



**Koenig & Bauer Aktiengesellschaft, Würzburg**  
**89th Annual General Meeting**

**WKN 719350 / A1K028**

**ISIN DE0007193500 / DE000A1K0284**

**Demand to Extend the Agenda of the**  
**89th Annual General Meeting on 28 May 2014**

The shareholders of Koenig & Bauer Aktiengesellschaft (“**KBA**” or the “**Company**”) have been invited, via publication in the *Bundesanzeiger* on 3 April 2014, to attend the 89th Annual General Meeting, which will take place on 28 May 2014 at 11:00 a.m. at the Vogel Convention Center (VCC), Max-Planck-Straße 7/9, 97082 Würzburg.

At the demand of shareholder Phoenix Value Fund, c/o: Mourant Ozannes Corporate Services (Cayman) Limited in Grand Cayman/Cayman Islands, received by the Company on 25 April 2014, the agenda of the Annual General Meeting of KBA will be extended pursuant to section 122 para. 2, § 124 para. 1 of the German Stock Corporation Law (AktG), retaining the existing agenda items 1 to 6 and adding the following resolution as a new agenda item 7, which is hereby disclosed:

**7. Change of Articles of Association regarding Term of Office of Supervisory Board Members**

The shareholder Phoenix Value Fund proposes “that the general meeting shall resolve to change the term of office of newly elected supervisory board members and to change section 8 no. 2 of the articles of association and section 9.2 of the new articles of association accordingly as follows:

“The election of supervisory board members shall be made for a time period ending with the end of the general meeting, which resolves about the discharge of duties for the first fiscal year after the beginning of the term of office. For supervisory board members, which were already in their office before the 89. general meeting and remain in their office after this general meeting without a new election, the existing provision shall apply for the remainder of the term of office pursuant to which the election was made for a time period ending with the end of the general meeting, which resolves about the discharge of duties for the fourth fiscal year after the beginning of the term of office. The fiscal year, in which the term of office commences, shall not be counted in each case.”

**The shareholder provides the following reasoning for its demand to extend the agenda:**

“The proposed change strengthens the responsibility of the supervisory board towards the general meeting.

In addition, the Company is situated in a rebuilding phase and it is foreseeable that the Company needs to make permanent adjustments in the next years based on the changing market conditions.

Therefore, we consider it essential to review the composition of the supervisory board by the general meeting in regular intervals.”

**The Management Board adopts the following position with regard to the demand to extend the agenda by shareholder Phoenix Value Fund:**

The longstanding provision regarding the term of office of the supervisory boards of Koenig & Bauer Aktiengesellschaft, drawing on section 102 of the German Stock Corporation Law (AktG), is proposed to be incorporated in the revised version of the Articles of Association (TOP 6) as clause 9.2 and reads as follows: “Each member of the Supervisory Board shall be elected for a period ending upon the conclusion of the Annual General Meeting that resolves on the discharge (*Entlastung*) for the fourth business year after the commencement of his respective term of office. This does not include the business year in which his term of office commenced.” This provision is one that has become standard for other stock companies in Germany as well.

Stability and continuity among the individuals serving on the supervisory board is an important criterion for the trust that our international customers and many of our shareholders place in the future of our enterprise. The intense structural changes that have been underway for decades in the printing industry and the challenges these changes create for restructuring and the sustainable ongoing development of our business demand the presence of qualified supervisory board members with the necessary knowledge of our enterprise, our industries and our markets. In view of the time needed for individuals to familiarize themselves with the multifaceted material and the long time horizon required to implement management board and supervisory board resolutions in the complex capital goods business, the short two-year term of office proposed by our shareholder Phoenix Value Fund is inadequate and indeed counterproductive. Furthermore, it is difficult to find sufficiently experienced entrepreneurs and leaders who wish to contribute to a more long-term orientation and development of the company given such a short term of office.

In detail:

First, notwithstanding the reasoning provided, the proposed amendment does not strengthen the concept of responsibility by supervisory board members to the general meeting. The supervisory board members are obliged to consider their tasks in the interests of the company pursuant to a principle of independent responsibility. They are forbidden as a matter of basic German corporate law from taking instructions from the general meeting. Moreover, a sufficient term of office in which every member can become fully familiar with the business and make a mark is indispensable for the proper fulfilment of the duty to supervise management that is at the forefront of the independent responsibility of supervisory board members.

In addition, the proposed amendment thwarts or at least obstructs the active cooperation of the supervisory board in company leadership that corporate law requires for the good of the Company. The supervisory board can only ensure an efficient and sustainable approach to its tasks if there exists a certain continuity of membership. With the proposed short two-year term of office, the supervisory board would have the constant risk of membership changes hanging over it like a sword of Damocles, unavoidably and significantly impairing the function both of the supervisory board and each of its members.

The aforementioned assessments are all the more apposite given the fact that KBA is in a rebuilding phase. The shareholder's reasoning given for the proposed resolution overlooks the fact that, as a matter of general principles of corporate law, the intensity supervisory board oversight must be adjusted to the economic circumstances. If the financial situation of a company deteriorates or if a company, as is the case for KBA, is going through a restructuring stage, oversight must be intensified. These increased demands can only be met efficiently if at the same time a certain continuity in the membership of the supervisory board is achieved. The proposed shortened term of office is obviously detrimental to these goals.

Consideration should also be given to the fact that the proposed shortened term of office would result in substantial additional expenses at the employee level to arrange for the required increased frequency of elections, which already require heavy commitments of time and work for their preparation and execution pursuant to the German Law on Codetermination (MitbestG).

It should also be noted that far-reaching changes to the supervisory board's membership are impending in any event as part of the 2016 Annual General Meeting for reasons including certain supervisory board members elected by shareholders reaching the maximum permissible age for membership. The proposed amendment to the Articles of Association, including countermotions for the election of the supervisory board, would result in both supervisory board members to be elected at the 89th Annual General Meeting having terms of office ending in 2016 as well. The consequence would be the potential for every member of the supervisory board to be replaced at once, forcing the supervisory board to "start from scratch". Against the background of the aforementioned principles, it is essential to avoid the total loss of specific know-how and expertise at the supervisory board level. If the proposed amendment to the Articles of Association is not adopted, then at a minimum the two supervisory board members elected at the 89th Annual General Meeting can guarantee the continuity of expertise that is required for the good of the Company.

Separately, the annual issuance of resolutions on discharge of liability (*Entlastung*) for the supervisory board offers an adequate platform for reviewing whether the supervisory board is acting properly in accordance with its duties. German legislation on stock companies also provides sufficient mechanisms for the general meeting to review the work of each supervisory board member (and in particular allows for members to be removed pursuant to section 103 para. 1 AktG). It follows that here again the shareholder's reasoning given for the proposed resolution falls short of the mark.

Lastly, it should be observed that a mere two-year term of office for supervisory board members is clearly outside the usual standard in the market. Qualified supervisory board candidates will presumably regard the proposed shortened term of office as an expression of distrust and will decline to consider a candidacy at all.

For the foregoing reasons, the Management Board is of the view that the term of office for supervisory board members set forth under TOP 6, clause 9.2 takes current needs into consideration and recommends that the proposed resolution contained in the demand to extend the agenda be rejected. The Management Board reserves the right to go into further detail with regard to its position on the demand in the course of the general meeting to be held on 28 May 2014.

Würzburg, 29 April 2014

Koenig & Bauer Aktiengesellschaft

The Management Board