



Report on item 7 of the agenda (authorized capital 2017) of the Management Board of Koenig & Bauer AG pursuant to Section 203 para. 2 in connection with Section 186 para. 4 sentence 2 of the German Stock Corporation Act

The creation of a new authorized capital of a total of up to € 8,580,000 by issuing up to 3,300,000 no-par value shares is proposed to the Annual General Meeting. The new authorized capital is in this context to be available for both cash and non-cash capital increases and may also be utilized in part or as a whole.

The shares may be taken over by one or more credit institutions along with the obligation to offer the subscription rights to the shareholders (indirect subscription right). Companies being active pursuant to s. 53 para. 1 sentence 1 or s. 53b para. 1 sentence 1 or para. 7 of the German Banking Act (*Gesetz über das Kreditwesen*) are on par with credit institutions.

There are currently no other authorities by the Annual General Meeting existent that would allow for the issuing of shares or subscription rights regarding shares with the exclusion of the shareholders' subscription rights.

In this respect, the total amount stated above must not be exceeded. The new authorized capital is to replace the authorized capital expired on June 16, 2016. The new authorized capital is to enable the Company to act quickly and flexibly without having to wait for the Annual General Meeting or an extraordinary general meeting. The proposed amount of the new authorized capital of up to a total of 3,300,000 new shares would correspond to an increase of 19.97 % of the current share capital when used completely.

If the authorized capital is used, the shareholders are generally entitled to a subscription right. This right may only be excluded by the Management Board in the following cases pending the Supervisory Board's approval:

- For residual amounts which cannot be equally distributed among all shareholders. Such exclusion of the subscription right regarding these potential residual amounts serves the purpose of enabling utilization of the authorization by means of round amounts and thereby ensuring a simplified process.
- For capital increases against cash contributions for a nominal amount of up to a maximum of 10 % of the share capital pursuant to s. 186 para. 3 sentence 4 of the German Stock Corporation Act. This authorization enables the Management Board to issue shares for this amount for the purpose of placement in close proximity to the market price. This authorization covers an amount of up to 10 % of the share capital of the Company in accordance with the statutory requirements for an exclusion of the subscription right pursuant to s. 186 para. 3 sentence 4 of the German Stock Corporation Act in consideration of the authorization resolved in the Annual General Meeting on May 19, 2016 to utilize the own shares purchased by

the Company; furthermore, it is specified that the issuing of the shares is to occur in close proximity to the stock market price and must not fall significantly short of it in order to protect the shareholders' interests. Upon determination of the issuing price, the administration will – in consideration of the current market situation – strive to keep a potential discount in the stock market price as low as possible. This authorization enables the Company to utilize market opportunities quickly and flexibly and to cover any capital requirements also in the short term. New shares are for example to be issued to one or several institutional investors or for the purpose of accessing new investor circles.

By excluding the subscription right, placement close to the stock market price is enabled so that the common discount for rights issue is omitted. The mathematical portion of the share capital falling to the shares issued under such simplified exclusion of subscription right must in total not exceed 10 % of the share capital at the effective date of the authorization or – if this value is lower – at the time when the authorization is utilized. This takes account of the shareholders' need for protection against dilution for their share ownership. Furthermore, any shareholder may generally purchase shares at the market under comparable conditions in order to maintain his participation quota. Shares which are issued or sold during the term of this authorization until the time it is used in direct or respective application of s. 186 para. 3 sentence 4 of the German Stock Corporation Act are to be counted towards the limitation of 10 %.

- For capital increases for cash contributions for a mathematical interest in the share capital of a total of up to € 1,300,000 or respectively up to a maximum of 500,000 new shares. This exclusion is to enable the Management Board to have own Company shares at their disposal without going through the stock exchange in order to be able to offer them to Company employees in the form of employee shares. The issuing of employee shares for itself already justifies an exclusion of the subscription right, since preferential conditions which would not withstand conditions at arm's length may only be granted in this manner. The employees are not supposed to just be told that they should purchase the shares under market conditions as any third party willing to subscribe but may be granted an employee discount.
- For capital increases for contributions in kind, particularly for the acquisition of companies or participations in companies. In case of non-cash capital increases, the full subscription right is to be excludable pending the Supervisory Board's approval in order to enable the Management Board to have own Company shares at their disposal without having to go through the stock exchange for the purpose of acquiring companies or participations in companies in exchange for transfer of no-par value shares of the Company in appropriate individual cases. Company expansions occurring through acquisition of a company or a participation in a company usually require quick decisions. By means of the proposed authorization, the Management Board will be able to quickly and flexibly react to advantageous offers or otherwise arising opportunities and to utilize options of

expanding the Company in the Company's and the shareholders' interest. Transferring shares may be practical or even required as compensation in order to conserve liquid assets or to fulfil the seller's expectations. The proposed exclusion of the shareholders' subscription right for contributions in kind takes account of this circumstance.

There are currently no concrete plans for utilizing authorized capital. The Management Board will inform the shareholders on a potential utilization at the Annual General Meeting following the partial or complete utilization of the authorized capital.

Würzburg, April 2017
Koenig & Bauer AG
The Management Board



Claus Bolza-Schünemann



Dr. Mathias Dähn