

**97th annual general meeting of Koenig & Bauer AG
on 24 May 2022
held as a virtual event**

Key Statements of the Management Board speeches

The spoken word counts!

Statement on Ukraine

I would have liked to start my speech off by outlining the successes of the previous year.

However, this is difficult in view of the situation in Europe. Who would have thought just a few months ago that the security of European countries would suddenly be at stake? As an international and multicultural company, we are deeply affected and shocked by the suffering that is being inflicted on the people of Ukraine. We can only hope that this war will soon come to an end.

Overview of business performance in 2021

With revenue rising by 8.5% to €1,115.8m and EBIT coming in at €28.5m, equivalent to an EBIT margin of 2.6%, 2021 was both a good and a challenging year. The impact of the COVID-19 pandemic was felt in a wide variety of different ways.

These were most clearly visible in supply chain bottlenecks and the related increase in the cost of materials and energy. As a team, however, we managed to cope with these challenging conditions.

This was also aided by the high degree of vertical integration we have, meaning that we handle a large portion of the work internally at our plants - from the foundry and the production of parts and components to final assembly and the start-up of our presses.

Our proven, broad and diversified product portfolio, our balanced global footprint and the P24x efficiency program made a significant contribution to this performance.

Our products primarily address the structurally growing market for packaging.

The pandemic has spurred this market, as people are ordering even more online. In addition, demand for food packaging has increased, with Koenig & Bauer assuming a special role and responsibility here. This is because we are the only ones to master all industrial printing processes on almost all substrates – including corrugated board.

We continue to see a robust business environment in banknote and security printing.

Service business, which is becoming increasingly digital, contributed around 30% to the Group's revenue.

At the end of December 2021, Koenig & Bauer had an order backlog worth €806.8m, which was also high compared to earlier years, reflecting the 32.4% year-on-year increase in customer orders for printing presses and services.

Koenig & Bauer in comparison with its peers

On a particularly gratifying note, Koenig & Bauer was able to outperform the industry average in the printing machinery sector in terms of order intake and revenue in 2021 as well as in the first quarter of 2022.

It recorded an increase of 32.4% in incoming orders in 2021, with revenue rising by 8.5%. According to industry association VDMA, the sector average was 22.5% and 4.9%, respectively.

In the first quarter of 2022, Koenig & Bauer was able to stand its ground even more effectively in a gloomy economic environment, reporting a roughly 22% increase in revenue, while the industry as a whole sustained a decline of around 6%. At around 2%, the slight decline in Koenig & Bauer's revenue was also much less pronounced than the industry-wide drop of 20%.

Exceeding Print – our strategy as an answer to our customers' pressing needs

On 1 December 2021, we announced the strategy for Koenig & Bauer that we had developed in the course of 2021: **Exceeding Print**.

As this name suggests, this strategy goes far beyond "printing". It describes our future actions and serves as a guideline for them.

This strategy has been developed on the basis of extensive interviews and surveys with industry experts and our customers. What also makes it special is that discussions with our customers' own customers, the brand owners, providing significant input on the future of the industry has been incorporated into our strategy.

Exceeding Print is our answer to the constant change that is affecting the entire industry and is being triggered by complex dynamics in the form of megatrends.

These megatrends are unleashing their momentum across all social and economic areas and are, of course, also impacting Koenig & Bauer. This is particularly evident in packaging for the food, pharmaceutical and cosmetics industries with their special requirements.

Frequently enough, megatrends force entire industries to rethink their structures and business models. As far as we are concerned, it is important to actively shape and manage change.

Think, for example, of how e-commerce has changed the packaging market. Or how the "Fridays for future" movement has caused our entire society to take sustainability seriously. Not to mention the changes that the digital transformation is bringing to our society, our industry and our working environment.

The business models for packaging printing are evolving at high speed. We assume that many of our future customers do not even exist today, as new business models are constantly being developed.

In order to do justice to the full gamut of requirements of our customers, we have decided to focus our strategy on the three megatrends that will have the greatest impact on our industry.

These three pillars are sustainability, digitisation and modularity.

Dr Kimmich will outline in his speech what progress Koenig & Bauer has made in the area of digitisation.

We are becoming more sustainable

Sustainability is one of the greatest challenges of our times worldwide. According to a study by Smithers, **sustainability** will remain the main driver of change up until 2030. It is with this in mind that Koenig & Bauer is designing its products and processes to make them ready for the future.

Our expertise in cardboard, corrugated board, foil, tin and glass packaging and in marking and coding gives us the greatest leverage for setting the course towards sustainable solutions across the entire range of packaging systems.

We are stepping up our portfolio of solutions for a circular economy through products, substrates and process expertise.

We are creating innovations to replace non-ecological packaging and to reduce waste.

We are enabling our customers to utilise energy and resources efficiently.

And we are shrinking the ecological footprint of our own company. In doing so, we made significant progress in 2021 towards achieving our sustainability goals. And we have also set ambitious targets for the future: by 2025, we want to reduce carbon emissions at our production facilities by 75% and be completely carbon-neutral by 2030.

We are becoming more modular

In order to offer customers a broad range of products and solutions, Koenig & Bauer relies on a modular platform under the responsibility of my colleague Michael Ulverich.

Modularisation and standardisation offer not only flexibility and efficiency gains but also cost-saving potential through the systematic shared use of common parts, systems, modules and platforms. From the customer's point of view, a modular platform for future generations of printing presses means that new technologies reach the market more quickly, press operation is more consistent across the board and more uniform maintenance activities can be adopted. In this way, resources are freed up so that tailor-made solutions can be offered.

Our broad range of presses is particularly attractive for large customers, who also have a wide range of production requirements and packaging variants. The newly created key

account management offers our customers comprehensive support across the entire product range. In this way, we can fulfil our role as a trusted advisor.

Our own brand owner management ensures that we are familiar with the complex requirements of international brand-name manufacturers and their packaging suppliers and can help shape potential printing and packaging technologies and trends in a targeted manner.

Sheetfed

Koenig & Bauer's postpress strategy provides an answer to our customers' requirements. Under the responsibility of my colleague Ralf Sammeck, we operate as an end-to-end provider for packaging production. Preprint, printing and postprint including workflows are offered as an integrated process from a single source.

Ensuring that folding boxes or corrugated cardboard can be printed, punched and glued. Customers have the choice between classic sheetfed offset printing or digital sheetfed printing, flatbed punching or rotary punching including the folding-box gluer.

For example, the CutPRO X 106 offers cutting-edge punching technology for unlimited variety: punching, embossing, grooving, perforating, Braille writing on pharmaceutical packaging, a fancy presentation folder or an inmould label for a paint bucket – everything is possible.

We have entered a new dimension in large-format printing with the Rapida 145 and Rapida 164. The new-generation large-format sheetfed offset presses with additional automation functions come with up to 14 printing and finishing units.

Digital & Webfed

Under the direction of my colleague Christoph Müller, Digital & Webfed is responsible for a large number of our new products and new markets.

The CorruCUT High Board Line rotary die cutter for punched products made of corrugated board has arrived on the market. Sales, declarations of intent and strong customer interest are all reasons for us to continue assigning the corrugated board product segment priority in our strategy.

The first installed CorruFLEX, which went into operation at the end of 2020, is performing very well. The customer is satisfied and ordered another printing unit for the press in January of this year.

In addition to the favourable performance of CorruCUT and CorruFLEX, Koenig & Bauer has sold four other RotaJET high-performance digital printing systems,

Thus additionally expanding its position in the decor, packaging, beverage carton and book markets.

An important factor here is the great flexibility offered by the RotaJET, which can print on a wide variety of different substrates from tissue paper to solid cardboard. Packaging,

decorations, posters, leaflets, folding boxes, books and coffee bags – almost anything is possible with the RotaJET.

My colleague Dr. Stephen Kimmich will be providing you with further information on digital printing.

In addition, the new organisational structure for CI flexographic printing presses is bearing fruit. In order to create centres of excellence, Koenig & Bauer Flexotecnica relocated internal assembly from Tavazzano to Würzburg at the beginning of the year under the P24x efficiency programme. Since then, the first two CI flexographic printing presses assembled in Würzburg have been delivered to their customers after successful factory acceptance testing.

Special

We also inspire our customers in this segment with innovative solutions.

The new MetalStar 4 allows us to meet the growing demands of the sheet metal printing market even more effectively. In order to achieve the highest printing quality, a MetalStar 4 can be equipped, for example, with up to twelve printing and varnishing units for special inks or varnishes.

We are bridging the gap between physical printing and the digital world with the “ValiCash” and “Smill” apps.

VailCash verifies the authenticity of banknotes – as well as tax bands or product protection labels – in seconds while Smill can “load” and send banknotes, for example, with greetings in the form of videos and voice messages. The physical document serves as a key to digital content. This marks the first step towards establishing a bridging technology between the real banknote and the digital world.

These apps are just a few of the many examples showing how Koenig & Bauer is evolving from a mechanical engineering company into an agile technology group.

Optical inspection systems, data management and (print) product authentication are playing an increasingly important role. Looking forward, we will be actively expanding these business segments.

Stepping up independence

Our ten production sites in Europe ensure independence as well as high vertical integration in our production activities.

Thus, Koenig & Bauer continues to operate its own foundry, which is proving its worth in these uncertain times. We are closely networked with large suppliers, while the central purchasing system introduced under the P24x efficiency programme ensures short supply chains and centralised procurement. This is also a building block that is paying off.

Generally speaking, the progress made with the P24x programme has been successful. The savings forecast for 2021 of roughly €31m had already been achieved after nine months, with savings reaching €46m at the end of the financial year.

Clouds looming over the global economy and the printing press industry

Business with Russia and Ukraine accounted for approximately 3% of our revenue. The loss of this business is being made up for by sales in other countries. Nevertheless, the economic impact of the war in Ukraine is increasingly being felt worldwide.

The global supply chains that had already disrupted by the coronavirus pandemic are now coming under even greater pressure from the war in Ukraine. Delivery delays of several months are no longer uncommon. The costs of materials, energy and transport are continuing to rise, while global logistics are increasingly fraught with difficulties. The situation also requires measures to safeguard energy supplies.

Despite this difficult and uncertain situation, we managed to exceed our annual EBIT forecast in 2021. Despite all due caution, we take this as a sign that we did a very good job last year and that our decision to focus on growth markets, such as conventional and digital packaging printing, is paying off.

Against this backdrop and given our high order backlog, we are facing 2022 with enthusiasm and optimism.

I would now like to hand over to my colleague, Dr Stephen Kimmich, who will explain the company's economic situation in detail.

We are becoming more digital

As Dr Pleßke has already mentioned, digital packaging printing is part of “digitisation”, the third pillar of our “Exceeding Print” strategy. The focus is on the entire value chain to enhance cost optimisation and sustainability. For us, becoming more digital means digital business models and processes in addition to digital printing presses and also involves stepping up the digital transformation within our Group. It is also helping us to turn “big data” into “smart data” internally and to make use of the opportunities arising from this. Digital services are becoming increasingly important, for example, for networking presses, for collecting and analysing data and for managing processes efficiently. That is why we are developing digital services based on highly scalable cloud platforms. The analysis of printing press data forms the basis for evaluating performance, setting benchmarks and defining industrial analytics scenarios. “Kyana” is the name of Koenig & Bauer’s application combining artificial intelligence with augmented reality. Using the “myKanya” platform, customers collaborate and receive comprehensive machine and planning data. In the virtual “Kyana Experience” world, customers benefit from a new kind of AI-based digital encounter.

Last year, we were able to achieve a breakthrough in our digital printing presses with the RotaJET, as it has now entered the packaging market with its versatility and is enabling our customers to develop new business models. A look at the supermarket shelves is enough to appreciate the variety of packaging alternatives. Sustainability, time-to-market and the ever-increasing number of print runs are the requirements of our customers, which they can now address with the RotaJET. Unique worldwide, it is one of the most powerful digital printing systems on the market. In this way, we are building on the sales success achieved in the decor sector, in which a number of systems are already operating successfully.

Reporting rethought

We are using one of the “end products” from our joint venture with the Durst Group as packaging for our latest annual report. Aware as we are of our responsibility, we have chosen a sustainable corrugated cardboard box under the motto “This box was once a newspaper”. In addition, the new reporting structure is modular in nature and supplemented by a digital world. In this way, the overall concept of the current annual report embodies our “Exceeding Print” strategy at all three levels. In addition to a summary of the main chapters of the annual report, the annual report summary contains a picture gallery showing how important and present packaging is in our everyday lives and why the phenomenon of “un:boxing” shows that printing has long since arrived in the digital world and therefore also in the figures for the 2021 financial year.

Order intake, revenue and earnings

2021 was marked by continued demand for our products and services, exceeding the industry average for printing presses. Our customers ordered around 32% more than in the previous year, with this trend also continuing in the first quarter of 2022, which saw a roughly 22% increase in order intake. Driven by a generally strong final quarter, Group revenue reached the forecast range of €1,100 - 1,135m in 2021, coming to around €1,116m. The 8.5% increase shows that we were able to recover from the pandemic-induced slump. At around 2%, revenue in the first quarter of 2022 fell slightly below the already high figure for the previous year. The share of service business in Group revenue grew, widening from around 29% in the previous year to roughly 34% in the first quarter. Order backlog had already reached a historical high of around €807m at the end of December 2021 and rose to around €918m as of 31 March.

Earnings before interest and taxes

Earnings before interest and taxes (EBIT) also climbed significantly to €28.5m, translating into an EBIT margin of 2.6%. At the same time, we exceeded our full-year EBIT forecast of 2.0%. The improvement of around €96m over the previous year is mainly due to the more efficient implementation of the P24x personnel measures despite the lower use of short-time work (roughly €22m), positive volume and mix effects (roughly €1.2m) in spite of the increase in the cost of materials in the high single-digit million euros and the cumulative non-recurring effects arising in the previous year (roughly €49m). This is also reflected in the adjustment of the restructuring provisions for the efficiency programme (roughly €23m net) and the P24x savings effects (roughly €46m). EBIT came to €-8.5m in the first quarter of 2022. The improvement of €0.4m over the same period of the previous year is mainly due to the P24x efficiency programme (roughly €10m) despite the lower use of short-time work (roughly €5m), negative volume and mix effects (roughly €1m) and negative other effects that also include impairments of receivables (roughly €4m). The higher cost of materials and energy (around €6m) was offset by the announced price increases.

P24x efficiency programme fully on track

Our P24x efficiency programme, which produced savings of around €31m and had thus already achieved the forecast for 2021 of > 30% after nine months, is also making good progress. At the end of the year, savings came to around €46m, particularly spurred by measures aimed at boosting the Group's productivity as well as adjustments to capacities and lower quality assurance expenses. Sustainable savings were generated through cost reductions in sales and service activities and by merging the design and service departments of several business units. Furthermore, successful negotiations with suppliers and optimised discounts resulted in significant purchasing benefits, which also fundamentally offset the current price increases. The necessary one-off costs arising from the four-year programme were reduced through discussions with the employee representatives at the locations concerned.

Earnings

At €46.7m, research and development expenses were up on the previous year. The small increase in selling expenses to €131.1m reflects the fact that, for example, travel by our sales team was up again slightly, with sales commissions rising to a minor degree in connection with the high order intake. We were able to reduce administrative costs again

over the previous year. We posted net profit after tax of €14.5m. This is an improvement of €117.6m in 2021 and translates into earnings per share of €0.83, up from minus €6.27 in the previous year.

Finances and assets

Free cash flow increased significantly by €80.4m to €56.3m. Koenig & Bauer also succeeded in reducing its net working capital by €46.9m. As a result, we had around €297m at our disposal at the end of December 2021 for generating sales that were not financed externally. The increase in free cash flow also helped us to return to our pre-pandemic net financial position, which increased substantially by €50.0m to €2.9m. The Group has access to syndicated credit facilities of a total of €400m from a consortium of excellent banks. 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. For this reason, we aim to discharge the KfW loan as quickly as possible so that we can resume dividend distributions as we attach key importance to ensuring that our shareholders benefit appropriately from our business success. The group equity ratio widened from 25.9% to 28.7% in 2021. With this equity base and freely available cash and cash equivalents of more than €250m, the company is financially well positioned.

Segment performance

At the level of the individual segments, the recovery was particularly evident from the first quarter with strong order intake in the Sheetfed segment. This was followed in June by MetalPrint, which is part of the Special segment and registered one of the best order intakes in its history. Securities business, which forms part the Special segment, also bounced back in the third quarter with strong order intake. Starting in the third quarter, the Digital & Webfed segment showed signs of recovery, which strengthened in the fourth quarter. The following picture emerged in detail in the segments:

In the **Sheetfed** segment, order intake in particular was very favourable thanks to higher orders for sheetfed offset presses and the post-press range. More service orders also led to an increase of 26.5% to €751.9m. With the book-to-bill ratio standing at 1.17, the order backlog rose to a historically high €441.6m as of 31 December 2021. EBIT improved by

€51.8m to €24.0m, translating into an EBIT margin of 3.7%. The adjustment to the P24x restructuring provisions had a positive impact of €8.9m on EBIT.

Order intake in the **Digital & Webfed** segment rose by 30.6% to €142.3m. In addition to more service orders, higher orders for corrugated board printing presses (Corru range), web digital printing with RotaJET presses, HP presses and flexible packaging printing resulted in an increase. Orders for web offset printing presses moved in the opposite direction. At €121.4m, revenue was slightly down on the previous year. The order backlog increased by 30.9% to €88.5m. In addition to customers' pandemic-related purchasing restraint, EBIT also came under pressure from start-up costs and spending on product enhancements, reaching €-38.5m, equivalent to an EBIT margin of -31.7%. The adjustment to the P24x restructuring provisions had a negative impact of €6.0m on EBIT.

At €430.4m, order intake in the **Special** segment exceeded the previous year's figure by 40.6%. The growth in orders was also underpinned by a greater number of service orders from all segments. Revenue grew by 3.4% from €377.3m in the previous year. At €277.6m, the order backlog as of the end of the year was up 16.9% on the previous year. In the year under review, EBIT increased by €66.7m to €34.9m, mainly driven by a strong final quarter. Accordingly, the EBIT margin was 8.9%. The adjustment to the P24x restructuring provisions had a positive impact of €18.1m on EBIT.

Performance of the individual regions

Our global sales markets were fundamentally stable: the Group export ratio widened slightly from 84.6% to 86.2%. At the same time, there was a clear trend in evidence: the proportion of revenue generated in Latin America and Africa increased significantly in 2021 to around 11.8%, compared to 8.8% in the previous year. We also succeeded in widening the share of revenue in Asia and the Pacific from 24.8% in the previous year to 26.0%. The share of revenue coming from Germany (13.8%), Europe excluding Germany (32.6%) and North America (15.8%) was down on the previous year (15.4%, 32.9% and 18.1%, respectively).

Revenue from business in Russia and Ukraine accounted for approximately 3% of the Group total.

Share price

The results of our P24x efficiency programme and the improved operating earnings and profitability as well as the strength of our balance sheet and our "Exceeding Print" strategy

were rewarded by the capital market in 2021 with gains of some 31% in the price of our shares. In the first few weeks of the new year, rising inflation as well as the supply chain problems and the associated increase in material and energy costs particularly took their toll on our shares. Since 24 February 2022, the capital markets have also changed. Accordingly, investors' risk aversion is particularly pronounced in the present market phase and many German industrials – including our own company – are currently valued at historically low levels, something which is clearly reflected in share prices.

Outlook

That said, we confirm our 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. Despite the major uncertainties as a result of the exogenous factors already described, we expect a slight year-on-year increase in Group revenue and the operating EBIT margin in 2022. In this way, we are taking a further step in 2022 towards reaching our medium-term target.

There are several growth opportunities on the road to the medium-term target. These particularly include our “Exceeding Print” strategy. With our leading digital platforms, we want to work intensively in the growth market for packaging and additionally expand our digitisation initiative for products, processes and services. We are working resolutely on the press platform with the establishment of a uniform module and platform strategy for all new press types. All three pillars aim to exploit revenue potential and generate market shares in attractive segments in order to spur revenue growth. At the same time, we do not rule out the possibility of inorganic growth. After all, M&A activities have more or less been part of Koenig & Bauer's DNA for more than 200 years. If we had not expanded our acquisitions in the growing packaging printing market step by step at the beginning of the 1990s, our new press business would have achieved only a fraction of what sets us apart today.