be found under the Share tab in the Investor Relations section of our website.

As a sustainably operating company that takes a long-term approach, Koenig & Bauer consistently adheres to applicable environmental and quality standards as well as the recommendations set out in the current version of the German Corporate Governance Code. The Corporate Governance Report can be found on page 42 ff. of this Annual Report. Details of the impact of business activities on environmental, social and employee matters, observance of human rights and the fight against corruption and bribery can be found in the Group's non-financial report on page 164 ff. of this Annual Report

of the Sustainability Department under the leadership of the new Chief Executive Officer Dr. Andreas Pleßke. Looking forward, we thus plan to significantly expand our activities in this area, which is of such importance for the Group's future development. Employees (social responsibility), environmental responsibility, governance, society and social affairs as well as integrity and compliance are the five pillars of Koenig & Bauer's sustainability strategy. With its 17 goals aimed at ensuring worldwide sustainable growth in economic, social and environmental terms, the United Nations 2030 Agenda serves as a guide for this purpose. Dr. Bernd Heusinger, who has held various positions at Koenig & Bauer since 1999, is assuming responsibility for sustainability in addition to his current duties in the Corporate Office for Koenig & Bauer AG's Supervisory Board.

Lena Landenberger took over the Investor Relations department, which forms part of the Finance department under the direction of CFO Dr. Stephen Kimmich, on 1 January 2021. As always, the Investor Relations department is available to investors at any time by phone on +49 (0) 931 909-4085 or in writing (lena.landenberger@koenig-bauer.com) to answer any questions concerning the share and the Company. Updated information is also available in the investor relations section of our website (<https://www.koenig-bauer.com/de/investor-relations/>), where you will also find financial reports and presentations as well as the financial calendar and information on the share.

95th annual general meeting of Koenig & Bauer AG held online - all motions approved

Koenig & Bauer AG's 95th annual general meeting was held in virtual form for the first time on 14 July 2020 due to the protracted COVID-19 pandemic and in particular to protect the health of our shareholders. In addition to outlining business performance in 2019 and in the first quarter of 2020, the Management Board described the numerous product innovations and the already successful digitisation initiative with its focus on service business. Management's proposal for the omission of a dividend distribution for the 2019 financial year and for the net profit generated by the holding company Koenig & Bauer AG to be carried forward was accepted by a large majority of the shareholders. In addition to ratifying the actions of the Management Board and the Supervisory Board, the shareholders elected PricewaterhouseCoopers, Frankfurt am Main, as external auditor of the annual financial statements and the consolidated financial statements for the 2020 financial year. In addition, Prof. Dr.-Ing. Gisela Lanza was elected to the Supervisory Board. As well as this, the proposed amendments to the Articles of Association were adopted.

Shareholder structure: Koenig & Bauer with a free float of around 69 percent

Under the Deutsche Börse definition, free float includes all shares not held by principal shareholders (i.e. those that hold more than 5% of the share capital). On the basis of the voting right notifications received, Koenig & Bauer thus has a free float of around 69% of the total of 16,524,783 bearer shares issued as of 31 December 2020. The following notifications of voting rights over 3% had been received as of 31 December 2020:

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	843,545	5.1%
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 2020	Total issued: 16,524,783	

Detailed index

52	Corporate structures	79	Risk report
52	Company profile	79	Group-wide risk management system
53	Global presence and employees	80	Description of risks
54	Sustainability	88	Due and proper accounting assured by internal control system in accordance with section 289 (4) and section 315 (4) of the German Commercial Code
55	Decentralised organisation with a holding company structure	90	Opportunities
56	Business activities in the segments	91	Outlook
59	Management and control	91	Expected macroeconomic and industry conditions
60	Goals and strategy	92	Forecast
65	Planning, control and monitoring	94	Statutory disclosures
66	Research and development	94	Takeover-relevant disclosures pursuant to sections 289a (1) and 315a (1) of the German Commercial Code
68	Business report	95	Corporate governance statement in accordance with sections 289f and 315d of the German Commercial Code
68	Macroeconomic and industry conditions	96	Compensation report
69	Business performance	106	Koenig & Bauer
74	Earnings		AG (notes according to the German Commercial Code)
76	Finances		
76	Assets		
78	Segment performance		

Combined management report

Combined management report

Corporate structures

Company profile

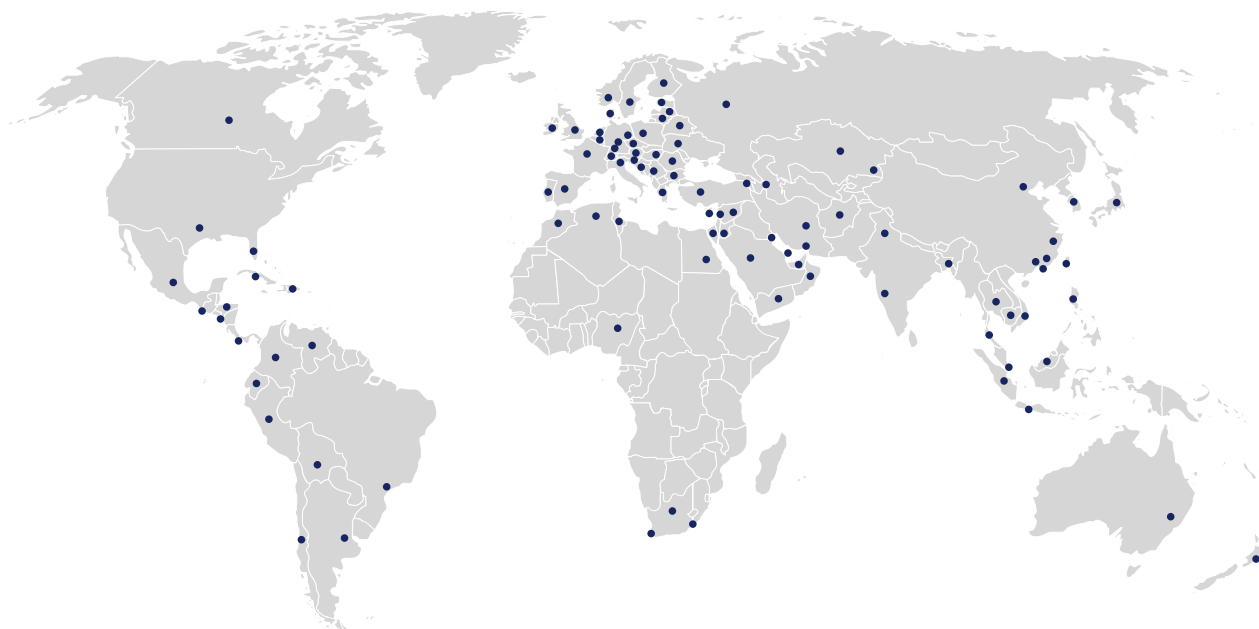
For the past 203 years, the Koenig & Bauer Group has been synonymous with innovation and technical progress in the global printing industry and is thus also the world's oldest printing press manufacturer. Koenig & Bauer's high-tech presses and systems, which are consistently tailored to meet customer 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, flat-bed 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 focus is therefore on entering the future markets of corrugated-board, digital decoration, beverage carton and 2-piece can printing. The Koenig & Bauer Group is a global

market and technology leader in the growing markets of 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 €1,029m in 2020. Worldwide, a total of 5,593 employees at eleven production sites and 109 sales and service organisations ensure the satisfaction of our customers.

We are at your service worldwide



Global presence and employees

Koenig & Bauer operates eleven manufacturing plants in Europe and 109 sales and service organisations in almost all parts of the world.

The export ratio is currently 84.6% (previous year: 84.9%). 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.

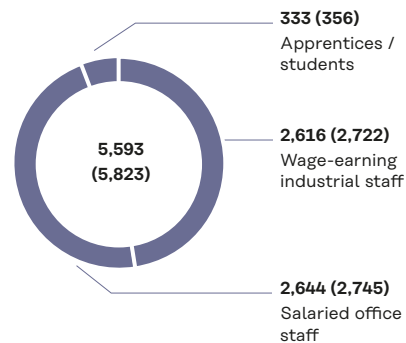
The Koenig & Bauer Group employed 5,593 people worldwide at the end of 2020. Compared to the previous year (31 December 2019: 5,823), this was a decline of 230. The effects of the global Covid-19 pandemic mainly led to a reduction in overtime and the utilisation of leased employees in 2020, while use was also

made of short-time working at the German locations depending on the level of capacity utilisation in the individual areas. In addition, a strict recruitment policy meant that the gaps left by natural fluctuation could not be filled as in previous years. 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. With a view to the training year starting in September 2020, 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 addition, the Company covers its high demand for qualified specialists, especially in the technology sector and in mechanical engineering, through in-house training.

In 2020 a total of 76 apprentices (previous year: 80) and dual-course students took their first steps into professional life at the Koenig & Bauer Group.

The "P24" efficiency programme, which was initiated in 2019, was extended in September 2020 in response to the Covid-19 pandemic and renamed "P24x" (x=extended). In addition to boosting efficiency, the programme also aims to adjust the Group's scale as only moderate revenue growth is projected in the coming years due to the global economic situation, continued travel restrictions and the worsening Covid-19 situation, with no return to the pre-crisis level likely in the short term. The chapter entitled "Goals and strategy" describes the efficiency programme in detail. Therefore, the current focus is on the staff reduction required within the framework of the "P24x" efficiency programme. In the short and medium term this will affect 700 to 900 jobs at the Koenig & Bauer Group. In this connection, Koenig & Bauer is in negotiations with the employee representatives on the specific and, as far as possible, socially acceptable form that the layoffs are to take.

Workforce as of 31 December 2020



Sustainability

With the establishment of a Sustainability department, we are significantly expanding our activities in this area, which is of crucial importance for the Group's future development. Employees (social responsibility), environmental responsibility, governance, society and social affairs as well as integrity and compliance are the five pillars of our sustainability strategy. The statutory reporting obligation pursuant to the CSR Directive Implementation Act (CSR-RUG) is discharged in the non-financial Group report as a separate part of this annual report with references to the combined management report, on pages 164 ff. The non-financial Group report is available on the Company's website at www.koenig-bauer.com/de/investor-relations/financial-reports/.

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 2020, 40 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.

On 31 December 2020, the Supervisory Board of Koenig & Bauer unanimously approved this change to restructure the Banknote Solutions business unit, which had previously been structured in the form of fiduciary limited partnerships, to give it the structure of a separate entity with profit and loss transfer agreements. The profit and loss transfer agreement planned between Koenig & Bauer AG and Koenig & Bauer Banknote Solutions GmbH requires the shareholders' approval at the annual general meeting in May 2021.

The resultant streamlining of the corpo-

Koenig & Bauer AG

Sheetfed

Koenig & Bauer Sheetfed AG & Co. KG
Sheetfed offset, digital sheetfed printing, finishing and post-press

Koenig & Bauer Iberica S.A.
Post-press

Koenig & Bauer Grafitec s.r.o.
Sheetfed offset

Koenig & Bauer Duran Karton Ambalaj Teknolojileri Sanayi A.Ş.
Folder gluers

Digital & Webfed

Koenig & Bauer Digital & Webfed AG & Co. KG
Web offset, digital web printing, engineering services (web presses and external)

Koenig & Bauer Flexotecnica S.p.A.
Flexible packaging printing

Special

Koenig & Bauer Kammann GmbH
Printing on glass and hollow containers

Koenig & Bauer MetalPrint GmbH
Metal decorating

Koenig & Bauer Coding GmbH
ID systems and labelling

Koenig & Bauer Banknote Solutions (DE) GmbH
Security printing (design)

Koenig & Bauer (AT) GmbH
Security printing (assembly)

Koenig & Bauer Banknote Solutions SA
Security printing (sales/service)

Industrial

Koenig & Bauer Industrial AG & Co. KG

Albert-Frankenthal GmbH

Koenig & Bauer Gießerei GmbH

The domestic and foreign sales companies that mostly offer sales and service functions for several segments are no longer allocated to Sheetfed but are now spread across the segments in accordance with their activities. From 1 January 2020, the business units previously assigned to Reconciliation as production service providers ("Industrial", see diagram) are allocated to the three segments on the basis of their activities. The previous year's figures have been restated accordingly. As of 31 December 2020, there was a structural change under company law in the Banknote Solutions business unit (details of the segments are provided in the next section).

rate structure 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, but do significantly strengthen the equity reported in the separate financial statements of Koenig & Bauer AG.

Business activities in the segments

The diagram setting out the Group structure also shows the internal reporting structure of the Koenig & Bauer Group in 2020. 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.

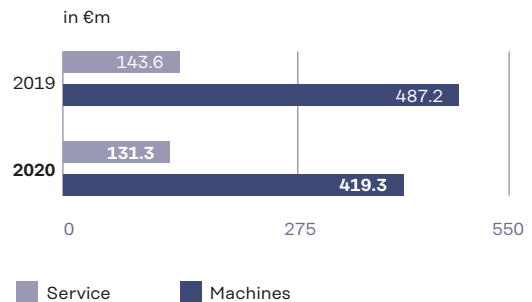
The presses are individually equipped with a variety of quality measurement and control systems in accordance with customer requirements. In addition, the customer can also expand its sheetfed offset press by adding a variety of finishing modules, e.g. to enhance the packaging with a hologram foil.

The Koenig & Bauer Group also offers a sheetfed digital press under the name VariJET 106F 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 concept enables digital inkjet printing to be combined with optional printing and inline finishing options used in offset printing.

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 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 increasingly combines numerous digital services for our customers in a user-friendly interface. The following diagram illustrates the devel-

opment 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 web press printing, corrugated-board printing and flexo 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 HP press for pre-printing corrugated-board cover layers is also targeted at the packaging market and complements Koenig & Bauer's web digital printing activities. In addition to the web presses, reelstands are also offered alongside integrated paper logistics for the paper reels. Automation, an integrated workflow and process optimisation are becoming increasingly important for our customers.

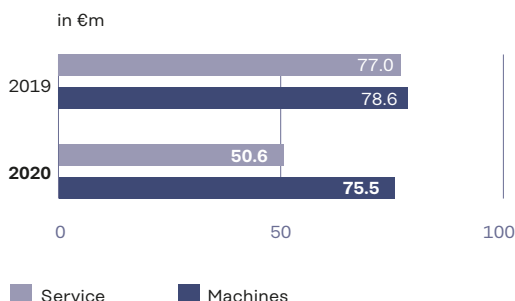
The segment offers the CorruFLEX for direct printing on corrugated-board sheets for (sheetfed) corrugated printing and finishing. In addition to direct printing, the CorruCUT (with rotary die-cutters) enables inline production of rotary die-cut boxes from corrugated-board sheets. The CorruJET complements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

keting of single-pass digital printing systems for the folding-carton and corrugated-board industry was established in 2019.

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 also be equipped with a variety of inline integrations. The paper logistics and reelstands referred to above are also used for the film reels. In addition, original finishes for foils are also possible with FoilCOAT.

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 business and service business in the Digital & Webfed segment. Just under 40% 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 contribute 19.2% to segment revenue and 2.4% to Group revenue.

Sales revenue by product group
segment Digital & Webfed



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

In addition to special machines 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.

Kamman 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 also 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.

Via *MetalPrint*, Koenig & Bauer operates as a system supplier for the metal packaging industry, offering 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 tinfoil and aluminium sheets are utilised. The range includes multicolour

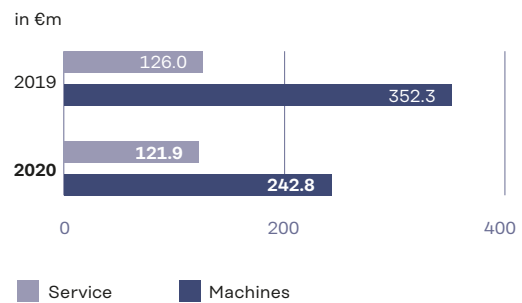
presses and coaters in combination with thermal sheet dryers or UV drying systems, as well as customised sheet handling systems and energy-efficient exhaust air purification technology. Metal sheets are not used to decorate 2-piece cans for different types of beverages. Instead, cups or bowls are printed directly with CS MetalCan, painted and then dried. As the first 10-colour press with a large number of special assemblies, the CS Metal-Can meets the requirements for frequent decor changes and greater product.

In addition to the proven offset printing technology for long runs, the MetalPrint business unit offers the MetalDecoJET, a digital printing system specially developed for the requirements of metal printing for very short runs and personalised printing for metal sheets and hollow bodies. MetalPrint thus combines innovative industrial inkjet technology with many years of experience in metal decorating. 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. This is because, under EU regulations, information on food packaging must be clearly legible, with a "passport obligation" applicable to plants. A clean, clear typeface is therefore a basic requirement for any labelling system. In the pharmaceutical and cosmetics industries in particular, manipulation-proof labelling and seamless product traceability are playing an increasingly important role. Coding offers a wide range of coding systems using different technologies, depending on the tasks to be performed. The comprehensive service portfolio ranges from service and maintenance contracts to visual customer support.

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 clients in the mechanical and plant engineering sector in conjunction with other companies. Its specialities include 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. During the year there were changes on Koenig & Bauer AG's Management Board. Effective 30 April 2020, Dr Mathias Dähn (Chief Financial Officer) left the company in mutual agreement with the Supervisory Board. Koenig & Bauer AG's Supervisory Board appointed Dr Stephen M. Kimmich as Chief Financial Officer with effect from 15 April 2020. Also with effect from 15 April, Michael Ulverich was appointed Chief Operation Officer with responsibility for the newly established Management Board segment Production, Purchasing & Logistics. In order to further accelerate the digitalisation initiative already initiated, the Supervisory Board also assigned Ralf Sammeck, the member of the Management Board responsible for Sheetfed, with responsibility for the Group-wide coordination of the digital transformation as Chief Digital Officer in addition to his previous duties. On 25 June 2020, the Supervisory Board of Koenig & Bauer AG appointed Dr Andreas Pleßke, the Management Board member responsible for the Special segment, to the position of Chief Executive Officer with effect from 1 January 2021 until the end of 2025. Dr Andreas Pleßke takes over Claus Bolza-Schünemann, who left the Management Board on 31 December 2020 after 28 years of service – nine of them as Chief Executive Officer – upon reaching the specified age limit.

As of 1 January 2021, Koenig & Bauer AG's Management Board consists of five members: Dr Andreas Pleßke (Chief Executive Officer and responsible for Special segment), Dr Stephen Kimmich (Chief Financial Officer), Christoph Müller (responsible for 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 1 January 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 36 ff and the corporate governance report on page 42 ff provide details on how the Management Board and the Supervisory Board work together and on corporate governance at Koenig & Bauer AG.

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

Chief Executive Officer – Dr Andreas Pleßke	Management Board – Dr Stephen Kimmich	Management Board – Christoph Müller	Management Board – Ralf Sammeck	Management Board – Michael Ulverich
<p>The Chief Executive Officer represents the Management Board and the management in relations with the Supervisory Board and its committees. He is responsible for:</p> <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 	<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 	<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

Goals and strategy

Focus on growth markets and expansion of service business

Our strategic focus remains aligned to the transformation already initiated to expand our business in the growing packaging and industrial printing markets as well as security and banknote printing. We are vigorously pursuing our goal of sustainably increasing the share of our service business in Group revenue to 30% by means of the service initiative launched in 2017, which also focuses on the further digitalisation of our service offerings. Our services encompass a wide range of customer-oriented offerings from fully automated print workflows to networked print shops. The Company's goal is to serve the customer as a reliable partner by offering integrated system solutions and optimised total cost of ownership (TCO). We want to serve the growing market for packaging as the partner with the broadest product portfolio. In industrial printing we want to leverage our growth potential by entering new market segments and strengthen our prominent position in security printing by means of new products. The strategy is backed by the "P24x" efficiency programme to strengthen the Koenig & Bauer Group's position as one of the leading suppliers of packaging, industrial and security printing and finishing services and to enhance its operating profitability.

"Performance 2024-extended" (P24x) efficiency programme

In order to strengthen our position as a leading supplier 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 re-named "Performance 2024-extended" (P24x). In addition to boosting efficiency, the programme also aims to adjust the Group's scale as only moderate revenue growth is projected in the coming years due to the global economic situation, continued travel restrictions and the worsening Covid-19 situation, with no return to the pre-crisis level likely in the short term.

The end markets that Koenig & Bauer primarily addresses and the structurally growing packaging and industrial printing segment are fundamentally intact. This is clearly reflected in the currently high capacity utilisation of packaging printing presses for foods, beverages, pharmaceuticals and the booming e-commerce market. Despite this, customers are postponing new investments in view of numerous uncertainties resulting from the Covid-19 pandemic.

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. Koenig & Bauer continues to focus on end-to-end system solutions and on efforts to optimise customers' total cost of ownership (TCO). Investments in direct corrugated-board and digital printing as well as the joint venture with the Durst Group are being driven forward, while new security printing products are being planned. Koenig & Bauer is committed to its current product portfolio and will be consistently expanding it. Research and development expenses will not be affected, and the focus is also on the further digitalisation of services. Specifically, the programme provides for the following measures:

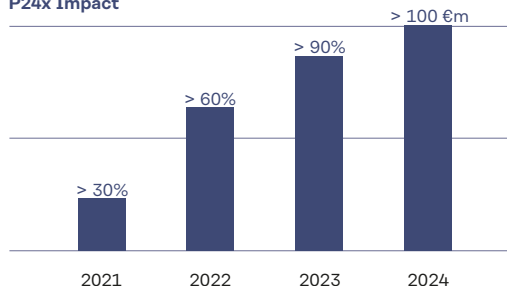
- A change in the supply chain organisation by adapting Group-wide structures, harmonising procurement and production processes and adopting innovative approaches to parts and component optimisation
- Adjustment of cost and personnel structures and improvement of productivity by streamlining and standardising 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.

In addition to the measures already implemented to address the impact of the global Covid-19 pandemic, such as the reduction of overtime work and leased employees, hiring freezes and short-time work, this will affect between 700 to 900 Group jobs in the short and medium term. 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. Provisions were recognised in 2020 for the non-recurring short- and medium-term costs of €57.6m for the personnel measures required for this. Koenig & Bauer expects that the adoption of the measures as shown in the diagram will already yield more than 30% of the planned savings in 2021. After implementing the measures planned for 2021, more than 60% of the total cost savings should take effect in 2022. Following the completion of the measures planned for 2022 under the efficiency programme, some 90% of the total targeted savings should be noticeable in 2023.

P24x Impact



Gross savings ramp-up

In the fourth quarter of 2020, initial implementation activities under the "P24x" efficiency programme already resulted in more than 10% of the planned savings effects for 2021. In particular, measures aimed at boosting the Group's productivity as well as the adjustment of capacities and lower quality expenses made a significant contribution to this. Sustainable savings were also generated through successful supplier negotiations and optimised cash discounts, as well as by merging the design and service departments of several business units.

Koenig & Bauer is currently negotiating with employee representatives on the specific terms of and the most socially acceptable form of the 700 to 900 job cuts to be implemented in the short and medium term. After the completion of the programme, the Koenig & Bauer Group hopes to post revenue of around €1.3bn. On the earnings side, the Management Board is continuing to target a return on sales of at least 7% in the medium term and a reduction in working capital requirements to an average of a maximum of 25% of annual revenue, once the duly adopted cost and structural adjustments have been implemented.

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. Each of these markets offers different growth opportunities, which we describe below.

Future opportunities in packaging and industrial printing

The Koenig & Bauer Group's focus is on structural and sustained growth in packaging printing, which is expanding in tandem with 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. We want to proactively exploit the current market opportunities with our product innovations and further developments in corrugated-board, folding-carton, 2-piece can, labelling, direct-to-glass, digital decor and beverage carton printing as well as rotary and flatbed die-cutting and folding-box gluers.

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. We estimate that the boom in e-commerce will lead to high global annual growth rates of up to 10%, especially for corrugated-board and cardboard packaging as well as film. New online food markets are additionally stimulating packaging consumption. The restrictions resulting from legislation to contain the Covid-19 pandemic, e.g. lockdowns, curfews, travel restrictions, closure of large parts of bricks-and-mortar retail, closure of restaurants and the partial closure of canteens and company cafeterias, has led to an acceleration in some of these trends.

On average, global packaging printing is growing at a rate of 3.5% p.a. according to various industry studies, with higher growth rates being achieved 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, becoming even more important in the pandemic. As contact is confined to the customer's private environment, all customer contact during unboxing takes place in printed form. 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. With its comprehensive portfolio of proven, new and enhanced products, Koenig & Bauer wants to harness this growth in the packaging markets and further expand its already strong position in the diverse packaging market.

Growth opportunities through digital printing in the packaging market

Analogue technologies such as flexo, 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 and other advantages.

Koenig & Bauer has developed future-oriented digital or hybrid printing solutions with added value for customers for direct printing on corrugated board and metal sheets as well as on hollow bodies made of glass, plastic and metal. A large inkjet system is being produced in cooperation with Hewlett Packard for digital preprints of corrugated-board cover layers.

Following the latest RotaJET orders, Koenig & Bauer sees great revenue and earnings 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. In our view, gravure and flexo presses in particular will be replaced by high-performance digital presses

for industrial applications over the next few years. The biggest segments we see here are corrugated-board and decorative printing as well as packaging printing on both film and paper together with digital full-colour beverage carton printing, as testified to by the major order received from Tetra Pak. 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 experiencing a veritable boom. New designs can always be realised digitally in a very short space of time and also in very small quantities. In addition, manufacturers are able to test new ideas on the market at low cost and with minimum effort. Another promising application is digital preprint and direct printing on corrugated board. Products can thus not only be safely introduced to the market using water-based, food-certified ink jet ink, for example, but they 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.

With the installation of the CorruFLEX we have now successfully released all three new Corru presses, the CorruJET, the CorruCUT and the CorruFLEX, for the large market of direct printing on corrugated board and will be working on setting standards in this area as well.

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. Increasing 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 growth markets in the medium term, although developments in some countries will vary. Alongside intensive work on new products and safety features, service business for the large installed base is being systematically expanded and will be sustained in the medium to long term even in the event of more muted new press business, thus making a good contribution to Group earnings. 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 presses. We define ourselves as a provider of end-to-end solutions that help our customers to be successful on the market. And this includes professional, reliable and broad-based service around the clock all over the world. 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 from Digital & Webfed via the webshop. Training and consulting services are also provided because innovative presses together with qualified specialist 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. This makes an optimum workflow in the print shop more and more important. For this reason, the Koenig & Bauer Group offers integrated workflow solutions in the Sheetfed ("Service Complete") and Digital & Webfed ("PressNet") segments together with proven partners 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. With "Visual PressSupport", which is seamlessly integrated in the Service Management Service Cloud operated by salesforce, the world's leading provider, users and hotline technicians have a modern tool that takes communication with customers to a new level. Hotline technicians see what the printer or service technicians see at the press. They can have processes and sequences shown in the form moving images and thus gain a quick and comprehensive overview of the condition 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 PressSupport thus helps to increase the first-time-fix rate in service cases and ultimately leads to greater customer satisfaction. In addition to audio transmission, Visual PressSupport enables live videos to be sent from a mobile device directly to the hotline technician during remote maintenance of the Rapida presses. The image information obtained can be automatically saved together with the service case if required and is thus available to all service specialists involved in solving the problem. Augmented reality data glasses are already being used for Digital & Webfed presses. The use of remote diagnosis tools is particularly conspicuous in the wake of the Covid-19 pandemic: compared to the first half of 2020, use of "Visual PressSupport" grew by over 80% in the second half of the year.

"Service Complete" is an end-to-end workflow solution in the Sheetfed segment based on the digital networking of presses. In the networked print factory, products, machines 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° view of the company. At our demonstration centre for digital networking solutions in Radebeul, we show various workflow solutions because every company is different and needs its own software solution.

Under the umbrella term "PressNet", Digital & Webfed offers an end-to-end workflow solution for newspaper printing. Digital networking and integration of the individual production steps plays a decisive role in efficient and economical newspaper production with limited resources. In commercial printing, too, modern print shops are increasingly calling for a consistent workflow from order acceptance through to production and order

delivery. As different presses and programmes are used in each separate case, the optimum workflow cannot be bought off the peg, which is why Koenig & Bauer advises its customers individually.

Our “Predictive Maintenance” offers our customers a pre-emptive service 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 an increasing number of digital services combined in a user-friendly and device-agnostic user interface. The portal gives customers a modern tool for service management, easy collaboration and communications with our service department. They also have access to performance data on their presses via dynamic or performance reports, which provide an attractively prepared and readily comprehensible overview of the key performance indicators (KPIs) of the press. This gives customers access to information at any time and from anywhere, 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.

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 corporate planning. The planning horizon for high-level business planning and corporate planning is five years. “P24x” is also embedded in high-level business planning. In this connection, the programme is coordinated in the corresponding workstreams and steering committees together with a corresponding system-side tool. 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. At the same time as the quarterly financial statements, updated forecasts for the current year are prepared on the basis of the reported figures shortly before the release of the annual financial statements. 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 service activities. Weekly 13-week and monthly 12-month 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. 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 crisis early warning system has been set up to monitor developments to identify a possible threat to the Company's going-concern status. The 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 main financial performance indicators, management reporting also tracks 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 costs, which are also monitored in the form of quality cases, 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 encourage motivation and commitment towards achieving the Company's goals.

Research and development

Focus on digitising customer benefits and expanding packaging and industrial printing 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 quality and productivity improvements as well as greater transparency. In the year under review, development activities were still ongoing ahead of drupa, the industry's leading trade fair, which was scheduled to take place in June 2020 but was ultimately cancelled due to the Covid-19 pandemic. Group research and development expenses amounted to 3.8% of revenue in 2020 (previous year: 3.0%). In addition, development costs amounting to 1.1% of revenue were capitalised (2019: 1.7%). Looking forward, the Koenig & Bauer Group's research and development expenditure will not be curtailed in the challenging business environment caused by the impact of the Covid-19 pandemic. The new products and services were also launched on the market as planned despite the cancellation of drupa.

In addition to the design-based revisions to press performance in different formats, the latest examples of our new and further developments in the Sheetfed segment are primarily made up of the new products that were planned for drupa. The new, multi-award-winning, cross-business-unit press design, which forms an integral part of the new, modern Koenig & Bauer corporate identity, has already been successfully rolled out in medium and large formats. In the medium format, work also continued on expanding the range of substrates, especially for inmould and paper labels. Among other things, an automated printing plate logistics system was developed for the Rapida series, which offers considerable increases in quality and efficiency, especially for customers with frequent printing job changes. In addition, further developments for this format were aimed at improving print

quality through targeted software development. The sheet guiding devices have undergone further development for more efficient processing of thinner substrates. In sheetfed digital printing, further enhancements were made to the VariJET106 together with our partner Durst. In the postpress segment, which includes rotary and flatbed die-cutters as well as folding-box gluers, a rotary die-cutter featuring completely new finishing functions was launched under the new CutPRO X 106 brand at the virtual drupa, the industry's leading trade fair. The new-generation CutPRO Q 106 SB medium-format flatbed die-cutter was also presented. In the Digital&Webfed segment, the focus was particularly on product developments. Product optimisations were carried out for the Corru family, which consists of the CorruCUT, the CorruFLEX and the CorruJET, all of which address the rapidly growing corrugated-board packaging market. In the area of digital web printing, investments were made in the further development of software and ink for the RotaJET press. This 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 these each have unique requirements or properties. In the field of banknote and security printing, which is addressed by Banknote Solutions, the pre-press workflow has been further enhanced to enable data to be shared with printing presses in the future. The SUSI Flip™ feature, which is only possible thanks to the precision of the SUSI presses and has been selected for a newly issued banknote, has been added to the security features.

In the other areas, capital spending mainly concentrated on product enhancements.

The numerous product and service innovations apply modern technologies such as artificial intelligence with learning algorithms, connected customer and Internet of Things (IoT) systems. Predictive maintenance aims to increase press availability. Large amounts of data can be collected using artificial intelligence and evaluated at high speed and with a high degree of precision. Using the data streams, a normal response can be identified in the overall data and faults predicted before

they have an impact on printing production or even lead to downtimes. With the end-to-end IoT-based service process, faults and their causes are automatically analysed in the presses before they occur and made available to the relevant service system operatives including the service technician on site. In addition to this information on the current incident, the service technician can also access the full press and service history via the Field Service app on his mobile device. Based on the comprehensive press data, it is possible for the technician to plan and handle remote maintenance and service intervention such as the timely replacement of parts and components on site. In addition to the scheduled downtimes for service calls, the user benefits from reliable production and productivity increases. The digital "Koenig & Bauer Customer Community" customer portal was also expanded in the year under review. Further modules to expand the portal are under development. Using Performance Analytics Plus, for example, customers will receive a modern business intelligence tool and instrument that, via overall equipment efficiency dashboards and diagrams that are highly customisable by the customer, ensures high transparency in the customer's value chain and supports him in boosting efficiency and effectiveness. 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.

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

The global economy experienced an unprecedented recession in the wake of the Covid-19 pandemic in spring 2020. To contain the coronavirus pandemic, governments took far-reaching protective measures, mainly in the form of lockdowns and shutdowns as well as extensive contact restrictions. The International Monetary Fund (IMF) estimated in January 2021 that global gross domestic product (GDP) had slumped by 3.5%, making it the worst recession since the Great Depression some 90 years ago. At the same time, the IMF states that the decline was not as strong as feared during the year. In June, the IMF was still expecting a global decline of 5.2% and in October a decline of 4.4%. The IMF largely attributes the fact that the worst was prevented to the resolute intervention of central banks and governments, which are fighting the crisis with low interest rates and massive aid programmes. Nevertheless, 2020 turned out quite differently from what was expected. As recently as February 2020, the IMF had been forecasting global GDP growth of 3.2%.

The outbreak of the Corona pandemic in China precipitated a massive collapse in national economic output earlier than in other countries but also a swifter recovery. In other countries, the economy also recovered over the course of the year, albeit with a time lag and not as markedly. China is the only major economy to record positive growth in 2020, with GDP expanding by 2.3%. The Chinese government supported the recovery process with vigorous containment measures as well as fiscal and monetary aid. In many developed economies, households and businesses received substantial fiscal support. In addition, state-imposed restrictions were gradually eased and disrupted supply and value chains were restored. Economic activity in the United

States and the Eurozone thus recovered significantly in the summer. Nevertheless, GDP for 2020 as a whole contracted by 3.5% in the United States and by 7.2% in the Eurozone. In autumn 2020, Europe saw renewed restrictions on economic life due to rising infection rates, which hit the service sector in particular and were still ongoing as of the date of this report. Within Europe, Italy, Spain, France and the United Kingdom particularly suffered from the pandemic. In addition, Brexit-related uncertainty also weighed on economic activity.

Price-adjusted gross domestic product for Germany was 4.9% lower in 2020 than in the previous year according to initial, still provisional calculations by the Federal Statistical Office. Thus, after a ten-year growth phase, the German economy was pushed into a deep recession in the pandemic year of 2020, similar in scale to the financial and economic crisis in 2008/2009. At 3.5%, gross fixed capital formation sustained the most significant decline in price-adjusted terms since the financial and economic crisis of 2008/2009. The Covid-19 pandemic had a massive impact on foreign trade, mainly as a result of the severe disruptions to supply and logistics chains: exports and imports of goods and services fell in 2020 for the first time since 2009 – exports by 9.4% and imports by 8.5% in price-adjusted terms.

According to initial calculations by the German Federal Statistical Office, price-adjusted production in the mechanical engineering sector in Germany fell short of the previous year by 12.1% in 2020 (as of March 2021, this figure was still provisional; some corrections are still pending). This means that the expected shortfall in the crisis year of 2020 was not quite as pronounced as recently estimated by the German Mechanical and Plant Engineering Association (VDMA). In December 2020, production was expected to be down by 14%, prior to this revision, a decline of 17% had been expected. The difference is a consequence of somewhat smaller declines in the mid-single digits in production in November and December. However, the low comparison base (4th quarter of 2019) also plays a role that should not be underestimated. Yet, this does

not alter the fact that 2020 was the worst year since the financial crisis of 2009. In the printing press sector, orders fell by 21.9% and sales by as much as 24.2% in both cases on a price-adjusted basis. The first few months of 2021 continue to be dominated worldwide by the Covid-19 pandemic. VDM assumes that the recovery that began in autumn 2020 is continuing but is still not on solid ground. The recurring discussions about lockdowns as well as the tightened travel restrictions are also exerting heavy pressure, making a sustainable recovery more difficult.

Business performance

Overall statement on business performance

The Koenig & Bauer Group's business performance in 2020 was dominated by the impact of the Covid-19 pandemic. Towards the end of the year, the Covid-19 virus mutations and the delayed commencement of the vaccination campaigns placed additional strain on business; travel restrictions in particular are making it difficult to deploy our assembly staff and service technicians worldwide. Despite the continued palpable interest in our innovative printing, finishing and postpress solutions, customers are postponing new investments in view of the prevailing economic uncertainty.

The Koenig & Bauer Group took extensive measures at an early stage to prepare for the difficult conditions resulting from the global Covid-19 pandemic. The health and safety of employees, customers and suppliers always have top priority for Koenig & Bauer. In addition, comprehensive measures were taken to maintain delivery and service capabilities and spare parts supplies. This matter is of particular relevance to Koenig & Bauer because many of its customers are systemically relevant as partners to the food, pharmaceutical and beverage industries and the Company itself has been classified as systemically relevant. After the government in Italy classified Koenig & Bauer Flexotecnica, which is based in Tavazzano, as systemically important on 27 March 2020, the German Federal Ministry of Food and Agriculture also issued a guideline in March that explicitly lists companies that

manufacture packaging and packaging material for products as critical and thus systemically important in the food industry throughout Europe. Cardboard packaging, folding boxes, films, bottles, cans and the necessary labelling ensure that food and pharmaceutical products reach the final consumer hygienically and efficiently. The Koenig & Bauer Group is aware of its responsibility as a partner to the food and pharmaceutical packaging industry, which is so important in the Covid-19 pandemic. Despite local restrictions, production 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 numerous travel restrictions impeded the worldwide deployment of Koenig & Bauer assembly staff and service technicians. For this reason, modern remote maintenance technology is of particular importance in a pandemic. The Koenig & Bauer Group is available to its customers around the clock via "PressSupport 24" and can thus resolve more than 80% of customer service queries quickly and easily. (Read more about this under Research & Development). In addition, we support our customers at all levels by offering them flexible and creative solutions. Digital formats are also increasingly being used to address customers and to present product and service innovations. From 16 to 25 June 2020 the first completely online exhibition was held under the title "Koenig & Bauer LIVE". Product innovations, digital applications and new service solutions were presented in daily live-streams. The date was no coincidence, as drupa – the world's largest trade fair for the printing and graphic arts industry – was due to take place at that time. Like other major events, however, it was cancelled due to the global pandemic.

In response to the impact of the Covid-19 pandemic and to increase operational profitability, the Management Board worked intensely on the "P24x" efficiency programme. In addition to strict cost and investment management through improvements in working capital and cash flow, preserving liquidity was also a key aspect of the action plan. As a result of capacity utilisation shortfalls, short-time working has also been used at various

locations since 1 April 2020 in addition to the introduction of flexible working hours. To strengthen the Group's stability and strategic flexibility, the Management Board and the Supervisory Board decided on 13 July 2020 to apply for a flexibly repayable KfW loan of up to €120m to supplement the existing syndicated credit facilities (Direct participation for syndicated financing). This was approved and has been available since November 2020. 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 carried forward. For this reason, we aim to discharge the KfW loan as quickly as possible so that we can resume dividend distributions.

To strengthen our position as one of the leading suppliers of packaging, industrial, security printing and finishing presses and to boost the Koenig & Bauer Group's operating profitability, the Management Board modified and expanded the "Performance 2024" efficiency programme at the end of September 2020, renaming it "P24x". In addition to boosting efficiency, the programme also aims to adjust the Group's scale as only moderate revenue growth is projected in the coming years due to the global economic situation, continued travel restrictions and the worsening Covid-19 situation, with no return to the pre-crisis level likely in the short term. (A detailed presentation of the "P24x" efficiency programme can be found in the chapter entitled "Strategy & Goals"). In the fourth quarter, initial implementation activities under the "P24x" efficiency programme already achieved more than 10% of the planned savings effects for 2021. In particular, measures aimed at boosting the Group's productivity as well as the adjustment of capacities and lower quality expenses made a significant contribution to this. Sustainable savings were also generated through successful supplier negotiations and optimised cash discounts, as well as by merging the design and service departments of several business units. Koenig & Bauer is currently negotiating with employee representatives on the specific and most socially acceptable form of the 700 to 900 job cuts that will be implemented in the short and medium term.

In December 2020, a decision was made to alter the legal structure of the Banknote Solutions business unit from 31 December 2020. The structural changes adopted under company law have no effect on the Koenig & Bauer Group's results of operations, financial condition and net assets under IFRS.

In addition to the aforementioned non-recurring expenses in connection with the "P24x" efficiency programme (-€58m) in 2020, non-recurring income from the sale of real estate in Frankenthal (€5m) had an impact on the Group's business performance. In the second quarter, non-recurring income arose from the successful outcome of a legal dispute (€4m). In total, exceptionals amounted to around -€49 million.

When it published its figures for 2019 on 19 March 2020, Koenig & Bauer stated that in view of the daily deterioration in the global economic situation in the wake of the coronavirus pandemic it was not possible to forecast the impact on the Company and its ability to reach the targets set for 2020.

The following more detailed forecast for 2020 was provided with the publication of the figures for the third quarter on 11 November 2020: "Turning to Q4 2020, we expect the Covid-19 pandemic, which is worsening internationally, to adversely affect business performance. We expect Group revenue to reach a figure of between €900m and €950m in 2020 as a whole, accompanied by negative EBIT before exceptionals in the mid double-digit millions." This forecast was issued on the basis of the prospective application of the Group's internal revenue policy guideline for the Sheetfed segment. During the preparation of the consolidated financial statements, a decision was made to retrospectively implement the changes in revenue recognition accounting and to extend it to all business units. This means that the Group revenue of €1,029m and Group EBIT of -€68m are no longer comparable with the forecast.

Financially, the Koenig & Bauer Group is well positioned with a Group equity ratio of over 25% 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. The “P24x” efficiency programme with its clear focus on increasing operating profitability by improving efficiency and scaling the Group is well on track. With our products and services, we are addressing fundamentally intact end markets that offer different growth opportunities; in particular, the growing market for packaging is proving very stable in the Covid-19 pandemic. The pandemic is partially also accelerating trends in the growing packaging printing market: heightened e-commerce demand is leading to greater consumption of corrugated-board shipping boxes. During the most severe restrictions, supermarkets were the only shops permitted to open. Demand for hygiene products, pasta and canned food rose abruptly – and with it demand on the part of packaging manufacturers in the consumer goods industry. In summary, the Koenig & Bauer Group’s business performance and economic situation in 2020 was in line with expectations with due regard given to the impact of the Covid-19 pandemic.

Retrospective application of revenue recognition policy in the Group

The new version of a Group revenue recognition policy stipulates that in the case of sales of new or used presses control is transferred after delivery and assembly upon the press in question becoming available for use by the customer. As a result of the retrospective adjustments in 2020, Group revenue increased by around €14.3m and Group EBIT by around €26m due to a shift in EBIT from earlier years to 2020.

First-time application of the revaluation method for land according to IAS 16

Effective 31 December 2020, the revaluation method according to IAS 16 was applied for the first time to all properties. This led to an increase in property, plant and equipment, with the increases in value being recognised within other comprehensive income after the deduction of deferred taxes.

Order intake below previous year's level

At €974.7m, the Group order intake was 14.6% down on the previous year, mainly due to investment restraint caused by the global Covid-19 pandemic. The decline was thus less pronounced than the 21.9% drop in order intake for printing presses published by industry association VDMA in 2020. However, order intake showed sequential signs of recovery. In the Digital & Webfed and Special segments, order intake in 2020 fell by around 25% year on year. The Sheetfed segment performed better in comparison, with order intake coming to €594.6m, only 5.5% below the previous year's figure. In 2020, service business accounted for around 30% of order intake and new press business for 70%. This was also due to the lower proportion of new press business compared with previous years as a result of the Covid-19 pandemic.

Group order intake

The previous year's figures were adjusted accordingly.

in €m	2019	2020
Sheetfed	629.0	594.6
Digital & Webfed	144.5	109.0
Special	407.7	306.1
Reconciliation	-39.9	-35.0
Total	1,141.3	974.7

Group revenue

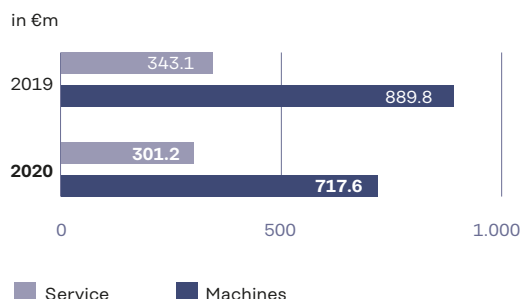
The previous year's figures were adjusted accordingly.

in €m	2019	2020
Sheetfed	638.6	555.5
Digital & Webfed	159.2	128.9
Special	494.8	377.3
Reconciliation	-46.8	-33.2
Total	1,245.8	1,028.6

Revenue showing signs of recovery

At €1,028.6m, Group revenue for the year ending 31 December 2020 was down on the previous year (31 December 2019: €1,245.8m) for Covid-19-related reasons. Due to the retrospective application of the revenue accounting policy, it included a revenue shift of around €143m from previous years into 2020. Overall, the 17.4% decline in revenue was less pronounced than the 24.2% drop in revenue from printing presses in the industry as a whole according to VDMA figures. Revenue performance in the quarters also reflected the nascent recovery. Nearly 30% of the Group's revenue was achieved from service business. This means that the target of 30% was reached, albeit on the basis of lower new press business than in the previous year.

Group revenue by product group



The export ratio shrank slightly from 84.9% to 84.6% as of 31 December 2020, with the share accounted for by North America widening significantly to 18.1% (previous year: 13.4%). At 32.9%, the share of revenue in other European countries was also in line with the previous year's figure. The share of revenue in Asia-Pacific (24.8%) and Latin America and Africa (8.8%) was down on in the previous year (26.0% and 12.6% respectively).

At €632.0m, the Group's order backlog as of 31 December 2020 was 7.9% lower than at the end of 2019 (€685.9m). The delta of 7.9% was thus significantly smaller compared to the decline of 14.6% in order intake and of 17.4% in revenue. The order backlog as of 31 December 2020 serves as a solid starting point for 2021.

Group order backlog

The previous year's figures were adjusted accordingly.

in €m	2019	2020
Sheetfed	293.1	332.1
Digital & Webfed	87.5	67.6
Special	308.6	237.4
Reconciliation	-3.3	-5.1
Total	685.9	632.0

Geographical breakdown of revenue

The previous year's figures were adjusted accordingly.

in €m	2019	2020
Germany	188.5	158.7
Rest of Europe	410.2	338.2
North America	166.1	185.9
Asia/Pacific	324.4	255.2
Africa/Latin America	156.6	90.6
Total	1,245.8	1,028.6

in %	2019	2020
Germany	15.1	15.4
Rest of Europe	32.9	32.9
North America	13.4	18.1
Asia/Pacific	26.0	24.8
Africa/Latin America	12.6	8.8

Earnings

Earnings influenced by the effects of the pandemic and the non-recurring costs of the “P24x” efficiency programme

Despite the continued interest in our innovative solutions, customers are postponing new investments in view of the uncertainties resulting from the Covid-19 pandemic. The virus mutations arising at the end of the year and the delayed start to the vaccination campaigns continue to exert pressure on our business performance. Travel restrictions in particular are impeding the worldwide deployment of our assembly staff and service technicians, with a corresponding effect on the Group's earnings. Earnings were also influenced by the positive effect of around €26m arising from the shift in EBIT from previous years to 2020. All in all, exceptionals dragged earnings down by around -€49m. Service business, whose share in revenue widened to 29.3% (previous year: 27.5%) despite the decline in Digital & Webfed, is the Group's main source of revenue. With the “P24x” efficiency programme, we are working closely on improving earnings from new press business. In addition, our service initiative is vigorously pursuing the goal of sustainably increasing the share of service business in Group revenue to 30%.

EBIT before exceptionals at -€19m

Driven by the impact of the Covid-19 pandemic, the non-recurring costs of the efficiency programme, exceptionals and the product mix, gross profit amounted to €200.9m (2019: €327.0m) despite the lower cost of sales. Accordingly, the gross margin was 19.5%, down from 26.2% in the previous year. In addition to capitalised development costs of €11.8m (2019: €21.7m), R&D expenses amounted to €39.1m (2019: €37.5m). The selling costs of €129.7m and the administrative costs of €94.7m fell short of the previous year (€151.3m and €103.4m respectively). Net other operating expenses equalled -€6.9m. The substantial net other operating income of €26.7m recorded in the previous year was due to non-recurring income from the sale of a real estate asset and the reversal of provisions due to lower legal risks.

This resulted in EBIT of -€67.9m (2019: €70.1m) and an EBIT margin of -6.6% (2019: 5.6%). Adjusted for the aforementioned exceptionals of a net -€49m, EBIT before exceptionals of -€18.9m was achieved in 2020. Despite the effects of the pandemic, there was a clear recovery in EBIT before exceptionals.

The interest result of -€5.6m (2019: -€6.2m) led to Group earnings before taxes (EBT) of -€73.5m, compared with €63.9m in the previous year. Income taxes amounted to -€29.6m (previous year: -€11.6m). The higher tax expense in the year under review is primarily due to impairments of deferred tax assets on unused tax losses, which had been classified as non-recoverable in connection with the preparation of a new integrated five-year plan. At -€103.1m (2019: €52.3m), Group net profit translates into earnings per share of -€6.27 in 2020 (previous year: €3.15).

Group income statement

The previous year's figures were adjusted accordingly.

in €n	2019	2020
Revenue	1,245.8	1,028.6
Cost of sales	-918.8	-827.7
Gross profit	327.0	200.9
Research and development costs	-37.5	-39.1
Distribution costs	-151.3	-129.7
Administrative expenses	-103.4	-94.7
Other operating income/expenses	26.7	-6.9
Impairment gains and losses on financial assets	7.9	1.6
Other financial results	0.7	–
Earnings before interest and taxes (EBIT)	70.1	-67.9
Interest result	-6.2	-5.6
Earnings before taxes (EBT)	63.9	-73.5
Income tax expense	-11.6	-29.6
Net profit	52.3	-103.1
Earnings per share	3.15	-6.27

% of revenue	2019	2020
Cost of sales	-73.8	-80.5
Research and development costs	-3.0	-3.8
Distribution costs	-12.1	-12.6
Administrative expenses	-8.3	-9.2
Other income/expenses	+2.8	-0.6
Interest result	-0.5	-0.5
Income taxes	-0.9	-2.9
Net profit	+4.2	-10.0

Finances

Cash flow from operating activities firmly in positive territory and increase in syndicated credit facilities

Cash flow from operating activities and free cash flow amounted to €12.2m and -€24.1m respectively in 2020, improving significantly over the previous year (-€7.9m and -€52.3m). The decline in inventories was the main reason for this positive performance. Net working capital thus decreased from €348.5m in the previous year to €344.0m.

Cash flow from investing activities came to -€36.3m in 2020, compared with -€44.4m in the previous year. Financing activities resulted in a cash flow of -€25.0m compared to €101.0m in the previous year. At the end of December 2020, cash and cash equivalents stood at €137.8m (31 December 2019: €191.0m). After the deduction of liabilities to banks of €184.9m (further details in the notes) from cash and cash equivalents, the net financial position stands at -€47.1m (2019: -€8.3m). 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

Solid equity base

The consolidated net loss of -€103.1m (previous year: consolidated net profit of €52.3m) contributed significantly to a reduction in equity to €342.2m and an equity ratio of 25.9% (end of 2019: €432.8m and 30.6%). The Koenig & Bauer Group's balance sheet total fell to €1,321.1m as of 31 December 2020, down €92.7m on the previous year's figure of €1,413.8m.

Assets: increase in non-current assets due to first-time application of the revaluation method according to IAS 16 counteracted by the reduction in current assets

As of 31 December 2020, non-current assets rose from €491.1m to €509.7m compared to 31 December 2019 mainly due to the increase in non-current assets. Intangible assets climbed from €115.4m to €129.8m primarily due to the capitalisation of SAP software and development costs. Property, plant and equipment were valued at €245.6m as of 31 December 2019, increasing by €16.9m to €262.5m in the year under review mainly due to the first-time application of the revaluation method for the land accounted for in accordance with IAS 16. Current assets fell to €811.4m at the end of the year, down from €922.7m as of 31 December 2019. This decline was mainly due to lower inventories of €357.6m (previous year: €408.5m). Trade receivables amounted to €91.9m as of 31 December 2020 (previous year: €108.4m) due to lower revenue and active receivables management. This was offset by the increase in other financial receivables and other assets. At the end of the financial year on 31 December 2020, cash and cash equivalents decreased to €137.8m (previous year: €191.0m). As a result, net working capital fell slightly by €4.5m to €344.0m as of 31 December 2020 (31 December 2019: €348.5m).

Equity and liabilities: year-on-year increase in net financial debt

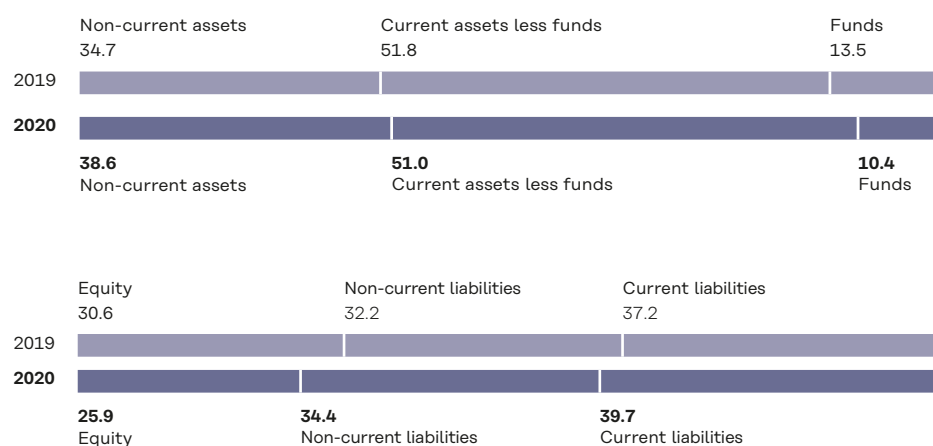
On the equity and liabilities side, Koenig & Bauer Group's equity fell by €90.6m to €342.2m on 31 December 2020 (previous year: €432.8m). The main reason for this was the consolidated net loss of -€103.1m (previous year: consolidated net profit of €52.3m). This was offset by the application of the revaluation method for land accounted for under IAS 16.

Thus, the equity ratio as of the reporting date stood at 25.9% (previous year: 30.6%). The retirement benefit provisions were valued at €165.6m as of 31 December 2020 (previous year: €165.5m). The non-current provisions of €40.3m (previous year: €23.7m) increased by €16.6m, mainly due to the restructuring provisions recognised in the year under review. By contrast, non-current financial liabilities and other financial liabilities dropped by €37.6m to €169.6m as of the reporting date (previous year: €207.2m). As of 31 December 2020, non-current liabilities dropped slightly by €1.6m to €454.0m (previous year: €455.6m). On the other hand, current liabilities fell slightly by €0.5m to €524.9m (previous year: €525.4m). This decrease mainly results from the reduction of €50.4m in current trade payables to €59.2m (previous year: €109.6m). This was counteracted by the increase in

current provisions, mainly due to the increase of €82.8m in restructuring provisions to €124.8m. Current financial liabilities and other financial liabilities also climbed by €14.6m to €111.3m (previous year €96.7m). Reflecting the lower liquidity as of 31 December 2020, net financial debt increased to -€47.1m year on year (previous year: -€8.3m).

Group assets and capital structure

in %



Segment performance

Order intake in the Sheetfed segment down 5.5% but still significantly better than the industry average

In the Sheetfed segment, order intake in particular was favourable in 2020 thanks to growth in orders for medium- and large-format sheetfed offset and folding-box gluers. Overall, the decline of 5.5% in order intake was significantly less than the industry-wide decrease of 21.9% decline in orders for printing presses published by the VDMA. Sequentially, there were clear signs of a recovery, especially in the final quarter. The cumulative revenue of €555.6m was 13.0% below the previous year's figure of €638.6m. With a book-to-bill ratio of 1.07, the order backlog increased from €293.1m as of 31 December 2019 to €332.1m at the end of 2020. In addition to the impact of the Covid-19 pandemic, the provisions for the "P24x" efficiency programme also exerted pressure on EBIT in 2020, which came to -€27.8m, compared with €19.1m in the previous year. Reflecting this, the EBIT margin stood at -5.0% (previous year: 3.0%). Adjusted for the "P24x" provisions, EBIT before exceptionals in the Sheetfed segment came to -€5.2m.

Digital & Webfed under heavy pressure from the pandemic

Order intake in the Digital & Webfed segment in 2020 was heavily impacted by the Covid-19 pandemic. Lower orders for web offset presses in particular had a negative impact on order intake. Spending restraint on the part of our customers was also reflected in lower orders for flexoprinting presses for the production of flexible packaging. In web digital printing, sales of RotaJET presses and HP presses as well as the Corru family grew. With a decline of 24.6% over the previous year, order intake came to €109.0m.

In the final quarter of 2020, the first Corru-FLEX was successfully placed in operation at corrugated-board printer THIMM Group's plant in Romania. The delay in starting up the system due to the global Covid-19 pandemic was kept to a minimum. This means that

all three Corru models for direct corrugated-board printing have now been successfully placed on the market. At the end of 2020, revenue stood at €128.9m, down 19.0% on the previous year's figure of €159.2m.

The order backlog fell from €87.5m in the previous year to €67.6m. EBIT particularly came under pressure from the pandemic-related investment cutbacks. EBIT came to -€25.5m in 2020, compared with -€15.2m in the previous year. Accordingly, the EBIT margin stood at -19.8% (previous year: -9.5%). Adjusted for the "P24x" provisions, EBIT before exceptionals reached -€18.6m. All in all, the revenue of €50.6m (previous year: €77.0m) from service business fell short of the revenue from new press business of €75.5m (previous year: €78.6m).

Special generally below previous year

In the Special segment, the order intake of €306.1m after twelve months fell short of the previous year's figure of €407.7m. The lower order intake reflects the fewer orders received in Banknote Systems, where order intake fluctuates sharply due to the high value of a single order, whereas revenue recognized is more stable. Kammann and Coding were also unable to contribute to any increase in order intake in the submarkets they address, namely coding and direct glass printing respectively. On the other hand, new business in MetalPrint increased over the previous year.

All in all, revenue of €377.3m was recorded, down from €494.8m in the previous year. At 23.7%, the decline in revenue was thus on a par with the 24.2% drop in revenue from the sale of printing presses published by VDMA. As of 31 December 2020, the order backlog stood at €237.4m, down from €308.6m in the previous year. EBIT came to -€31.7m after 12 months (previous year: €50.7m) due, in particular, to the provisions recognised for the "P24x" efficiency programme. Accordingly, the EBIT margin reached -8.4% (previous year: 10.24%). EBIT before exceptionals, i.e. adjusted for the "P24x" provisions and the non-recurring income from the successful outcome of a legal dispute (€4m), came to -€10.4m.

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 definition and achievement of 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 business performance are detected at an early stage and their extent shown transparently. 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.

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

The risk management system covers the production units as well as the main sales and service companies. Koenig & Bauer's risk management structure is made up of the central risk coordination unit which reports to the Management Board. 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.

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 expressly 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.

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.

Business risks

Macroeconomic and economic risks

Our business is influenced by underlying conditions in the global economy. The coronavirus pandemic in particular triggered a severe economic downswing last year and, despite the support programmes implemented, will weigh heavily on economic conditions and investment activity in the coming years. However, political decisions, legislative and regulatory changes, trade conflicts and barriers as well as changes in the value of the euro against other major currencies may also adversely affect sales of our products and our capacity utilisation, and negatively impact our forecasts and budgets.

The risks to the global economy are still large due to the protracted coronavirus pandemic, trade barriers and the high debt levels in many economies. In view of this situation, moderate risks are seen for the Koenig & Bauer Group's future business performance. To address the macroeconomic risks, we are implementing the "P24x" efficiency programme to enhance our operating profitability and long-term competitiveness. In addition to cost and structural adjustments, this programme entails the customer-oriented further development of the printing press range and the digitalisation of processes and services. We cannot currently foresee the me-

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%	

dium and long-term effects that the corona crisis will have on global economic conditions.

We are mitigating sales risks arising from regional fluctuation in demand by steadily optimising our international sales and service network in the markets of the future.

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 by competitors that reduce the market potential of our own products and services may impact the performance of individual business segments to varying degrees. In addition to our continued strong commitment to the growth market of packaging, where we are benefiting from the higher volume of packaging around the world due to increasing consumption, booming e-commerce and the growing global population, we are addressing the risk of fluctuations in individual applications by adopting a diversified product range that targets different industries. Industrial applications such as digital decor printing are further highlights of our growth strategy. One main task is to continue shifting our range towards these new markets of the future by means of new products and applications.

The customer structure in security printing business is dominated by government bodies tied by mostly political decisions. This impairs forward visibility, 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. 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. The Koenig & Bauer Group pursues a strategy of boosting its competitiveness and profitability on a sustained basis by offering customers bespoke solutions and by simultaneously continuing to optimize structures and production costs. By actively presenting and communicating the technical advantages 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 moderate in the light of the measures that have already been taken to address them.

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. In connection with the Covid-19 pandemic in particular, an increasing number of insolvencies and payment disruptions which are not yet apparent today due to the grant 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.

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. Due to the high volume of goods and services exchanged within the Group, we see moderate risks in the determination of taxable profits through a subsequent correction of transfer prices by the tax authorities despite worldwide tax advice and close cooperation with the responsible tax authorities.

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.

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. A sufficient liquidity base is required for financing potential large customer projects and also for the successful implementation of the "P24x" programme. Koenig & Bauer mainly generates funds from prefinancing. In addition, the Group has had access

since 2017 to a syndicated facility consisting of a guarantee and a revolving credit facility with a consortium of excellent banks. 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 two budget years as part of the annual Group planning process. No risks are seen here as incoming and outgoing payments are monitored on an ongoing basis. 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.

Operational risks

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.

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. Thus, the "P24x" efficiency programme defines cost savings which are to increase annually in the order of more than €100m through to 2024. There is a risk that the assumptions underlying our plans do not fully materialise, contrary effects occur,

the implementation of measures is delayed or restructuring expenses are higher than budgeted. 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. We have installed our own implementation system specifically for the "P24x" programme to track the implementation of defined measures on a monthly basis in accordance with predefined governance, measure the savings and validate future savings potential so that countermeasures can be taken in good time to address any negative deviations.

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.

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 and also in view of the current reorganisation measures, 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 in our factories. If our employees are unwilling to accept flexible working hours, there is a risk of failing to execute customer orders within the defined period and, hence, of losing orders or of experiencing delivery delays. Similarly, there is the 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 use of leased employees and, in particular, by utilising short-time working.

The risk of strikes or other reactions by the workforce may arise from the planned reorganisation measures required to permanently adjust capacities as well as during collective bargaining negotiations. Wherever possible, Koenig & Bauer endeavours to limit the negative impact of such measures, such as work stoppages and associated delivery delays. We address this risk through close and mutually trusting cooperation with employee representatives and socially responsible job cuts under the "P24x" programme.

In view of the precautions that have been taken and current conditions in the job market, we consider the risk to be 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 standardized processes systematically analyze sources of error and optimize 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.

Procurement and logistics risks

Procurement risks cannot be completely ruled out as a result of potential demand-related supply bottlenecks for components and input materials, delivery failures, quality problems and unforeseen price increases on the part of our suppliers. 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 utilization and earnings.

In addition to stringent supplier management, we address procurement risks through ongoing market monitoring, in which we review the delivery quality, reliability and economic situation of our key suppliers. 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 through Group-wide merchandise group management, by bundling purchasing volumes and by entering into long-term supply contracts. On the basis of the existing supplier relationships, we currently 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.

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 over the past year and stepped up innovations such as new business models, such as online sales and service, or changed 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 curtail 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.

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 moderate.

Infrastructure and process 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. For this reason, we regularly evaluate and audit our production sites with an external consultant and take out local insurance cover for risks arising from property damage, fire, business interruption, business and product liability. 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 small risk of lost revenue if customer requirements are not recognised or 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. Such transactions may cause considerable acquisition and follow-up costs and therefore require careful prior analysis, frequently also with external assistance. The purpose of such activities and expenses is to achieve an appropriate degree of economic viability by means of a product portfolio oriented to future requirements. We consider the risk of such activities resulting in unforeseen costs in the performance of analyses to be minimal. This also applies to the risk of the expected positive impact on business failing to eventuate or not eventuating within the planned time period.

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.

In the event of a persistent or worsening Covid-19 pandemic 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 can make use of it. 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 and installation 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 a very carefully considered decisions on field deployment.

In connection with service and machine 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 Press Support" video system, remote maintenance and PressCalls to help our customers maintain maximum machine 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 regulatory 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 economic conditions that are already foreseeable and are being influenced by Corona are reflected in our expectations and business plans and we have initiated measures to enhance our competitiveness with the "P24x" efficiency programme, we are seeing heightened Group-wide risk exposure compared to the previous year due to the future effects of the Covid-19 pandemic, which are difficult to assess.

Despite the uncertainties in connection with Covid-19, which will continue in 2021, we currently 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 implementation of the "P24x" efficiency programme as well as our strong market position and financial stability limit the 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 refer 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.

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 compre-

hensive planning of the enterprise-wide SAP project and an intensive period of fine-tuning, the staggered roll-out is currently underway. Following the migration at the holding company Koenig & Bauer AG and the large Koenig & Bauer Industrial business unit with the Koenig & Bauer Foundry, the rollout is being executed in stages at other Group companies and will be completed by 2021.

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) 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 access rights to the complete 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.

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 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 lose relevance or the significance of an opportunity may change. In line with the presentation of risks, opportunities are divided into the following categories: business opportunities, financial opportunities, operational opportunities and other opportunities. The order in which the opportunities are described within the individual categories reflects their potential impact on the Group's performance. Opportunities with a higher potential impact are described before those with a lower impact.

Corporate strategic, industry, business and operational opportunities

Opportunities arise from the implementation of our strategy, market opportunities and over-fulfilment of the "P24x" efficiency programme. The main opportunities are:

- Focus on growth markets and expansion of service business
- Future opportunities in packaging and industrial printing
- Growth opportunities through digital printing in the packaging market
- Service business in security printing
- Expansion of service with a focus on digitalisation

These opportunities are presented in the chapter entitled "Goals and strategy" on page 60. Growth opportunities may also arise from a gain in market share due to the exit of a competitor.

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.

Macroeconomic and cyclical opportunities

In particular, the introduction of faster testing and the widespread availability of vaccines would enable the global economy – and along with it the printing press industry – to recover more quickly. 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.

Summary of the situation with respect to opportunities

Even though the economic conditions that are already foreseeable and are being influenced by the coronavirus are reflected in our expectations and business plans and we have initiated measures to enhance our competitiveness with the implementation of our strategy and the opportunities arising from this as well as the "P24x" efficiency programme, we do not think that the opportunities presented here outweigh the risks described above in view of the future effects of the Covid-19 pandemic, which are difficult to assess. There are no changes in the opportunities available to the Koenig & Bauer Group compared with the previous year.

Outlook

Expected macroeconomic and industry conditions

The outlook for 2021 is subject to great uncertainties. The renewed increase in the number of Covid-19 infections at the end of 2020 not least of all due to the virus mutations again resulted in drastic restrictions in some areas of economic life in the first two months of 2021. This situation is currently expected to continue in the first quarter of 2021. In its study issued in January 2021, the International Monetary Fund (IMF) revised its forecast for the growth of the global economy this year upwards by 0.3 percentage points due to strong political support and the expected widespread availability of vaccines in the summer. Accordingly, the IMF expects global economic output to increase by 5.5% in 2021, albeit from a low baseline in 2020. It has raised its forecast for the United States by 2.0 percentage points, mainly due to the stimulus package announced by the new US president (+5.1%). The upward revision of the 2021 forecast for Japan by 0.8 percentage points is also largely due to the additional boost from the fiscal measures introduced at the end of 2020. These increases will be partly offset by the downward revision of 1.0 percentage point in the 2021 forecast to 4.2% for the Eurozone. The reason for the adjustment is that the situation in the economically strongest countries of the Eurozone (Germany, France, Italy and Spain) will not ease as much as expected. The most important reason given for this is the delays occurring at the start of the vaccination programmes. However, the IMF assumes that the faster the virus is suppressed, the more rapidly the economy will recover. In the emerging and developing countries, the paths to recovery vary – while China continues to grow, albeit at a reduced but still high rate (8.1%), the emerging markets are expected to reach pre-crisis levels again in 2021. By contrast, the outlook for Latin America, the Middle East and Central Asia is subdued. Africa as a whole is expected to return to pre-crisis levels in 2021. The IMF emphasises that the forecasts are still subject to a relatively high degree of uncertainty. Although recent vaccine approvals had raised hopes of an end to the pandemic,

resurgent waves of infection and new variants of the virus are a cause for concern. The strength of the recovery is expected to vary considerably from country to country. Several factors, such as access to vaccines and the effectiveness of policies against the pandemic, will determine whether national economies recover.

According to figures published by the German Mechanical and Plant Engineering Association (VDMA), the mechanical engineering sector in Germany will benefit from the recovery of the global economy in 2021, with real production rising by 4%. However, it also emphasises that this forecast is subject to greater uncertainty than usual given the still limited forward visibility. It points out that vaccination campaigns began in many countries around the world at the beginning of the year but could still take months or even years to be completed. In addition, the renewed lockdowns in many countries, especially the heightened travel and residence restrictions, are exerting pressure on the mechanical engineering sector, although manufacturing, its main sell-side market, is largely exempt from administrative restrictions in many cases. VDMA economists assume that as freedom of movement is restored – and given that the economy is picking up speed quite quickly – demand for machinery and equipment will rebound, generating additional sales and production growth. Even so, VDMA does not expect the mechanical engineering sector in Germany to be able to match the already low production output recorded 2019 in 2021. The decline of 12% in 2020 was too great for this, while the early months of 2021 have again been marked by drastic restrictions in some areas of economic life.

Internationally, however, things have changed for the better: for example, an agreement on a trade and cooperation agreement was reached between the EU and the United Kingdom in December 2020. The EU's pandemic stimulus package and the medium-term EU budget were also adopted despite opposition from Poland and Hungary. Moreover, the EU and China have agreed on an investment agreement to improve market access and to level the playing field for EU companies in China.

Forecast

The expected macroeconomic, political and industry-specific conditions in the markets relevant to the Koenig & Bauer Group provide the basis for the forecast for 2021 (1 January 2021 to 31 December 2021) and subsequent years.

Since the outbreak of the Covid-19 pandemic, Koenig & Bauer Group has been taking extensive measures to respond to the difficult conditions resulting from it. The health and safety of employees, customers and suppliers always have top priority for Koenig & Bauer. In addition, all necessary measures are being taken to maintain delivery and service capability and spare parts supplies. This matter is of particular relevance to Koenig & Bauer because many of its customers are systemically relevant as partners to the food, pharmaceutical and beverage industries and the Company itself has been classified as systemically relevant. The Koenig & Bauer Group is aware of its responsibility as a partner to the food and pharmaceutical packaging industry, which is so important in the Covid-19 pandemic, and is conscious of the fact that these supply chains must not be disrupted. Despite local restrictions, it is able to guarantee production based solely in Europe and the spare parts depots in Europe, Asia and the United States remain in operation, with stored parts dispatched to destinations around the world every day. However, the numerous travel restrictions, some of which have been widened again, are impeding the worldwide deployment of Koenig & Bauer assembly staff and service technicians. For this reason, modern remote maintenance technology is of particular importance in a pandemic.

At the end of September 2020, the Management Board adopted the "P24x" efficiency programme with the aim of strengthening the Koenig & Bauer Group's position as a leading provider of packaging, industrial and security printing and finishing services and boosting operating profitability. In addition to increasing efficiency, the programme also aims to adjust the Group's scale as only moderate revenue growth is projected in the coming years due to the global economic situation,

continued travel restrictions and the worsening Covid-19 situation, with no return to the pre-crisis level expected in the short term. The end markets that Koenig & Bauer primarily addresses and the structurally growing packaging and industrial printing segment are fundamentally intact. This is clearly reflected in the currently high capacity utilisation of packaging printing presses for foods, beverages, pharmaceuticals and the booming e-commerce market. Despite this, customers are postponing new investments in view of numerous uncertainties resulting from the Covid-19 pandemic.

The four-year "P24x" programme aims to strengthen long-term competitiveness by defining a series of measures. 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. The Koenig & Bauer Group continues to focus on end-to-end system solutions and on optimising its customers' total cost of ownership (TCO). The end markets addressed are fundamentally intact. Research and development expenses have not been curtailed. Investments in direct corrugated-board and digital printing as well as the joint venture with the Durst Group are being driven forward, while new developments for security printing are being planned. Koenig & Bauer is committed to its current product portfolio and will be consistently expanding it. The focus is also on the further digitalisation of services.

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. The short- and medium-term non-recurring costs of €57.6m for personnel measures required for this were recognised as a provision in consolidated earnings in 2020. Koenig & Bauer expects that the adoption of the measures defined for 2021 will already have a positive impact of more than 30% of the planned savings. After implementing the measures planned for 2021, more than 60% of the total cost savings should take effect in 2022. Following the completion of the measures planned for 2022

under the efficiency programme, some 90% of the total targeted savings should be noticeable in 2023.

Slight organic revenue growth and balanced EBIT expected for 2021

Despite the still limited forward visibility with respect to the impact of the Covid-19 pandemic on the Koenig & Bauer Group's business environment and the travel restrictions currently in place due to the pandemic, the Company anticipates slight growth in business in 2021. This projection assumes that progress made in vaccinations that also provide protection from the Covid-19 virus mutations will allow the restrictions to be lifted. The lower decline in order intake in 2020 compared to the industry as a whole is seen as a solid starting point for the new financial year under the prevailing Covid-19 conditions.

Against this backdrop, Koenig & Bauer projects slight organic revenue growth of around 4% to €1,070m in 2021. On the earnings side, it expects to break even at the EBIT level and achieve a corresponding EBIT margin in 2021 following the successful launch of the "P24x" efficiency programme and the planned savings effects. That said, the reimposed travel restrictions – not least of all due to the emergence of mutations of the Covid-19 virus – will continue to exert pressure in the first quarter of 2021.

As forecast, the implementation of the "P24x" programme will leave traces on free cash flow in 2021, resulting in a negative free cash flow in the mid double-digit region.

Medium-term goals confirmed

The Koenig & Bauer Group 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.

Statutory disclosures

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

Disclosures in accordance with sections 289a (1) Nos. 1, 2 and 3 and 315a (1) Nos. 1, 2 and 3 of the German Commercial Code

On 31 December 2020, 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, Altern-Invest GmbH in Vienna, Austria and Universal-Investment-Gesellschaft mit beschränkter Haftung in Frankfurt am Main each hold shares of 10.2% of 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 2020, the shares held by the executive bodies of Koenig & Bauer AG came to 5.14% of its share capital. The members of the Management Board held 5.12% (Mr Claus Bolza-Schünemann 5.10%) and the members of the Supervisory Board 0.02%.

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 target gender quotas. The Supervisory Board's gender quota for female members of the Management Board is still 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 31 December 2022 at least 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 and authorisation to purchase shares

On 31 December 2020, 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. Koenig & Bauer AG may utilise up to 10% of the share capital prevailing at that time to acquire and resell treasury stock subject to the exclusion of shareholders' pre-emptive subscription rights. This authorisation granted by the shareholders expires on 18 May 2021 and allows the Company to offer treasury stock in the purchase of companies or equity interests at short notice. The Company did not hold any treasury stock on 31 December 2020.

Disclosures in accordance with sections 289a (1) Nos. 8 and 9 and 315a (1) Nos. 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 including the corporate governance report 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/>

Compensation report

The compensation report describes the basic principles of the compensation system for the Management Board and explains the structure and amount of compensation paid to the members of the Management Board. The compensation report is based in particular on the recommendations of the German Corporate Governance Code (GCGC) and the requirements of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG).

Supervisory Board compensation

The compensation of the Supervisory Board is determined by Article 13 of the articles of incorporation. In addition to an attendance fee and the reimbursement of out-of-pocket expenses, each member receives fixed annual compensation 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 compensation. 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 compensation. D&O insurance has been taken out for the members of the Supervisory Board and is subject to a deductible of €2,500. The total compensation paid to the Supervisory Board in 2020 came to €0.6m (previous year: €0.6m) and breaks down as follows:

Management Board compensation system

In the year under review, the Supervisory Board dealt regularly with the compensation for the Management Board and its appropriateness.

in €	2019				2020			
	Base compensation ¹	Additional compensation ¹ for committee work	Meeting attendance fee	Total	Base compensation ¹	Additional compensation ¹ for committee work	Meeting attendance fee	Total
Professor Raimund Klinkner	54,416	3,646	1,750	59,812	70,000	6,250	3,750	80,000
Dr Martin Hoyos	29,167	3,125	750	33,042	-	-	-	-
Gottfried Weippert	52,500	6,250	1,750	60,500	52,500	7,500	4,000	64,000
Dagmar Rehm	52,500	11,250	1,750	65,500	52,500	11,250	3,750	67,500
Julia Cuntz	35,000	-	1,250	36,250	35,000	-	3,750	38,750
Carsten Dentler	35,000	6,250	1,500	42,750	35,000	6,250	3,750	45,000
Marc Dotterweich	35,000	7,500	1,750	44,250	35,000	7,500	4,000	46,500
Matthias Hatschek	35,000	6,250	1,750	43,000	35,000	6,250	4,000	45,250
Christopher Kessler	35,000	6,250	1,500	42,750	35,000	6,250	4,000	45,250
Professor Gisela Lanza	35,000	9,375	1,750	46,125	35,000	9,375	3,750	48,125
Dr Johannes Liechtenstein	17,500	4,375	750	22,625	35,000	7,500	3,250	45,750
Walther Mann	35,000	6,250	1,750	43,000	35,000	6,250	4,000	45,250
Dr Andreas Pleßke	-	-	-	-	-	-	-	-
Simone Walter	35,000	-	1,750	36,750	35,000	-	3,500	38,500
Total	486,083	70,521	19,750	576,354	490,000	74,375	45,500	609,875

¹ The base and additional compensation is calculated on the basis of the members' function and length of service on the Supervisory Board (see page 153 in the notes).

With the entry into force of the Act on the Transposition of the Second Shareholder Rights Directive (ARUG II) and the new German Corporate Governance Code as amended on 16 December 2019, which was published on 20 March 2020 (2020 Code), the Supervisory Board has revised the remuneration system of the Management Board. It will be submitting it for approval for the first time at the first Annual General Meeting following 31 December 2020 in accordance with the requirements of ARUG II ("Say on Pay").

In the year under review, the multi-year variable compensation was examined and restructured. The purpose was to increase the variability of the expected values, to align the different contracts and to strengthen the shareholder-value principle. The amendments had an impact on the compensation system as a whole. The main changes in the remuneration system concern share-based components in the long-term variable remuneration, additional rules governing a cap on total remuneration and the inclusion of clawback and suspension arrangements. The service contracts of all the members of the Management Board were structured and amended in 2020 to comply with the statutory requirements and the recommendations of the 2020 Code. From the 2021 financial year onwards, the compensation arrangements are essentially the same for all members of the Management Board. Notwithstanding the fact that the 2020 Code no longer recommends the inclusion of sample tables, the compensation report still includes the tables in accordance with the recommendations of the Code in the version dated 7 February 2017.

In accordance with the German Stock Corporation Act (Aktiengesetz) as amended by ARUG II, the Supervisory Board must in the future submit the compensation system to the shareholders for approval in the event of any material change, however no less than once every four years. The Supervisory Board must do this for the first time at the first Annual General Meeting following 31 December 2020 at the latest.

The total remuneration of the members of the Management Board, which is fixed individually

according to their responsibilities, is composed of fixed remuneration elements, i.e. a fixed monthly salary plus benefits and an annual bonus (single-year variable remuneration). The Supervisory Board may decide to pay a special bonus in recognition of extraordinary achievements.

These rules apply to Dr Kimmich and Mr Ulverich in the year under review and to all the members of the Management Board from 2021. In lieu of share-based remuneration, the other members of the Management Board received the multi-year variable remuneration described below in 2020.

Dr Matthias Dähn left the Company subject to mutual agreement with the Supervisory Board on 30 April 2020. He will receive a quarter of the variable annual bonus provided for in his service contract for the 2020 financial year. He received termination benefits of €1,984,000 gross upon the premature termination of his service agreement. His entitlement to the multi-year variable compensation accruing up until the date of his resignation will be determined when a decision is made on the multi-year variable compensation for the other members of the Management Board.

The following arrangements apply to the single-year variable compensation:

50% of the single-year variable compensation is tied to the Company's business performance in the current year (reference year). The other 50% is tied to the achievement of individual goals in the performance of the respective management duties (including any additional tasks assigned). The individual goals are based on financial goals as well as non-financial goals, particularly those of a non-quantitative nature. The target is defined as 60% of the fixed compensation ("target bonus"), which may increase to up to 90% in the event of over-achievement (150% of the target bonus). In the case of Mr Bolza-Schünemann, Dr Dähn, Mr Sammeck and Mr Müller, the single-year variable compensation is still tied solely to the Company's business performance in the current year (reference year). This is measured on the basis of EBT for Mr Bolza-Schünemann, on the basis of the

Group's EBIT margin for Dr Dähn and on the basis of the Group's EBIT margin (50%) and the EBIT margin for the applicable segment (50%) for Mr Müller and Mr Sammeck.

An EBIT margin of at least 1.1% must be achieved in 2020 for payment of 50% of the target bonus to be made. The target bonus is paid out if the EBIT margin reaches 2.1%. The target is capped at 150% for an EBIT margin of 3.1%. The budget approved by the Supervisory Board forms the target for 100% achievement.

The following applies to the multi-year variable compensation:

The multi-year variable compensation is tied to the Company's business performance in the reference year and the following two years. The target base amount is defined as 65% of the fixed compensation, which may increase to up to 130% in the event of over-achievement (150% of target achievement). The target base amount is not tied to the achievement of certain objectives or other conditions. Compensation beyond the target base amount is tied to the extent to which the targets set for the single-year variable compensation 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 base 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 ("compensation shares"). After the expiry of a four-year vesting period, the members of the Management Board may withdraw the compensation shares from the restricted account or have the corresponding amount (base amount plus any gains or losses in the share price) paid out. Dr Kimmich and Mr Ulverich received this share-based remuneration in the year under review. This entailed expense of €221,000 each for Dr Kimmich and Mr Ulverich. The price of the subscription rights awarded on the basis of the closing price of the share on the day of the Annual General Meeting, while

the amount to be converted is derived from the benefits granted as shown in the remuneration table.

In derogation of this, the multi-year variable compensation for Dr Pleßke, Mr Müller, Mr Sammeck and Dr Dähn 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. 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 compensation, which may increase to up to 130% in the event of excess achievement (200% of the target bonus). The tranches for 2020 to 2022 are paid out if the average EBIT margin over the three-year period is 4.3% or higher, commencing with 50% of the target. The target (100%) is paid out if the average EBIT margin reaches 5.3%. It is capped at 200% of the target when the average EBIT margin reaches 7.3%. The Supervisory Board determines the targets for the future reference years and the following two years on an annual basis. In the case of the multi-year variable compensation, there is no separate segment view, meaning that only Group EBIT is applicable.

In derogation of this, EBT for the 2020 financial year is used as a basis for determining the single-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 any changes in EBT.

With respect to the variable compensation granted, the responsible committee of the Supervisory Board adopted a resolution on 3 February 2021 providing for target achievement of 0% for the LTI from 2018 and 2019 and 100% for the LTI from 2020 and achievement of 50% of the Group targets for the STI from 2020 and 100% for the STI-BU targets or the STI personal targets. A resolution approving the payout is adopted after the annual financial statements have been approved. Other compensation paid to the Management Board includes retirement benefits and fringe

benefits such as the provision of a company car. The pension scheme is based on external pension liability insurance with annual allocations and adjustments. The Chief Executive Officer additionally has fixed entitlement to retirement benefits. In accordance with IAS 19, the present values of the retirement benefit obligations accruing to Claus Bolza-Schünemann amounted to €6,440,363 (€6,072,065), Dr Mathias Dähn €4,201,754 (€4,114,301), Christoph Müller €4,579,610 (€4,201,562), Dr Andreas Pleßke €1,135,516 (€885,799), Ralf Sammeck €4,533,762 (€3,968,992), Dr Stephen Kimmich €128,434 (-) and Michael Ulverich €124,290 (-) at the end of 2020. The figures for the previous year are shown in brackets. The provisions recognised under German GAAP (HGB) are disclosed in the notes to the single-entity financial statements on page 18.

The following termination benefits are paid in the event of premature termination of the service contract by the Company. If the service contract has a remaining duration of two or more years, the termination benefits are capped at an amount equalling two annual salaries. The annual salary comprises the fixed compensation plus the target defined for single-year compensation and retirement benefit expenses.

The members of the Management Board received the compensation set out below in 2020 (individualised figures):

Benefits granted

Benefits granted		Claus Bolza-Schünemann CEO			Dr. Stephen Kimmich CFO (from 15.4.2020)			
in €	2019	2020	2020 (Min)	2020 (Max)	2019	2020	2020 (Min)	2020 (Max)
Non-performance-based components								
Fixed compensation	490,000	501,600	501,600	501,600		341,818	341,818	341,818
Fringe benefits¹	23,503	24,246	24,246	24,246		27,506	27,506	27,506
Total	513,503	525,846	525,846	525,846	0	369,324	369,324	369,324
Performance-based components								
One-year variable compensation	490,000	285,000	0	570,000		153,000	0	306,000
Multi-year variable compensation								
Plan description FY 2018 (Period payment 2019 – 21)								
Plan description FY 2019 (Period payment 2020 – 22)	490,000							
Plan description FY 2020 (Period payment 2021 – 23)		570,000	0	570,000				
Plan description FY 2018 (Period payment 2021)								
Plan description FY 2019 (Period payment 2022)								
Plan description FY 2020 (Period payment 2023)								
Plan description FY 2020 (Period payment 2024)						221,000	0	442,000
Total	1,493,503	1,380,846	525,846	1,665,846	0	743,324	369,324	1,117,324
Service cost	168,511	0	0	0		128,434	128,434	128,434
Total compensation	1,662,014	1,380,846	525,846	1,665,846	0	871,758	497,758	1,245,758

Benefits granted

Benefits granted	Christoph Müller Board member Digital & Webfed segment				Ralf Sammeck Board member Sheetfed segment, CDO				
	in €	2019	2020	2020 (Min)	2020 (Max)	2019	2020	2020 (Min)	2020 (Max)
Non-performance-based components									
Fixed compensation		480,000	448,000	448,000	448,000	480,000	480,000	480,000	480,000
Fringe benefits¹		24,541	24,915	24,915	24,915	25,812	27,383	27,383	27,383
Total		504,541	472,915	472,915	472,915	505,812	507,383	507,383	507,383
Performance-based components									
One-year variable compensation		288,000	216,000	0	432,000	288,000	216,000	0	432,000
Multi-year variable compensation									
Plan description FY 2018 (Period payment 2019 – 21)									
Plan description FY 2019 (Period payment 2020 – 22)									
Plan description FY 2020 (Period payment 2021 – 23)									
Plan description FY 2018 (Period payment 2021)									
Plan description FY 2019 (Period payment 2022)		312,000				312,000			
Plan description FY 2020 (Period payment 2023)			312,000	0	624,000		312,000	0	624,000
Plan description FY 2020 (Period payment 2024)									
Total		1,104,541	1,000,915	472,915	1,528,915	1,105,812	1,035,383	507,383	1,563,383
Service cost		125,960	143,518	143,518	143,518	164,371	199,975	199,975	199,975
Total compensation		1,230,501	1,144,433	616,433	1,672,433	1,270,183	1,235,358	707,358	1,763,358

Dr. Mathias Dähn
CFO (until 30.4.2020)Dr. Andreas Pleßke
Board member Special segment

2019	2020	2020 (Min)	2020 (Max)	2019	2020	2020 (Min)	2020 (Max)
480,000	160,000	160,000	160,000	480,000	480,000	480,000	480,000
38,033	12,829	12,829	12,829	27,508	26,464	26,464	26,464
518,033	172,829	172,829	172,829	507,508	506,464	506,464	506,464
288,000	36,000	0	108,000	138,000	216,000	0	432,000
312,000				312,000			
	78,000	0	156,000		312,000	0	624,000
1,118,033	286,829	172,829	436,829	957,508	1,034,464	506,464	1,562,464
124,786	37,179	37,179	37,179	112,390	145,808	145,808	145,808
1,242,819	324,008	210,008	474,008	1,069,898	1,180,272	652,272	1,708,272

Michael Ulverich
COO (from 15.4.2020)

2019	2020	2020 (Min)	2020 (Max)
	341,818	341,818	341,818
	26,618	26,618	26,618
0	368,437	366,618	366,618
	153,000	0	306,000
	221,000	0	442,000
0	742,437	366,618	1,114,618
	124,290	124,290	124,290
0	866,727	490,908	1,238,908

¹ The fringe benefits include the costs or the monetary equivalent of benefits in kind and other benefits such as the provision of company cars, grants for insurance cover, legal and tax consulting, housing costs, including any taxes payable on these, foreign-currency compensation payments and costs in connection with medical examinations.

The following table sets out the amounts accruing in 2020 from basic compensation, fringe benefits, single-year variable compensation and multi-year variable compensation broken down by the individual year of receipt as well as retirement benefit expenses. Contrary to the multi-year variable compensation granted for 2020 described above, this table shows the actual value of the multi-year variable compensation granted in previous years and accruing in 2020.

Allocation	Claus Bolza-Schünemann CEO		Dr. Stephen Kimmich CFO (from 15.4.2020)		Dr. Mathias Dähn CFO (from 30.4.2020)		Dr. Andreas Pleßke Board member Special segment	
in €	2019	2020	2019	2020	2019	2020	2019	2020
Non-performance-based components								
Fixed compensation	490,000	501,600	0	341,818	480,000	160,000	480,000	480,000
Fringe benefits ¹	23,503	24,246	0	27,506	38,033	12,829	27,508	26,464
Total	513,503	525,846	0	369,324	518,033	172,829	507,508	506,464
Performance-based components								
One-year variable compensation	490,000	196,000			288,000	288,000	138,000	82,800
Multi-year variable compensation								
Plan description FY 2017 (Period payment 2018 – 20)	135,000							
Plan description FY 2018 (Period payment 2019 – 21)	135,000							
Plan description FY 2018 (Period payment 2020 – 22)	196,000							
Plan description FY 2019 (Period payment 2020 – 22)								
Plan description FY 2018 (Period payment 2019 – 21)								
Plan description FY 2019 (Period payment 2020 – 22)								
Plan description FY 2017 (Period payment 2019)					456,612			
Plan description FY 2018 (Period payment 2020)						410,280		
Plan description FY 2019 (Period payment 2021)								
Total	1,469,503	721,846	0	369,324	1,262,645	871,109	645,508	589,264
Service cost	168,511	0	0	128,434	124,786	37,179	112,390	145,808
Total compensation	1,638,014	721,846	0	497,758	1,387,431	908,288	757,898	735,072

¹ The fringe benefits include the costs or the monetary equivalent of benefits in kind and other benefits such as the provision of company cars, grants for insurance cover, legal and tax consulting, housing costs, including any taxes payable on these, foreign-currency compensation payments and costs in connection with medical examinations.

	Christoph Müller Board member Digital & Webfed segment		Ralf Sammeck Board member Sheetfed segment, CDO		Michael Ulverich COO (ab 15.4.2020)	
	2019	2020	2019	2020	2019	2020
	480,000	448,000	480,000	480,000	0	341,818
	24,541	24,915	25,812	27,383	0	26,618
	504,541	472,915	505,812	507,383	0	368,437
	288,000	194,000	288,000	216,000		
	418,561		437,586			
		376,090		393,185		
	1,211,102	1,043,005	1,231,398	1,116,568	0	368,437
	125,960	143,518	164,371	199,975	0	124,290
	1,337,062	1,186,523	1,395,769	1,316,543	0	492,727

Total compensation according to §314 und §285 HGB	Claus Bolza-Schünemann CEO		Dr. Stephen Kimmich CFO (from 15.4.2020)		Dr. Mathias Dähn CFO (from 30.4.2020)		Dr. Andreas Pleßke Board member Special segment	
in €	2019	2020	2019	2020	2019	2020	2019	2020
Non-performance-based components								
Fixed compensation	490,000	501,600	0	341,818	480,000	160,000	480,000	480,000
Fringe benefits¹	23,503	24,246	0	27,506	38,033	12,829	27,508	26,464
Total	513,503	515,846	0	369,324	518,033	172,829	507,508	506,464
Performance-based components								
One-year variable compensation	490,000	196,000			288,000	288,000	138,000	82,800
Multi-year variable compensation								
Plan description FY 2017 (Period payment 2018 – 20)	135,000							
Plan description FY 2018 (Period payment 2019 – 21)	135,000							
Plan description FY 2018 (Period payment 2020 – 22)	196,000							
Plan description FY 2019 (Period payment 2020 – 22)								
Plan description FY 2018 (Period payment 2019 – 21)								
Plan description FY 2019 (Period payment 2020 – 22)								
Plan description FY 2017 (Period payment 2019)					456,612			
Plan description FY 2018 (Period payment 2020)						410,280		
Plan description FY 2019 (Period payment 2021)				221,000				
Total	1,469,503	721,846	0	590,324	1,262,645	871,109	645,508	589,264
Service cost			0					
Total compensation	1,469,503	721,846	0	590,324	1,262,645	871,109	757,898	589,264

¹ The fringe benefits include the costs or the monetary equivalent of benefits in kind and other benefits such as the provision of company cars, grants for insurance cover, legal and tax consulting, housing costs, including any taxes payable on these, foreign-currency compensation payments and costs in connection with medical examinations.

	Christoph Müller Board member Digital & Webfed segment		Ralf Sammeck Board member Sheetfed segment, CDO		Michael Ulverich COO (from 15.4.2020)	
	2019	2020	2019	2020	2019	2020
	480,000	448,000	480,000	480,000	0	341,818
	24,541	24,915	25,812	27,383	0	26,618
	504,541	472,915	505,812	507,383	0	368,437
	288,000	194,000	288,000	216,000		
	418,561		437,586			
		376,090		393,185		
						221,000
	1,211,102	1,043,005	1,231,398	1,116,568	0	589,437
	1,211,102	1,043,005	1,231,398	1,116,568	0	589,437

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 2020, excluding apprentices, was 291 (2019: 296).

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.

Earnings

At €82.8m, revenue was 4.5% below the previous year's figure of €86.7m 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. Gross profit climbed to €27.9m, up from €23.0m in the previous year. This was primarily due to the lower cost of sales, in particular as a result of significantly lower IT expenses compared to the previous year. They were reduced by €8.8m to -€54.9m, down from -€63.7m in the previous year. The gross margin thus rose to 33.7%, up from 26.5% in the previous year. General administrative expenses increased from €26.8m in the previous year to €31.3m due to non-recurring personnel effects. The net other operating expenses of -€125.1m (2019: -€6.0m) are significantly influenced by the derecognition of receivables from the off-setting of cash flows within the Group and the waiver of a loan granted to a subsidiary. Net investment income came to €176.4m (previous year: €22.0m), mainly due to restructuring in the Banknote Solutions business unit and the associated recognition of hidden reserves of €218.2m. Net interest expense rose to €4.7m in the year under review (previous year: €3.0m). Tax expenses amounted to €0.7m (2019: €0.8m). This resulted in net profit for the year of €42.5m (2019: €8.6m). Including the profit carried forward of €8.3m (previous year: €16.5m) and the retained amount of €21.3m, the unappropriated surplus stands at €29.6m (previous year: €8.3m).

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 €42.6m. The Management Board acting with the Supervisory Board's approval proposes that the unappropriated surplus of €29.6m be carried forward. The unappropriated surplus is composed of the unappropriated surplus of €8.3m carried forward from 2019 and the unappropriated surplus for 2020 of €21.3m.

Assets and finances

As of 31 December 2020, Koenig & Bauer AG's balance sheet total stood at €651.2m, up from €589.4m in the previous year. Fixed assets increased by a total of €205m to €517.4m (31 December 2019: €312.4m). The increase resulted mainly from the restructuring of the Banknote Solutions business unit and the associated recognition of hidden reserves. This resulted in an increase of €218.2m in shares of financial assets in affiliated companies. As of the reporting date, financial assets were valued at €399.3m, up from €191.9m in the previous year.

The reduction in current assets from €274.3m to €131.8m was mainly due to the decrease in other assets. They include receivables under loans to affiliated companies of €49.3m (previous year: €71.5m) as well as receivables from the offsetting of cash flows of €5.5m (previous year: €71.8m). In contrast to the previous year, these items are reported under receivables from affiliated companies. The decrease in receivables under loans to affiliated companies adjusted for this reclassification is mainly due to the scheduled repayment of loans and the waiver of a loan to a subsidiary. In addition, the reduction in receivables from affiliated companies was due to the derecognition of receivables from the offsetting of cashflows within the Group.

At the end of 2020, equity amounted to €295.2m (31 December 2019: €252.6m). This translates into an equity ratio of 45.3% relative to the increased balance sheet total (2019: 42.9%).

Provisions dropped from €101.6m in the previous year to €98.7m. Retirement benefit provisions increased slightly from €78.5m to €79.4m, while other provisions decreased from €23.1m to €19.4m. Most of the liabilities of €256.0m (2019: €233.6m) are due to banks, amounting to €176.0m (2019: €180.0m). The increase in liabilities to affiliated companies of €64.6m to €73.9m (2019: €9.3m) and the decline in other liabilities from €40.8m to €5.0m is due to the reclassification of loans and liabilities under the netting of cashflows within the Group in contrast to the previous year.

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 79 ff. 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 90 and the forecast on page 92 f provide information on our prospects and plans for operating business.

Financial and non-financial performance indicators and, hence, a forecast of these in accordance with DRS 20, play a subordinate role for Koenig & Bauer AG as a single entity. However, this does not prejudice compliance with the requirements of company law.

Detailed index

110	Group balance sheet	140	(10) Financial and other liabilities
111	Group income statement	141	(11) Derivatives
112	Statement of comprehensive Group income	142	(12) Further disclosures on financial instruments
113	Statement of changes in Group equity		
114	Group cash flow statement	146	(13) Leases
115	Notes to the Group financial statements	147	(14) Other financial obligations and contingent liabilities
115	(A) Preliminary remarks		
115	(B) New and amended standards and interpretations	147	(I) Explanatory notes to the income statement
117	(C) Accounting policies	147	(15) Revenue
125	(D) Consolidated companies and consolidation principles	148	(16) Expenses by function
126	(E) Foreign currency translation	148	(17) Expenses by nature
126	(F) Changes in accordance with IAS 8	148	(18) Other income and expenses
128	(G) Changes in intangible assets, property, plant and equipment	149	(19) Financial result
130	(H) Explanatory notes to the balance sheet	149	(20) Income taxes
130	(1) Intangible assets, property, plant and equipment	149	(21) Earnings per share
132	(2) Financial and other assets	149	(J) Explanatory notes to the cash flow statement
135	(3) Inventories	150	(K) Segment information
135	(4) Securities	151	(L) Notes to section 285 no. 17 HGB
136	(5) Cash and cash equivalents	151	(M) Exemptions in accordance with sections 264b and 264 (3) HGB
136	(6) Deferred taxes	152	(N) Related party disclosures
136	(7) Equity	155	(O) Profit allocation proposal
137	(8) Pension provisions and similar obligations		
140	(9) Other provisions		

Group financial statements

Group balance sheet to 31 December 2020

in €m	Note	01.01.2019*	31.12.2019*	31.12.2020
Assets				
Non-current assets				
Intangible assets	(H) (1)	84.8	115.4	129.8
Property, plant and equipment	(H) (1)	220.2	245.6	262.5
Investments and other financial receivables	(H) (2)	26.0	22.5	22.3
Other assets	(H) (2)	1.3	0.9	3.4
Deferred tax assets	(H) (6)	80.2	106.7	91.7
		412.5	491.1	509.7
Current assets				
Inventories	(H) (3)	392.5	408.5	357.6
Trade receivables	(H) (2)	106.6	108.4	91.9
Other financial receivables	(H) (2)	13.7	15.5	23.4
Other assets	(H) (2)	174.6	185.1	190.6
Current tax assets		6.6	9.4	7.3
Securities	(H) (4)	16.3	4.8	2.8
Cash and cash equivalents	(H) (5)	142.0	191.0	137.8
		852.3	922.7	811.4
		1,264.8	1,413.8	1,321.1
Equity and liabilities				
Equity	(H) (7)			
Share capital		43.0	43.0	43.0
Share premium		87.5	87.5	87.5
Reserves		280.4	301.1	210.3
Equity attributable to owners of the Parent		410.9	431.6	340.8
Equity attributable to non-controlling interests		0.9	1.2	1.4
		411.8	432.8	342.2
Liabilities				
Non-current liabilities				
Pension provisions and similar obligations	(H) (8)	152.6	165.5	165.6
Other provisions	(H) (9)	20.9	23.7	40.3
Bank loans and other financial payables	(H) (10)	76.0	207.2	169.6
Other liabilities	(H) (10)	0.9	6.2	9.9
Deferred tax liabilities	(H) (6)	33.9	53.0	68.6
		284.3	455.6	454.0
Current liabilities				
Other provisions	(H) (9)	128.6	82.8	124.8
Trade payables	(H) (10)	82.4	109.6	59.2
Bank loans and other financial payables	(H) (10)	84.7	96.7	111.3
Other liabilities	(H) (10)	261.1	225.1	221.8
Current tax liabilities		11.9	11.2	7.8
		568.7	525.4	524.9
		1,264.8	1,413.8	1,321.1

* adjusted, for further information see explanatory Note (F)

Group income statement 2020

in €m	Note	2019*	2020
Revenue	(I) (15)	1,245.8	1,028.6
Cost of sales	(I) (16)	-918.8	-827.7
Gross profit		327.0	200.9
Research and development costs	(I) (16)	-37.5	-39.1
Distribution costs	(I) (16)	-151.3	-129.7
Administrative expenses	(I) (16)	-103.4	-94.7
Other operating income	(I) (18)	47.7	22.2
Other operating expenses	(I) (18)	-21.0	-29.1
Impairment gains and losses on financial assets	(I) (18)	7.9	1.6
Other financial results	(I) (19)	0.7	–
Earnings before interest and taxes (EBIT)		70.1	-67.9
Other interest and similar income		1.1	2.5
Other interest and similar expenses		-7.3	-8.1
Interest result	(I) (19)	-6.2	-5.6
Earnings before taxes (EBT)		63.9	-73.5
Income tax expense	(I) (20)	-11.6	-29.6
Net profit/loss		52.3	-103.1
of which			
attributable to owners of the Parent		52.0	-103.7
attributable to non-controlling interests		0.3	0.6
Earnings per share (in €, basic/dilutive)	(I) (21)	3.15	-6.27

* adjusted, for further information see explanatory Note (F)

Statement of comprehensive Group income 2020

in €m	2019*	2020
Net profit / loss	52.3	-103.1
Items to be reclassified to consolidated profit or loss		
Foreign currency translation	0.7	-4.0
Measurement of derivatives	-0.7	2.3
Deferred taxes	0.2	-0.5
	0.2	-2.2
Items not to be reclassified to consolidated profit or loss		
Defined benefit plans	-19.9	-4.5
Revaluation of land	–	25.1
Deferred taxes	5.2	-5.5
	-14.7	15.1
Losses recognised directly in equity	-14.5	12.9
Total comprehensive income	37.8	-90.2
of which		
attributable to owners of the Parent	37.5	-90.8
attributable to non-controlling interests	0.3	0.6

* adjusted, for further information see explanatory Note (H) (7)

Statement of changes in Group equity 2020

in €m	Reserves								Equity attr. to non-controlling interests	Total
	Recognised in equity**									
	Share capital	Share premium	Defined benefit plans	Revaluation of land	Derivatives	Exchange differences	Other	Equity attr. to owners		
31 December 2018	43.0	87.5	-87.4	–	-1.1	3.9	406.6	452.5	0.9	453.4
Changes in accordance with IAS 8	–	–	–	–	–	–	-41.5	-41.5	–	-41.5
Changes in accordance with IFRS 16	–	–	–	–	–	–	-0.1	-0.1	–	-0.1
1 January 2019*	43.0	87.5	-87.4	–	-1.1	3.9	365.0	410.9	0.9	411.8
Net profit	–	–	–	–	–	–	52.0	52.0	0.3	52.3
Gains/losses recognised directly in equity	–	–	-14.7	–	-0.5	0.7	–	-14.5	–	-14.5
Total comprehensive income	–	–	-14.7	–	-0.5	0.7	52.0	37.5	0.3	37.8
Dividend	–	–	–	–	–	–	-16.5	-16.5	–	-16.5
Other	–	–	–	–	–	-0.1	-0.2	-0.3	–	-0.3
31 December 2019*	43.0	87.5	-102.1	–	-1.6	4.5	400.3	431.6	1.2	432.8
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

* adjusted, for further information see explanatory Note (H) (7)

** reserves recognised in equity are shown net of deferred taxes; in the previous year, they were not netted

Group cash flow statement 2020

in €m	Note	2019*	2020
Earnings before taxes		63.9	-73.5
Appreciation/depreciation on intangible assets, property, plant and equipment	(G)	33.6	34.5
Currency measurement	(I) (18)	5.4	-0.3
Non-cash interest income/expense		4.8	3.6
Other non-cash income/expenses		-18.9	-0.6
Gross cash flow		88.8	-36.3
Changes in inventories		-14.3	44.7
Changes in receivables and other assets		-8.8	3.9
Changes in other provisions		-43.4	60.1
Changes in payables and other liabilities		-11.8	-52.4
Interest received		0.4	0.9
Interest paid		-1.8	-2.9
Income tax paid		-17.3	-12.9
Income tax refunded		0.3	7.1
Cash flows from operating activities		-7.9	12.2
Proceeds from the disposal of intangible assets, property, plant and equipment		47.6	12.5
Payments for investment in intangible assets, property, plant and equipment		-89.3	-39.3
Proceeds from the disposal of investments		3.9	-
Payments for investments		-6.7	-9.6
Dividends received		0.1	0.1
Cash flows from investing activities		-44.4	-36.3
Free cash flow		-52.3	-24.1
Proceeds from loans		125.7	20.0
Repayment of loans		-0.8	-34.5
Payments for lease liabilities		-7.3	-10.7
Changes in equity attr. to non-controlling interests		0.3	0.2
Other changes in equity		-0.4	-
Dividends paid		-16.5	-
Cash flows from financing activities		101.0	-25.0
Change in funds		48.7	-49.1
Effect of changes in exchange rates		0.3	-4.3
Effect of changes in consolidated companies		-	0.2
Funds at beginning of period		142.0	191.0
Funds at end of period	(H) (5)	191.0	137.8

* adjusted, for further information see explanatory Note (J)

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 2020 to 31 December 2020 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 23 March 2021 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 2020 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 2020.

IAS 1/ IAS 8	Amendments to IAS 1 and IAS 8 - Definition of material
IFRS 3	Amendments to IFRS 3 - Definition of a business
IFRS 9/ IAS 39/ IFRS 7	Amendments to IFRS 9, IAS 39 and IFRS 7 - IBOR reform
IFRS 16	Amendments to IFRS 16 – Covid-19-Related Rent Concessions
Conceptual framework	Changes to references to conceptual framework

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 1 and IAS 8 – Definition of material

The terms "materiality of financial statement information" previously used in the Framework, IAS 1 and IAS 8 and IFRS Practice Statement 2 have been standardised and defined more precisely by these amendments. This does not have any material impact on Koenig & Bauer AG's consolidated financial statements.

Amendment to IFRS 3 – Definition of a business

The amendment to IFRS 3 clarifies the concept of a business as a group of activities and assets that includes at least one input and a substantial process that together contribute significantly to generating output. In this context, the term "output" is used to refer in particular to the provision of goods and services to customers; the previous reference to cost reductions no longer applies. In addition, an optional concentration test will facilitate the identification of business operations in the future. This does not result in any significant changes for 2020.

Amendments to IFRS 9, IAS 39 and IFRS 7 – IBOR reform

As expected, the upcoming changes to the reference interest rates under the IBOR reform will lead to a termination of many hedging relationships. Various exemptions will permit the retention of existing hedge accounting policies for a transitional period. This does not have any material impact on Koenig & Bauer AG's consolidated financial statements.

Changes to references to conceptual framework

The revision of the conceptual framework by the IASB has resulted in a restructuring of the existing sections and the addition of individual sections such as "The reporting entity", "Presentation and disclosure" and "Derecognition". Changes to the content concern, for example, the elimination of the distinction between income, gains and revenues. As a result of these changes, the references to the framework have been updated in various standards. Where necessary, the presentation of the 2020 consolidated financial statements has been adjusted accordingly.

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 9/ IAS 39/ IFRS 7/ IFRS 4/ IFRS 16	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – IBOR Reform (Phase 2)	2021
IFRS 4	Amendment to IFRS 4 – Applying IFRS 9 with IFRS 4	2021
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 or Non-Current	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 4 and IFRS 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.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 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.

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. Upon initial application from 1 January 2022, the cumulative transition effect is recognised in retained earnings as an adjustment of the opening balance sheet values; the comparison figures are not restated. All onerous contracts held by the Koenig & Bauer Group as of 31 December 2020 will essentially be fulfilled before the date of first-time application.

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 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.

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
- Sale-and-lease-back transactions - management's assessment of significant measurement parameters
- 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 measured reliably, adequate development and marketing resources are available and future economic benefits 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 is 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 3 to 5 years. In accordance with IAS 8, it is initially measured prospectively.

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

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

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

Grants

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

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

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

Leases

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

As **lessee**, Koenig & Bauer recognises a right-of-use asset in intangible assets and property, plant and equipment and a lease liability in other financial liabilities on the commencement date of the lease. The right-of-use asset is measured at the present value of the lease liabilities at the commencement date plus initial direct costs, any lease payments already made before the commencement date and the present value of estimat-

ed costs at the end of the term, minus lease incentives received. The lease liability is recognised at the present value of the lease payments not yet made at that date, comprising fixed and variable lease instalments and expected payments from residual value guarantees and the exercise price of purchase options if there is sufficient certainty that they will be exercised. Discounting is based on the underlying interest rate for the lease or, if this is not known, the lessee's incremental borrowing rate. The incremental borrowing rate is determined using various external sources and adjusted to the economic environment and the term of the respective lease agreement.

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

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

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

Depreciation

The systematic straight-line depreciation of intangible Group 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. Further details can be found in the Group Management Report on page 65f. 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 purposes 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 recycled 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, provided that the credit risk has increased significantly since initial recognition. 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. If an account is past due by more than 90 days, this is considered to be objective evidence that the credit quality of an asset is impaired.

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 initial recognition, 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 assump-

tions 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 79 onwards. Derivatives in the form of marketable foreign exchange transactions (forwards and swaps) and interest rate hedges were used. Where the conditions defined in IFRS 7 for an effective hedging relationship were fulfilled, hedge accounting was used, more specifically cash flow hedges.

Inventories

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

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

Equity

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

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

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

Pension provisions

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

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

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

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

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

Other provisions

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

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

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

Financial payables

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

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

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

Income taxes

Deferred tax assets and liabilities are recognised on temporary differences between IFRS and tax bases for Group enterprises, and on consolidation measures. Differences are calculated using the liability method specified in IAS 12, and only tax-relevant temporary differences are taken into account. Deferred tax assets include temporary differences as well as claims to future tax reductions arising from the anticipated use

of existing tax loss carryforwards, where this use is probable or verified by convincing substantial evidence. Where the use is improbable, an impairment is disclosed. Deferred tax assets are calculated on the basis of 5-year corporate planning and the expected impact on earnings of taxable temporary differences. However, the assumptions made with regard to the future taxable income available for the utilisation of deferred tax assets are subject to uncertainties.

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

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

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

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

Assets held for sale

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

Revenue

In the case of the sale of standardised **new or used machines**, the transfer of control after delivery and as-

sembly 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.

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 40 (previous year: 41) companies.

Altogether 28 (previous year: 27) 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 accordance with IAS 8

The new Group revenue recognition policy specifies that control over standardised new or used presses sold is transferred after delivery and assembly has been completed and upon the presses being ready for use by the customer. This is intended to reduce the volatility in revenue recognition in new press business and enable more balanced planning.

In the reporting year, it was also determined that it is appropriate to show the portion of the revolving credit line with a planned term of more than one year under non-current bank loans. The Group balance sheet was corrected accordingly.

In accordance with IAS 8, prior periods were restated retrospectively.

Group balance sheet

in €m	01.01.2019 adjusted	31.12.2019 adjusted
Assets		
Non-current assets		
Deferred tax assets	0.7	0.3
Current assets		
Inventories	126.8	115.9
Trade receivables	-49.4	-32.2
Other assets	-3.6	-13.3
Equity and liabilities		
Equity		
Reserves	-41.5	-27.6
Non-current liabilities		
Bank loans and other financial payables	65.0	175.0
Other liabilities	–	-0.1
Deferred tax liabilities	–	-0.2
Current liabilities		
Other provisions	-9.4	-7.2
Trade payables	-0.1	-0.4
Bank loans and other financial payables	-65.0	-175.2
Other liabilities	125.5	106.4

Group income statement

in €m	31.12.2019 adjusted
Revenue	27.3
Cost of sales	-13.2
Gross profit	14.1
Earnings before interest and taxes (EBIT)	14.1
Earnings before taxes (EBT)	14.1
Income tax expense	-0.2
Net profit	13.9
of which	
attributable to owners of the Parent	13.9
attributable to non-controlling interests	–
Earnings per share (in €, basic/dilutive)	0.84

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

in €m	Cost									31.12.
	01.01.	Changes in accordance with IFRS 16	01.01. adjusted	Group Additions	Additions	Revaluation surplus	Exchange differences	Reclassifications	Disposals	
2019										
Intangible assets										
Industrial property rights and similar rights	62.9	1.4	64.3	–	1.2	–	–	1.7	0.2	67.0
Goodwill ²	39.0	–	39.0	–	–	–	–	–	–	39.0
Product development costs ²	22.9	–	22.9	–	21.7	–	–	–	2.0	42.6
Prepayments and assets under construction	6.1	–	6.1	–	11.3	–	–	-1.7	–	15.7
	130.9	1.4	132.3	–	34.2	–	–	–	2.2	164.3
Property, plant and equipment										
Land and buildings	269.1	21.7	290.8	–	14.6	–	0.3	-1.4	29.3	275.0
Plant and machinery	192.3	0.1	192.4	–	12.2	–	0.3	0.1	3.4	201.6
Other facilities, factory and office equipment	133.9	7.0	140.9	–	15.4	–	0.1	2.9	5.9	153.4
Prepayments and assets under construction	4.5	–	4.5	–	28.5	–	–	-1.6	–	31.4
	599.8	28.8	628.6	–	70.7	–	0.7	–	38.6	661.4
	730.7	30.2	760.9	–	104.9	–	0.7	–	40.8	825.7
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 ²	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

¹ Segment Digital & Webfed² level 3 of fair-value hierarchy

Depreciation									Carrying amount		
	01.01.	Changes in accordance with IFRS 16	01.01. adjusted	Annual depreciation	Appreciation	Exchange differences	Reclassifications	Disposals	31.12.	01.01.	31.12.
	39.6	0.7	40.3	3.6	–	–	–	0.2	43.7	24.0	23.3
	0.2	–	0.2	–	–	–	–	–	0.2	38.8	38.8
	7.0	–	7.0	–	–	–	–	2.0	5.0	15.9	37.6
	–	–	–	–	–	–	–	–	–	6.1	15.7
	46.8	0.7	47.5	3.6	–	–	–	2.2	48.9	84.8	115.4
	139.8	14.5	154.3	8.2	–	0.2	-1.2	14.5	147.0	136.5	128.0
	152.6	–	152.6	8.6	–	0.2	-0.1	3.3	158.0	39.8	43.6
	98.5	3.0	101.5	13.2	–	0.1	1.3	5.3	110.8	39.4	42.6
	–	–	–	–	–	–	–	–	–	4.5	31.4
	390.9	17.5	408.4	30.0	–	0.5	–	23.1	415.8	220.2	245.6
	437.7	18.2	455.9	33.6	–	0.5	–	25.3	464.7	305.0	361.0
	43.7	–	–	3.7	–	-0.1	–	2.8	44.5	23.3	20.3
	0.2	–	–	–	–	–	–	–	0.2	38.8	38.2
	5.0	–	–	–	–	–	–	–	5.0	37.6	49.4
	–	–	–	–	–	–	–	–	–	15.7	21.9
	48.9	–	–	3.7	–	-0.1	–	2.8	49.7	115.4	129.8
	147.0	–	–	9.2	0.2	-0.4	0.2	15.8	140.4	128.0	155.5
	158.0	–	–	8.3	–	-0.5	–	9.6	156.2	43.6	37.5
	110.8	–	–	13.3	–	-0.4	-0.2	14.9	108.6	42.6	56.1
	–	–	–	–	–	–	–	–	–	31.4	13.4
	415.8	–	–	30.8	0.2	-1.3	–	40.3	405.2	245.6	262.5
	464.7	–	–	34.5	0.2 ¹	-1.4	–	43.1	454.9	361.0	392.3

(H) 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 (H) (13).

Government grants for promoting investment reduced the carrying amounts for property, plant and equipment by €2.4m (previous year: €2.7m).

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	31.12.2019	31.12.2020
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	0.8
Koenig Bauer Duran Karton Ambalaj Teknolojileri Sanayi A.Ş., Istanbul, Turkey	11.2	10.6
	38.8	38.2

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
2019			
Koenig & Bauer MetalPrint GmbH, Stuttgart, Germany	5	9.1%	6.8%
Business Unit Security	5	7.8%	7.1%
Koenig & Bauer Kammann GmbH, Löhne, Germany	5	9.4%	6.8%
Koenig & Bauer Flexotecnica S.p.A., Tavazzano, Italy	5	8.5%	6.9%
Koenig Bauer Duran Karton Ambalaj Teknolojileri Sanayi A.Ş., Istanbul, Turkey	5	8.4%	6.9%
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%

In the case of the cash-generating unit Koenig & Bauer Flexotecnica S.p.A., the recoverable amount equalled the carrying amount, meaning that any unfavourable development in a material assumption would lead to an impairment. With respect to the remaining cash-generating units, Koenig & Bauer assumes on the basis of various sensitivity analyses that no impairment is required even in the event of any changes in the key planning assumptions that are considered to be possible.

There was evidence of impairment of individual items of goodwill as of 30 June 2020 due to the Covid-19-related pandemic. However, corresponding impairment testing did not indicate any evidence of impairment.

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.

The initial application of the revaluation method results in an impairment of €0.2m, which is allocated to the individual function areas in accordance with their use.

The disposals of land and buildings relate to a sale-and-lease-back transaction in Germany. Further details are given in Note (H) (13).

Applying the acquisition cost method would have resulted in a book value of €21.3m for land.

(2) Financial and other assets

Investments

Major interests 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 Management GmbH, Würzburg, Germany	100.0	0.1
Koenig & Bauer Industrial AG & Co. KG, Würzburg, Germany	100.0	13.4
Koenig & Bauer Sheetfed Management GmbH, Radebeul, Germany	100.0	0.0
Koenig & Bauer Sheetfed AG & Co. KG, Radebeul, Germany	100.0	10.0
Koenig & Bauer Digital & Webfed Management GmbH, Würzburg, Germany	100.0	0.1
Koenig & Bauer Digital & Webfed AG & Co. KG, Würzburg, Germany	100.0	6.8
Koenig & Bauer Banknote Solutions GmbH, Würzburg, Germany (formerly: Koenig & Bauer Security Management GmbH)	100.0	256.5
Koenig & Bauer Banknote Solutions (DE) GmbH, Würzburg, Germany ¹ (formerly: KBA-NotaSys Management GmbH)	100.0	149.8
Koenig & Bauer Finance GmbH, Würzburg, Germany	100.0	0.1
Koenig & Bauer Immobilien GmbH, Würzburg, Germany	100.0	0.1
Koenig & Bauer Gießerei GmbH, Würzburg, Germany ¹	100.0	2.6
Koenig & Bauer FT Engineering GmbH, Frankenthal, Germany	100.0	1.6
Albert-Frankenthal GmbH, Frankenthal, Germany	100.0	0.1
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	19.3
Holland Graphic Occasions B.V., Wieringerwerf, Netherlands	100.0	1.0
Koenig & Bauer (FR) SAS, Tremblay-en-France, France	100.0	3.1
Koenig & Bauer IT S.R.L., Lainate, Italy	100.0	2.3
Koenig & Bauer Flexotecnica S.p.A., Tavazzano, Italy	100.0	2.3 ³
Koenig & Bauer Iberica, S.A., El Prat de Llobregat, Spain	100.0	5.3
Koenig & Bauer (UK) Limited, Watford, UK	100.0	1.2
Koenig & Bauer Grafitec s.r.o., Dobruška, Czech Republic	100.0	21.1
KBA-SWISS HOLDING SA, Lausanne, Switzerland ¹	100.0	51.4 ³
Koenig & Bauer Banknote Solutions SA, Lausanne, Switzerland ¹ (formerly: KBA-NotaSys SA)	100.0	80.5 ³
Koenig & Bauer Banknote Solutions International SA, Geneva, Switzerland ¹ (formerly: KBA-NotaSys International SA)	100.0	0.3 ³
KBA NOTASYS Egypt LLC, Cairo/Egypt	100.0	0.1 ³
Koenig & Bauer (CH) AG, Höri, Switzerland	100.0	2.4
Koenig & Bauer (CEE) Sp. z o.o., Warsaw, Poland	100.0	1.8
Koenig Bauer Duran Karton Ambalaj Teknolojileri Sanayi A.Ş., Istanbul, Turkey	80.0	4.3
Koenig & Bauer (US) Inc., Wilmington, DE, USA	100.0	25.2
Koenig & Bauer LATAM, S.A.P.I. de C.V., Mexico City, Mexico	90.0	1.9
Koenig & Bauer (HK) Co. Limited, Hong Kong, China	100.0	1.9 ³
Koenig & Bauer Printing Machinery (Shanghai) Co., Limited, Shanghai, China	100.0	2.3 ³

¹ Indirect interests

² Deficit not covered by equity

³ Preliminary figures

Company, location	Capital share in %	Equity in €m
Non-consolidated affiliates		
PrintHouseService GmbH, Würzburg, Germany	100.0	0.2 ³
Koenig & Bauer DK A/S, Værløse, Denmark	100.0	-0.8 ^{2, 3}
Koenig & Bauer (RU), LLC, Moscow, Russia	100.0	-1.1 ^{2, 3}
Koenig & Bauer Kammann (US), Inc., Portsmouth, NH, USA ¹	100.0	3.8
Koenig & Bauer (BR) Comércio de Impressoras e Serviços Ltda., São Paulo, Brasil	100.0	-0.3 ²
Koenig & Bauer (SEA) Sdn. Bhd., Kuala Lumpur, Malaysia	100.0	1.3
Koenig & Bauer KR Co. Ltd, Goyang-si, South Korea	100.0	0.3
Koenig & Bauer (JP) Co., Ltd, Tokyo, Japan	100.0	-0.6 ²
Koenig & Bauer (AU) Pty Ltd, Mount Waverley, Australia	100.0	0.0
KBA NotaSys India Private Limited, New Delhi, India ¹	100.0	1.0
Associates		
Koenig & Bauer Durst GmbH, Würzburg, Germany	50.0	-13.5 ^{2, 3}
¹ Indirect interests ² Deficit not covered by equity ³ Preliminary figures		

The Banknote Solutions business unit was restructured under company law effective 31 December 2020. As a result, Koenig & Bauer Banknote Solutions (DE) AG & Co. KG (formerly: KBA-NotaSys AG & Co. KG) was merged with Koenig & Bauer Banknote Solutions (DE) GmbH through the withdrawal of the general partner, and Koenig & Bauer Banknote Solutions AG & Co KG (formerly: Koenig & Bauer Security AG & Co. KG) was merged with Koenig & Bauer Banknote Solutions GmbH.

The sales and service company KBA NOTASYS Egypt LLC, Cairo, Egypt, was consolidated for the first time in the year under review.

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.

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

in €m	31.12.2019	31.12.2020
Current assets	0.4	5.1
Current liabilities	-5.8	-18.6
Net assets (100%)	-5.4	-13.5
Group share in net assets (50%)	-2.7	-6.8
Shares in associates	-0.2	-0.2
Unrecognised share of net assets	-2.5	-6.6
Financial investments in associates (50%)	–	–

in €m	2019	2020
Cost of sales	–	-0.1
Research and development costs	-5.4	-6.0
Distribution costs	-0.1	-1.6
Administrative expenses	-0.2	-0.7
Other operating income	–	0.3
Other interest and similar expenses	–	-0.1
Earnings (100%)	-5.7	-8.2
Group share of earnings (50%)	-2.9	-4.1
Unrecognised share of earnings	-2.7	-4.1
Group share of earnings (50%)	-0.2	–

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

in €m	31.12.2019*	Term to maturity		31.12.2020	Term to maturity	
		up to 1 year	more than 1 year		up to 1 year	more than 1 year
Trade receivables						
from affiliates	9.7	9.7	–	6.9	6.9	–
from associates	1.9	1.9	–	0.7	0.7	–
from third parties	96.8	92.9	3.9	84.3	83.3	1.0
	108.4	104.5	3.9	91.9	90.9	1.0
Investments	6.2	–	6.2	6.3	–	6.3
Other financial receivables						
from affiliates	6.0	6.0	–	3.7	3.7	–
from associates	–	–	–	5.7	5.7	–
derivatives	0.4	0.4	–	1.9	1.9	–
sundry other financial receivables	25.4	9.1	16.3	28.1	12.1	16.0
	38.0	15.5	22.5	45.7	23.4	22.3
Other assets						
contract assets	138.6	138.5	0.1	139.2	139.2	–
payments for inventories from affiliates	–	–	–	0.1	0.1	–
payments for inventories from third parties	14.0	14.0	–	18.3	18.3	–
tax receivables	24.5	24.5	–	27.3	27.0	0.3
prepayments	8.9	8.0	0.9	9.1	6.0	3.1
	186.0	185.0	1.0	194.0	190.6	3.4
	332.4	305.0	27.4	331.6	304.9	26.7

* adjusted

Performance obligations for customer contracts comprise **trade receivables** of €15.7m (previous year: €27.1m) and **contract assets** of €128.7m (previous year: €116.3m).

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

Miscellaneous other financial assets comprise non-current claims of €15.4m (previous year: €15.2m) held against insurance companies arising from the partial external funding of the company pension scheme in Germany.

(3) Inventories

The carrying amount of inventories balanced at net realisable value was €173.4m (previous year: €205.1m*). Total value adjustments were decreased by €2.4m (previous year: increase €4.3m*).

in €m	31.12.2019*	31.12.2020
Raw materials, consumables and supplies	120.7	111.9
Work in progress	272.2	235.8
Finished goods and products	15.6	9.9
	408.5	357.6

* adjusted

(4) Securities

These refer to shares in a fund combining stocks and bonds. The market value of the fund was €4.9m (previous year: €5.1m). 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	31.12.2019	31.12.2020
Cheques, cash in hand	0.1	0.5
Balances with banks	190.9	137.3
	191.0	137.8

At the end of the year there were loss carryforwards of €310.6m (previous year: €240.2m) and temporary differences of €144.2m (previous year: €20.7m) 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 €26.1m (previous year: €59.1m) despite the loss generated by the companies concerned.

(6) Deferred taxes

Deferred tax assets and liabilities relate to the following items:

No deferred tax liability was recognised on temporary differences on shares of €5.2m (previous year: €3.9m), as a reversal is not likely in the foreseeable future.

in €m	Deferred tax assets		Deferred tax liabilities	
	31.12.2019*	31.12.2020	31.12.2019*	31.12.2020
Assets				
Intangible assets, property, plant and equipment	1.0	0.5	32.0	42.0
Inventories	41.9	46.8	1.1	5.1
Financial receivables and other assets	4.5	5.1	26.1	34.5
Securities	0.2	0.1	0.5	0.5
Equity and liabilities				
Provisions	42.1	48.9	4.5	5.4
Financial payables and other liabilities	11.2	14.4	38.9	40.1
	100.9	115.8	103.1	127.6
Tax loss carryforwards	55.9	34.9	–	–
Offset	-50.1	-59.0	-50.1	-59.0
	106.7	91.7	53.0	68.6
of which current deferred taxes	4.2	5.2	18.4	25.9

(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 2020: €344m, previous year: €348.5m) and the net financial position (31 December 2020: -€471m, previous year: -€8.3m) 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 by a further €120m in the year under review 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 2020.

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 €154.7m as of the reporting date (previous year: €44.3m).

Changes in shareholders' equity are described in a separate schedule on page 113 and capital management methods on page 76.

Share capital

The Parent's share capital at 31 December 2020 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 increased reserves by €3.2m (previous year: -€0.1m). During completion of the underlying transactions -€0.8m was recognised as an expense (previous year: -€0.6m).

Deferred taxes increased reserves by -€6m (previous year: €5.4m), with revaluation of land of -€6.8m, defined benefit pension plans accounting for €1.4 m (previous year: €5.2m) and derivatives of -€0.6m (previous year: €0.2m).

(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 pro-

vides 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 0.86% (previous year: 1.2%) applied in Germany was calculated on the basis of capital market interest rates provided by Heubeck AG. In the process, the method for calculating the discount rate was enhanced. If the retirement benefit obligations had been measured on the basis of an interest rate determined according to the method used in the previous year, they would have been approximately €10.6m higher, the service cost for the following year would have been €0.4m higher and the net interest component for the following year would have been €0.2m lower. In the case of other European companies, a weighted discount rate of 0.3% (previous year: 0.6%) is applied. In addition, salary increase rates of 1.6% (previous year: 1.7%) are assumed for other European countries. The pension adjustment rate is assumed to be 1.7% (previous year: 1.7%) in Germany and 0.2% (previous year: 0.03%) 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 present value of pension obligations and the fair value of plan assets changed as follows:

in €m	Present value of pension obligations		Fair value of plan assets		Net obligation/ net asset	
	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020
Status at 01.01. before cap due to limitation of net assets	294.5	307.8	-151.8	-145.6	142.7	162.2
Cap due to limitation of net assets	–	–	–	–	9.9	2.5
Status at 01.01.	294.5	307.8	-151.8	-145.6	152.6	164.7
Recognised in profit or loss						
Current service cost	9.7	9.3	–	–	9.7	9.3
Past service cost	-3.2	0.1	–	–	-3.2	0.1
Interest cost/income	4.6	2.9	-2.2	-1.4	2.4	1.5
Cap due to limitation of net assets	–	–	–	–	0.2	–
	11.1	12.3	-2.2	-1.4	9.1	10.9
Recognised in other comprehensive income						
Actuarial gain/loss						
demographic assumptions	-11.3	-1.1	–	–	-11.3	-1.1
financial assumptions	32.2	15.5	-2.0	-0.5	30.2	15.0
experience adjustments	6.8	-3.6	–	-4.2	6.8	-7.8
Return on plan assets	–	–	1.8	0.9	1.8	0.9
Cap due to limitation of net assets	–	–	–	–	-7.6	-2.5
	27.7	10.8	-0.2	-3.8	19.9	4.5
Other						
Contributions paid by employer	–	–	-6.9	-6.7	-6.9	-6.7
Contributions paid by plan beneficiaries	0.2	0.3	-2.8	-2.9	-2.6	-2.6
Benefits paid	-29.6	-10.9	24.2	5.0	-5.4	-5.9
Foreign currency changes	3.9	-0.4	-2.9	0.6	1.0	0.2
Transfers	–	–	-3.0	-1.0	-3.0	-1.0
Sundry	–	0.8	–	–	–	0.8
	-25.5	-10.2	8.6	-5.0	-16.9	-15.2
Status at 31.12. 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 31.12.	307.8	320.7	-145.6	-155.8	164.7	164.9

Pension provisions and similar obligations constituted the following:

in €m	31.12.2019	31.12.2020
Present value of non-funded obligations	121.7	124.9
Present value of funded obligations	186.1	195.8
Present value of obligations	307.8	320.7
Fair value of plan assets	-145.6	-155.8
Cap due to limitation of net assets	2.5	–
Net value	164.7	164.9
Pension provisions and similar obligations	165.5	165.6
Net defined benefit asset	-0.8	-0.7

Plan assets comprised €22.2m (previous year: €20.3m) from shares and equity securities, €8.1m (previous year: €7.1m) from loans, €1.2m (previous year: €6.4m) from cash and cash equivalents, €91.6m (previous year: €82.4m) from pension liability insurance, €17.6m (previous year: €15.5m) from real estate and €15.2m (previous year: €13.9m) 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	
	31.12.2019	31.12.2020
Status at 01.01.	12,3	6,8
Recognised in profit or loss		
Interest cost/income	0,2	0,1
	0,2	0,1
Recognised in other comprehensive income		
Other income from reimbursement rights	0,2	–
	0,2	–
Other		
Contributions paid by employer	-2,6	1,4
Benefits paid	-0,3	-0,3
Sundry	-3,0	-1,0
	-5,9	0,1
Status at 31.12.	6,8	7,0

The actual return on plan assets was €1.9m (previous year: €4.2m). The anticipated rate of return is 0.9% (previous year: 1.5%), based on returns in previous years.

The plan contributions to be paid in 2021 will amount to €9.6m (previous year: €9.7m). In addition, retirement benefits of €5.6m (previous year: €5.2m) are payable.

The weighted duration of pension obligations is 19 years (previous year: 19.3).

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 €32.8m (previous year: €31.5m).

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:

in €m	Benefit obligation			
	Increase		Decrease	
	31.12.2019	31.12.2020	31.12.2019	31.12.2020
Discount rate (0.5% change)	-26.3	-27.4	30.2	31.6
Salary increase rate (0.5% change)	1.3	1.3	-1.3	-1.2
Pension increase rate (0.5% change)	13.9	14.3	-8.7	-9.2
Fluctuation rate (0.5% change)	-1.5	-1.4	0.7	0.8
Life expectancy (1 year change)	10.9	13.0	-10.9	-12.9

(9) Other provisions

in €m	01.01.2020*	Utilisation	Reversal	Addition	Unwind of discount	Exchange differences	Reclassifications	31.12.2020
Other provisions								
for personnel and social obligations	14.6	7.3	0.2	7.1	0.1	-0.3	-0.6	13.4
for restructuring	2.0	1.8	0.1	57.7	–	–	–	57.8
for warranties and goodwill gestures	28.9	9.1	1.9	18.0	–	-0.5	–	35.4
for obligations related to sales	21.8	5.3	6.1	4.5	0.1	–	0.1	15.1
for sundry obligations	39.2	22.3	4.3	31.5	–	-0.6	-0.1	43.4
	106.5	45.8	12.6	118.8	0.2	-1.4	-0.6	165.1
of which								
long-term provisions	23.7							40.3
short-term provisions	82.8							124.8
	106.5							165.1

* adjusted

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.

Provisions for **obligations related to sales** primarily concern litigation risks and commission obligations.

The provisions for **sundry obligations** include performance obligations of €15.5m (previous year: €14.4m*) as well as professional association contributions, archiving costs and similar obligations.

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

(10) Financial and other liabilities

in €m	31.12.2019*	Term to maturity		31.12.2020	Term to maturity	
		up to 1 year	more than 1 year		up to 1 year	more than 1 year
Trade payables						
to affiliates	2.3	2.3	–	1.1	1.1	–
to companies in which interests are held	1.6	1.6	–	–	–	–
to third parties	105.7	105.3	0.4	58.1	58.1	–
	109.6	109.2	0.4	59.2	59.2	–
Bank loans	199.3	23.4	175.9	184.9	44.2	140.7
Other financial payables						
from derivatives	0.6	0.6	–	0.1	0.1	–
sundry	104.0	72.7	31.3	95.9	67.0	28.9
	303.9	96.7	207.2	280.9	111.3	169.6
Other liabilities						
from payments received from third parties	203.6	203.6	–	197.4	197.4	–
from taxes	16.3	16.3	–	13.5	13.5	–
sundry	11.4	5.2	6.2	20.8	10.9	9.9
	231.3	225.1	6.2	231.7	221.8	9.9
	644.8	431.0	213.8	571.8	392.3	179.5

* adjusted

Bank loans were secured by mortgages to the value of €5.6m (previous year: €5.6m) and the assignment of trade receivables totalling €2.8m (previous year: €12.8m). The carrying amounts of property, plant and equipment pledged as collateral came to €18.1m (previous year: €9m) and of trade receivables €3.4m (previous year: €13.5m*). Failure to fulfil contractual obligations may result in the seizure of collateral.

Sundry other financial payables included finance leases to the sum of €36.3m (previous year: €39m). Further information on leases is provided under Note (H) (13).

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

in €m	31.12.2019	Term to maturity			31.12.2020	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	39.5	10.1	18.4	11.0	37.0	9.2	16.8	11.0
Interest portion	-0.5	-0.3	-0.2	–	-0.7	-0.2	-0.4	-0.1
Present value of finance lease	39.0	9.8	18.2	11.0	36.3	9.0	16.4	10.9

The derivatives included in sundry other financial liabilities are explained more fully in Note (H) (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 €20.1m (previous year: €15.9m) for customer-specific production.

(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			Market value 31.12.2019	Nominal amount			Market value 31.12.2020
	Total 31.12.2019	Term to maturity more than 1 year			Total 31.12.2020	Term to maturity more than 1 year		
Forward contracts	57.2	–		–	52.1	–		1.6
Currency options	31.3	–		-0.2	3.5	–		0.2
Interest rate hedges	1.0	–		–	–	–		–
	89.5	–		-0.2	55.6	–		1.8

Forward contracts with a maturity of up to 12 months (previous year: up to 6 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 CZK. The fair value of forward contracts qualifying as hedges with a nominal amount totalling €54.2m (previous year: €57.2m) was €1.6m (previous year: -€0.02m).

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

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.

(12) Further disclosures on financial instruments

		Measurement				
in €m	31.12.2019* Carrying amount	Amortised cost	FVTPL Fair value through pro- fit and loss	FVOCI Fair value through OCI	Fair value hedges	31.12.2019* Fair value
Assets						
Investments and other financial receivables						
interests in affiliates	6.2	–	–	6.2	–	–
other financial receivables from derivatives	–	–	–	–	–	–
other financial receivables from hedge accounting	0.4	–	–	–	0.4 ²	0.4
sundry other financial receivables	31.4	31.4	–	–	–	31.4
	38.0	31.4	–	6.2	0.4	31.8
Trade receivables	81.3	81.3	–	–	–	81.3
Gross amounts due from customers for contract work	27.1	27.1	–	–	–	27.1
Securities	4.8	–	4.8 ¹	–	–	4.8
Cash and cash equivalents	191.0	191.0	–	–	–	–
	342.2	330.8	4.8	6.2	0.4	145.0
Liabilities						
Bank loans and other financial payables						
bank loans	199.3	199.3	–	–	–	199.3
lease liabilities ³	39.0	39.0	–	–	–	39.0
other financial payables from derivatives	0.2	–	0.2 ²	–	–	0.2
other financial payables from hedge accounting	0.4	–	–	–	0.4 ²	0.4
sundry other financial payables	65.0	65.0	–	–	–	65.0
	303.9	303.3	0.2	–	0.4	303.9
Trade payables	109.6	109.6	–	–	–	109.6
	413.5	412.9	0.2	–	0.4	413.5

* adjusted

¹ level 1 of fair-value hierarchy

² level 2 of fair-value hierarchy

³ valuation in accordance with IFRS 16

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 percep-

tible 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 €60.4m (previous year: €36.1m*) within the next twelve months, €94m (previous year: €77.6m*) in one to three years and €85.2m (previous year: €134.4m*) in more than three years from now. Additional liquidity will be required for sundry other financial payables, other financial payables and financial guarantees.

* adjusted

		Measurement				
in €m	31.12.2020 Carrying amount	Amortised cost	FVTPL Fair value through pro- fit and loss	FVOCI Fair value through OCI	Fair value hedges	31.12.2020 Fair value
Assets						
Investments and other financial receivables						
interests in affiliates	6.3	–	–	6.3	–	–
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 ³	36.3	36.3	–	–	–	36.3
other financial payables from derivatives	–	–	–	–	–	–
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

* adjusted

¹ level 1 of fair-value hierarchy

² level 2 of fair-value hierarchy

³ valuation in accordance with IFRS 16

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

in €m	Net gain/loss	from interest	from subsequent measurement		from disposal	Other
			due to impairment	currency impact		
2019*						
Equity instruments at fair value through other comprehensive income	-0.1	–	–	–	–	-0.1
Debt instruments at fair value through profit and loss	-0.1	–	–	-0.9	–	0.8
Financial assets at amortised cost	-1.2	-1.9	4.1	1.9	-5.3	–
Gross amounts due from customers for contract work at amortised cost	-1.2	–	–	–	-1.2	–
Financial liabilities at amortised cost	-5.3	-0.7	–	-4.6	–	–
	-7.9	-2.6	4.1	-3.6	-6.5	0.7
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	–

* adjusted

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 assets of €1.7m (previous year: €12m) that are not exposed to any credit risk.

Carrying amount

in €m	Creditworthi- ness not impaired	Creditworthi- ness impaired	31.12.2019*	Creditworthi- ness not impaired	Creditworthi- ness impaired	31.12.2020
Carrying amount						
not overdue	173.0	0.7	173.7	185.9	0.1	186.0
Overdue by 1-30 days	23.3	–	23.3	21.9	–	21.9
Overdue by 31-90 days	11.5	0.2	11.7	4.2	–	4.2
Overdue by more than 90 days	13.9	0.7	14.6	9.5	0.2	9.7
Group	221.7	1.6	223.3	221.5	0.3	221.8

* adjusted

The following table presents the impairments of trade receivables and contract assets. Impairments of €2.1m (previous year: €2.5m) have also been recognised on other financial assets.

Impairments

in € m	Creditworthi- ness not impaired	Creditworthi- ness impaired	31.12.2019*	Creditworthi- ness not impaired	Creditworthi- ness impaired	31.12.2020
1. January	3.2	15.6	18.8	3.1	12.8	15.9
Utilisation	-0.1	-2.6	-2.7	-0.1	-0.3	-0.4
Reversal	–	-1.9	-1.9	–	-3.0	-3.0
Addition	–	1.7	1.7	–	2.2	2.2
31. December	3.1	12.8	15.9	3.0	11.7	14.7

* adjusted

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 €10.6m (previous year: €59.7m), primarily relating to the "at amortised cost" 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.

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.

in €m	Equity		Net profit/loss	
	31.12.2019	31.12.2020	31.12.2019	31.12.2020
Devaluation USD by 5%	1.3	0.7	0.5	-0.6
Revaluation USD by 5%	-1.6	-0.6	-0.6	0.7
Devaluation CHF by 5%	-0.6	1.2	-0.6	1.2
Revaluation CHF by 5%	0.7	-1.3	0.7	-1.3

(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 agree-

ment 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 (G) as follows.

in € m	Carrying amount 01.01.	Additions	Annual depreciation	Other	Carrying amount 31.12.
2019					
Intangible Assets					
Industrial property rights and similar rights	0.7	–	0.2	–	0.5
	0.7	–	0.2	–	0.5
Property, plant and equipment					
Land and buildings	7.2	13.8	2.4	–	18.6
Plant and machinery	0.8	–	0.5	–	0.3
Other facilities, factory and office equipment	5.8	2.8	3.0	-0.1	5.5
	13.8	16.6	5.9	-0.1	24.4
	14.5	16.6	6.1	-0.1	24.9
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

Additions to land and buildings include an €1.2m (previous year €11.1m) 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 €27.9m (previous year: €27.8m) for the Group. If the special termination right is exercised, the leasing liabilities will be reduced by €1.3 million.

The amounts recognised in the income statement for leases are summarised in the following table. Further details on leases are given in Note (H) (18) and (J).

in €m	
2019	
Depreciation and amortization	6.1
Interest expenses	0.3
Short-term leases	1.1
Leases for low-value assets	0.2
2020	
Depreciation and amortization	7.6
Interest expenses	0.3
Short-term leases	0.3
Leases for low-value assets	0.3

(14) Other financial obligations and contingent liabilities

Other financial obligations

in €m	31.12.2019	Term to maturity			31.12.2020	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	1.5	0.6	0.9	–	1.1	0.5	0.6	–
service contracts	18.9	8.5	10.3	0.1	22.9	11.7	11.2	–
investment plans	1.3	1.3	–	–	0.8	0.8	–	–
sundry other activities	1.4	1.0	0.3	0.1	6.9	6.4	0.4	0.1
	23.1	11.4	11.5	0.2	31.7	19.4	12.2	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 were stated at the minimum lease payments.

Investment plans included obligations to invest in property, plant and equipment to the value of €0.8m (previous year: €1.1m).

Contingent liabilities

These comprised contingencies totalling €11.4m (previous year: €13.7m) 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 €3.6m (previous year: €2m) were created for existing risks that were not classified as minor.

(I) 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 €717.6m (previous year: €889.8m*) and revenue from other deliveries and services €311.0m (previous year: €356m*). The breakdown by product group is shown in Note (K).

In the year under review, revenue from customer-specific production of €242.2m (previous year: €293.3m) was recognised; cumulative revenue from orders not yet completed as of the balance sheet date amount to €660.1m (previous year: €558.8m).

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

*adjusted

(16) Expenses by function

Cost of sales

The **cost of sales** included product developments of €0.9m (previous year: €0.3m) as well as subsidies for apprentice training and job promotion of €0.1m.

Manufacturing costs for customer-specific projects still in progress on the balance sheet date amounted to €468.9m (previous year: €382.6m).

Research and development costs

Research and development costs of €39.1m were higher than the previous year's figure of €37.5m. This included research grants of €0.4m in the previous year.

Distribution costs and administrative expenses

Distribution costs fell from €151.3m to €129.7m and **administration costs** from €103.4m to €94.7m due to the effects of the Covid-19 pandemic. Administration costs 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	2019*	2020
Cost of raw materials, consumables, supplies and purchased goods	477.4	405.6
Cost of purchased services	118.7	93.4
	596.1	499.0

* adjusted

Personnel costs

(in accordance with the nature of expense method)

in €m	2019	2020
Wages and salaries	369.1	378.6
Social security and other benefits	67.9	60.7
Pensions	5.8	8.9
	442.8	448.2
Average payroll		
Wage-earning industrial staff	2,708	2,685
Salaried office staff	2,750	2,680
Apprentices/students	305	306
	5,763	5,671

Wages and salaries include provisions of €57.6m for the "P24x" efficiency programme. Reimbursements from the Federal Employment Agency for social security expenses in connection with short-timing work reduced personnel expenses by €5.5m. Due to government support programmes in connection with the Covid 19 pandemic, personnel expenses decreased by €16.8m.

(18) Other income and expenses

in €m	2019	2020
Gains from the disposal of intangible assets, property, plant and equipment	18.9	5.9
Foreign currency gains	4.4	5.8
Currency measurement	–	4.2
Sundry other operating income	24.4	6.3
Other operating income	47.7	22.2
Losses from the disposal of intangible assets, property, plant and equipment	-0.3	-0.9
Foreign currency losses	-3.9	-4.1
Currency measurement	-5.3	-3.9
Sundry other operating expenses	-11.5	-20.2
Other operating expenses	-21.0	-29.1
Impairment gains and losses on financial assets	7.9	1.6
Other income and expenses	34.6	-5.3

Gains from the disposal of intangible assets, property, plant and equipment included €5.3m (previous year: €18.4m) from a real-estate sale and lease back transaction. **Sundry other operating income** included an amount of €0.9m (previous year: €17.6m) from the release of provisions and 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	2019	2020
Other financial results		
Income from interests in affiliates	0.1	0.1
Expenses from interests in associates	-0.2	–
Income from other investments	0.1	–
Expenses from securities	0.7	-0.1
	0.7	–
Interest income/expense		
Other interest and similar income	1.1	2.5
of which affiliates	(0.1)	(0.1)
Other interest and similar expenses	-7.3	-8.1
from pension obligations	(-2.4)	(-1.5)
	-6.2	-5.6
Financial result	-5.5	-5.6

(20) Income taxes

in €m	2019*	2020
Actual tax expense	-13.5	-5.3
Deferred taxes from loss carryforwards	16.8	-21.0
Deferred tax income from temporary differences	-14.8	-3.3
Prior-period income taxes	-0.1	–
	-11.6	-29.6

in €m	2019*	2020
Earnings before taxes	63.9	-73.5
Group tax rate	30.0 %	30.0 %
Expected taxes	-19.1	22.1
Tax effects from		
variances due to different tax rates	-1.4	2.4
tax-free earnings	0.1	0.5
impairment gains/losses	9.8	-54.4
decreases and increases	-0.4	-0.7
Other	-0.6	0.5
Income tax	-11.6	-29.6

* adjusted

The approach of previously unrecognised tax losses and temporary differences relating to subsidiaries led to deferred tax income of €0.2m (previous year: €0.7m). Their use reduced the actual tax expense by €0.1m (previous year: €0.6m).

(21) Earnings per share

	2019*	2020
Net profit attributable to owners of the Parent in €m	52.0	-103.7
Weighted average of ordinary shares issued	16,524,783	16,524,783
Earnings per share in €	3.15	-6.27

* adjusted

(J) 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 €137.8m (previous year: €191m) included cash and cash equivalents. This includes €8.6m from a sale-and-lease back transaction.

Total payments for leases amount to €11.3m (previous year: €8.6m). 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	2019*			2020		
	Bank loans	Lease liabilities	Equity	Bank loans	Lease liabilities	Equity
Balance sheet at 1. Januar	74.4	19.0	411.8	199.3	39.0	432.8
Proceeds from loans	125.7	–	–	20.0	–	–
Repayment of loans	-0.8	–	–	-34.4	–	–
Payments for lease liabilities	–	-7.3	–	–	-10.7	–
Payments for non-controlling interests	–	–	-0.4	–	–	–
Dividends paid	–	–	-16.5	–	–	–
New leases	–	27.0	–	–	8.2	–
Other changes	–	0.3	37.9	–	-0.2	-90.6
Balance sheet at 31. Dezember	199.3	39.0	432.8	184.9	36.3	342.2

* adjusted

(K) 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 **Sheetfed segment** includes sheetfed offset presses for packaging and commercial printing as well as workflow and logistics solutions. The portfolio also in-

cludes 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 indus-

in €m	Segments						Reconciliation		Group	
	Sheetfed		Digital & Webfed		Special					
	2019*	2020	2019*	2020	2019*	2020	2019*	2020	2019*	2020
Revenue by product group										
Presses	487.2	419.3	78.6	75.5	352.3	242.8	-28.3	-20.0	889.8	717.6
Replacement parts	68.3	65.2	34.3	26.6	59.2	63.4	-2.2	-2.0	159.6	153.2
Service	75.3	66.1	42.7	24.0	66.8	58.5	-1.3	-0.6	183.5	148.0
Other	7.8	5.0	3.6	2.8	16.5	12.6	-15.0	-10.6	12.9	9.8
Revenue	638.6	555.6	159.2	128.9	494.8	377.3	-46.8	-33.2	1,245.8	1,028.6
EBIT	19.1	-27.8	-15.2	-25.5	50.7	-31.8	15.5	17.2	70.1	-67.9
Depreciation	14.8	14.9	1.6	1.6	8.9	9.3	8.3	8.7	33.6	34.5
Major non-cash expenses	20.3	51.7	5.2	10.1	25.9	48.8	5.9	8.4	57.3	119.0
Capital investments	36.1	16.4	7.8	9.6	31.0	10.9	30.0	9.6	104.9	46.5

* adjusted

trial marking and coding as well as special systems for direct metal decorating and glass and hollow container printing.

Services are assigned to the respective segment.

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.

As of 2020, subsidiaries previously allocated to the reconciliation as production service providers are now spread across the segments according to their activities. The previous year's figures have been adjusted accordingly.

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	
	2019*	2020	2019*	2020	2019*	2020
Germany	188.5	158.7	74.8	41.2	290.1	317.3
Rest of Europe	410.2	338.2	27.4	4.8	65.1	72.8
North America	166.1	185.9	1.9	-	2.0	1.4
China	135.8	112.7	0.4	0.2	0.9	0.6
Rest of Asia/Pacific	188.6	142.5	0.3	0.2	3.6	3.2
Africa/Latin America	156.6	90.6	0.1	0.1	0.2	0.1
Reconciliation	-	-	-	-	129.2	114.3
Group	1,245.8	1,028.6	104.9	46.5	491.1	509.7

* adjusted

(L) Notes to section 285 no. 17 HGB (M) Exemptions in accordance with sections 264b and 264 (3) 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 2020 came to €598 thousand for auditing services, €34 thousand for tax consulting and €9 thousand for other services.

The auditing fees for PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft were primarily for the audit of the consolidated financial statements and the annual financial statements for Koenig & Bauer AG as well as the audit of the annual financial statements of its subsidiaries.

The following consolidated subsidiaries applied the simplification options contained in section 264b respectively 264 (3) of the German Commercial Code (HGB) in 2020.

Company/location

Koenig & Bauer Industrial AG & Co. KG, Würzburg, Germany
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

(N) Related party disclosures

Related parties as defined by IAS 24 are all consolidated subsidiaries, non-consolidated affiliates, associates, interests (see Note (H) (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 (H) (2) and (H) (10).

in €m	2019*	2020
Other current financial receivables at 31.12.	6.0	9.4
Trade receivables at 31.12.	11.6	7.6
Prepayments for inventories	–	0.1
Trade payables at 31.12.	3.9	1.1
Revenue	39.8	23.5

* adjusted

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 €7.1m (previous year: €4.6m), with the fixed portion representing €4.9m (previous year: €2.5m). The variable portion was based on net profit, with €2m (previous year: €1.7m) being attributable to the multi-year variable remuneration. Pension provisions were increased by €0.6m (previous year: €0.7m) for the current service cost, provisions for multi-year variable remuneration amounted to €3.3m (previous year: €7.4m).

Provisions of €3.4m (previous year: €1.5m) were recognised for remuneration for former members and their survivors, of which €2m is accounted for by severance payments. Supervisory board remuneration totalled €0.6m (previous year: €0.6m), of which €0.6m (previous year: €0.6m) was fixed.

Provisions of €18.4m (previous year: €16.7m) were set aside for retirement benefits for the Management Board in accordance with IAS 19. An amount of €23.6m (previous year: €23.5m) was set aside for former members of the Management Board and their surviving dependants.

The individual compensation specified by section 314 (1) 6 of the German Commercial Code can be found in the management report on page 96 onwards. The management board's total remuneration in accordance with German commercial law amounted to €5.5m (previous year: €5.8m).

At 31 December 2020 members of the management board held 5.12% and members of the supervisory board 0.02% of Koenig & Bauer's share capital, giving a total of 5.14%.

Supervisory Board

Professor Raimund Klinkner

Chairman
Managing Partner
Institute for Management Excellence GmbH
Gräfelfing, Germany

Gottfried Weippert¹

Deputy Chairman
Technician
Eibelsstadt, Germany

Dagmar Rehm

Deputy Chairman
Corporate consultant
Langen, Germany

Julia Cuntz¹

Trade union secretary of IG Metall
Berlin, Germany

Carsten Dentler

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

Marc Dotterweich¹

Cutting machine operator
Birkenfeld, Germany

Matthias Hatschek

Entrepreneur
St. Martin, Austria

Christopher Kessler¹

General Counsel Koenig & Bauer AG
Würzburg, Germany

Professor Gisela Lanza

University Professor
Karlsruher Institute of Technology
Karlsruhe, Germany

Dr Johannes Liechtenstein

CFO Constantia Industries AG
Vienna, Austria

Walther Mann¹

Consultant
Würzburg, Germany

Simone Walter^{1,2}

Head of product development
Koenig & Bauer Coding GmbH
Arnstein, Germany

¹ workforce representative

² appointed by the register court

Committees

Mediation committee as per section 27(3)

Professor Raimund Klinkner (chairman)
Matthias Hatschek
Christopher Kessler
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
Walther Mann
Gottfried Weippert

Nomination Committee

Professor Raimund Klinkner (chairman)
Matthias Hatschek
Dagmar Rehm

Committee appointments to 31 December 2020

Management Board

Claus Bolza-Schünemann

(until 31 December 2020)

President and CEO

Würzburg, Germany

Dr Mathias Dähn

(until 30 April 2020)

CFO

Krailling, Germany

Dr Stephen M. Kimmich

(since 15 April 2020)

CFO

Großwallstadt, Germany

Christoph Müller

Executive vice-president Digital & Webfed segment

Würzburg, Germany

Dr Andreas Pleßke

CEO (since 1 Januar 2021)

Executive vice-president Special segment

Herrsching am Ammersee, Germany

Ralf Sammeck

CDO

Executive vice-president Sheetfed segment

Radebeul, Germany

Michael Ulverich

(since 15 April 2020)

COO

Neufahrn, Germany

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

	Member of the supervisory board at:
Professor Raimund Klinkner, Chairman	Terex Corporation, Westport, CT, USA (until 30 September 2020) ebm-papst Mulfingen GmbH & Co. KG, Mulfingen, Germany REHAU Verwaltungszentrale AG, Muri near Bern, Switzerland
Dagmar Rehm, Deputy chairman	O'Donovan Consulting AG, Bad Homburg, Germany
Julia Cuntz	KME Germany Beteiligungs GmbH, Osnabrück, Germany (until 30 May 2020)
Carsten Dentler	Scope SE & Co. KGaA, Berlin, Germany Scope Management SE, Berlin, Germany
Christopher Kessler	PrintHouseService GmbH, Würzburg, Germany
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, 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/>

(O) Profit allocation proposal

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

With the approval of the Supervisory board it will be proposed at the annual general meeting that the Koenig & Bauer AG balance sheet profit of €29,528,160.81 be carried forward to new account.

Würzburg, 23 March 2021
Management Board



Dr Andreas Pleßke



Dr Stephen Kimmich



Christoph Müller



Ralf Sammeck



Michael Ulverich

Responsibility statement

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

Würzburg, 23 March 2021
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 financial statements and the management report prepared for disclosure purposes in accordance with § 317 Abs. 3b HGB“ („Separate report on ESEF

conformity„). The subject matter (ESEF documents) to which the Separate report on ESEF conformity relates is not attached. The audited ESEF documents can be inspected in or retrieved from the Federal Gazette.

The English language text below is a translation of the auditor's report and was executed by Koenig & Bauer. The original German text shall prevail in the event of any discrepancies between the English translation and the German original. We do not accept any liability for the use of, or reliance on, the English translation or for any errors of misunderstandings that may derive from the translation.

INDEPENDENT AUDITORS' REPORT

To Koenig & Bauer AG, Würzburg

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND 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 31 December 2020, the consolidated statement of comprehensive income, the consolidated income statement, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January until 31 December 2020 and notes to the consolidated financial statements, including a summary of the 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 year from 1 January until 31 December 2020. In accordance with German statutory requirements, we have not audited the content of those components of the Group management report specified in "Other Information".

In our opinion based on the knowledge obtained in the audit,

- the enclosed consolidated financial statements comply in all material respects with the IFRSs as endorsed by the EU and the supplementary provisions of German commercial law in accordance with section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and in the light of these provisions provide a true and fair view of the net assets and the financial position of the Group as of 31 December 2020 and of the results of the Group's operations for the period from 1 January until 31 December 2020, and

- the enclosed Group management report generally provides a true and fair view of the Group's position. The Group management report is consistent with the consolidated financial statements in all material respects, complies with German statutory requirements and suitably presents the opportunities and risks of the Group's future development. Our opinion on the Group management report does not include the content of those components of the Group management report specified in the section entitled "Other Information".

Pursuant to section 322 (3) 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 audit opinions

We conducted our audit of the consolidated financial statements and the Group management report in accordance with section 317 HGB and the EU regulation on specific requirements regarding the statutory audit of public-interest entities (No. 537/2014, the "EU Audit Regulation") and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are 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, we declare in accordance with Article 10 (2) f) of the EU Audit Regulation that we have not provided any non-auditing services that are prohibited in accordance with Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our 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 such matters that in the exercise of our professional discretion we consider to be the most significant in our audit of the consolidated financial statements for the period from 1 January until 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

In our view, the following matters were the most significant in our audit:

- 1 Revenue recognition from the sales of presses under customer contracts in accordance with the principles of accrual accounting
- 2 Recognition of deferred taxes
- 3 Restructuring provisions

We have structured our presentation of these key audit matters as follows:

- 1 Issue and definition of problem
- 2 Audit procedure and findings
- 3 Reference to further information

The particularly important audit matters are presented below:

1 Revenue recognition from the sales of presses under customer contracts in accordance with the principles of accrual accounting

- 1 In the consolidated financial statements of Koenig & Bauer AG for the year ended 31 December 2020 revenue of €1,029m was reported in the consolidated income statement, of which €718m was generated from the sale of presses under customer contracts, taking into account the adjustment to the Group policy on the timing of revenue recognition. The previous year's figures were adjusted to reflect the change in Group policy.

Koenig & Bauer AG recognises revenue from the sale of standardised presses from customer contracts when it has fulfilled its performance obligation. This usually takes place at the time of the transfer of control to the customer after delivery and assembly

with the technical commissioning of the printing press.

The assessment of the technical commissioning and thus the timing of revenue recognition for sales of presses involves estimation uncertainties in view of the technical imponderables and due to the use of different contractual agreements in the various markets.

Accordingly, the correct application of the accounting standard on revenue recognition is considered to be complex. For the financial statements, there is a risk that revenue may not be correctly deferred as of the reporting date. Accordingly, the matter was of particular significance for our audit.

- 2 We have assessed the Group's processes and controls for the recognition and deferral of revenue from contracts with customers, taking into account the complexity of the estimates and assumptions to be made by management and the heightened risk of misstatement in the financial statements. Our specific audit approach involved assessing the structure of the internal control system and the IT systems used with regard to order acceptance, invoicing and revenue recognition in accordance with the principles of accrual accounting. Furthermore, we examined on a sample basis the invoices and the related purchase orders, contracts, incoming deliveries and payments and verified the accrual-based recognition of revenues by inspecting the commissioning records.

In this context, we also assessed the propriety of the accounting policy. In doing so, we satisfied ourselves by means of an inspection of a sample of customer contracts that the estimates and discretionary decisions made in the policy by the Company's Executive Directors regarding revenue recognition and revenue deferral are appropriate.

In addition, we assessed the modifications to the revenue recognition policy and its retrospective impact. To this end, we assessed the appropriateness of the procedures put in place to determine the retrospective adjustment and tracked the effect of the change by inspecting samples of the commissioning records. Finally, we verified the consistent application of the revised revenue recognition policy across the Group.

We were able to satisfy ourselves that the systems and processes as well as the controls put in place are adequate and that the assessments and as-

sumptions made by the Executive Directors are sufficiently documented and substantiated to serve as a basis for the appropriate point-in-time recognition of revenue from the sale of presses.

- 3 The disclosures made by the Company on revenue recognition are included in Note 15 "Revenue", Section F "Changes in accordance with IAS 8" and in the accounting policies described in the notes to the consolidated financial statements.

2 Recognition of deferred taxes

- 1 The consolidated financial statements of Koenig & Bauer AG show deferred tax assets of €91.7m (26.8% of Group equity) and deferred tax liabilities of €68.6m (20.0% of Group equity) after netting and valuation adjustments. They were recognised to the extent that the Executive Directors believe that it is probable that taxable earnings will arise in the foreseeable future against which the deductible temporary differences and as yet unused tax losses can be utilised. For this purpose, forecasts of future taxable earnings are made on the basis of the approved budgets, where sufficient deferred tax liabilities are not available. Deferred taxes are calculated on the basis of the tax rates for future years where these have already been legally determined or the legislative process has been largely completed.

Of the total deferred tax assets of €115.8m for the Koenig & Bauer Group before valuation allowances and netting, €35m relates to unused tax losses. In total, no deferred tax assets were recognised on deductible temporary differences and unused tax losses of €454.8m, as they are unlikely to be netted against taxable earnings in the forecast period.

In our view, accounting for deferred taxes was of particular importance in our audit, as it is highly dependent on estimates and assumptions made by the Executive Directors and is therefore subject to uncertainties.

- 2 In our audit, we assessed with the involvement of internal specialists possessing appropriate knowledge and skills the internal processes and controls for recording tax matters and the methodologies used to determine, account for and measure deferred taxes, among other things.

Furthermore, we assessed the recoverability of the deferred tax assets to determine deductible temporary differences and unused tax losses on the basis of internal forecasts of the Company's future

earnings and evaluated the appropriateness of the underlying estimates and assumptions.

On the basis of our audit procedures, we are satisfied that the estimates and assumptions made by management are reasonable and adequately documented.

- 3 The disclosures made by the Company on deferred taxes are included in Note 6 "Deferred taxes" in the accounting policies described in the notes to the consolidated financial statements.

3 Restructuring provisions

- 1 Koenig & Bauer AG has adopted an efficiency programme to boost the Group's operating profitability and competitiveness. In the announcement of the efficiency programme, the Company stated that, among other things, it intends to reduce personnel costs by cutting 700 to 900 jobs in the short and medium term. Following the notification of the employee representative bodies and the corresponding publication of the efficiency programme, restructuring provisions of €58m were recognised as an expense in the consolidated financial statements for 2020. In our view, this matter was of particular importance for our audit, as accounting for restructuring provisions is based to a large extent on estimates and assumptions made by the Executive Directors.
- 2 In our audit, we assessed the individual recognition criteria and the appropriate measurement of the restructuring provisions. To this end, we obtained and assessed appropriate evidence from the Executive Directors of Koenig & Bauer AG. We were able to satisfy ourselves that this matter and the assessments and assumptions made by the Executive Directors for the recognition and measurement of the restructuring provisions are sufficiently documented and substantiated. In our view, the restructuring provisions were measured within appropriate ranges.
- 3 The disclosures made by the Company on the restructuring provisions are included in Note 9 "Other provisions" in the accounting policies described in the notes to the consolidated financial statements.

Other information

The Executive Directors are responsible for the other information. Other information comprises the following components of the Group management report which have not been audited:

- the corporate governance statement pursuant to sections 289f and 315d HGB included in the Group management report
- the separate non-financial report pursuant to sections 289b (3) and 315b (3) HGB

The other information also includes the other parts of the annual report – without further cross-references to external information – with the exception of the audited consolidated financial statements, the audited Group management report and our opinion.

Our audit opinion on the consolidated financial statements and the Group management report does not include the other information and, accordingly, we do not express any opinion or draw any other types of conclusion on such information.

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

- exhibits any material inconsistencies over the consolidated financial statements, the Group management report or the findings of our audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Management Board and the Supervisory Board for the consolidated financial statements and the Group management report

Management is responsible for preparing the consolidated financial statements in material conformance to the IFRSs as endorsed for application in the EU and the additional German statutory provisions to be applied in accordance with section 315e (1) HGB and for ensuring that the consolidated financial statements provide a true and fair view of the assets, liabilities, financial position, and financial performance of the group in compliance with these requirements. In addition, management is 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, management is responsible for assessing the group's ability to continue as a going concern. In addition, it is responsible for disclosing all relevant matters relating to going concern. As well as this, they are responsible for preparing the consolidated financial statements on

the basis of the going-concern assumption unless they intend to liquidate the Group or discontinue its business operation or there is no realistic alternative to this.

Moreover, the statutory representatives are responsible for preparing the Group management report which provides a true and fair view of the Group's position, is consistent in all material respects with the consolidated financial statements, conforms to the German statutory provisions and suitably presents the opportunities and risks of the Group's future development. The statutory representatives are also responsible for all precautions and measures (systems) which they consider necessary to ensure that a Group management report can be prepared in conformance to the applicable German statutory provisions and to provide sufficient suitable documentary evidence to back up the statements made 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 combined 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 no guarantee that an audit conducted in accordance with Section 317 HGB, the EU Audit Regulation and the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always reveal any material misrepresentations. Misstatements may 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 scepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the consolidated financial statements and 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 management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's 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 audit opinion. 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 provide a true and fair view of the group's assets, liabilities and financial performance in compliance with IFRSs as

adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB;

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express 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 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 forward-looking information presented by the statutory representatives in the Group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the statutory representatives as a basis for the forward-looking information, and evaluate the proper derivation of the forward-looking information from these assumptions. We do not express a separate 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 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 audit of the electronic reproductions of the consolidated financial statements and the Group management report prepared for the purpose of disclosure pursuant to section 317 (3b) HGB

Opinion

In accordance with section 317 (3b) HGB, we performed a reasonable assurance engagement to determine whether the reproductions of the consolidated financial statements and the Group management report (hereinafter also referred to as the "ESEF documents") contained in the attached file KoenigBauer_AG_KA_LB_ESEF-2020-12-31.zip and prepared for disclosure purposes comply in all material respects with the requirements of section 328 (1) HGB regarding the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this audit only covers the conversion of the information in the consolidated financial statements and the Group management report into the ESEF format and therefore neither the information contained in these reproductions nor any other information contained in the above-mentioned file is considered.

In our opinion, the reproductions of the consolidated financial statements and the Group management report contained in the aforementioned attached file and prepared for the purpose of disclosure comply in all material respects with the requirements of section 328 (1) HGB regarding the electronic reporting format. Beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and the accompanying Group management report for the financial year from 1 January until 31 December 2020 contained in the preceding "Report on the audit of the consolidated financial statements and the Group management report", we do not express any audit opinion on the information contained in these reproductions or on the other information contained in the aforementioned file.

Basis for opinion

We conducted our audit of the reproductions of the consolidated financial statements and the Group management report contained in the above-mentioned attached file in accordance with section 317 (3b) HGB and in compliance with the draft IDW Auditing Standard: Audit of Electronic Reproductions of Financial Statements and Management Reports Prepared for the Purposes of Disclosure pursuant to section 317 (3b)

HGB (IDW EPS 410) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in this regard is additionally described in the section entitled "Auditor's responsibility for the audit of the ESEF documents". Our auditing practice has applied the quality assurance system requirements of the IDW Quality Assurance Standard: Requirements for Quality Assurance in the Auditing Practice (IDW QS 1).

Responsibility of the Executive Directors and the Supervisory Board for the ESEF documents

The Company's Executive Directors are responsible for the preparation of the ESEF documents with the electronic reproductions of the consolidated financial statements and the Group management report in accordance with section 328 (1) sentence 4 no. 1 HGB and for the certification of the consolidated financial statements in accordance with section 328 (1) sentence 4 no. 2 HGB.

Furthermore, the Company's Executive Directors are responsible for the internal controls which they consider necessary to enable the preparation of the ESEF documents that are free from material non-compliance, whether due to fraud or error, with the electronic reporting format requirements of section 328 (1) HGB.

The Company's Executive Directors are also responsible for submitting the ESEF documents together with the auditor's opinion and the attached audited consolidated financial statements and audited Group management report as well as other documents to be disclosed to the operator of "Bundesanzeiger".

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Auditor's responsibility for auditing the ESEF documents

Our objective is to obtain reasonable assurance as to whether the ESEF documentation is free of material non-compliance, whether due to fraud or error, with the requirements of section 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material non-compliance with the requirements of section 328 (1) HGB, 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 opinion.

- Obtain an understanding of internal control relevant to the audit of the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those controls.
- Assess the technical validity of the ESEF documentation, i.e. whether the file containing the ESEF documentation meets the requirements of Delegated Regulation (EU) 2019/815, in the version applicable as of the reporting date, for the technical specification for that file.
- Assess whether the ESEF documentation provides a consistent XHTML representation of the audited consolidated financial statements and the audited Group management report.
- Assess whether the certification of the ESEF documents with inline XBRL technology (iXBRL) provides an adequate and complete machine-readable XBRL copy of the XHTML reproduction.

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor at the Annual General Meeting on 14 July 2020. We were appointed by the Supervisory Board on 2 December 2020. We have been the group auditor of Koenig & Bauer AG since 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).

RESPONSIBLE GERMAN PUBLIC AUDITOR

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

Nuremberg, 23 March 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Marco See	Christian König
[German Public Auditor]	[German Public Auditor]

Detailed index

166	Selected disclosure option
166	Business model and materiality analysis
167	Environmental matters
169	Employee matters
174	Social matters
175	Commitment to human rights and high labour standards
175	Combatting corruption and bribery

Non-financial Group report

**Sustainable
products and
manufacturing
processes**

Non-financial Group report

Koenig & Bauer is committed to the United Nations global sustainability goals. The purpose of the 17 goals documented in Agenda 2030 is to ensure sustainable development in economic, social and ecological terms. In addition to goal 4 Quality Education, goal 12 Sustainable Consumption and Production forms a particular priority in our activities. We take our responsibility for the environment and society seriously through the sustained commitment to resource-sparing and emission-optimised products and by training qualified employees and supporting social and culture concerns.

Selected disclosure option

Koenig & Bauer publishes the disclosures on non-financial aspects required under section 315c in connection with sections 289c to 289e of the German Commercial Code in this separate non-financial Group report, which is published outside of the combined management report. References to information outside of the non-financial Group report are additional information and therefore not part of this report. The two separate reports with the auditor's report and audit note are disclosed in the "Bundesanzeiger". They are also published on the Company's website at www.koenig-bauer.com/en/investor-relations/financial-reports/.

Business model and materiality analysis

The Koenig & Bauer Group's business model is presented in the combined management report (see page 52 of the 2020 annual report). Koenig & Bauer's Management Board is responsible for sustainability, including non-financial reporting on the main aspects defined by statute. Sustainability has been established as a new department and reports directly to the Chief Executive Officer. On the

Supervisory Board, the personnel committee is responsible for the topic of sustainability/ ESG. 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 note on pages 178 onwards of the annual report).

The risk inventory conducted at the end of 2020 has not identified any material, reportable risks which result from our business activities, business relations as well as our products or services and have a negative impact on the non-financial aspects mentioned. Risks from the Company's outside are reported in the combined management report in the risk report (see pages 79 onwards in this 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 report is structured in environmental, employee and social matters, commitment to human rights and combatting corruption and bribery. 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 according to the German Commercial Code. In addition to the Sustainability Reporting Standards of the Global Reporting Initiative (GRI), further guidance was provided by the standards for quality (DIN EN ISO 9001:2015), environment (DIN EN ISO 14001:2015), energy management (DIN EN ISO 50001:2018) as well as health and occupational safety (BS OHSAS 45001:2018) in the preparation of this list.

On the basis of this long list, a workshop was held in late 2018 to identify the non-financial issues that are material to our business activities and relationships, products and services within the five aspects according to the German Commercial Code. The workshop was attended by experts from the fields of personnel management, occupational safety/health/environment, facility management, engineering, research & development, procurement, compliance & internal auditing and corporate accounting. Using a scale from 0 (not material) to 10 (highly material), the workshop participants assessed the individual issues on the list in the light of two points of view: their materiality for the aspects and for the Company's earnings, finances and assets. A short list was then prepared setting out all the matters for which the workshop participants had awarded an average score of at least 5 in the two materiality parameters. These material non-financial aspects were included in the non-financial Group reports for 2018 and 2019. On 8 December 2020, a review of the materiality analysis was held with the persons responsible for the main aspects within the Group. The non-financial aspects previously classified as material with an average score of ≥ 5 were confirmed for both points of view. In addition, it was decided with a significant majority to include diversity as a new material aspect in non-financial reporting.

The next sections report on the following material non-financial issues: 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 professional training junior specialists and managers, systematic personnel development as well as occupational health and safety. With respect to social matters, social commitment and high product quality for greater on-site and process safety in printing operations of the customers have been considered as material. This is followed by a presentation of the main aspects of the

Company's commitment to human rights and high working standards as well as combatting corruption and bribery.

The remainder of this report focuses on the Group's two main production sites in Würzburg and Radebeul. References to the Group are duly designated as such.

Environmental matters

At Koenig & Bauer, environmental aspects and compliance with 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 installation of the printing presses. Right from the start of the development and design stage, attention is paid to energy and resource efficiency in the manufacturing and operation of printing presses and finishing equipment. A further focus is placed on minimising noise, dust, odour and CO₂ emissions during the production and utilisation of the presses as well as the use of environment-friendly substrates and consumables in the printing, finishing and postpress phases.

Operational environmental and energy management

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, the foundry in Würzburg operates an energy management system that has been certified in accordance with DIN EN ISO 50001:2018. A permanent focus of our work is on minimising the consumption of energy and resources in production as well as workplace and CO₂ emissions. This is achieved with the following measures and activities. The heat recovery system at the foundry utilises the waste heat generated by the oven, sand-cooling and hall exhaust air to heat the buildings in Würzburg. Dedusting, extraction and solvent distillation plants as well as improved sound insulation in the production and assembly halls reduce

Quality and environment certificates

**Goal 2021: 100%
share of green
electricity**

workplace emissions. The remeltable metal waste generated in metal-cutting activities in Würzburg is an important raw material in foundry operations. Following a change of supplier at the beginning of 2020, the proportion of electricity from renewable energies has increased significantly, contributing to the decrease in CO₂e emissions according to the market-based calculation method. Green electricity accounted for 65.7% at the main Group sites in 2020. The goal for 2021 is to increase the share of green electricity to 100%.

The following table provides an overview of electricity, natural gas, district heating, water consumption and waste volumes in 2020 compared with the previous year. Water consumption in Würzburg has been recorded by monthly meter readings since 2020; whereas the previous year's reading is based on the annual invoice for the billing period between 13 September 2018 and 4 September 2019. Based on these consumption figures, Scope

1 CO₂e emissions dropped slightly to 1,978.9 t CO₂e (2019: 2,026.4 t CO₂e). The Scope 2 CO₂e emissions decreased location-based from 16,814.6 t CO₂e in the previous year to 12,621.5 t CO₂e. The calculations are based on the preliminary CO₂e average emission factors published by the Federal Association of Energy and Water Management for the German electricity mix (2019: 421 g/kWh; 2020: 350 g/kWh). Reflecting the pandemic-related decline in revenue and the higher proportion of electricity from renewable sources, the market-based Scope 2 CO₂e emissions of 10,314.9 t CO₂e were well below the previous year's figure of 17,122.1 t CO₂e. For 2020, a factor of 202 g/kWh confirmed by the supplier could be used as the basis for the calculation. Depending on the supplier, 421 g/kWh were calculated for the Würzburg site and 311 g/kWh for the Radebeul location in 2019.

	2019			2020		
	Würzburg	Radebeul	Total	Würzburg	Radebeul	Total
Electricity	21,907,181 kWh	13,950,369 kWh	35,857,550 kWh	18,624,871 kWh	12,245,318 kWh	30,870,189 kWh
Gas	11,015,388 kWh	–	11,015,388 kWh	10,757,000 kWh	–	10,757,000 kWh
District heat	–	9,167,710 kWh	9,167,710 kWh	–	10,502,740 kWh	10,502,740 kWh
Water	32,320 m ³	20,368 m ³	52,688 m³	26,284 m ³	12,728 m ³	39,012 m³
Waste	4,302 t	5,363 t	9,665 t	2,685 t	4,640 t	7,325 t

Ecological printing technology

New product developments and enhancements incorporate energy-saving technologies to reduce carbon emissions in print production. Koenig & Bauer offers a range of energy-saving alternatives for the drying process, which is one of the most energy-intensive functions in printing plants. Customers can select the VisuEnergy energy management system for greater energy efficiency in printing operations. The comprehensive support provided to customers ranges from system and requirements analysis to energy consulting and extends from the planning phase of a printing press investment to efficient production. In addition to technical solutions and systems for harnessing the potential for saving energy, we work permanently on minimising 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 CO₂ emissions as well as ink mist. Product users can select various equipment options to achieve these goals. The environmentally friendly inks used in the production of food packaging can be readily processed on Koenig & Bauer presses. In addition, 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 footprint 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. The participating printing companies can utilise the "climate-neutral printing" label as a competitive differentiator.

Employee matters

Recruiting and retaining of qualified and committed employees has a significant influence on our business success. With their ability to develop innovative solutions for meeting the requirements of customers all around the world, to build bespoke high-tech premium-quality machinery and to provide comprehensive services, the employees generate sustained value for the Company. In addition to ensuring appealing and family-friendly jobs, the Company's human resources strategy concentrates on recruiting young professionals and executives and developing, motivating and bonding employees. A variety of measures, such as the early involvement of young skilled workers 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 workplaces with mobile working, flexitime and working time accounts. 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 business fields offering potential for the future. Mobile working allows employees to perform duties outside the Company's offices via mobile devices provided that the activities carried out permit this. In the wake of the Covid-19 pandemic, mobile working has

Modern, future-oriented workplaces

**Diversity is a
high priority**

been expanded massively with a wide variety of models. 1,413 mobile workplaces have already been created at the Würzburg and Radebeul sites. Employees are assisted in finding an appropriate work/life balance with special offers for working mothers and fathers such as part-time working-hour models and job-sharing arrangements. Koenig & Bauer has been a member of the Family and Work Alliance in the Würzburg region since 2006. The proportion of part-time employees in the Group widened from 3.6% in the previous year to 3.8%. The child-minding centre adjacent to the Company premises in Radebeul enjoys strong employee acceptance as it is aligned to their working hours. At the Würzburg site, a complete childcare week was offered for the first time during the summer holidays. Thanks to the implementation of a detailed hygiene regime, it took place despite the Covid-19 pandemic. Due to the great success, this offer is to be expanded. 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 site 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 once the pandemic no longer poses any risks.

In addition to a low fluctuation rate of 0.6%, the average length of service is 19.8 years at the Company's sites in Radebeul and Würzburg, reflecting the high employee loyalty at Koenig & Bauer. 117 long-service staff celebrated milestone career anniversaries in Radebeul and Würzburg in 2020. 40 were able to look back on 40 years of service, while 77 had been with the Company for 25 years.

Diversity

Koenig & Bauer attaches particular importance to the diversity of its workforce in terms of ethnicity, age and religion (world view). People with mobile disabilities also have a place in the regular workforce. Of the 3,095 employees in Radebeul and Würzburg, 21.6% are younger than 35 years, 49.5% aged between 35 and 55 and 28.9% are over 55. As with many other machinery engineering companies, Koenig & Bauer has a relatively small proportion of women of 13.8% (previous year: 14.1%) in the Group compared with other sectors. Various activities are being initiated to widen the proportion of female employees. Together with a greater number of highly qualified female employees, the proportion of women in management positions is to be increased by means of internal promotions as well as external appointments. As of the beginning of 2021, the proportion of women stood at 25% in the first management level and at 12.5% in the second management level below the Management Board at Koenig & Bauer AG. At the end of 2020, this proportion of women was 14.3% and 6.7% respectively.

**Recruiting and professionally qualifying
talented young staff**

In-house training ensures that Koenig & Bauer is able to meet its high demand for qualified specialists in development, engineering, production, installation and service. The dual vocational training model has a long tradition at the Company. The Company's own state-recognised vocational training school in Würzburg has been qualifying specialists for over 150 years by closely interlinking theory and practice. In addition to proven instruments, we rely on new personnel marketing measures to recruit junior staff. Via social media, school-leavers can gain an impression of 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 site. The vocational training school 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. The internships are designed to encourage school students to try things out for themselves and to acquaint themselves with the career training offered by the Company. Many young employees decide to embark on an apprenticeship at Koenig & Bauer after taking part in a career orientation scheme. 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. Due to the Covid-19 pandemic, many of the customary internships, information sessions, school-leaver events and excursions were cancelled in 2020. The vocational training school responded promptly to the contact restrictions and the cancellation of face-to-face classes as a result of the Covid-19 pandemic by offering virtual tuition and mobile learning. Keeping the necessary distance also proved to be a particular challenge during practical training. Organisational procedures were modified, timed break schedules introduced, training and occupational groups kept strictly separated by restructuring the training workshops and workplaces and instructions issued via headsets and large screens.

At 333 as of 31 December 2020, the number of apprentices and interns in the Group was down on the previous year's figure of 356. Accordingly, the Group-wide trainee ratio fell to 6% (2019: 6.1%). 76 young people embarked on their industrial-technical or commercial

apprenticeships at Group locations in the year under review. The diverse apprenticeships range from mechatronics technicians, industrial and machining mechanics to industrial business management assistants. As in previous years, trainee mechatronics technicians accounted for the greatest proportion of apprentices. Roughly one third of the future specialists were pursuing apprenticeships in this area. Career beginners at Koenig & Bauer also include several students who are enrolled in dual-studies courses in electrical engineering, media informatics and mechanical engineering production technology, who are completing their practical phase at the Company. 59 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 and good to very good results in the final examinations testify to the acknowledged high quality of the training centres. One industrial business management assistant from the Radebeul plant was named Saxony's best young skilled worker in the Saxon metal business association. Koenig & Bauer Radebeul was included for the 21st time on the list of the top training companies in the Saxon metal and electrical industry and, thus, more frequently than any other member company. In the foundry mechanic and construction mechanic careers, this year's top performers of the Würzburg-Schweinfurt Chamber of Industry and Commerce came from the Würzburg vocational training school. 96.6% of apprentices at the Würzburg and Radebeul sites were offered permanent employment contracts upon the completion of their training (previous year: 92%).

High training standards

Systematic personnel development

The established personnel development programme is a modular system for the Group-wide advancement of employees that defines target-oriented methods for the 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. 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 managers 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 in order to strengthen its attractiveness as an employer through 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.

The staff discussions called for by the works council in the form of the annual staff appraisal as a proven personnel instrument offer the possibility of giving direct feedback in both directions when employees and line managers come together to discuss their current views and goals. In addition, executives also receive training in various areas such as leadership, team building and conflict management.

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. The participants in the third round, which commenced in 2019 and was conducted entirely in English, came from Group locations in China, the United States, Switzerland, Sweden and Germany. 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 engagement is the popularity of the "From Employees for Employees" training series, which always addresses current topics. Another component of the personnel 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. 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 personnel development.

The Koenig & Bauer Campus learning management system is a modern platform for in-house 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, so that each employee can complete the compulsory training courses in this catalogue autonomously and request further voluntary courses. Line managers can confirm the request for training directly in the system with a click of the mouse. The system documents each employee's education history, generating

Certified personnel development programme

reminders of training sessions and instructing line manager to register their employees for training courses.

The Azubis@work trainee-accompanying personnel development programme was launched at the Würzburg site and will be initially extended to include other sites in Germany. 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 school 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.

Following the successful Group-wide introduction of the human resources development programme, the training scheme was certified in accordance with DIN ISO 29990:2010 in 2018 after the quality criteria of the Excellence Model were met.

Occupational health and safety

The occupational health and safety standards at the production plants in Würzburg and Radebeul are certified in accordance with DIN ISO 45001:2018. Various measures aim to achieve further improvements in occupational 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. 12.3 accidents per 1 million hours worked (2019: 15.7) with downtime of one day or more for the core workforce were registered in the year under review at workplaces in the Würzburg and Radebeul sites. As one of the impacts of the Covid-19 pandemic, short-time work contributed to the decline in this indicator compared to the previous year. 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, which is run as an independent entity under public law. 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. Nordic walking and yoga courses were added to the range offered by the Koenig & Bauer in-company health insurance fund. In the early phase of the Covid-19 pandemic at the beginning of March 2020, the in-company health insurance fund informed the entire workforce of the risks of illness and effective means of protection in a concerted campaign in conjunction with the works council. During the year, staff were regularly reminded through posters and flyers attached to pay slips of the need to follow appropriate codes of conduct. The diverse offers also include occupational health management.

Workplace health promotion and preventive care

Industry award for environmen- tally oriented printing house

At the Würzburg site, employees suffering from mental illnesses receive a qualified initial diagnosis within 14 days through the in-company health insurance fund's ProPsych programme and, if medically necessary, psychotherapeutic treatment within a further 14 days. Special behavioural therapy for obesity is also offered under this programme. Implemented at the sites in Würzburg and Radebeul, the "BGM-innovativ" programme aims to provide coordinated care for employees who are at risk or ill in order to avoid chronic illness, shorten the duration of the illness and absences and maintain permanent 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.

Despite the restrictions caused by the Covid-19 pandemic, the Würzburg medical centre held examinations on more than 70 days, advising or examining almost 1,000 employees and carrying out 120 flu vaccinations. More than 400 Covid-19 tests were performed and documented to shorten the quarantine time of the assembly staff or to enable swift assembly operations.

Social matters

As one of the pioneers in corporate social policy, Koenig & Bauer is committed to its responsibility to society and supports social and cultural projects. Even before state social security legislation 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.

Social commitment

At Koenig & Bauer, social commitment is reflected in cash and non-cash donations for social and cultural projects as well as sponsoring of cultural, social and environmental initiatives. Koenig & Bauer Würzburg and Radebeul support the Rosenkavaliers donors' circle, which was founded as a pioneering model of civic engagement for the theatre Würzburg, as a diamond (from €24,000) or silver donor (€3,000 to €7,999). The Museum of Print Art in Leipzig and the Gutenberg Museum in Mainz are supported by the provision of printing presses on loan as well as donations. In the field of cultural sponsorship, the Crossover Benefit Concert, the Mozart Festival and the Africa Festival in Würzburg as well as the Summer Palais in Dresden are customarily promoted by the local Group companies. In 2020, the events were cancelled or took place with only a reduced programme due to the Covid-19 pandemic. Sponsorship of the business for a cosmopolitan Saxony association is one of the activities in the field of social support. Industry awards sponsored by Koenig & Bauer, such as the Print & Media Award 2020 for the most environmentally oriented company of the year, recognise printing companies' ecological commitment.

In addition, managers and employees perform a large number of voluntary activities at the Chambers of Industry and Commerce and the Chambers of Crafts, act as honorary judges at the labour and social courts and work in relief organisations such as the Federal Agency for Technical Relief, the fire brigade and the rescue service. Koenig & Bauer also supports political involvement in city and municipal councils. In many cases, employees are given time off by Koenig & Bauer to engage in the wide range of voluntary activities undertaken.

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 as well as 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 Guiding Principles 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. 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 connec-

tion with the use and processing of hazardous substances. Suppliers undertake to avoid any form of discrimination and particularly also to refrain from using child labour. The Group ensures good working conditions for employees with high standards of occupational health and safety, equal opportunities and protection from all forms of discrimination.

Combating corruption and bribery

The Group-wide compliance management system (CMS) creates the basis for ensuring that business practices satisfy high compliance and integrity standards. The contents and activities of the compliance organisation are defined 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.

Comprehensive guidelines have been issued and the necessary processes established on the basis of a regular compliance risk analysis to ensure compliance and integrity in all business activities. Any changes in the risk situation or requirements that are identified are addressed by duly modifying the internal guidelines.

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

High compliance and integrity standards

Internal and external compliance assessments

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 allocation of online training via the Koenig & Bauer Campus at the end of 2017, almost 26,000 compliance training courses were completed by the end of 2020, including over 17,000 that were directly related to anti-corruption measures. More than 3,000 employees at a total of 27 Koenig & Bauer companies in Europe, Asia, North and South America are currently attending compliance training via the Koenig & Bauer Campus. A further roll-out at additional subsidiaries is planned for 2021. 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 2020. However, relevant and updated compliance information was communicated via the Intranet, by the compliance officers at the subsidiaries or through individual messages. 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 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 whistleblower system also allows employees to report potential compliance violations anonymously and third parties to contact the Compliance department directly. 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 antitrust 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 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.

With the KBA-NotaSys Integrity Fund, which was launched in 2017, Koenig & Bauer finances international projects to enhance compliance processes and culture. To date, 20 projects initiated by universities, associations and institutes have been funded. Three new projects were added in 2020. You can find further information at <https://www.integrity-fund.ch/>.

Further details of the compliance management system, which is regularly reviewed and continuously revised, can be found in the corporate governance report and on the Koenig & Bauer 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 2020 did not reveal any new compliance risks, nor were any compliance breaches confirmed.

See <https://compliance.koenig-bauer.com/en/>

Independent Practitioner's Report on a Limited Assurance Engagement on Non-financial Reporting¹

To Koenig & Bauer AG, Würzburg

We have performed a limited assurance engagement on the separate non-financial group report pursuant to § 315b Abs. 3 HGB („Handelsgesetzbuch“: „German Commercial Code“) of Koenig & Bauer AG, Würzburg (hereinafter the „Company“) for the period from 1 January to 31 December 2020 (hereinafter the „Non-financial Report“).

Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Non-financial Report in accordance with §§ 315c in conjunction with 289c to 289e HGB.

This responsibility of Company's executive directors includes the selection and application of appropriate methods of non-financial reporting as well as making assumptions and estimates related to individual non-financial disclosures which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal controls as they have considered necessary to enable the preparation of a Non-financial Report that is free from material misstatement whether due to fraud or error.

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 Wirtschafts-

prüfer 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.

Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the information in the Non-financial Report based on the assurance engagement we have performed.

Within the scope of our engagement we did not perform an audit on external sources of information or expert opinions, referred to in the Non-financial Report.

We conducted our assurance engagement in accordance with the 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 allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1 January to 31 December 2020 has not been prepared, in all material aspects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

¹ PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the separate non-financial group report and issued an independent practitioner's report in German language, which is authoritative. The following text is a translation of the independent practitioner's report.

In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement, and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's judgment.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

- Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement
- Inquiries of the Company's management and personnel involved in the preparation of the Non-financial Report regarding the preparation process, the internal control system relating to this process and selected disclosures in the Non-financial Report
- Identification of the likely risks of material misstatement of the Non-financial Report
- Analytical evaluation of selected disclosures in the Non-financial Report
- Comparison of selected disclosures with corresponding data in the group financial statements and in the combined management report
- Evaluation of the presentation of the non-financial information

Assurance Conclusion

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1 January to 31 December 2020 has not been prepared, in all material aspects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

Intended Use of the Assurance Report

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company about the results of the limited assurance engagement. The report is not intended for any third parties to base any (financial) decision thereon. Our responsibility lies only with the Company. We do not assume any responsibility towards third parties.

Frankfurt, 23 March 2021
PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Nicolette Behncke

Wirtschaftsprüferin
German public auditor

ppa. Nico Irrgang

Balance sheet for Koenig & Bauer AG to 31 December 2020

Under the German Commercial Code (HGB)

in €m	31.12.2019	31.12.2020
Assets		
Non-current assets		
Intangible assets	31.2	35.1
Property, plant and equipment	89.3	83.0
Financial assets	191.9	399.3
	312.4	517.4
Current assets		
Other receivables and assets	214.0	75.7
Cash and cash equivalents	60.3	56.1
	274.3	131.8
Deferred income	2.5	2.0
Positive difference from asset allocation	0.2	–
	589.4	651.2
Equity and liabilities		
Equity		
Share capital	43.0	43.0
Share premium	87.5	87.5
Reserves	113.9	135.2
Retained earnings	8.3	29.5
	252.7	295.2
Special items with equity portion	1.5	1.3
Provisions		
Pension and similar provisions	78.5	79.4
Other provisions	23.1	19.4
	101.6	98.8
Liabilities		
Bank loans	180.0	176.0
Trade payables	3.5	1.0
Other liabilities	50.1	78.9
	233.6	255.9
	589.4	651.2

Income statement for Koenig & Bauer AG 2020

Under the German Commercial Code (HGB)

in €m	2019	2020
Revenue	86.7	82.8
Cost of sales	-63.7	-54.9
Gross profit	23.0	27.9
Administrative expenses	-26.8	-31.3
Other operating income	6.0	11.8
Other operating expenses	-12.0	-136.9
Profit from operations	-9.8	-128.5
Financial result	18.9	171.7
Income taxes	-0.5	-0.2
Earnings after taxes	8.6	43.0
Other taxes	-0.3	-0.5
Net profit	8.3	42.5
Profit carried forward	16.5	8.3
Distribution of profit	-16.5	–
Transfer to other reserves	–	-21.3
Retained earnings	8.3	29.5

Key financial dates

Interim report on 1st quarter 2021

4 May 2021

Koenig & Bauer Annual General Meeting

11 May 2021

Vogel Convention Center, Würzburg

Interim report on 2nd quarter 2021

29 July 2021

Interim report on 3rd quarter 2021

28 October 2021

Contact / Imprint

Koenig & Bauer AG
Friedrich-Koenig-Straße 4
97080 Würzburg
info@koenig-bauer.com
www.koenig-bauer.com

Investor Relations:

Lena Landenberger

T: +49 (0)931 909-4085

F: +49 (0)931 909-4880

lena.landenberger@koenig-bauer.com

Konzept & Design:

Koenig & Bauer

Druck:

Druckerei Joh. Walch GmbH & Co KG
Im Gries 6
86179 Augsburg
Germany

Printed with Koenig & Bauer technology

Note:

This report contains forward-looking statements about the business, financial performance and earnings of the Koenig & Bauer Group. These statements are based on assumptions and projections resting on currently available information and present estimates. They are subject to a multitude of uncertainties and risks. While management believes them to be accurate, the impact of external factors beyond its control, such as changes in the economy, exchange rates and in our industry, may give rise to a different outcome from that projected. In particular, the outlook does not include meaningful portfolio effects and influences related to legal and regulatory matters. It also depends on ongoing earnings growth and the absence of disruptive temporary market changes. The actual course of business may therefore deviate substantially from the expected development. Koenig & Bauer therefore accepts no liability for transactions based on these forecasts, nor does it undertake any obligation to update forward-looking statements beyond that required by law.