KOENIG & BAUER

Annual report 2023

we're on it.

Contents

Letter to the shareholders

Dear shareholders,
As so often in the course of history, we are currently experiencing a phase of great upheaval that is changing the world around us at an ever increasing pace. Like virtually all manufacturing companies, Koenig & Bauer also faces geopolitical and macroeconomic tensions, which are being additionally amplified by a variety of challenges such as the shortage of skilled workers, higher energy costs and disrupted supply chains. Although we are able to influence these developments to only a limited extent, we can make an important contribution to shaping the future by acting as a reliable partner in our role as an innovation leader in the printing industry, underpinned by our technical expertise and our broad product portfolio.

Sustainability seen in “uni:versal” terms
Sustainability is no longer just a issue solely for individual companies seeking to reduce their environmental footprint. Rather, a changed sense of responsibility has made sustainability an all-encompassing phenomenon. Companies that are aware of this social transformation process and align their own actions to the new needs of consumers stand to benefit from this change. The ability to metamorphose, i.e. to constantly change, is of elementary importance for companies when it comes to remaining competitive. Koenig & Bauer has proven this time and again in its history spanning more than 200 years. Thus, rather than resting on its laurels and remaining with newspaper printing presses, it has completed a successful metamorphosis, which has now made Koenig & Bauer a packaging printing company with printing expertise covering almost all substrates and all printing technologies. Today, Koenig & Bauer prioritises agility, speed and flexibility, as well as proximity to its customers. It is with this in mind that this Annual Report, whose flexible packaging is 100% compostable, has also been prepared under the motto “uni:versal”.

Koenig & Bauer’s forward-looking orientation has led to its transformation into a packaging printing company whose solutions for the packaging industry already account for the largest share of its total revenue and is set to generate further impetus for growth in the near future. This is indicated by a legislative initiative of the European Commission, which was launched at the end of 2022 under the name “Proposal for a regulation on packaging and packaging waste”. As an element of the European Green Deal, the law aims to help reduce packaging waste in the EU member states, stipulating that packaging is to be fully recyclable by 2030.

Sector focus on digitisation and services
The fact that our customers have increasingly opened up to digital printing and that digitisation is becoming increasingly important is also an encouraging sign. This is a trend that we have been observing for some time and which we believe will continue to grow in importance. Here as well, Koenig & Bauer recognised the signs early on, taking a number of measures to provide our customers with a wide range of products today. However, as with the focus on sustainability, digitisation is not an end in itself for the industry and is not driven solely by regulatory factors. Rather, it is obvious that incorporating these and future developments in production processes must not – and will not – be to the detriment of our customers’ profitability.

Global economic growth is currently as diverse and disparate as the needs of our customers from all over the world. Impetus for dynamic growth can be seen in some of our target markets in Europe and the United States. Yet, the true drivers of the global economy are located in Asia, especially in India and individual countries in Southeast Asia. As well as this, there are growth markets in Latin America holding great promise for the future. This is due to a growing middle class, which is expanding at disproportionately strong rates in these regions of the world. However, increasingly national political agendas are also set to generate further impetus for growth. At the same time, it should not be forgotten that this year around 4.2bn people – corresponding to more than half of the world’s population – will be electing new governments in their countries.

People at the core
In spite of all the geopolitical and global economic adversities, we must not lose sight of the human factor. After all, employees are the company’s most valuable asset. Indeed, they have made Koenig & Bauer what it is today: an internationally leading technology company that meets the zeitgeist with its broad and innovative product range and at the same time influences the everyday lives of a large part of the world’s population. In order to maintain this leadership role as we move forward, it is crucial for us to find qualified employees and to retain them in our business operations by offering attractive benefits. This also includes conducting further education for existing staff and giving young people an opportunity to participate in the

transformation process. The fact that we have almost doubled the number of apprentices in our business operations and that the proportion of young women opting for a career at Koenig & Bauer has widened testifies to our appeal as an employer.

Short distances to the customer are invaluable. This is why local service is a core distinguishing feature, setting Koenig & Bauer apart from many of its competitors. It is not without reason that, out of a total of around 5,000 employees at Koenig & Bauer, roughly 1,000 are now employed in service business. This not only positions the company as a market leader, but also enables it to respond quickly to the needs of its customers. The emergence of a political trend in favour of “near shoring”, i.e. production that is as regional and self-sufficient as possible, is also playing into the hands of a globally positioned company such as Koenig & Bauer.

Satisfactory business performance in 2023

Despite the ongoing challenging global economic environment, Koenig & Bauer achieved consolidated earnings before interest and taxes (EBIT) of €29.9m. This places EBIT within the forecast range of €25m to €35m that had been adjusted on 8 November 2023. At around €1.3bn, the forecast revenue target was achieved. The heightened profitability despite the start-up and trailing costs in the Digital & Webfed segment is mainly due to the more efficient handling of inflation-induced additional costs as well as improved cost management in the third quarter as a result of the absence of any recovery in demand. In this regard, the final quarter returned to its usual strength.

Future dividend policy adopted with a payout ratio of 15–35%

In view of the earnings performance in 2023 and the persistently challenging global economic market environment, the Management Board and the Supervisory Board will be proposing at the Annual General Meeting that the net profit generated by the holding company Koenig & Bauer AG be retained and that a dividend be omitted for the 2023 financial year. However, as Koenig & Bauer attaches great importance to ensuring appropriate participation of its shareholders in its success, a future dividend policy has been adopted which, subject to profitable business performance during the year, aims to distribute a dividend of 15–35% of consolidated earnings, with a minimum dividend of €0.30 per share.

Nevertheless, we are aware that Koenig & Bauer needs to be more profitable looking forward. Just like our successful customers, we must focus on the value drivers that are spurring our transformation from a printing press manufacturer into a technology company.

“Spotlight” on growth drivers and innovations

With the “2023 Growth Offensive” adopted in 2018, which aimed to proactively exploit the market opportunities arising in digital printing, corrugated board, cardboard packaging and flexible packaging printing in particular, as well as in the postpress sector in the interests of sustainable profitable growth, Koenig & Bauer has significantly driven forward its transformation from a printing press manufacturer to a technology company. The company is thus headed in the right direction, although external and internal factors are resulting in heightened complexity and rising costs. For this reason, the Management Board initiated the “Spotlight” focus programme at the end of 2023.

To summarise, the old adage that you reap what you sow still applies. We launched the growth initiatives in 2018 with foresight. With this mindset, we have been the market and technology leader in many areas for more than 200 years. And that’s how we want things to stay. We have now almost completed the sowing phase and want to reap the harvest. This will also be aided by the “Spotlight” programme, in which we are prioritising initiatives and business models that boost earnings and financial strength, deprioritising initiatives that do not directly impact earnings and optimising the Group and segment organisation as well as the indirect cost structure to make processes even leaner and more customer-friendly. For the most part, the measures will be identified, implemented and finalised in 2024, although the full-year effect will not be felt until 2025.

Outlook for 2024

Provided that the global economic situation does not deteriorate again and no special effects disrupt global consumer spending, Koenig & Bauer’s growth path is likely to remain intact, as the world’s affluent middle class is growing particularly rapidly, indeed at a disproportionately sharp rate especially in Asia. This is indicated by the expected compound average growth ratio, or CAGR for short, of roughly 4% for the packaging market. New partnerships, such as the one with automotive OEM Volkswagen for joint development activities in sustainable battery cell production, mark a further step on our growth trajectory. In addition, drupa, the world’s largest trade fair for the printing and graphics industry will be taking place in Düsseldorf from the end of May until the beginning of June, generating important impetus in the second quarter of this year.

Despite this challenging macroeconomic environment, Koenig & Bauer assumes that revenue and the EBIT margin will remain stable in 2024 at the previous year's level. Specifically, we are looking for operating earnings of between €25m and €40m and revenue of around €1.3bn. However, Group EBIT for 2024 will be burdened by up to €10m from spending on drupa, resulting in Group EBIT of between €15m and €30m after this one-off effect. Given the persistently muted economic situation, the company projects an EBIT margin of 6 – 7% in 2026 at the latest, accompanied by Group revenue of €1.5bn. In the medium term, it is looking for revenue of around €1.8bn and an EBIT margin of 8 – 9%.

In addition to his existing duties as Chief Financial Officer and Deputy Chief Executive Officer, Dr Stephen Kimmich will also be assuming responsibility from 1 April for the Special segment, which I previously held. This will allow me to devote greater attention to the "Spotlight" focus project.

Looking forward into the long term, the best is still ahead of the company, because Koenig & Bauer has always been a technological leader in its markets and will continue to expand this leading position over the next few years – not least of all through selective, carefully considered M&A transactions, by rolling out the basic technologies in adjacent areas as well as through cross-selling. Take a look at our trend radar in the summary of the Annual Report, to find out more about what you can expect from us as we move forward. In addition, you will also find many exciting insights into what the packaging of the future could look like.

Acknowledgements

As in the past years of its history spanning more than 200 years, Koenig & Bauer will be keeping a close eye on the developments in the market and, above all, the individual needs of its investors, customers, employees and service providers. Bold and forward-looking strategic decisions made in the year under review have laid solid foundations for this. The Management Board thanks all the parties involved for this and their many years of loyalty.

Würzburg, 20 March 2024
The Management Board of Koenig & Bauer AG

Dr Andreas Pleßke
Chief Executive Officer

Supervisory Board report

Dear shareholders,
The Supervisory Board devoted its attention to the Group's strategic development in terms of digitisation, modularisation and internationalisation in addition to measures for securing and enhancing its earnings and financial strength on a sustained basis. The 2023 financial year was once again overshadowed by geopolitical crises as well as challenging economic conditions caused by inflation, rising interest rates, muted economic growth in key markets and pronounced uncertainties. Various conditions such as a temporary reluctance to invest in new printing presses and delayed ordering in some business areas as well as the strong momentum in the launch of future-oriented products and new digital business left adverse traces on target achievement in the year under review. However, the extraordinarily broad product portfolio, which is aligned to growth and stable niche markets, stabilised business performance, with service business once again proving to be a reliable earnings pillar.

In addition to discussing market trends and growth business, the Supervisory Board dealt in detail with the business and earnings situation as well as the financial position of Koenig & Bauer AG and the Group together with the situation at key subsidiaries. Business policy, the M&A strategy, the competitive situation, risk management, compliance, the internal control system, internal auditing, cybersecurity, the capital market and personnel strategy were discussed at length. The Supervisory Board and the Audit Committee dealt with sustainability issues pertaining to environment, social and governance matters (ESG for short) as well as with the new ESG-related regulatory requirements. In addition to the Management Board's corporate and investment planning, further items on the agenda of the Supervisory Board and the committees included the dividend policy, governance and remuneration matters and, in particular, the revision of the Management Board remuneration system. All necessary resolutions were passed after detailed examination and intensive discussion.

In the year under review, the Supervisory Board was again informed promptly, regularly and comprehensively by the Management Board of all events that were of material importance for the Company. In 2023, this was done in the form of hybrid Supervisory Board meetings with combined in-person attendance and online participation, in video conferences as well as over the phone and in writing. The Chairman of the Supervisory Board and the Chief Executive Officer meet on a weekly basis, and further regular meetings are held between the Chair of the Audit Committee and the Chief Financial Officer. In addition, the Supervisory Board received continuous reports concerning the Company's key performance indicators.

The Supervisory Board performed its duties with great care in accordance with the law, the Articles of Association and the Rules of Procedure. Six Supervisory Board meetings and six information events for the Supervisory Board were held on matters of current relevance in 2023. These were supplemented by internal preparatory video conferences held prior to the Supervisory Board meetings. The Supervisory Board also met at times in the absence of the Management Board to discuss matters that concerned either the Management Board itself or internal Supervisory Board subjects. Of the six meetings of the Supervisory Board, four were held as hybrid meetings with in-person attendance and online participation and two as in-person meetings. Five of the six information events for the Supervisory Board were held as video conferences and one in hybrid form with in-person attendance and online participation. The chairpersons of the Supervisory Board committees reported regularly to the full Supervisory Board on the agenda and recommendations of the committee meetings. In the year under review, no members of the Supervisory Board were subject to any conflict of interests. The breakdown of the attendance at the meetings of the Supervisory Board and the committees is set out in the following table:

Name	Member since	Supervisory Board meetings (6)	Personnel Committee (7)	Audit Committee (6)	Strategy Committee (2)	Nominating Committee (1)	Total participation
Prof. Dr.-Ing. Raimund Klinkner, Chair	2018	6/6	7/7	–	1/2	1/1	94%
Gottfried Weippert, Deputy Chair	2001	6/6	7/7	6/6	2/2	–	100%
Dagmar Rehm, Deputy Chair	2014	6/6	7/7	6/6	–	1/1	100%
Claus Bolza-Schünemann (from 16 June 2023)	2023	4/4[1]	–	–	1/1[1]		100%
Julia Cuntz	2016	6/6	–	–	–	–	100%
Carsten Dentler	2017	6/6	–	–	1/2	–	88%
Marc Dotterweich	2015	4/6	–	6/6	–	–	83%
Werner Flierl (until 31 July 2023)	2021	0/4[1]	–	–	–	–	0 %[2]
Matthias Hatschek (until 16 June 2023)	2006	2/2	–	–	1/1[1]	1/1	100%
Christopher Kessler	2016	6/6	–	–	2/2	–	100%
Prof. Dr.-Ing. Gisela Lanza	2015	5/6	–	–	2/2	–	88%
Dr Johannes Liechtenstein	2019	6/6	–	5/6	–	–	92%
Simone Walter	2016	6/6	–	–	2/2	–	100%
Sabine Witte-Herdering (from 1 August 2023)	2023	2/2[1]	–	–	–	–	100%

1 On a time-proportionate basis due to entry or exit during the year
2 For health-related reasons

While there were no changes in the composition of the Management Board in the year under review, the composition of the Supervisory Board did change in the course of 2023. Following the resignation of Mr Matthias Hatschek as a shareholder representative on the Supervisory Board at the end of the Annual General Meeting on 16 June 2023, Mr Claus Bolza-Schünemann was elected to the Supervisory Board as his successor at the Annual General Meeting. The Supervisory Board thanked Mr. Hatschek for his long-standing confidence-inspiring contributions and for his commitment to the Company. The composition of the committees was determined at the constituent meeting of the Supervisory Board held following the Annual General Meeting on 16 June 2023. Details of the current composition of the Supervisory Board's committees can be found on the Company's website. With the elections held during the 2023 Annual General Meeting, the Supervisory Board was able to advance its own profile of skills, particularly with regard to industry-specific knowledge. Effective 31 July 2023, Mr. Werner Flierl resigned from the Supervisory Board as a trade union representative. His successor, Ms Sabine Witte-Herdering, was appointed to the Supervisory Board as an employee representative for the remainder of Mr Werner Flierl's term of office under a ruling issued by the Würzburg Registry Court on 1 August 2023. No modifications were required to the composition of the Supervisory Board committees as a result of this change.

The members of the Supervisory Board receive appropriate support from the Company in the form of training and further education. The Supervisory Board training system, which was expanded in 2022, comprises two webinars a year on selected topics together with optional external training events. The training events in the year under review focused on the rules for adhoc disclosures, the Annual General Meeting and proxy advisors as well as enterprise valuation. As well as this, the Koenig & Bauer Board Academy has developed its own website as a platform for training and further education for the members of the Supervisory Board. In addition, the employee representatives are able to make use of the conferences organised by the Hans Böckler Foundation as well as the further education provided by the trade unions and DGB-Bildungswerk.

The meetings of the Supervisory Board and its committees as well as the information events dealt with the following matters in 2023: The video conferences of the Supervisory Board on 16 February 2023 and 23 February 2023 were dedicated to governance topics and the preliminary figures for 2022 as well as the guidance for 2023. At this meeting, the Supervisory Board approved the Management Board's proposal for the allocation of the unappropriated surplus expected for 2022.

At its hybrid meeting of 21 March 2023 with in-person attendance and online participation, the Supervisory Board dealt at length with the annual financial statements for Koenig & Bauer AG and the Group as of 31 December 2022, the combined management report, the non-financial Group report and the 2022 remuneration report for the members of the Management Board and the Supervisory Board together with the relevant audit reports. The 2022 annual and consolidated financial statements including the combined management report and the non-financial Group report, the 2022 remuneration report and the Management Board's proposal for the allocation of the unappropriated surplus for the 2022 financial year were approved or adopted. Furthermore, the Supervisory Board approved the resolution passed by the Management Board to submit the 2022 remuneration report to the Annual General Meeting on 16 June 2023 for approval by the shareholders. The wording of the invitation to the Annual General Meeting including the nine items of the agenda and the proposals for the adoption of the corresponding resolutions was also approved. In addition to the current status of the P24x project as of 31 December 2022, the lengthy agenda for the March meeting of the Supervisory Board included strategy, financing and capital market issues. Furthermore, the Management Board explained in detail to the Supervisory Board the partnership agreed with Sealed Air in the digital printing press area.

On 12 May 2023, the Supervisory Board held a video conference to discuss the Q1 figures. The in-person meeting of the Supervisory Board on 15 June 2023 was held on the day prior to the Annual General Meeting. In addition to cybersecurity and the HR strategy, the agenda included the refinancing of the syndicated loan, the development of the subsidiaries and strategic issues such as the partnership agreement entered into with Volkswagen subsidiary PowerCo SE concerning joint development activities in sustainable battery cell production. Further topics entailed Management Board remuneration matters and a decision on the topics on which the Supervisory Board was to receive training in 2024. As well as this, the results of the Supervisory Board's efficiency audit, which is conducted internally every year with external support and regularly updated in the light of current matters and legal requirements, were discussed. The Supervisory Board held its constitutive meeting on 16 June 2023 following the Annual General Meeting. Due to the changes in the shareholder representatives, adjustments were made to the composition of the Supervisory Board committees.

At the strategy meeting of the Supervisory Board on 25 July 2023, the Management Board presented the results of the rolling strategy process with this year's focus on internationalisation in a hybrid meeting with both in-person attendance and online participation. Particular attention was paid to the Group's global footprint as well as the three strategic pillars of sustainability, digitisation and modularity. A further item on the agenda of the strategy meeting concerned governance matters.

On 27 July 2023, the Supervisory Board was briefed on the report for the first half of 2023 in a virtual meeting. In a hybrid Supervisory Board meeting held on 28 September 2023 with both physical and online attendance, the Management Board presented the high-level business plan for the years 2024 to 2028. The Supervisory Board also approved the Management Board's proposal for the early refinancing of the existing syndicated loan by means of a new syndicated credit facility. The Supervisory Board was briefed on the progress being made within the Group with respect to the new regulatory ESG requirements, particularly under the Corporate Sustainability Reporting Directive (CSRD). Strategic issues were also on the agenda.

At a hybrid meeting with in-person attendance and online participation on 7 November 2023, the Supervisory Board deliberated on the Q3 report as well as the Management Board's revenue and EBIT projections for 2024. During the Supervisory Board's video conference on 15 November 2023, the proposals for the revision of the Management Board remuneration system, which had been prepared with external support, were discussed. At the hybrid Supervisory Board meeting held on 7 December 2023 with in-person attendance and online participation, the Management Board presented in detail the corporate and investment plans for 2024 and provided an outlook for the years until 2028. The Supervisory Board approved the corporate and investment budget for 2024 and acknowledged the medium-term plans. In addition to the Green Energy project, the agenda also included strategic issues and the development of the subsidiaries. In addition, the person responsible for compliance, internal auditing and risk management submitted a status report on these three areas. The Supervisory Board approved the Management Board's proposal to submit the merger of Koenig & Bauer Immobilien GmbH with Koenig & Bauer AG to the Annual General Meeting on 26 June 2024 for approval. The revised Management Board remuneration system was adopted by the Supervisory Board with retroactive effect from 1 January 2024 and will also be submitted to the 2024 Annual General Meeting for approval. In the course of intensive discussion of Management Board issues, the Supervisory Board appointed Dr Andreas Pleßke, Spokesperson of the Management Board, to the position of Chief Executive Officer and Dr Stephen Kimmich, Chief Financial Officer, to the position of Deputy Chief Executive Officer with effect from 1 January 2024.

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 seven times and the Nominating Committee once in video conferences. Of the six meetings of the Audit Committee, three were held in hybrid form with in-person attendance and online participation and three as a video conference. In addition to the strategy conference, which was attended by the entire Supervisory Board, a further two meetings of the Strategy Committee were held during the year under review. All the meetings of the Strategy Committee were held in hybrid form with in-person attendance and online participation. It was again not necessary for the Mediation Committee appointed under section 27 (3) of the Codetermination Act to convene in 2023.

In addition to examining the quarterly reports and updated annual forecasts, 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 as well as the remuneration report for the members of the Management Board and the Supervisory Board. Throughout the entire process of preparing the financial statements, regular meetings were held between the Chair of the Audit Committee and the external auditor. During the discussion of the annual financial statements, the representatives of the statutory auditor reported to the committee on the results of their audit and were available to answer any questions and for detailed discussion of various matters. The Audit Committee prepared the approval and adoption of the financial statements and the remuneration report by the Supervisory Board. It reviewed the quality of the audit of the financial statements, monitored the independence of the external auditor and obtained his declaration of independence. The Audit Committee also prepared the proposal for the election of the auditor of the annual financial statements and the consolidated financial statements for submission to the Annual General Meeting. The Audit Committee reviewed the non-auditing activities requested by the Company from the external auditor on a quarterly basis. In addition to determining the priorities of the external audit of the financial statements, the Audit Committee also discussed the compliance management system and the compliance plan, internal auditing and the audit plan, the risk management system and the risk situation within the Group, the internal control system, export control, ESG issues and cybersecurity. In addition, it received comprehensive and regular updates on the progress of SAP migration and the organisational project for the interaction of governance, risk management and compliance (GRC). The Management Board presented the standardised M&A process together with the processes for post-merger integration (PMI) to the members of the Audit Committee. Various aspects of a future dividend policy were also discussed. The focus of two extraordinary meetings of the Audit Committee was on the ESG roadmap and regulations, internal auditing and a review of the annual financial statements process. The Chief Executive Officer and the Chief Financial Officer regularly attended the meetings of the Audit Committee.

In the year under review, Management Board matters, remuneration and structural matters dominated the meetings of the Personnel Committee. In addition to overseeing the preparation of the remuneration report, the Personnel Committee prepared various draft resolutions for the Supervisory Board concerning variable Management Board remuneration and the target agreements with the Management Board, the revision of the Management Board remuneration system, Management Board governance and further training of the Supervisory Board in the following year. The Nominating Committee prepared recommendations for the full Supervisory Board concerning a candidate for election to the Supervisory Board at next Annual General Meeting, as well as proposals for rendering the term of office on the Supervisory Board more flexible and for determining a regular term of office. The Strategy Committee was closely involved in the new Group strategy process and was briefed at length by the Management Board in its meetings on digitisation and digital printing as well as market strategies and trends.

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

At its meeting on 20 March 2024, the Supervisory Board adopted the annual financial statements for Koenig & Bauer AG as of 31 December 2023 prepared by the Management Board and the remuneration report for the members of the Management Board and the Supervisory Board for 2023 and approved the consolidated financial statements for the Koenig & Bauer Group as of 31 December 2023, 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 Supervisory Board also approved the Management Board's proposal for the allocation of Koenig & Bauer AG's unappropriated surplus for the 2023 financial year. The resolutions were prepared by the Audit Committee. The chairperson of the Audit Committee reported to the Supervisory Board in detail on the results of the intensive audits and the Committee's findings as well as on the discussions with the auditors and the Management Board. The auditors reported at length to the Supervisory Board on their audit procedures and findings and were available to answer additional questions. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft in Frankfurt am Main, Nuremberg branch, issued unqualified audit opinions for both sets of financial statements including the combined management report. Furthermore, the separate non-financial Group report underwent a limited assurance review by PricewaterhouseCoopers GmbH. Like the Audit Committee at its meeting on 19 March 2024, the Supervisory Board approved the auditor's findings based on its own review. Neither body raised any objections to the consolidated financial statements, the annual financial statements of Koenig & Bauer AG, the combined management report, the non-financial Group report or the remuneration report for 2023.

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

The Supervisory Board would like to thank all employees, the Management Board, managers and employee representatives for their active commitment and constructive cooperation in the 2023 financial year. It expresses its gratitude to the shareholders for their confidence in the Company.

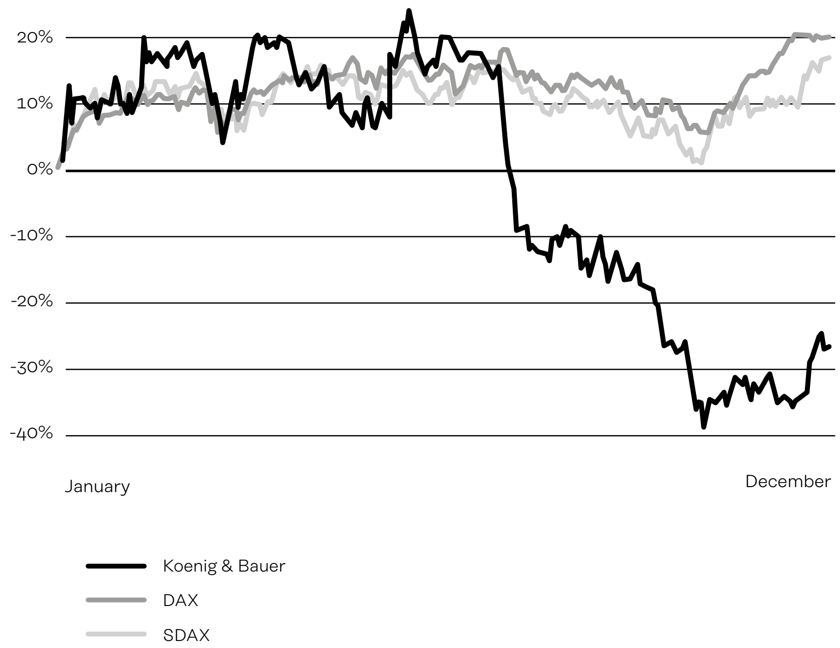
Würzburg, 20 March 2024
The Supervisory Board of Koenig & Bauer AG

Prof. Dr.-Ing. Raimund Klinkner
Chairperson of the Supervisory Board

Koenig & Bauer shares

Share price with strong gains in the first half and losses in the second half of the year

Share performance in 2023



With most indices losing ground in 2022 due to a variety of external factors, equity markets were able to recoup a large part of their losses in 2023. However, the gains achieved over the year as a whole were not evenly distributed across all sub-segments. For example, business confidence in the mechanical engineering sector increasingly deteriorated in the course of the year due to the frequent postponement of new orders due to consumer restraint and consequently muted capital spending by manufacturing companies. Despite the headway achieved in the first half of the year, Koenig & Bauer shares were unable to completely shrug off this negative sentiment over the year as a whole.

They reached a high for the year on 16 June at a XETRA closing price of €20.20. The adjustment made to the guidance in the third quarter also exerted pressure on the share price. At the end of 2023, the shares were trading at €12.10, down from €16.28 on 31 December 2022, equivalent to a decline of 25.68%. The DAX and the SDAX posted gains of 20.31% and 17.06%, respectively, with the DAX reaching a new all-time high of 17,003 points.

Average daily trading volumes of Koenig & Bauer shares fell to around 15,000 in the year under review.

Koenig & Bauer share performance indicators

€	2022	2023
Earnings per share	0.63	**0.16**
High for the year	32.00	**20.20**
Low for the year	10.90	**9.93**
Price at the beginning of the year[1]	31.30	**16.68**
Price at the end of the year[1]	16.28	**12.10**
Number of bearer shares outstanding	16,524,783	**16,524,783**
Market capitalisation at the end of the year (m)	269.00	**200.00**
Cash flow per share	0.33	**-1.9**
Dividend	0.00[2]	**0.00**

1 Xetra closing price, source: Bloomberg
2 The terms of the KfW loan do not permit any dividend distribution

Future dividend policy adopted with a payout ratio of 15–35%

In view of the earnings performance in 2023 and the persistently challenging global economic market environment, the Management Board and the Supervisory Board will be proposing at the annual general meeting that the net profit generated by the holding company Koenig & Bauer AG be retained and that a dividend be omitted for the 2023 financial year. However, as Koenig & Bauer attaches great importance to ensuring appropriate participation of its shareholders in its success, a future dividend policy has been adopted which, subject to profitable business performance during the year, aims to distribute a dividend of 15–35% of consolidated earnings, with a minimum dividend of €0.30 per share.

Koenig & Bauer with a free float of around 73%
Under the Deutsche Börse definition, free float includes all shares not held by principal shareholders (i.e. those holding 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 73% of the total of 16,524,783 bearer shares outstanding as of 31 December 2023.
The following voting right notifications for shareholdings over the 3% threshold had been received as of 31 December 2023:

Koenig & Bauer AG shareholder structure

	Number of shares	Percentage
Koenig'sche Shareholders' Association, Germany	2,751,704	**16.7%**
AlternInvest GmbH, Vienna, Austria	1,683,428	**10.2%**
Universal-Investment-GmbH, Frankfurt/Main*	1,680,574	**10.2%**
Hauck & Aufhaeuser Fund Services S.A., Munsbach, Luxembourg *	1,656,248	**10.0%**
Union Investment Privatfonds GmbH, Frankfurt/Main*	841.693	**5.1%**
As of 31 December 2023	**Total number of shares outstanding: 16,524,783**	

* Free float shareholders in accordance with the Deutsche Börse definition.

Dialogue with the capital market
In addition to regular financial reporting, contact with the capital markets again increasingly took place place in person at various physical events. Shareholders were invited to a physical Annual General Meeting in Würzburg in the year under review, while the physical Capital Markets Day in October in Radebeul was very well attended with its impressive product demonstrations. Participation in roadshows and capital market conferences as well as cooperation with banks and brokers that actively cover the company and regularly publish assessments of our share price as well as sector studies also played an important role during the reporting period in order to enable regular and continuous exchange.

As of the date on which this report was prepared, four analysts rated our shares a “buy”, one analyst a “sell” and three analysts issued a “hold” recommendation on the basis of their models. The consensus target price is €14.06, which is well above the current price. This shows that capital market experts expect the share price to rise over the next twelve months.

98th Annual General Meeting of Koenig & Bauer AG:
After three virtual Annual General Meetings due to the pandemic, the 98th Annual General Meeting of Koenig & Bauer AG took place on 16 June 2023 as a physical event at Vogel Convention Center (VCC) in Würzburg. Around 200 shareholders were present, representing around 59% of the voting share capital.

Eight of the nine items on the agenda required a vote. The shareholders approved all resolutions by a large majority, including the election of Claus Bolza-Schünemann to the Supervisory Board. In addition, the remuneration report and two amendments to the Articles of Association were approved and the actions of the Management Board and Supervisory Board ratified.

A detailed overview of the individual voting results and the key statements can be found under “Annual General Meeting” in the Investor Relations section of the website.

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

Combined management report

Detailed index

Corporate structures

Company profile

Koenig & Bauer is an international system provider for the global printing industry with a focus on special printing applications, especially in the packaging sector. Printing presses and systems, which are consistently tailored to meet customer requirements, as well as services enable people all over the world to come into contact with printed, post-printed and finished products.

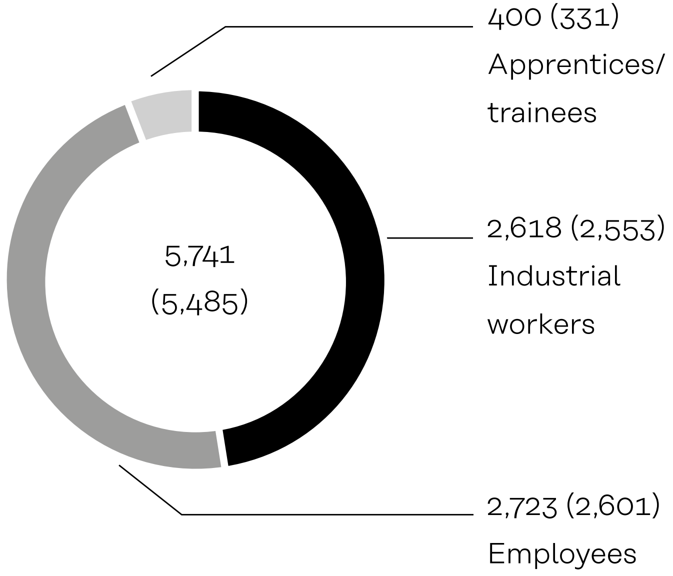
In addition to various types of packaging for the food, beverage, pharmaceutical, consumer goods and cosmetics industries, this also includes banknotes, decorations and laminates as well as magazines and newspapers. The presses use almost all common printing technologies that apply ink efficiently and precisely to a wide variety of substrates such as paper, cardboard, foil, glass, hollow containers and sheet metal. This gives Koenig & Bauer one of the broadest product ranges 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 and ensures that production processes can be structured more and more sustainably and efficiently. Koenig & Bauer holds a leading position worldwide in many markets and is the global market and technology leader in the growing sector for packaging printing and banknote printing. Service business, which is becoming increasingly digital and non-cyclical, is to be additionally expanded and will also account for a long-term share of around 30% of Group revenue.

Global presence and employees

The Group export ratio of 86.9% (previous year: 88.6%) reflects Koenig & Bauer's global presence. At the same time, eleven production sites in Europe ensure a high level of vertical integration as well as reliable supplies and production. The many sales and service organisations complement the global presence.

Koenig & Bauer promotes a culture of innovation and has been a pioneer in vocational training since its foundation over 200 years ago in order to maintain its technological lead in the future. With numerous training opportunities at the Koenig & Bauer Academy and the Koenig & Bauer Campus learning management system, the company is continuously developing its employees and also ensuring requirements-oriented succession planning. The Koenig & Bauer Group had 5,741 employees worldwide at the end of 2023 (previous year: 5,485).

Workforce as of 31 December 2023



In connection with the annual intake of new apprentices in September 2023, the Koenig & Bauer Group is retaining its training policy despite the difficult global economy in order to create career openings for talented young people. In this way, the company is covering its high demand for qualified specialists, especially in the technology sector and in mechanical engineering, by means of in-house training. In 2023, a total of 168 (previous year: 113) apprentices and dual-course students embarked on the first steps of their new careers at the Koenig & Bauer Group. They already have the promise of a permanent employment contract upon the successful completion of their apprenticeships.

Sustainability

With its “Exceeding Print” strategy as one of three strategies, Koenig & Bauer is driving forward sustainability as the greatest challenge – and also an opportunity – facing the packaging industry in the future, thus systematically expanding its already successful activities in this area, which is of crucial importance for the Group’s future development. The statutory reporting obligations are fulfilled with the publication of the non-financial Group report as a separate part of this annual report with references to the combined management report on pages 141 ff. Further information is available on the company’s website at www.sustainability.koenig-bauer.com.

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 2023, 37 (previous year: 37) companies were included in the consolidated financial statements in addition to Koenig & Bauer AG. Two companies are accounted for using the equity method (previous year: two companies).

The annual financial statements of Koenig & Bauer AG are prepared in accordance with the provisions of the German Commercial Code (HGB), supplemented by the provisions of the German Stock Corporation Act (AktG) and can be found on page 51.

As shown in simplified form in the diagram, the production subsidiaries are allocated to the three segments Sheetfed, Digital & Webfed and Special on the basis of their business activities. The domestic and foreign companies, which mostly offer sales and service functions for several segments, are allocated to the segments in accordance with their activities. Similarly, the business units defined as production service providers (“Industrial”, see diagram) are allocated to the three segments on the basis of their activities.

Koenig & Bauer AG

Sheetfed

Koenig & Bauer Sheetfed AG & Co. KG
Sheetfed offset, digital sheetfed printing, finishing & postprint

Koenig & Bauer Iberica S.A.
Post-printing

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

Koenig Bauer Duran Karton Ambalaj Teknolojileri Sanayi A.Ş.
Folding box gluers

Digital & Webfed

Koenig & Bauer Digital & Webfed AG & Co. KG
Web offset, web digital printing, engineering services, web printing, corrugated board printing and external

Koenig & Bauer Flexotecnica S.p.A.
Printing of flexible packaging

Special

Koenig & Bauer Kammann GmbH
Glass & hollow body printing

Koenig & Bauer MetalPrint GmbH
Sheet metal printing

Koenig & Bauer Coding GmbH
Marking and coding

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

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

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

Industrial

Koenig & Bauer Industrial GmbH | Albert-Frankenthal GmbH | Koenig & Bauer Gießerei GmbH

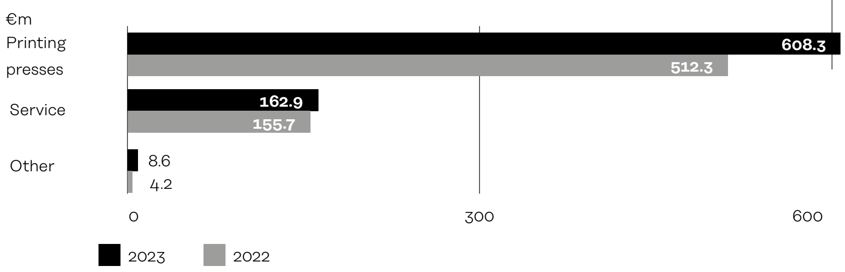
Business activities in the segments

The diagram setting out the Group structure also shows the organisational structure of the Koenig & Bauer Group at the end of 2023. 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. Segment revenue is split into printing presses and services, including spare parts, as well as miscellaneous business. In addition to classic services, a variety of digital services are also offered in all segments and are constantly being expanded to supplement printing press technology.

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. In addition to classic sheetfed offset printing technology, it offers a digital printing solution in the form of the VariJET, which has been developed in the joint venture with Durst. The segment portfolio also includes aggregates for postprint processing of the printed sheets. These are punched out with a rotary or flat bed punch and folded and glued together with the aid of a folding box gluer.

The following diagram illustrates the revenue generated by printing press and service business in the Sheetfed segment, which has consistently grown year-on-year. The share of service business shrank slightly to 20.9% compared with the previous year (23.2%) due to a higher proportion of press business. Efforts are continuing to achieve the Group target of around 30%.

Sheetfed revenue by product group



The **Digital & Webfed segment** offers a variety of printing presses and systems that address the three printing processes of letterpress printing (flexo printing), planographic printing (web offset printing) and digital 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.

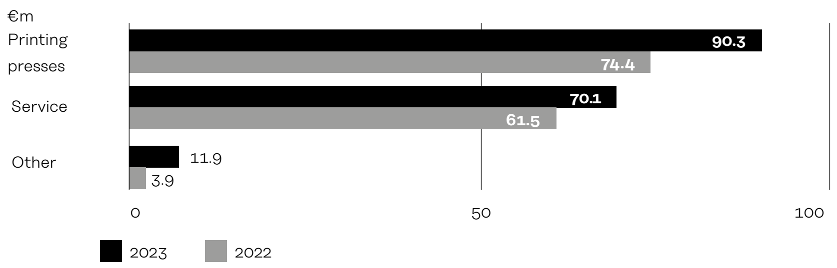
The RotaJET platform is the world's only industrial digital printing press that handles heatset printing as well as decorative and beverage carton printing in the industrial printing market. The roll digital printing activities are complemented by the HP PageWide T1190 for pre-printing corrugated-board cover layers and the HP PageWide T700i, which are assembled in cooperation with HP. Integrated paper logistics are also available to suit the roll presses. This is because automation, an integrated workflow and process optimisation are crucial elements of the "total cost of process" approach.

Through the acquisition of Celmacch Group S.r.l. in 2022, Koenig & Bauer offers solutions for direct corrugated board printing under the name "Chroma" in the high-board market in all price and performance classes. Together with Durst, corrugated board direct printing is supplemented by digital printing solutions.

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

The following diagram shows the revenue generated over time in press and service business in the Digital & Webfed segment. 40.7% (previous year: 44.0%) of the segment's revenue is accounted for by services, with newsprint presses exhibiting a downward trend.

Digital & Webfed revenue by product group



The **Special** segment comprises the activities pursued by Banknote Solutions (banknote and security printing), Kammann (direct decoration of hollow bodies made of glass, plastic and metal), MetalPrint (metal packaging) and Coding (marking solutions for all industries).

Specialised printing presses for banknote and security printing and expertise in banknote and security design together with the corresponding banknote design software, prepress solutions, security elements – all these activities are performed by Banknote Solutions for central banks and private printers of banknotes. The range is supplemented by the ValiCash™ smartphone app (authentication of banknotes) and, most recently, by quality control systems for electrode foils in battery cell production.

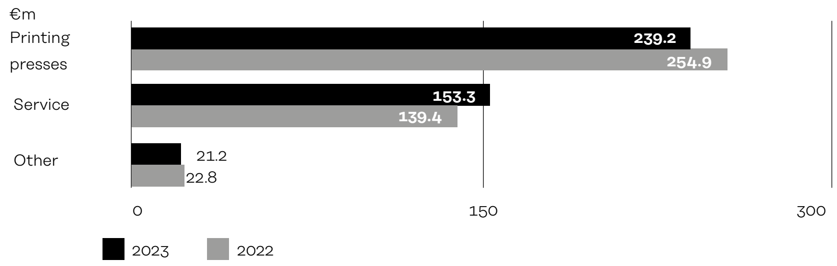
Kammann supplies printing systems for the direct decoration of hollow bodies made of glass, plastic or metal. Directly decorated glass containers are mainly used for cosmetics, perfume and spirits products in the premium segment. In addition to the predominant screen printing process, hot stamping, digital printing and particularly also decoration processes can be optionally integrated in the precise and flexible transport systems.

MetalPrint provides end-to-end systems for the decoration of 2- and 3-piece cans. To decorate a 3-piece can – which is mainly used for food – complete production lines that print, paint and dry tinplate sheets are utilised. Metal sheets are not used to decorate 2-piece cans for beverages. Instead, cups or bowls are printed directly, painted and then dried with CS MetalCan.

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 in order, for example, to apply the legally required best-before date or batch traceability data accurately. Manipulation-proof labelling and seamless product traceability are playing an increasingly important role.

The following diagram shows the revenue generated over time in press and service business in the Special segment. Whereas new press revenue declined slightly, the share accounted for by service business widened marginally to 37.1%, up from 33.4% in the previous year.

Special revenue by product group



Industrial is a production service provider, manufacturing high-precision components for printing presses in conjunction with other companies. It specialises in precision-machined large parts made of cast iron or steel, complex prismatic 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 governance

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

- **Dr Andreas Pleßke**
  (Chief Executive Officer and responsible for the Special segment**; appointed until 31 December 2025),
- **Dr Stephen Kimmich**
  (Deputy Chief Executive Officer* and Chief Financial Officer; appointed until 31 March 2026),
- **Christoph Müller**
  (responsible for the Digital & Webfed segment, appointed until 30 June 2026),
- **Ralf Sammeck**
  (responsible for the Sheetfed segment and Chief Digital Officer, appointed until 30 June 2025) and
- **Michael Ulverich**
  (Chief Operation Officer – production, procurement and logistics, appointed until 31 March 2026).

*On 7 December 2023, the Supervisory Board appointed Dr Andreas Pleßke to the position of Chief Executive Officer with effect from 1 January 2024. Dr Pleßke has been a member of Management Board since 2014 and spokesman for the Management Board with responsibility for the Special segment since 2021. At the same time, Dr Stephen Kimmich, Chief Financial Officer, has also been appointed Deputy Chief Executive Officer effective 1 January 2024. Dr Kimmich has been Chief Financial Officer since 2020.

**As of 1 April 2024, the Supervisory Board appointed Dr Stephen Kimmich with the responsibility for the Special segment in addition to his role as CFO and Deputy Chairman of the Executive Board.

The business allocation plan shows the breakdown of the Management Board duties as well as the distribution of functional responsibilities as of 31 December 2023.

Business allocation plan of the Koenig & Bauer AG Management Board - valid from 7 December 2023 (replaces the version dated 10 December 2021)

Chief Executive Officer **Dr. Andreas Pleßke**	**Deputy Chief Executive Officer** **Dr. Stephen Kimmich**	**Management Board** **Christoph Müller**	**Management Board** **Ralf Sammeck**	**Management Board** **Michael Ulverich**
The Chief Executive Officer represents the Management Board and the management in relations with the Supervisory Board and its committees.				
• Group human resources • Strategic Group development • “Special” segment • Compliance & Audit • Corporate responsibility (ESG) • Corporate development • Marketing • Public relations • Legal and insurance	• Finances, accounting, taxes • Information technology (IT) • Capital spending • Investor relations • Group controlling & consolidation • Operational corporate planning • M&A processes	• “Digital & Webfed” segment • Management of Koenig & Bauer Digital & Webfed • Group-wide service coordination	• “Sheetfed” segment • Management of Koenig & Bauer Sheetfed • Group-wide sales coordination • Group-wide coordination of the digital transformation • Brand ownership management • Group key account management	• Responsibility for “Industrial” and Foundry • Group-wide strategic purchasing • Operational purchasing and scheduling (holding company, D&W, Industrial, Banknote Solutions, Sheetfed) • Intellectual property • Corporate technical standards • Press platform concept

Goals and strategy

“Exceeding Print” corporate strategy
Against the backdrop of global secular trends and following intense discussions with customers and experts, Koenig & Bauer has defined its medium-term strategic alignment. Secular trends play a crucial role in corporate strategic planning. They describe complex, long-term processes of transformation with enormous dimensions and effects on the economy and society. Their impact is not isolated. Rather, they influence and strengthen each other mutually. Koenig & Bauer has pooled its corporate goals in “Exceeding Print” by focusing on its existing strengths of sustainability, modularity and digitisation. True to the motto “Strengthen strengths”, the company focuses on its core competencies, expanding them systematically and innovatively. This is also reflected in the path that Koenig & Bauer has already adopted, leading to greater digitisation and modularity and resulting in more economic success in its core markets, especially packaging printing, as one thing is quite clear: printing processes will require less material and energy, thus becoming more sustainable. Accordingly, Koenig & Bauer is developing rapidly but with foresight, transitioning from a traditional mechanical engineering company into an agile technology group.

Koenig & Bauer is becoming MORE SUSTAINABLE:
Sustainability is one of the greatest global challenges and also opportunities of our times. Therefore, Koenig & Bauer designs its products and processes in such a way that they are ready for the future. In addition to the European Green Deal, the main drivers are the company's own sustainability goals. Beyond its responsibility towards its customers and employees, the Group wants to fulfil its environmental, social and community obligations even more effectively as a member of the world's largest sustainability initiative, UN Global Compact. It is aiming to reduce the carbon emissions of its own production plants by 75% by 2025 and to make Scope 1 and 2 emissions carbon-neutral from 2030 onwards. To support its customers in reducing their ecological footprint, the company is pursuing the following goals:

- Accelerate the portfolio of solutions for a circular economy through products, substrates and process know-how

- Create new innovations to replace non-ecological packaging and reduce waste

- Enable customers to reduce energy and resource requirements

For example, Koenig & Bauer is a member of the 4evergreen alliance network, in which it can look for suitable solutions at an early stage with producers of paper, cardboard and folding cartons, brand owners, suppliers of technology and materials as well as the waste collection, sorting and recycling industry. Working with ClimatePartner, Koenig & Bauer supports carbon offsets by promoting certified climate protection projects. The company is also a partner of the sustainability initiative "BlueCompetence" initiative of the German Engineering Federation (VDMA) and is the first printing press manufacturer to become a member of the "Healthy Printing" network.

For Koenig & Bauer, sustainability also means social responsibility, diversity and anti-discrimination. Greater diversity with regard to gender, age and international background also forms part of the company's strategic orientation as a social goal. One priority is the promotion of female representation, for example through mentoring and career programmes, and extensive measures for achieving a viable work-life balance. It also focuses on anti-discrimination and anti-racism initiatives. Social responsibility is also part of Koenig & Bauer's DNA. For more than 150 years, it has been running its own vocational training centre, which has been a state-accredited private school since 1993 and to this very day guides potential career-beginners and ensures them of a permanent employment contract upon the successful completion of their apprenticeships. In 2023, it was awarded the title of "Climate School Bavaria". The award recognises schools that make their school operations sustainable and gradually cut carbon emissions. At the same time, a climate school teaches its students skills for shaping a sustainable future and makes climate-friendly behaviour tangible. The world's oldest vocational school, it has also laid the foundation for the dual model of vocational training – today it provides successful training for young people in line with practical requirements, something from which the company also benefits. As well as this, Koenig & Bauer has had its own in-company health insurance fund since 1855.

Koenig & Bauer is becoming MORE DIGITAL:
In addition to digital printing presses, digitalisation also means digital business models and processes for the company and also involves stepping up the digital transformation within the Koenig & Bauer organisation. Alongside hardware, digital services are becoming increasingly important for networking presses, for collecting and analysing data and for managing processes efficiently. Koenig & Bauer is developing digital services on the basis of highly scalable cloud platforms, making them available to customers via a collaboration portal. The analysis of printing press data forms the basis for evaluating performance, setting benchmarks and defining industrial analytics scenarios. In combination with machine learning, Koenig & Bauer can detect potential disruptions in processes at a much earlier stage and more reliably, triggering service and maintenance on a fully automated basis. This can reduce unplanned downtimes and modify service intervals appropriately. Koenig & Bauer's products thus boost efficiency for customers, allowing cost benefits to be harnessed. In addition, Koenig & Bauer's high-performance digital presses for packaging printing offer new business models for short printing runs, addressing rapidly changing requirements, security elements, track-and-trace solutions as well as personalisation and individualisation. The focus is on the entire value chain to enhance cost optimisation and sustainability. Simple human-machine interfaces help to make operation more intuitive for customers. Koenig & Bauer is responding to the trend towards hybrid printing processes for paper, cardboard, corrugated board and foil by combining analogue and digital printing and finish-

ing technologies. This is widening the range of substrates that can be used for printing. With its forays into the food and beverage carboard industry, Koenig & Bauer is able to print full-colour digital prints on cardboard packaging. The digital transformation within Koenig & Bauer is also helping us to turn “big data” into “smart data” internally and to harness the opportunities arising from this. Group-wide networking with Google Workspace permits mobile work across different time zones, the advantages of which became particularly evident during the pandemic. Koenig & Bauer relies on the established SAP S/4 HANA system for efficient corporate processes. This system is already in use and is being gradually rolled out across the remaining core companies.

Koenig & Bauer is becoming MORE MODULAR:
Koenig & Bauer masters all industrial printing processes on almost all substrates in its core markets. In order to offer its customers a broad range of products and solutions, the company is working on a modular platform for the further development and production of its printing presses and postprint systems. Modularisation and standardisation offer not only flexibility and efficiency benefits but also cost-saving potential through the systematic shared use of common parts, systems, modules and platforms. This can be explained in very simplified terms by taking the modular sheet construction kit as an example. In sheet-fed printing presses, the sheets for printing are transported from a sheet feeder via the printing units to a sheet delivery unit and then deposited on a stack. Printing presses in the Sheetfed and Special segments have a sheet feeder with a very similar function. One of the purposes of the sheet construction kit is, for example, to achieve the greatest possible standardisation in the feeder model at a wide variety of different levels, such as the aggregate, individual assemblies, components and individual parts. On the one hand, this increases the number of “shared parts”, generating volume and scale effects that can also have a positive impact on procurement and production. At the same time, the availability of spare parts can also be increased and inventory management simplified. On the other hand, it is possible to optimise product development and design processes and assembly. From the customer’s point of view, a modular platform for future generations of printing presses offers substantial gains in efficiency and effectiveness, ensuring that new technologies reach the market more quickly, press operation is more consistent across the range and more uniform maintenance activities can be adopted. At the same time, there are more opportunities for innovation and individualisation, allowing bespoke solutions to be developed. However, the “Exceeding Print” strategy goes one step further: in order to master the complexity of the Koenig & Bauer range, we are also working on Group-wide sales activities (Group Sales) in addition to the modular printing press platform. With the establishment of the Group Sales division, Koenig & Bauer has been able to take a further step forward in leveraging the synergistic benefits of cross-segment sales and optimising “cross-selling” on the basis of a shared service promise. In addition to Group key account management as a “trusted advisor” for comprehensive customer support across Koenig & Bauer’s range, brand ownership management is an essential part of these activities as a basis for entering into a dialogue with international manufacturers and their packaging suppliers about possible printing and packaging technologies and trends.

P24x efficiency programme successfully completed in 2023
In order to strengthen the company’s position as one of leading suppliers for the printing industry and to improve operating profitability, the efficiency programme “Performance 2024”, which has been in place since 2019, was further developed and extended in 2020 in response to the impact of the Covid-19 pandemic and renamed “Performance 2024 extended” (P24x). Assuming that all innovation processes as well as process and product developments are continued and stepped up, this should yield savings of over €100m by 2024. The programme was officially ended in mid-2023 as the savings targets had been achieved. It also contributed to slight improvements in earnings in 2023.

“Spotlight” on growth drivers and innovations
With the “2023 Growth Offensive” adopted in 2018, which aimed to proactively exploit the market opportunities arising in digital printing, corrugated board, cardboard packaging and flexible packaging printing in particular, as well as in the postpress sector in the interests of sustainable profitable growth, Koenig & Bauer has significantly driven forward its transformation from a printing press manufacturer to a technology company. The company is thus headed in the right direction, although external and internal factors are resulting in heightened complexity and rising costs. For this reason, the Management Board initiated the “Spotlight” focus programme at the end of 2023. The aim is to prioritise initiatives and business models that boost earnings and financial strength, deprioritise initiatives that do not directly impact earnings and optimise the Group and segment organisation as well as the indirect cost structure to make processes even leaner and more customer-friendly. Under Dr Pleßke’s leadership, the measures will for the most part be identified, implemented and finalised in 2024, although the full-year

effect will not be felt until 2025.

Markets addressed and growth opportunities

With its range of products and services, Koenig & Bauer addresses the sub-markets of packaging, banknote, security, industrial, commercial and publication printing and seeks to make proactive use of market opportunities. Each of these markets offers different growth opportunities, which are described below.

Future opportunities in packaging printing and industrial printing
The Koenig & Bauer Group's focus is on structural and sustained growth in packaging printing. In terms of substrate, cartons (corrugated cardboard boxes, folding boxes and packaging cartons for liquids) are the largest group of packaging materials, followed by flexible packaging, hollow plastic bodies, metal and glass packaging. The company offers products and solutions for all these sub-markets. Several factors are driving growth in packaging printing every year. The most fundamental factor is the steady growth in the world population and, in particular, the increasing number of people who have a medium annual income. Accordingly, the growth in packaging printing correlates with the growth in global gross domestic product (GDP). In addition to rising global consumption, packaging consumption is benefiting from the boom in e-commerce, smaller sizes due to a greater number of one-person households and heightened regulatory requirements. New online markets for food, beverages, pharmaceuticals, cosmetics and fast-moving consumer goods, as well as the trend towards quick commerce, the next stage of e-commerce, are additionally spurring packaging consumption. What is clear, however, is that e-commerce has emerged as the permanent winner of the Covid-19 crisis. On average, global packaging printing is growing at an annual rate of around 4% according to various industry studies, with higher growth rates being registered for flexible packing and boxes (corrugated cardboard boxes, folding boxes and packaging boxes for liquids). 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 product protection, 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, an element supporting sales and an integral part of the product experience, underpinned by brand producers' omnichannel strategies. Unboxing is a core element of the shopping and brand experience. This trend has also been spurred by the pandemic and is continuing unabated. As it is done at home, all customer contact arises in printed form during the "unboxing" stage. This means that flyers, brochures and other printed products are enclosed in the corrugated cardboard box. In addition, more and more exclusive department stores are sending products ordered online in corrugated cardboard boxes that are printed in several colours on the inside.

Growth opportunities through digital printing and in industrial printing
Analogue technologies such as flexo, gravure, offset and screen printing currently still dominate the global packaging printing sector. According to a recent study by Smithers, the proportion of digital printing accounts for no more than 4% (in terms of quantity) of total global printing output and around 17% in terms of value. This is set to increase to around 25% by 2033, while it will widen only to around 6% in terms of quantities. The greatest changes are expected in the area of packaging. Although digital printing is more expensive compared to analogue processes, it has some important advantages for customers as it permits individual, personalised and versioned printing, even in small print runs. Moreover, it reduces customers' operating expenses (CapEx) by eliminating the need for expensive storage of the sheets, e.g. in the case of printed sheets. As well as this, a skilled printer is not required to operate a digital printing press, something which not only saves costs but also offers a clear advantage given the current shortage of skilled workers. In addition, makeready times and waste materials are eliminated. This provides customers with clear efficiency, costs and sustainability gains.

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 short time-to-market periods alongside other advantages. This calls for strong customer orientation, operational flexibility and quality standards. Following the latest RotaJET orders, Koenig & Bauer sees great potential for this 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. It can be assumed that gravure and flexo presses in particular will be replaced by high-performance digital presses for industrial applications over the next few years. Digital printing technology not only simplifies the complexity of design handling but also shortens the time from design to print and offers greater flexibility in order placement and customisation of products. This is an advantage in the light of the trend towards shorter runs, more individualised products and fast time-to-market production.

Decors for furniture and flooring are printed products that are becoming more and more sophisticated and creative and are also being replaced increasingly quickly in everyday use. Digital printing is spurring the trend towards individuality and design change as it permits swift production even in very small printruns. In addition, manufacturers are able to test new ideas on the market at low cost and with minimum effort. With digital preprint and direct printing on corrugated board, products can not only be placed in the market safely using water-based, food-certified ink jet ink, for example, but also communicate product information to the end consumer and attract their attention by means of seasonal corrugated-cardboard displays at the point of sale (POS), for example. Packaging is thus increasingly taking on the function of a marketing and sales tool. The multitude of new products and the trends towards versioning and personalisation together with ever shorter marketing cycles are ushering in a change in production requirements for liquid packaging (beverage cartons) and, in the future, also film packaging. As a general principle, improved total cost of ownership is the main driver for the shift from analogue to digital production.

Service business in security printing creates stability

Thanks to its good project situation, very low cyclical exposure and very high barriers to market entry, Koenig & Bauer expects business in security printing presses to remain stable in the long term. Cash remains an indispensable and secure means of payment, especially in the second and third world. In the last three years, more dollar bills have been printed worldwide than ever before. 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, global banknote production continues to grow at a moderate rate. Growing prosperity and rising population numbers in emerging markets with their high cash ratios as well as widespread scepticism towards electronic payments mean that there will be no reversal in this trend in the market in the medium term, although developments in some countries will vary. Alongside intensive work on new products and security features, service business for the large installed base is being systematically expanded and will make a good contribution to Group earnings in the medium to long term. With packaging printing contributing a larger share of Group revenue, the influence of volatile security printing business will recede.

Stable conditions in the media-related printing sectors

Koenig & Bauer anticipates stable business in sheetfed offset presses for commercial printing. The global book market is proving to be stable to slightly expansionary. Industrial digital printing has also arrived in the publishing industry. For example, the Italian company Grafica Veneta, a company in the field of letterpress printing, has chosen its American location for a second RotaJET single-pass digital printing press. This means that even smaller runs can be printed more efficiently and in top quality, thus allowing a swift response to changing market requirements. The configuration of the entire system makes it possible to print and bind a book in less than one minute from the raw paper roll to the ready-to-ship pallet. This revolutionary feature in book printing has the potential to create a new business model in the industry. Web offset presses for newspaper and commercial printing are expected to decline in tandem with lower service business due to further press shutdowns and printshop closures.

Expansion of service with a focus on digitalisation

The Koenig & Bauer Group is more than just a producer of printing and postprint systems. The Company sees itself as a provider of end-to-end solutions that help its customers to achieve success on the market. Our services include inspection, maintenance and calibration as well as retrofits/upgrades and service contracts. In addition, spare parts, consumables and accessories for the presses can be ordered online via webshops. Training and consulting services are also provided because innovative presses together with qualified personnel and the identification of potential for improvement in the printshop workflow are crucial for achieving greater productivity and quality along the entire production process. Workflows in the printing industry are becoming increasingly digital and networked. Ever smaller print runs have to be produced in ever shorter times in a high quality and at a competitive price – in this respect, a large, globally and locally positioned, established, yet flexible company such as Koenig & Bauer is able to set itself apart from the competition. For this reason, the Koenig &

Bauer Group offers integrated workflow solutions to boost productivity and competitiveness.

Remote diagnosis tools have been part of our control centre technology since 1995. Digitalisation is creating increasingly effective services in this area. “Visual ServiceSupport” gives users and hotline technicians a tool allowing them to see exactly what printers or service technicians see when they are standing in front of the press. They can view processes and sequences in the form of moving images and thus gain a quick and comprehensive overview of the state of the press. This facilitates communications, obviates the need for extensive descriptions and reduces the risk of misunderstandings compared with a conventional telephone conversation. “Visual ServiceSupport” thus helps to increase the first-time-fix rate in service cases. The augmented reality data glasses allow remote maintenance technicians to view exactly what the customer’s technicians also see. In this way, Koenig & Bauer saves its customers a lot of money and effort.

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

With **“Predictive Maintenance and Services”**, the company offers its customers a pre-emptive service for its presses and systems up to 28 days in advance to identify faults before they occur and cause unplanned downtimes. This uses 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.

The “myKyana” digital customer portal offers customers access to all digital products and services from Koenig & Bauer. It gives customers access to service management, the performance data of their presses and an overview of the main key performance indicators (KPIs) of the press – at any time and from anywhere. The automated predictive maintenance service cases and the information provided by the service engineers assist in converting unplanned machine downtimes into planned ones. This enables our customers to become faster, better and more efficient – with the goal of achieving almost 100% productivity.

Markets outside the printing industry
Koenig & Bauer has also discovered new markets for itself outside the classic markets of the printing industry. Examples include the partnerships with Volkswagen subsidiary PowerCo SE and Mitsubishi Electric in response to the expected increase in demand for lithium-ion batteries due to the growing popularity of electric vehicles. According to calculations by the Boston Consulting Group, supplies of lithium-ion batteries will need to increase tenfold by 2030 to meet market demand.

Partnerships and cooperations

Koenig & Bauer has established itself as a preferred partner to the industry since 2014, not least of all through its partnership with HP. In the development of new products as well as forays into new market segments in the growth area of packaging printing and other sales markets, the company relies on partnership-based collaboration in a wide variety of forms to achieve the defined goals more quickly and more efficiently. This also applies to the digitalisation initiative under the “Exceeding Print” strategy, which in addition to digital printing presses also encompasses digital business models and processes, the acceleration of the digital transformation within the company and sustainability.

Since 2014, Koenig & Bauer has had a **partnership with HP** to develop the world’s widest digital printing press. The HP PageWide T1190 for pre-printing corrugated-board cover layers and the HP PageWide T700i are also targeted at the packaging market and complement Koenig & Bauer’s web digital printing activities.

The **joint venture with the Durst Group** for developing and marketing single-pass digital printing systems for the folding-carton and corrugated-board industry was established on 11 April 2019. It addresses the market for digitally printed sheets of corrugated cardboard with the CorruJET and the DELTA SPC 130. It also offers a sheetfed digital press under the VariJET 106 name for the production of personalised, individualised and versioned print products, especially for the folding-carton market. It integrates inkjet technology in the platform of the high-performance Rapida 106 press. The system’s modular design enables digital inkjet printing to be combined with optional printing and inline finishing options used in offset printing.

Via the **partnership with Celmacch** announced in July 2022 and the acquisition of 49% of that company’s capital, Koenig & Bauer is strengthening its presence in the growth market of corrugated board under the name of Koenig & Bauer Celmacch. The resultant Chroma range offers customers a comprehensive array of products in all price and performance classes. Initially, the partnership is focusing on joint sales and service, product development and the enlargement of assembly capacity.

In April 2023, **Sealed Air Corporation (SEE)** and Koenig & Bauer signed a memorandum of understanding to deepen their existing partnership. The aim of the partnership is to increasingly connect physical packaging with the digital world, which is already known on the market under SEE’s “prismiq™” brand. Under the strategic partnership, the hardware and software components of the two companies will be jointly further developed in the future.

Koenig & Bauer and **System Brunner** have nurtured a technological partnership for more than ten years. As a result, System Brunner’s core colour management competence is incorporated in Koenig & Bauer’s sheetfed offset technology in all phases of printing and media production. In June 2023, a partnership was forged with printing ink specialist **hubergroup Print Solutions**. It involves joint activities in conventional printing inks specifically for Rapida sheetfed offset presses to increasingly coordinate the products of both manufacturers and to develop a joint sustainability strategy.

Koenig & Bauer deals with large amounts of data on a daily basis and has therefore opted for Google Cloud as an innovative partner to manage and process this data. The partnership with **Google** was officially announced at the Hannover Fair in April 2023. With its strong focus on the manufacturing industry and dedicated industry solutions, the cloud provider is an important element in making the printing and packaging world fit for the future.

In September 2023, Koenig & Bauer and **HYBRID Software**, an innovative provider of software solutions for the label and packaging market, bundled their expertise to offer PrintFusion, an exclusive product for the packaging workflow on Rapida sheetfed offset presses.

In May 2023, Koenig & Bauer Banknote Solutions entered into a new strategic partnership with **GIETZ** in the area of optically variable device (OVD) applications for banknotes. The objectives of this new partnership are defined in a joint development agreement under which the two partners undertake to apply their respective skills and technologies to improve and advance OVD application platforms for banknote printers.

On 8 June 2023, Koenig & Bauer AG entered into a partnership agreement with **Volkswagen subsidiary PowerCo SE** for joint development activities in the field of sustainable battery cell production. In this connection, Koenig & Bauer will be developing a system for the industrial powder-coating (solvent-free dry-coating) of electrodes. Dry coating, which is a sub-process within multi-stage battery cell production, does away with the need for the complex and energy-intensive drying of wet-coated electrodes. Koenig & Bauer plans to perform most of the development activities with its own engineering resources. Under current plans, the development phase is to continue up to the end of 2024. Whether the ambitious development goals will be achieved cannot be determined until after the completion of the development phase. If they are achieved, Volkswagen will have the exclusive right to use or distribute the Koenig & Bauer equipment for a period of seven years. A separate supply and distribution agreement is to be signed for this purpose.

The partnership with **Mitsubishi Electric** was announced in February 2024. A memorandum of understanding on the two partners' joint activities was signed for this purpose. The aim of the strategic partnership is to bundle the strengths of both companies to offer standardised, high-quality components for industrial image processing in the field of electrode production for battery cells.

To supplement its internal research projects, Koenig & Bauer also works with research institutes, industry associations and universities.

In the **field of digitisation**, there is close cooperation with the University of Applied Sciences Würzburg-Schweinfurt and, for many years, with the Steinbeis Research Centre Design & Systems in Würzburg, with which Koenig & Bauer won the renowned Steinbeis Foundation transfer award for its Kyana project in 2019.

In the **field of sustainability**, Koenig & Bauer is a partner in the Blue Competence sustainability initiative launched by German industry association VDMA to promote sustainability in mechanical and plant engineering as well as to publicise sustainable solutions in this industry. In July 2021, the company became the first printing press manufacturer to join the Healthy Printing Initiative to help drive forward implementation of the "cradle-to-cradle" design approach in the printing industry. As a member of the 4evergreen alliance, Koenig & Bauer is also encouraging cooperation along the entire value chain to widen the use of fibre-based packaging in the circular economy. In addition, it is a member of the Holy Grail 2.0 project. Under the auspices of the European Brands Association (AIM), more than 120 companies and organisations along the packaging value chain are pooling their expertise towards an ambitious goal, namely to explore how digital technology can contribute to better sorting and higher-quality recycling of packaging in the EU to bring about a truly efficient recycling system. Since 2022, Koenig & Bauer has also been a member of the R-Cycle Community, an association of companies and organisations committed to the worldwide standardisation of digital product passports for plastic products. In particular, the focus is on a viable circular economy based on data exchange and transparency throughout the entire life cycle of plastics.

For Koenig & Bauer, sustainability also means social responsibility, diversity and anti-discrimination. In August 2023, Koenig & Bauer Banknote Solutions and **Aflatoun International**, an organisation that develops innovative and contextual learning systems for financial education, entered into a partnership to look for new ways to provide access to important resources for knowledge in the financial market. The aim is to use banknotes as a familiar tool for promoting relevant skills.

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 and meaningful set of figures for operational controlling, monitoring and strategic planning and management of the Group and the segments. In addition to central Group controlling for overarching Group and segment management, the individual business units have access to controlling resources. The results of the annual strategy process culminate in high-level business planning and are presented in detail in the ensuing integrated budget planning phase. The planning horizon for high-level business planning and budget planning is five years. The budgets prepared by the Group and the segments are based on detailed income statements prepared on a monthly basis in the first year, balance sheets and cash flow statements for all consolidated Group companies. Forecasts for the current year are updated on the basis of the reported figures at the same time as the semi-annual and quarterly (Q1 and Q3) financial statements are prepared and also shortly before the end of the year. Scenario analyses simulate different market and cost parameters on a case-by-case basis. 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 coordination of the service activities. Roll-over liquidity previews with cash management provide an accurate view of the financial situation. A 24-month liquidity plan is prepared for this purpose. Regular reviews by Group management with the responsible segment managers addressing the economic and financial situation, current trends and forecasts supplement deviation analyses performed by controlling. Measures are defined in the event of any negative deviation in the interests of a swift and targeted response. Systematic implementation of the measures is tracked by close monitoring. Opportunities and risks are detected at an early stage by means of an established budget, forecast and reporting process. A risk early detection system has been established to monitor developments and to identify possible threats to the company's going-concern status.
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 two main financial performance indicators, the Management Board additionally receives reports on order intake, order backlog and service business indicators. Changes in capital employed are monitored on the basis of the cash conversion cycle. The ratio of inventories, prepayments made for inventories and trade receivables less trade payables and customer prepayments to revenue is calculated to determine this indicator. In addition to financial indicators, the Management Board also tracks non-financial performance indicators, particularly quality assurance costs and staff development. Target agreements providing for variable remuneration components tied to Group, segment and/or personal goals for the year for all executives and non-pay-scale employees heighten motivation and commitment towards the achievement of the company's goals.

Research and development

In line with its Exceeding Print corporate strategy providing for the "transformation from a traditional mechanical engineering company to an agile technology group", Koenig & Bauer continues to focus on workflow and digitisation solutions in its research and development activities. Group research and development expenses equalled 4.3% of revenue in 2023 (previous year: 4.6%). As well as this, development costs equivalent to 1.3% of revenue were capitalised (previous year: 0.4%). Looking forward, the Koenig & Bauer Group's research and development expenditure will not be curtailed despite the challenging business environment.

All efforts in this area serve one goal: The products and solutions must become even more efficient (modular), even more sustainable and even more digital, i.e. they must generate added value for the customer.

In organisational terms, Koenig & Bauer respositioned itself in 2022, consolidating the development of new business models and digital solutions along the entire life cycle of print products with the triad of myKyana, Kyana Connect and KyanaData within the "Digital Unit", a new cross-Group department for digital transformation. In 2023, all Kyana products underwent further development in cooperation with Google as a cloud computing provider for industry solutions. This analysis tool combines data seamlessly from various sources, such as press log files and data from existing MES and MIS systems. It enables users to very simply generate complex evaluations and thus to obtain a comprehensive understanding of their production processes. The first prototype (MVP) has already been presented.

On the basis of the modularity pillar, intensive work was carried out in the year under review, also in cooperation with strategic partners such as Siemens, on the further development of the modular automation kit (MAB). Two projects analysing the Rapida product family are currently standardising the number of product variants and modules as well as functions.

Among other things, the new HP PageWide T700i was developed in cooperation with HP for packaging printing in the field of digital web printing. With the 1.7-metre-wide platform for digital web printing, printers will be able to handle high volumes with digital corrugated board applications. As part of the further development of the RotaJET platform, the focus is on printing films with water-based inks.

In the field of flexographic printing, the next-generation presses were presented in the form of the XD Pro CI flexographic printing press. It is intended to meet the requirements of the just-in-time market for flexibility in the production of movable packaging and addresses the important markets for flexible packaging as well as plastic and fibre-based packaging applications.

Strategic partnerships are also paving the way in the area of research and development for advancing existing expertise for new applications, such as the joint development activities with the Volkswagen subsidiary PowerCO SE and at Mitsubishi Electric. You can read more about our strategic partnerships in the chapter entitled Partnerships and cooperations on page 26.

Business report

Macroeconomic and industry conditions

The International Monetary Fund (IMF) estimates that, with growth of 3.1%, the global economy performed slightly better in 2023 than had been forecast a year ago. However, historically speaking, 2023 was one of the weakest years in terms of growth in the last three decades, with the exception of the recession years. Only in 2019 was growth lower at +2.8%. In the United States (+2.5%) as well as in several major emerging markets and developing countries, gross domestic product was higher in 2023 than initially expected. In the case of the United States, this performance was materially underpinned by dynamic consumer spending. In the Eurozone, however, consumers remained cautious in the face of high inflation and energy costs. In addition, significantly higher financing costs took their toll on private consumption and corporate capital spending. The direct and indirect negative effects of the war in Ukraine are still evident the most clearly in Europe. In China, the real estate sector, geopolitical upsets with the United States and the EU as well as muted industrial spending impeded the economic recovery.

Compared to 2022, global economic growth thus slowed by 0.4 percentage points. Among the European countries, Spain performed better than the other member states with growth of 2.4%. Germany was the only advanced economy to record minus of 0.3%. As in the previous year, India (+6.7%), China (+5.2%) and the ASEAN countries (+4.2%) recorded the greatest growth.

According to the German Mechanical and Plant Engineering Association (VDMA), EU mechanical engineering contracted by -1.4% in 2023 in price and calendar-adjusted terms after growth of 5% in the previous year. According to the VDMA president, possible reasons for the decline are the high order backlogs and reduced supply chain bottlenecks, with the exception of electronic components, which are occasionally still in short supply. In particular, the decline in machine production at the end of 2023 is reflected in the figures, with production output in mechanical and plant engineering rising by 0.9% in the first 10 months. Cumulative revenue growth reached -0.1% for 2023. In the printing press segment, revenue contracted by 1.0%. Order intake declined by 17% over the previous year.

According to preliminary calculations by the Federal Statistical Office, mechanical and plant engineering production in Germany fell by 0.6% over the previous year in 2023. A challenging economic environment characterised by high uncertainty led to noticeable ordering restraint, placing a damper on production capacity utilisation towards the end of the year. In the first half of the year, the high order backlogs were still able to support production, but gradually subsided over the course of the year. On the basis of one survey, VDMA continues to see the high shortage of skilled workers, bureaucratic burdens, the high energy prices, labour costs and the high taxes as challenges.
Source: VDMA, issue "Mechanical Engineering Economy 2023/Outlook 2024" from 12 March 2024.

Year-on-year gross domestic product (%)

Country/region	2021	2022	2023 (estimate)
Global	6.3	3.5	3.1
Developed economies	5.6	2.6	1.6
Eurozone	5.6	3.4	0.5
Germany	3.2	1.8	–0.3
France	6.4	2.5	0.8
Italy	7.0	3.7	0.7
Spain	6.4	5.8	2.4
United Kingdom	7.6	4.3	0.5
United States	5.9	1.9	2.5
Japan	2.2	1.0	1.9
Emerging markets and developing countries	6.9	4.1	4.1
ASEAN*	4.0	5.5	4.2
Brazil	5.0	3.0	3.1
China	8.5	3.0	5.2
India**	9.1	7.2	6.7
Russia	5.6	–1.2	3.0

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

Source: IMF World Economic Outlook Update January 2024, for 2021: IMF October 2023 Database.

Business performance

Overall statement on business performance

The Koenig & Bauer Group's business performance in 2023 was characterised by challenging conditions due to ongoing inflation and rising costs. On a positive note, supply chain problems and the enormous price increases are receding in part.

However, the Koenig & Bauer Group took extensive precautions at an early stage to prepare for the challenging situation. The company was able to officially end the P24x efficiency programme, which had been adopted in September 2020, in the middle of the year as the savings targets had been achieved. With no sign of any recovery in demand, the company stepped up its cost management efforts in the third quarter. This also involved the greater use of flexible working time instruments. As in the previous year, short-time working was used to a minor extent at two locations due to capacity utilisation factors. Towards the end of the financial year, the Management Board initiated the "Spotlight" focus programme with the aim of prioritising initiatives and business models that boost earnings and financial strength, deprioritising initiatives that do not directly impact earnings and optimising the Group and segment organisation as well as the indirect cost structure to make processes even leaner and more customer-friendly.

In 2023, the Koenig & Bauer Group generated **revenue** of €1,326.8m (previous year: €1,185.7m) and **consolidated earnings before interest and taxes** (EBIT) of €29.9m (previous year: €22.0m), resulting in an **EBIT margin** of 2.3% (previous year: 1.9%). The year under review saw positive and negative special effects, which in general terms virtually balanced each other out.

The segments contributed the following revenue in 2023: Sheetfed: €779.8m (previous year: €672.2m), Digital & Webfed: €172.3m (previous year: €139.8m), Special: €413.7m (previous year: €417.1m). At €1,326.8m, Group revenue was at the upper end of the forecast of €1.3bn that had been adjusted on 8 November 2023 and was also in line with the original forecast.

The segments contributed the following EBIT in the year under review: Sheetfed: €29.8m (previous year: €19.0m), Digital & Webfed: € -23.9m (previous year: €–19.3m), Special: €23.0m (previous year: €23.2m). At €29.9m, EBIT (2.3% EBIT margin) was within the adjusted forecast range of €25m to €35m (1.9–2.7% EBIT margin). The original forecast had assumed an EBIT margin of around 3%, accompanied by Group revenue of €1.3bn. The Digital & Webfed segment should make a disproportionately strong contribution to both EBIT and revenue growth. The aforementioned special effects had a negative impact on EBIT in the Digital & Webfed segment mainly due to start-up and trailing costs, whereas EBIT in the Special segment was spurred by positive effects.

To strengthen the Group's stability and strategic flexibility, the existing syndicated loan was successfully refinanced ahead of schedule at the end of October 2023. The new syndicated facility replaces the existing arrangements, which were due to expire at the end of 2024. This also eliminates all the restrictions associated with the loan granted by KfW in connection with the Covid-19 pandemic.

Financially, the Koenig & Bauer Group is well positioned, with a Group equity ratio of roughly 28.7% (previous year: 29.2%) and more than €150m in freely available cash and cash equivalents. This was also aided by active net working capital management in the year under review. In view of the earnings performance in 2023 and the persistently challenging global economic market environment, the Management Board and the Supervisory Board will be proposing at the Annual General Meeting that the net profit generated by the holding company Koenig & Bauer AG be retained and that a dividend be omitted for the 2023 financial year. However, as Koenig & Bauer attaches great importance to ensuring an appropriate participation of its shareholders in the company's success, a future dividend policy has been adopted which, subject to profitable business performance during the year, aims to distribute a dividend of 15–35% of consolidated earnings, with a minimum dividend of €0.30 per share.

To summarise, the Koenig & Bauer Group's business performance and situation were in line with expectations, taking into account the global challenges in 2023 and the adjusted forecast.

Earnings

Group order intake

€m	2022	2023
Sheetfed	813.5	**606.2**
Digital & Webfed	163.6	**179.8**
Special	392.9	**538.8**
Reconciliation	–40.7	**–36.9**
Total	1,329.3	**1,287.9**

At the end of 2023, **order intake** amounted to €1,287.9m, thus falling short of the previous year's historically high figure of €1,329.3m by 3.1%. The following picture emerged in the segments: While the increase of 25.5% in Sheetfed's order intake was below the extremely high figure recorded in the previous year, Digital & Webfed posted a slight increase of 9.9%. In Special, a significant increase of 37.1% was observed. Overall, order intake in the Koenig & Bauer Group was thus far above the industry average for printing presses, which declined by 17% in 2023 according to VDMA.

Group revenue

€m	2022	2023
Sheetfed	672.2	**779.8**
Digital & Webfed	139.8	**172.3**
Special	417.1	**413.7**
Reconciliation	–43.4	**–39.0**
Total	1,185.7	**1,326.8**

Group revenue by product group

€m	2022	2023
Service	353.7	**383.5**
Printing presses	821.3	**925.3**
Other	10.7	**18.0**

Group revenue by region

€m	2022	2023
Germany	134.7	**173.3**
Rest of Europe	414.4	**386.8**
North America	243.4	**300.1**
Asia/Pacific	286.1	**325.8**
Africa/Latin America	107.1	**140.8**
Total	1,185.7	**1,326.8**

%		
Germany	11.4	**13.1**
Rest of Europe	34.9	**29.1**
North America	20.5	**22.6**
Asia/Pacific	24.1	**24.5**
Africa/Latin America	9.1	**10.7**

At €1,326.8m, **Group revenue** exceeded the previous year's figure of €1,185.7m by 11.9%. In this respect, the segments performed consistently with a stronger second half and with the following overall situation at the end of the year: While Sheetfed revenue rose by 16.0%, Digital & Webfed posted an increase of 23.2%. In Special, revenue was down on the previous year by 0.8%. Overall, revenue in the Koenig & Bauer Group was thus far above the industry average for printing presses, which declined by 1.0% in 2023 according to VDMA. The book-to-bill ratio of 0.97 (previous year: 1.12) was in line with expectations. In 2023, 28.9% of revenue was generated from service business (previous year: 29.8%).

The Group export ratio declined slightly from 88.6% to 86.9%, with the share of business in Asia growing to 24.5% (previous year: 24.1%), while the share of business from North America also widened to 22.6% (previous year: 20.5%). The share of business from Germany likewise increased to 13.1% (previous year: 11.4%) and from Latin America and Africa to 10.7% (previous year: 9.1%). At 29.1%, the share of business accounted for by the rest of Europe fell short of the previous year's figure of 34.9%.

Group order backlog

€m	2022	2023
Sheetfed	582.9	**409.3**
Digital & Webfed	112.3	**119.8**
Special	253.4	**378.5**
Reconciliation	1.8	**3.9**
Total	950.4	**911.5**

As planned, the **order backlog** contracted from €950.4m to €911.5m at the end of the year as a result of completed deliveries and continues to serve as a solid basis for 2024.

Group income statement

€m	2022	2023
Revenue	1,185.7	**1,326.8**
Cost of sales	–868.3	**–979.3**
Gross profit	317.4	**347.5**
Research and development costs	–54.2	**–57.5**
Distribution costs	–147.3	**–158.1**
Administrative expenses	–92.8	**–104.7**
Other operating income	25.9	**24.9**
Other operating expenses	–26.5	**–25.8**
Impairment gains and losses on financial assets	0.3	**3.0**
Other financial result	–0.8	**0.6**
Earnings before interest and taxes (EBIT)	22.0	**29.9**
Other interest and similar income	1.3	**2.3**
Other interest and similar expenses	–10.1	**–19.2**
Interest result	–8.8	**–16.9**
Earnings before taxes (EBT)	13.2	**13.0**
Income tax expense	–2.1	**–10.2**
Net profit	11.1	**2.8**
of which		
attributable to owners of the Parent	10.4	**2.6**
attributable to non-controlling interests	0.7	**0.2**
Earnings per share (€, diluted/basic)	0.63	**0.16**

Gross profit increased to €347.5m (previous year: €317.4m) despite the higher production costs. At 26.2%, the **gross margin** was almost at the previous year's level of 26.8%. At €57.5m (previous year: €54.2m), R&D expenses were up on the previous year, partly due to the new Digital Business Unit, which is responsible for digitalisation within the Group. Distribution costs increased by €10.8m to €158.1m (previous year: €147.3m), mainly as a result of generally higher service costs in addition to the rise in personnel costs. Administrative expenses climbed by €11.9m over the previous year to €104.7m (previous year: €92.8m) due to the higher amortisation of intangible assets in the Group, among other things. Net other expenses came to €-0.9m, compared with €-0.6m in the previous year. Among other things, this was due to currency-translation effects. All told, this resulted in **EBIT** of €29.9m (previous year: €22.0m), equivalent to an **EBIT margin** of 2.3%, compared with 1.9% in the previous year.

The improvement of €7.9m in operating earnings despite the start-up and trailing costs in the Digital & Webfed segment (€9.3m) and other effects (€3.2m) is mainly due to the positive overall volume and mix effects (€19.3m) and the ability to pass on the inflation-related increases in material, energy and personnel costs (€24.1m) through the announced price increases (€25.2m). Net interest expense of €-16.9m was higher than in the previous year (previous year: €-8.8m), mainly due to higher interest rates charged by banks, resulting in **earnings before taxes** of €13.0m (previous year: €13.2m). After income taxes of €10.2m (previous year: €2.1m), the Group posted **net profit** of €2.8m in 2023 (previous year: €11.1m). This translates into **earnings per share** of €0.16 (previous year: €0.63).

Finances

Cash flow from operating activities came to €-31.8m mainly due to lower liabilities and other liabilities as well as declining receivables and other assets in the period under review and higher interest paid (previous year: €5.4m). At €–61.6m, cash flow from investing activities was slightly up on the previous year's figure of €–65.1m, which had included the acquisition of an interest in Celmacch. **Free cash flow** amounted to €-93.4m (previous year: €–59.7m). **Net working capital** stood at €379.0m as of 31 December 2023 (previous year: €332.6m) and improved by €22.4m due to a supply chain optimisation programme. Cash flow from financing activities came to €61.2m (previous year: €59.4m), reflecting changes in the syndicated loan.

At the end of December 2023, cash and cash equivalents were valued at €96.4m (previous year: €132.2m). Adjusted for bank liabilities of €244.0m (previous year: €195.9m), **net financial debt** amounted to €-147.6m (previous year: €-63.7m).

At the end of October, the company was able to successfully refinance its existing syndicated loan ahead of schedule, thus securing the medium-term stability of its funding operations. The early termination of the loan granted by KfW in connection with the Covid-19 pandemic resulted in all the restrictions imposed on the company under the terms of this loan being lifted. The new syndicated facility replaces the existing arrangements, which were due to expire at the end of 2024. In addition to a revolving cash facility of €300m, the syndicated finance includes a guarantee facility of €200m. The credit facilities have a tenor of five years, meaning that they will expire in October 2028, subject to a two-year renewal option in agreement with the borrowers. To highlight the importance that Koenig & Bauer attaches to sustainability in its funding operations, the agreement now includes an ESG rendezvous clause in addition to the usual Loan Market Association (LMA) stipulations. This is to be implemented in 2024, subject to the consent of all parties involved. The Group-wide external financing framework also consists of further bilateral credit facilities, including for guarantee lines.

Assets

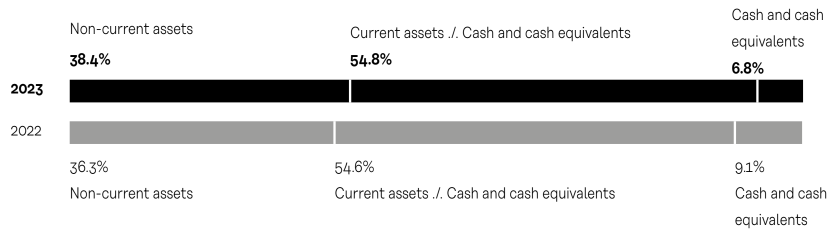
As of 31 December 2023, **equity** stood at €410.0m and the **equity ratio** at 28.7% (31 December 2022: €422.8m and 29.2%). This was mainly due to the reduction in the discount rate on domestic pensions and the lower net profit of €2.8m compared to the previous year (31 December 2022: €11.1m). The Koenig & Bauer Group's **total assets** came to €1,427.1m as of 31 December 2023 (previous year: €1,449.2m).

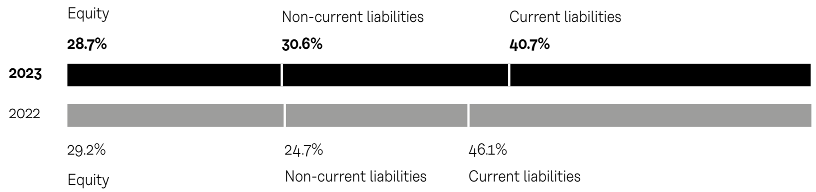
Assets
A total of €64.2m (previous year €49.8m) was spent on property, plant and equipment and intangible assets in connection with construction and IT projects in the period under review. Capital spending includes capitalised development costs of €17.2m (previous year: €5.1m). This was accompanied by depreciation and amortisation expense of €43.5m (previous year: €40.0m). On balance, intangible assets and property, plant and equipment

rose slightly from €393.6m to €411.1m. **Non-current assets** increased by €21.7m to €548.2m compared to the previous year, due to increases in intangible assets of €10.7m to €155.6m (previous year: €144.9m) and property, plant and equipment of €6.8m to €255.5m (previous year: €248.7m), as well as slightly higher other assets and marginally increased deferred tax assets. **Current assets** decreased by €43.8m to €878.9m as of 31 December 2023 (previous year: €922.7m). This is mainly due to the decline of €50.8m in other assets to €149.4m (previous year: €200.2m) and of €35.8m in **cash and cash equivalents** to €96.4m (previous year: €132.2m). Trade receivables increased by €34.6m to €156.2m as of 31 December 2023 (previous year: €121.6m) due to revenue effects. At €1,427.1m, the Group's total assets fell short of the figure of €1,449.2m recorded at the end of 2022.

Equity and liabilities

The decrease in the discount rate for domestic pensions and the lower net profit of €2.8m (previous year: €11.1m) were materially responsible for the decline in **equity** from €422.8m as of 31 December 2022 to €410.0m as of the end of 2023. Accordingly, the equity ratio also contracted to 28.7% as of the reporting date (end of 2022: 29.2%). Provisions for retirement benefits increased by €18.5m to €104.8m as of 31 December 2023 (previous year: €86.3m) due to the aforementioned drop in the discount rate for domestic pensions from 3.9% in the previous year to 3.4% as of 31 December 2023. In total, **non-current liabilities** increased by €77.2m to €435.9m (previous year: €358.7m). **Current liabilities** fell by €86.5m over the end of 2022 to €581.2m (previous year: €667.7m). This was due to the decrease of €16.9m in other provisions to €89.7m (previous year: €106.6m) and of €25.4m in trade payables to €79.3m (previous year: €104.7m) due to lower inbound deliveries from our suppliers. In addition, financial liabilities and other financial liabilities fell by €13.3m to €138.6m (previous year: €151.9m) mainly due to the reduced use of the syndicated loan. Other liabilities and income tax liabilities fell by €30.9m to €273.6m (previous year: €304.5m) as of 31 December 2023 primarily as a result of prepayments received.





Segment performance

At €606.2m, **order intake** in the **Sheetfed segment** fell short of the extremely high figure of €813.5m recorded in the previous year following a sequential improvement in the fourth quarter. However, the previous year had been characterised by post-pandemic catch-up effects as well as greater stockpiling by customers and brand owners as a result of supply chain and material bottlenecks. After a strong final quarter, **revenue** increased by 16.0% to €779.8m (previous year: €672.2m). With a book-to-bill ratio of 0.78 (previous year: 1.21), the **order backlog** contracted by 29.8% to €409.3m (previous year: €582.9m). At €29.8m, **EBIT** was up 56.8% on the previous year's figure of €19.0m, further widening its positive contribution to earnings. Reflecting this, the **EBIT margin** stood at 3.8% (previous year: 2.8%).

Order intake in the Digital & Webfed segment continued to recover, increasing by €16.2m to €179.8m (previous year: €163.6m). At the end of the year, **revenue** was up 23.2%, climbing to €172.3m (previous year: €139.8m), not least due to a strong final quarter. With a book-to-bill ratio of 1.04 (previous year: 1.17), the **order backlog** increased by €7.5m to €119.8m (previous year: €112.3m). The segment generated **EBIT** of €-23.9m, compared with €-19.3m in the previous year, yielding an **EBIT margin** of -13.9% (previous year: -13.8%). **EBIT** fell by €7.7m on balance in the year under review due to special effects, mainly the start-up and trailing costs in connection with the introduction of the new flexo, corrugated board and digital printing products.

In the **Special segment**, **order intake** increased by 37.1% to €538.8m as of 31 December 2023 (previous year: €392.9m). In the fourth quarter alone, order intake reached €268.1m, This was due to an order in the Banknote Solutions business unit from the U.S. Bureau of Engraving and Printing in Washington, D.C. Orders for coding (marking solutions for all industries) and MetalPrint (metal packaging) were lower than in the previous year, while orders placed with Kammann (direct decoration of hollow bodies made of glass or plastic) were up. **Revenue** fell slightly by €3.4m to €413.7m (previous year: €417.1m). With a book-to-bill ratio of 1.30 (previous year: 0.94), the **order backlog** widened by 49.4% to €378.5m (previous year: €253.4m). At €23.0m in the period under review, **EBIT** was virtually unchanged over the previous year's figure of €23.2m. Accordingly, the **EBIT margin** of 5.6% was in line with the previous year (5.6%). On balance, EBIT was €6.0m higher in the reporting period due to special effects.

Risk report

Group-wide risk management system

All business activity entails risks which may have an adverse effect on the company's ability to achieve its targets. At the same time, entrepreneurial activity means consciously accepting risks to act on opportunities for enhancing enterprise value. If risks are not detected, allowed for and addressed, they may pose a risk to the company's successful performance.

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

The risk management system installed at Koenig & Bauer takes into account dual materiality. This means that, in addition to identifying and assessing risks that affect earnings, financial condition and net assets (outside-in perspective), the Group-wide risk management system also systematically detects risks that Koenig & Bauer causes, supports or tolerates and that affect the environment or the general public (inside-out perspective).

One aspect of Koenig & Bauer's risk management activities involves identifying opportunities. In contrast to risks, however, they are not recorded in the risk management system described below. Instead, operational and strategic opportunities are documented, evaluated and tracked in the cross-group strategy and planning process. A description of the main opportunities can be found further down in the opportunities report.

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

A bottom-up approach is applied in which possible risks are reported to the responsible executives combined with a top-down approach comprising a list of assumed basic risk defined by the Group. In addition, the owners of the main strategic projects and value-creation processes are responsible for monitoring project and process risks.

In addition to the semi-annual, Group-wide assessment of the risk situation, the Group policy stipulates a duty to report on an ad hoc basis any risks that exceed a defined threshold. In addition, Group Controlling, on behalf of the Management Board, prepares impact analyses based on defined scenarios for current exogenous situations with a potential impact on the order situation, project execution and Group earnings.

The Group's risk management policy documents the tools, processes, relevant factors, reporting channels and risk categories. The Koenig & Bauer Group's risk management system is based on the provisions of German company law and the German Accounting Standards as well as the principles and models of the Institute of Internal Auditors (IIA) 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 risks as well as risk-avoidance and mitigation measures, risk is calculated as a negative deviation from an expected figure. This approach systematically tracks risks that are already included in corporate planning as well as additional latent risks that are not accounted for.

Due allowance is made for the risk mitigation precautions already established, after which net risk is quantified according to probability and potential impact on Group earnings on the basis of clearly described scenarios. The underlying assessment period extends to the end of the year following the reporting year. A standardised approach is applied to achieve a systematic and uniform evaluation of risks. Quantitative or qualitative risks which either individually or together with other similar risks exceed a value of €0.5m and a probability of 10% are reported to the Management Board. These risks are aggregated in risk groups according to the following matrix and classified as low, moderate or significant on the basis of the combination of two dimensions "Impact on Group earnings" and "Probability". Particular attention is paid to risks with a high or very high impact on Group earnings or with a possible or high probability. Furthermore, risks that may have a very high impact on the Group's earnings (extreme risks) but exhibit a comparatively low probability are also analysed in qualitative terms in the risk management process and any necessary measures defined on this basis.

The risk management system is supplemented with monthly Group reports as well as the established and additionally enhanced operational management elements. You can find further information on this in the section section "Planning, control and monitoring".

The risk early detection system pursuant to section 91 (2) of the German Stock Corporation Act installed as part of the risk management system by the Management Board is reviewed annually by the external auditor in accordance with statutory requirements for adequacy and implementation and discussed regularly by the Supervisory Board's Audit Committee. 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. For the purposes of Group reporting, individual risks are aggregated in risk groups, which in turn are divided into the following categories: business risks, financial risks, operational risks and other risks. The order in which the risk groups are described within the categories reflects the risk assessment per risk group calculated on the basis of the individual risks. Risks with a higher risk assessment precede those with a lower risk assessment. The risk assessment is based on the combination of the two dimensions “Impact on Group earnings” and “Probability”.

Business risks

Sector risks
Industry conditions may affect demand for products and services as well as the business performance of the Koenig & Bauer Group. Changing ordering practices on the part of customers or innovations or repositioning by competitors may impact the performance of individual business segments to varying degrees.

The customer structure, which is dominated by government bodies tied by mostly political decisions, limits forward visibility in security printing business, something that gives rise to corresponding capacity and financial risks. Despite the moderate growth expected in global banknote production over the next few years, the Koenig & Bauer Group’s large share of the market limits its scope for any increase in revenue from printing presses.

Competitors often grant considerable price concessions on sheetfed offset presses and in the security printing segment, which may impede sales of products and acceptance of the price increases that have been imposed in the last few months in response to higher inflation rates. Koenig & Bauer considers this practice to be problematic if it means that production costs are not covered as a result. Such practices are rejected as they are considered to have a long-term adverse impact on the industry’s ability to innovate. 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. Further risks can be seen in the potential (re-)entry of competitors into markets addressed by Koenig & Bauer as this may heighten the competitive pressure on the Group. This is especially true in Asia, where the market for printing presses is currently growing at the greatest rate and competitors have set up production facilities or are planning to do so, potentially allowing them to offer machines for this market at a discount. The Koenig & Bauer Group relies on forward-looking innovations and the highest quality standards that are implemented at its German and European production sites. Its strategy is to boost competitiveness and profitability on a sustained basis by offering customers bespoke solutions and by simultaneously continuing to optimise structures and production costs. By actively

Risk matrix

Impact on Group earnings					
Very high > €20m		01, 13, 14	02		
High > €10m – €20m		10	09, 15		
Medium > €5m – €10m	19		11		
Low > €0.5m – €5m	07, 16, 18	03, 08	06, 12, 17	04, 05	
	Unlikely 10 – 24%	Fairly unlikely 25 – 49%	Possible 50 – 75%	Probable >75%	Probability of occurrence

The presentation of the risks within the individual tiles of the risk matrix is a numerically consecutive list and does not reflect the risk classification. Only the risks significant for the Group are listed.

Low | Moderate | Significant

Business risks	
01 Macroeconomic and industry conditions	→
02 Industry	↘
03 Business environment	→
Financial risks	
04Credit and country risks	→
05 Measurement of assets and liabilities	↘
06 Liquidity	↘
07 Interest rates	→
Operational risks	
08 Infrastructure and litigation risks	→
09 IT	→
10 Planning, control and monitoring	→
11 Human resources	→
12 Customer centricity	→
13 Research and development	→
14 Procurement and logistics	→
15 Production	↘
16 Contract fulfilment	→
17 Acquisitions and alliances	→
Other risks	
18Legal risks	→
19 Disasters and force majeure	↘

Compared to the previous year, the absolute risk assessment
→ has not changed
↘ has decreased
↘ has increased

presenting and communicating the technical advantages of its products and services for customers, it is able to secure reasonable premiums on its prices. At the same time, clear sales targets and ongoing checks support efforts to ensure sustainable pricing for new and used presses.

From the third quarter of 2023, there was a noticeable decline in order intake, particularly in the sheetfed segment as a reaction to above-average ordering by key accounts during the pandemic. In order to avoid idle times and to bridge this period in a cost-efficient manner, short-time work was adopted and approved at short notice and on a small scale for the affected departments of the Group.

In summary, the sector risks are considered to be significant in the light of the measures that have already been taken to address them. The risk assessment has thus deteriorated by one category compared to last year's report. With our diversified product range, which targets different industries, it is possible to compensate for risks in individual industries across the Group. One main task is to continue transforming the range into relevant future markets by developing new products and applications. Particular attention is being paid to the further development of digital products. In particular, Koenig & Bauer supports key account and brand owner management, which is established as a group function.

General economy and industrial risks
Koenig & Bauer's business is exposed to global economic conditions. Economic activity and growth in sell-side markets, changes in the value of the euro against other major currencies and interest rates on borrowings may adversely affect product sales and capacity utilisation, as well as forecasts and budgets. Uncertainties also arise from long-term transformation processes in the population with possibly significant effects on the economy and society. Risks are increasingly arising from the stricter climate policies, the heavy debt loads in many economies and the persistent geopolitical tensions. The currently perceptible deterioration in international trade relations and protectionist tendencies in some countries may particularly lead to trade restrictions. This may have an impact on the exports of the German economy, which is traditionally dependent on international trade.

Furthermore, macroeconomic risks arising from global inflation can still not be ruled out, with monetary policy measures taken in response, such as interest rate hikes, making it more difficult for customers to raise finance for projects. We see moderate risks to the Koenig & Bauer Group's future business performance on the basis of the macroeconomic assumptions underlying the forecasts.

To address these risks, the measures taken under the P24x efficiency programme to enhance operating profitability and long-term competitiveness remain in place. At the same time, the company's strategic orientation is regularly reviewed. With its "Exceeding Print" corporate strategy, Koenig & Bauer is responding to global megatrends and resolutely continuing on the path it has already adopted towards greater digitisation, sustainability and modularity.

Sell-side risks arising from regional fluctuation in demand are minimised by the continuous optimisation of the international sales and service network in the markets of the future. The key account and brand owner management established as a group function also plays a strong role in meeting these risks.

Business environment
Changed location-based factors such as infrastructure, environmental regulations and taxes or political decisions such as legislative or regulatory changes can render business activities more difficult, expensive or impossible. By observing the corporate environment and taking anticipatory action, such as the timely adjustment of internal processes, products and purchasing and production strategies, a low risk is currently seen here.

Financial risks

Credit and country risks
Special attention is paid to receivables risks. Against the backdrop of possible interest rate hikes in response to inflation or the possible aftermath of the Covid-19 pandemic, it is still conceivable that there will be an increasing number of insolvencies and payment disruptions which are not yet apparent today due to the availability of development loans and loan-repayment holidays. 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, the company works, for example, with banks or leasing companies to ensure customer-specific risk transfer on a case-by-case basis.

Credit checks of customers as well as creditworthiness reviews are performed 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, Koenig & Bauer reserves ownership until full payment is made. 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 taken and the expectations of market developments, risk is considered 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 long-term provisions, which are measured on the basis of underlying interest rates. Due to the high volume of goods and services exchanged within the Group, risks may arise from the determination of taxable profits in the event of a subsequent correction to intra-Group transfer prices by the tax authorities despite the reliance on worldwide tax advice and close cooperation with the responsible tax authorities. There is a moderate overall risk potential. Compared to the previous year, value at risk has deteriorated by one category.

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

In October 2023, Koenig & Bauer successfully refinanced the existing syndicated loan. The new syndicated facility replaces the existing arrangements, which were due to expire at the end of 2024. This also means that the restrictions under the previous KfW loan will no longer apply. In addition to a revolving cash facility of €300m, the syndicated finance includes a guarantee facility of €200m. The credit facilities have a tenor of five years, meaning that they will expire in October 2028, subject to a two-year renewal option in agreement with the borrowers. To highlight the importance that Koenig & Bauer attaches to sustainability in its funding operations, the agreement now provides for an ESG rendezvous clause in addition to the usual Loan Market Association (LMA) requirements. This is to be implemented in 2024, subject to the consent of all parties involved.

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 customer prepayments among other things.

Liquidity risks are hedged by means of Group-wide roll-over 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 rolling planning system covers a period of twelve months and is extended to up to 24 months at regular intervals.

As well as the syndicated credit facility, the Group-wide financing framework includes further bilateral credit lines. Local guarantee credit facilities continue to exist on a significant scale. 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.

Despite the detailed planning and ongoing monitoring of incoming and outgoing payments, moderate liquidity risks are seen as having a low impact on Group earnings.

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, derivative financial instruments are used to hedge or eliminate any risks. The nature, scope and market value of the financial instruments used are disclosed in the notes to the consolidated financial statements. On the basis of the loan agreements entered into, the company currently considers interest and exchange-rate fluctuations to pose only a minor risk as invoices are mostly issued in euros and in view of the financial instruments used.

Operational risks

Procurement and logistics risks
Risks in the supply chain cannot be ruled out in view of the prevailing uncertainties over the availability of materials from suppliers, e.g. critical electronic components such as semiconductors for controlling the printing presses. These can impact Koenig & Bauer in the form of long delivery times and high purchase prices.

In the absence of alternative options, short-term shortfalls in supplies may lead to production stoppages and delays in our own deliveries with negative effects on capacity utilisation and earnings. In addition to close market monitoring and extensive supply chain management, which includes monitoring the quality and reliability of key suppliers, the risks of disruptions to the production process are addressed by means of detailed demand planning and control processes at the Group level. Koenig & Bauer pays particular attention to ensuring backup solutions for single-source suppliers. Strategic and critical components are manufactured in-house or sourced under long-term supplier relationships.

Price risks, which could persist in the case of parts with limited availability, are addressed by Group-wide category management with bundled purchasing volumes and by long-term supply contracts. On the basis of the existing supplier relationships, no significant price increases are otherwise expected. Through close cooperation and regular audits with suppliers, Koenig & Bauer continuously improves the quality of the delivered parts. The quality and backlog rates recorded in supplier management are within the expected range.

Given the mounting deterioration of international trade relations together with protectionist tendencies, the risk of geopolitical incidents or of decoupling has steadily increased over the last few years. Following a review of critical supply chains and adjustments to sourcing strategies, the company will be reducing its exposure to suppliers and countries in the future and lowering the effects of possible procurement-side trade restrictions by diversifying supply chains.

Koenig & Bauer sees risks with regard to energy prices and energy supply as unchanged. In view of these uncertainties, it adapted its energy infrastructure in the light of the prevailing conditions in 2022 by installing mobile standby power plants to avert unforeseen fluctuations in the electricity grid and fully substituted process gas with an energy mix consisting of LPG, heating oil and district heating, among other things. In this way, its own production is largely safeguarded at all European plants even in the event of any gas shortages.

Taking into account the measures described, the procurement risks are currently classified 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. In particular, “CEO fraud”, which criminals use to prompt employees to transfer large sums of money, is increasingly spreading. A successful risk strategy is established by training employees and heightening awareness of such matters.

In recent years, the digitisation process has accelerated significantly and spurred innovations and changes to business models, such as online sales and service, or impacted working methods such as mobile working for the Group's employees. This is reinforcing the need for IT security and a defence response to cyber risks. These risks are addressed 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 with regard to the smooth phasing-out of legacy systems and the migration of business processes to the new system. To mitigate these IT risks, Koenig & Bauer utilises the services of renowned software consulting companies and has installed an SAP project group. If the legacy systems are not replaced and the ERP software is not installed on time and free of any disruptions, the resultant restrictions to operations or cost overruns for the SAP roll-out project may have considerable financial consequences. In order to reduce these risks, the rollout at the operating companies will be executed successively and on the basis of a uniform platform. In view of the successful rollout of the system at the first few companies, the experience gained from similar complex projects and the high degree of involvement of external experts, the company sees no discernible risks beyond the usual project risks. The existing IT risks are generally considered to be moderate.

Human resource risks
Corporate success hinges materially on motivated and highly qualified engineers, specialists and executives. In the current employment market, there is a risk that it will not be possible to attract and retain the necessary qualified employees and to assemble a suitable group of management trainees. Especially in areas requiring frequent travel, there is a risk of no longer being able to fill all the required positions with trained and experienced employees. As a result of demographic change, a growing number of highly qualified employees are reaching retirement age and leaving the company. On the other hand, it is becoming increasingly difficult to retain suitable skilled workers and junior staff at Koenig & Bauer due to the shortage of skilled workers and the lower number of school leavers.

This risk is being actively addressed by significantly expanding vocational training at the state-approved Koenig & Bauer vocational schools. Koenig & Bauer registered a record number of apprentices in the 2023 intake, a situation which is to be continued in 2024. For more than 150 years, Koenig & Bauer has been preparing industrial/technical apprentices for their future careers by closely interlinking theory and practice and using state-of-the-art technology. This also includes training for commercial and IT professions as well as dual study programmes.

Further essential building blocks for improving employee retention include a wide range of measures for improving employees' work-life balance, e.g. mobile working, flexitime, flexible working time models such as part-time work and reduced full-time working hours, holiday care or the possibility of sabbaticals as well as other social benefits including company pension schemes, the company's own health insurance scheme and canteen, various mobility offers, etc. The next generation of specialists and executives are being prepared for their future tasks in trainee and further development programmes as well as the Koenig & Bauer Academy, which offers more than 1,000 training courses, together with long-term development plans. At the same time, the company is working on improving its external image as an attractive and innovative employer. In addition, the production, service and sales companies both inside and outside Germany, have access to specialists whose growth potential is regularly reviewed.

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

In view of the precautions that have been taken and current conditions in the job market, the personnel risk is assessed as moderate.

Research and development
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. Risks are addressed in a 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. Comprehensive project and quality management as well as practical testing with beta users have been established to reduce technical risks. The resulting risks are currently considered to be moderate due to the measures described above to mitigate risk and despite the recently accelerated launch of new products and entry into new markets.

Planning, control and monitoring
Group targets and annual budgets are based on assumptions that are subject to uncertainties. For the purposes of sales planning, volumes with corresponding margins are defined as the basis for the companies' capacity and resource planning. Among other things, budgets include expected increases in pay scales and the cost of materials as well as the savings achieved as a result of planned improvements. There is a risk that the assumptions underlying the plan do not fully materialise, contrary effects occur or there are delays in the implementation of the necessary measures. In addition to constantly monitoring and analysing the business environment, the risk is addressed by means of regular budget reviews during the preparation of the forecast and efficient management of the operational business and strategic projects.

Short-term fluctuations in capacity utilisation at the plants due to volatile order intake can have a negative impact on profitability. Accordingly, the necessary production capacities are regularly checked and, as far as possible, coordinated with short-term sales planning. Furthermore, flexible working hours and leased employees are used to adjust capacities dynamically in the light of the order situation.

A moderate risk is seen in the fact that the assumptions underlying plans may not materialise in the expected form or that savings potential taken into account in the planning phase cannot be fully realised.

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

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

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. This also leads to an increase in risk if production is shifted to smaller quantities or to parts that are particularly prone to errors. Koenig & Bauer has a central quality assurance department that defines Group-wide processes and standards, which are then implemented in all plants and relevant corporate divisions by local quality departments. Continuous quality controls based on standardised processes systematically analyse sources of error and optimise production processes. Internal schedule management is based on regular coordination of schedules and a reporting system. Cost control and management entails periodic cost reports, which are based on a cost accounting system together with structured processes for planning, forecasting and variance

analysis. To optimise the entire supply chain so as to permanently reduce delivery times, Koenig & Bauer is working on operational and strategic adjustments to the internal production network to reduce costs and lead times and to increase productivity. The ability to additionally reduce quality costs for technically complex products in the long term has a major impact on earnings. In the light of all the precautions that are in place, exposure to production risks is considered to be moderate. The risk assessment has thus deteriorated by one category compared to last year's report.

Infrastructure and processes risks
The risk of an interruption to our business cannot be completely excluded. Production delays due to failures or interruptions of individual production facilities or technical infrastructure can have a negative impact on production efficiency and leave noticeable traces on business. Koenig & Bauer therefore regularly evaluates and audits production sites with external support and covers fire, severe weather and other risks with appropriate property and selected business interruption insurance. As part of maintenance management, possible vulnerabilities are analysed and preventive measures improved to ensure the availability and operational safety of Koenig & Bauer presses. This limits unplanned outages and plant shutdowns as well as the associated costs. Overall, the infrastructure and process risks are considered to be low.

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, the company addresses this risk by drafting the contracts appropriately. Accordingly, we consider this risk to be low.

Other risks

Disasters and force majeure
Koenig & Bauer is exposed to risks arising from epidemics and pandemics, natural and environmental disasters and social unrest. Due to the highly globalised and interconnected world, local disasters may have a major impact on the Koenig & Bauer Group's business. Following the end of the Covid-19 pandemic, no significant risks have currently been identified in this connection. Nevertheless, the Koenig & Bauer Group is now aware of this issue. Developments and risks are monitored proactively (top-down); immediate reactivation of the measures established during the pandemic is thus ensured. In addition, the scope for mobile working has been maintained even after the pandemic. The sudden emergence of pandemic pathogens cannot be entirely ruled out.

Furthermore, direct damage from natural and environmental disasters such as natural hazards is covered by insurance as far as possible and economically reasonable. Overall, the possibility of a risk arising from disasters and force majeure is considered to be low. There was an improvement over the previous year.

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 legal or regulatory proceedings that are not subject to subsequent mitigation measures in accordance with these principles and thus pose risks to its overall economic situation. Generally speaking, the risk of litigation and administrative proceedings with a negative impact is low, although the exposure of globally active mechanical engineering companies to legal risks cannot generally be ignored. Koenig & Bauer addresses this risk by using standard contracts and comprehensive

legal advice from internal and external experts in 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, there are no notable risks to the Group's image.

In total, the related risks are below the threshold of the preceding risk matrix and are therefore not listed there.

Summary of the risk situation

As in previous years, Koenig & Bauer has taken sufficient account of the ongoing challenging macroeconomic conditions, global inflation and high interest rates, geopolitical tensions, particularly the Ukraine-Russia war, the conflicts in the Middle East and the simmering China-Taiwan conflict. Given this persistently volatile environment, the slight improvement reported in the previous period has now given way to a deterioration in the risk assessment and thus heightened Group-wide risk potential for the Koenig & Bauer Group compared to the previous year.

The Group has sufficient risk-bearing capacity in the light of the current challenges and the associated risks. As things currently stand, we do not see any risks that either individually or cumulatively are liable to jeopardise the Koenig & Bauer Group's going-concern status. The broad-based product range, which is geared to fundamentally intact sell-side markets, the continued successful implementation of the defined efficiency measures as well as the Koenig & Bauer Group's strong market position and financial stability limit the risk potential.

Underpinned by ongoing efforts to optimise risk management, risk awareness within the Koenig & Bauer Group is improving steadily. Detailed and comprehensive risk reporting improves the scope for tracking risk-mitigation precautions and for encouraging a responsible approach to opportunities and risks within the company on a sustained basis.

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

Opportunities

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

Industry
In principle, the greatest opportunities for Koenig & Bauer arise in the printing industry itself. Above all else, there are opportunities for improving business performance by harnessing the development potential of special applications, such as packaging and industrial printing, the growing importance of digital printing in the packaging sector in the future and the continuing transformation processes with regard to digital products, processes and services. Looking forward, Koenig & Bauer will continue to work closely on expanding its service business. The company is trying to take advantage of additional opportunities by structuring service with a focus on digitisation. These aspects are expressly addressed by Koenig & Bauer's "Exceeding Print" corporate strategy, which aims to make the Group even more sustainable, digital and modular. Opportunities outside the printing industry are currently seen in battery cell production. Further detailed information can be found in "Goals and Strategy" on pages 20 et seq., "Markets addressed and growth opportunities", on pages 23 et seq. and "Partnerships and cooperations" on pages 26 et seq. Opportunities for growth may also arise from gains in market share if a competitor exits the market or abandons an area of business.

Opportunities through acquisitions and alliances
Koenig & Bauer monitors current and potential markets to identify opportunities for strategic mergers, acquisitions, investments and partnerships that it can use to complement organic growth. These activities could help Koenig & Bauer to strengthen its position in its current markets, to complement its portfolio in strategic areas or to open up new markets. It could include the partnership agreement with Volkswagen subsidiary PowerCo SE for joint development activities in sustainable battery cell production. Under current plans, the development phase is to continue up to the end of 2024. Whether the ambitious development goals will be achieved cannot be determined until after the completion of the development phase. The same thing applies to the partnership with Mitsubishi Electric for joint activities in quality control systems for electrode foils in battery cell production. Further information can be found in "Partnerships and cooperation" on pages 26 et seq.

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

Planning, control and monitoring
The forecasts of future business performance are based on assumptions that are subject to certain uncertainties. In addition to the risks already described, they also entail opportunities. Higher revenue than assumed for budgeting purposes and a more advantageous cost situation would have a positive impact on earnings.

Financial opportunities
A shift in exchange rates in the company's favour would have a positive impact on its revenue and earnings. In a favourable capital market environment, an increase in the discount rate on future retirement benefits (as well as the performance of plan assets) offers scope for reducing provisions for retirement benefits and similar obligations and for an increase in equity due to actuarial gains. The implementation of the ESG rendezvous clause, which is part of the new syndicated loan, could also have a positive impact on Group earnings.

Summary of the situation with respect to opportunities
The overall situation with regard to opportunities available to the Koenig & Bauer Group is considered moderate. Even though the challenging macroeconomic conditions are factored into its expectations and business plans, Koenig & Bauer does not believe that the opportunities presented here outweigh the risks described above given the economic weakness in connection with increased inflation and mounting geopolitical tensions together with the associated risks in the supply chains. There are no changes in the opportunities available to the Koenig & Bauer Group compared with the previous year.

Due and proper accounting through the 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. The Group-wide ICS policy and work instructions supplement the organisational and control structures.

The internal control system forms part of Koenig & Bauer's internal governance, risk management and compliance (GRC) system and comprises a series of process-integrated control activities. The ICS is based on the "three lines of defence" model and clearly defines the responsibilities of the three lines: the operational level at the first line, the central ICS department as a coordinating and advisory link at the second line and internal audit at the third line, followed by the external auditor.

The internal control system for the financially relevant core processes has the task of ensuring the correctness, reliability and accuracy of accounting and external reporting activities.

In formalising the elements of the internal control system, national legislation as well as internationally recognised frameworks (such as COSO) have been duly observed. The focus is on the controls integrated in the core processes and IT systems.

The continuous improvement and further development of robustness and functionality is ensured by a formalised control mechanism in a central IT system.

In addition to the preventive controls, the balanced standard set of process-integrated controls also includes downstream controls, which are both fully automated and partially automated, as well as the necessary manual controls in accordance with the dual sign-office principle or in the form of self-controls.

The ICS roles are clearly defined in the ICS role pyramid, under which responsibility for the design of the controls lies with the control owners and responsibility for monitoring these controls with management staff. Annual training maintains ICS awareness in the role pyramid.

The central ICS department updates the Management Board and the Audit Committee at least annually on the internal control system. Any significant changes to the internal control system are immediately reported to the Management Board.

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.

ERP systems that have been dominated by in-house developments in the past are gradually being converted to the SAP system that is widely used in mechanical and plant engineering. Following comprehensive planning of the enterprise-wide SAP project and an intensive period of fine-tuning, the staggered roll-out is currently underway. The roll-out is being executed in stages at other Group companies following the migration at the Holding company Koenig & Bauer AG and Koenig & Bauer Industrial GmbH including Koenig & Bauer Gießerei GmbH, as well as Koenig & Bauer Banknote Solutions (DE) GmbH, Koenig & Bauer Banknote Solutions SA, Koenig & Bauer (AT) GmbH and Koenig & Bauer Digital & Webfed AG & Co.KG.

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

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

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

Outlook

Expected macroeconomic and industry conditions

The global economy continues to face the challenges of low growth and high inflation in 2024, with a slight slowdown expected.

The International Monetary Fund (IMF) expects global gross domestic product to grow by 3.1% in 2024. This matches the previous year's comparably weak figure. Although the IMF expressed greater optimism for 2024 at the beginning of the year than in autumn 2023, the developed economies are expected to experience a slight loss of momentum of 0.1 percentage points over the prior year. GDP is projected to increase by 0.9% in the Eurozone. With an increase of 0.5% (previous year: –0.3%), the German economy is likely to underperform again. In the emerging markets and developing countries, the pace of growth is expected to reach 4.1%, i.e. in line with the previous two years. India (6.5%), China (4.6%) and ASEAN (4.7%) should grow at a slightly slower rate than in 2023 but, as in the previous year, exhibit the greatest growth rates.

Downside risks for the forecast lie in geopolitical tensions, in particular the escalation of the Middle East conflict and the ongoing war in Ukraine, an unabated rise in core inflation as well as a slowdown in growth in China. On the other hand, China could also see a faster economic recovery with positive cross-border growth impulses. A stronger recovery is also expected if inflation subsides more quickly than expected and central banks ease interest rates more swiftly.

The VDMA economists expect a challenging year for mechanical engineering in Germany in 2024, with real production falling by 4%. However, this forecast is subject to a high degree of uncertainty as further economic trends hinge on many factors that are currently difficult to estimate. The global economy is still in a slump, and mechanical engineering is a late cyclist as a supplier of capital goods. There are preliminary signals that orders will bottom out soon. Thus, the ifo business climate barometer for mechanical engineering has recently stabilised, with the rate of decline in new orders slowing somewhat at the end of 2023. However, this initial evidence of base formation in foreign demand cannot yet be interpreted as a reversal of the trend. The burdens and challenges are essentially the same as at the beginning of 2023. Meanwhile, the war in the Middle East has added a further source of uncertainty.

Source: VDMA, "Maschinenbaukonjunktur 2023/Ausblick 2024" of 12 February 2024.

Forecast

The expected macroeconomic, political and industry-specific conditions in the markets addressed by the Koenig & Bauer Group provide the basis for the forecast for 2024 (1 January 2024 to 31 December 2024) and subsequent years.

The forecasts made are based on the assumption that there will be no further setbacks or more severe restrictions compared to the current situation as a result of the war in Ukraine and the Middle East conflict, or an unabated rise in core inflation.

Outlook for 2024: operating EBIT margin and revenue stable at the previous year's level

Koenig & Bauer continues to face a challenging macroeconomic environment in 2024. Even so, the Management Board expects the EBIT margin and revenue to remain stable at the previous year's level. Accordingly, it projects operating earnings of between €25m and €40m and revenue of around €1.3bn. However, Group EBIT for 2024 will be burdened by up to €10m as a result of spending on drupa, the world's largest trade fair for the printing and graphics industry, which will be taking place in Düsseldorf from the end of May until the beginning of June, resulting in Group EBIT of between €15m and €30m after this one-off effect.

The Special and Digital & Webfed segments should make a disproportionately large contribution to both EBIT and revenue. By contrast, the Sheetfed segment is expected to account for a disproportionately small proportion of earnings and revenue in the first half of 2024. In the sheetfed sector in particular, a wait-and-see attitude ahead of drupa could lead to purchasing restraint.

Future dividend policy adopted with a payout ratio of 15–35%

In view of the earnings performance in 2023 and the persistently challenging global economic market environment, the Management Board and the Supervisory Board will be proposing at the Annual General Meeting that the net profit generated by the holding company Koenig & Bauer AG be retained and that a dividend be omitted for the 2023 financial year. However, as Koenig & Bauer attaches great importance to ensuring an appropriate participation of its shareholders in its success, a future dividend policy has been adopted which, subject to profitable business performance during the year, aims to distribute a dividend of 15–35% of consolidated earnings, with a minimum dividend of €0.3 per share.

Medium-term targets

Given the persistently muted economic situation, the company projects an EBIT margin of 6–7% in 2026 at the latest, accompanied by Group revenue of €1.5bn. Economic volatility and geopolitical uncertainties have no impact on the medium-term targets, as the company's focus is on the packaging market, which is growing structurally and sustainably and is generally intact and resilient. In the medium term, it is looking for revenue of around €1.8bn and an EBIT margin of 8–9%. A further medium-term objective is to reduce net working capital to a maximum of 25% of annual revenue.

Legal disclosures

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

Disclosures in accordance with section 289a (1) No. 1, 2 and 3 and section 315a (1) No. 1, 2 and 3 of the German Commercial Code
On 31 December 2023, 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, shares in the company's capital of more than 10% are held by the Koenig'sche Shareholders' Association, Germany, (16.7%), which was first reported as "acting in concert" on 4 July 2023. AlternInvest GmbH in Vienna, Austria, and Universal-Investment-Gesellschaft mit beschränkter Haftung in Frankfurt am Main, Germany each hold 10.2%. Hauck & Aufhaeuser Fund Services S.A. holds a 10.0% stake in Koenig & Bauer AG. In addition, Union Investment Privatfonds GmbH, Frankfurt/Main, holds a share of 5.1%.

Executive bodies
On 31 December 2023, the shares held by the governing bodies of Koenig & Bauer AG equalled 5.17% of its share capital. The members of the Management Board held 0.12% (Dr Andreas Pleßke 0.03%, Dr Stephen Kimmich 0.06% and Michael Ulverich 0.03%) and the members of the Supervisory Board 5.05%.

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

In accordance with the Act on the Equal Participation of Women and Men in Executive Positions in Private and Public Sector, the Management Board and the Supervisory Board have defined targets for gender representation quotas. The Supervisory Board has decided that its female representation quota for the Management Board is to remain at 0% until 2025. It has considered closely the planned female representation target on the Management Board to be implemented by 2025 and ultimately set it at 0%. This decision must be seen solely in the light of the service contracts of the members of the Management Board, which continue until 2025 or 2026 and must therefore be respected by the Supervisory Board. Setting a target of more than 0% would have implied that the Supervisory Board was not willing to act in accordance with these service contracts or its own decisions. This is why no woman is currently a member of the Management Board.

The next time a new member is to be appointed to the Management Board, the female representation quota will of course be duly taken into account in accordance with the requirements of the Second Executive Positions Act. Moreover, the Supervisory Board pays attention to diversity in the composition of the Management Board, while the Management Board itself observes these requirements when filling management positions within 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.

The Supervisory Board has anchored the promotion of women in the Management Board's personnel objectives ("Level Playing Field"). The Supervisory Board and the Management Board attach importance not only to increasing the number of women in management positions and strengthening their status, but also to raising the number of female employees in the company and in the Koenig & Bauer Group as a whole. The target ratio is 30% for the first level below the Management Board and 11% for the second level below the Management Board. At the end of 2023, the proportion of women at the first and second management levels below the Management Board stood at 33.3% (previous year: 33.3%) and 13.8% (previous year: 11.1%), respectively.

Authorised capital

On 31 December 2023, the company had authorised capital of €8,580,000, equivalent to 3,300,000 shares, which may be utilised on or before 23 May 2026. The authorisation granted at the annual general meeting is documented in Article 5.3 of the articles of incorporation. The company did not hold any treasury stock on 31 December 2023.

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

Koenig & Bauer AG has entered into the following material agreements or special arrangements governing a change in or acquisition of control in the event of a takeover bid: The syndicated credit facility refinanced in October 2023 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, one joint venture agreement and one partnership agreement include a change-of-control clause. There are no compensation agreements with the members of the Management Board or employees for this case.

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

The corporate governance statement in accordance with Sections 289f and 315d of the German Commercial Code is published on the company's website at www.koenig-bauer.com/de/investor-relations/corporate-governance/erklaerung-zur-unternehmensfuehrung/ together with the corresponding statements for previous years.

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 also conducts operating business and performs central and strategic functions for the Group. Central functions performed for the Koenig & Bauer Group include compliance/auditing, controlling, corporate development, innovation promotion, investor relations, corporate responsibility, accounting, purchasing, 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 2023, excluding apprentices, was 479 (previous year: 423).

In addition to income from the services recharged to the 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 €112.0m, revenue was slightly above the previous year's figure of €98.9m 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. Despite the reduced gross margin, gross profit increased by €1.3m to €29.9m due to the higher revenue. Compared with the previous year, the cost of sales increased by €11.8m to €-82.1m (previous year: €-70.3m). The gross margin thus contracted to 26.7%, down from 28.9% in the previous year. General administrative expenses increased by €15.1m to €43.1m (previous year: €28.0m). The other operating income of €6.0m (previous year: €2.3m) mainly reflects the reversal of provisions. The other operating expenses of €1.9m (previous year: €11.5m) result from expenses from general allowances on receivables from non-consolidated companies and third parties. On balance, this resulted in operating earnings of €-9.0m, compared with €-8.5m in the previous year.

Net investment income consists of dividend distributions (2023: €16.9m; 2022: €6.1m), income from profit transfer agreements (2023: €38.2m; 2022: €16.8m), impairments of financial assets (2023: €-17.9m; 2022: €-10.6m), fair-value remeasure gains on financial assets (2023: €1.3m; 2022: €7.9m) and loss absorption expenses (2023: €-7.5m; 2022: €-2.4m) from subsidiaries. It increased by €13.3m to €31.1m as of 31 December 2023 (previous year: €17.8m).

The financial result amounted to €14.2m (previous year: €11.3m) mainly due to the increased income under profit transfer agreements and from interest income. Net interest expense came to €-16.9m as of 31 December 2023 (previous year: €-6.5m). Income taxes amounted to €0.6m (previous year: €-0.1m). This resulted in net profit for the year of €5.8m (previous year: €2.6m). Including the profit carried forward of €1.3m and the retained amount of €4.2m, the unappropriated surplus stands at €2.9m.

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 an amount of €4.2m. The Management Board acting with the Supervisory Board's approval proposes that the unappropriated surplus of €2.9m be retained.

Assets and finances
As of 31 December 2023, Koenig & Bauer AG had total assets of €761.7m, up from €741.2m in the previous year. Non-current assets fell by a total of €17.3m to €532.1m (31 December 2022: €549.4m). This decrease is mainly due to impairments and systematic depreciation and amortisation. As of the reporting date, financial assets were valued at €407.4m, compared with €423.3m in the previous year. The increase in intangible assets from €53.8m to €56.1m, which was mainly due to prepayments on intangible assets, was accompanied by a decline in property, plant and equipment from €72.4m to €68.6m as a result of systematic depreciation and amortisation as well as asset disposals. The increase in current assets from €189.3m to €227.0m was mainly due to higher receivables from affiliated companies. They include receivables under loans to affiliated companies of €47.6m (31

December 2022: €25.0m), receivables from offsetting cash flows of €96.5m (31 December 2022: €58.5m) as well as trade receivables of €14.9m (31 December 2022: €19.1m). In addition, receivables from associates rose from €13.6m to €20.8m. Cash in hand and at banks fell from €64.2m to €45.1m.

At the end of 2023, equity amounted to €314.9m (31 December 2022: €309.1m). This translates into an equity ratio of 41.3% relative to the increased total assets (31 December 2022: 41.7%). Provisions fell slightly from €110.5m in the previous year to €107.6m. The tax provisions of €0.1m and the other provisions of €29.3m were lower. By contrast, provisions for retirement benefits and similar obligations increased slightly to €78.2m. All told, liabilities climbed from €320.7m to €338.5m as of 31 December 2023. Liabilities to banks increased from €186.2m to €235.4m mainly due to drawing on the syndicated loan. Trade payables also increased year-on-year, while other liabilities were lower. Liabilities to affiliated companies fell from €125.9m to €94.9m.

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. Reference should be made to the Group's risk report on pages 35ff for further information. 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 45 et seq. and the forecast on page 48 et seq. 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.

Group financial statements 2023

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Group balance sheet to 31 December 2023

in €m	Note	31.12.2022	31.12.2023
Assets			
Non-current assets			
Intangible assets	**(G) (1)**	144.9	155.6
Property, plant and equipment	**(G) (1)**	248.7	255.5
Investments and other financial receivables	**(G) (2)**	25.5	25.2
Investments accounted for using the equity method	**(G) (2)**	16.0	15.1
Other assets	**(G) (2)**	1.6	3.6
Deferred tax assets	**(G) (6)**	89.8	93.2
		526.5	**548.2**
Current assets			
Inventories	**(G) (3)**	426.2	426.8
Trade receivables	**(G) (2)**	121.6	156.2
Other financial receivables	**(G) (2)**	33.7	41.3
Other assets	**(G) (2)**	200.2	149.4
Current tax assets		5.3	4.9
Securities	**(G) (4)**	3.5	3.9
Cash and cash equivalents	**(G) (5)**	132.2	96.4
		922.7	**878.9**
		1,449.2	**1,427.1**

in €m	Note	31.12.2022	31.12.2023
Equity and liabilities			
Equity	**(G) (7)**		
Share capital		43.0	43.0
Share premium		87.5	87.5
Reserves		290.6	278.0
Equity attributable to owners of the Parent		**421.1**	**408.5**
Equity attributable to non-controlling interests		1.7	1.5
		422.8	**410.0**
Liabilities			
Non-current liabilities			
Pension provisions and similar obligations	**(G) (8)**	86.3	104.8
Other provisions	**(G) (9)**	31.7	37.0
Bank loans and other financial payables	**(G) (10)**	158.6	217.2
Other liabilities	**(G) (10)**	9.1	5.4
Deferred tax liabilities	**(G) (6)**	73.0	71.5
		358.7	**435.9**
Current liabilities			
Other provisions	**(G) (9)**	106.6	89.7
Trade payables	**(G) (10)**	104.7	79.3
Bank loans and other financial payables	**(G) (10)**	151.9	138.6
Other liabilities	**(G) (10)**	299.0	270.3
Current tax liabilities		5.5	3.3
		667.7	**581.2**
		1,449.2	**1,427.1**

Group income statement 2023

in €m	Note	2022	2023
Revenue	(H) (15)	1,185.7	1,326.8
Cost of sales	(H) (16)	-868.3	-979.3
Gross profit		**317.4**	**347.5**
Research and development costs	(H) (16)	-54.2	-57.5
Distribution costs	(H) (16)	-147.3	-158.1
Administrative expenses	(H) (16)	-92.8	-104.7
Other operating income	(H) (18)	25.9	24.9
Other operating expenses	(H) (18)	-26.5	-25.8
Impairment gains and losses on financial assets	(H) (18)	0.3	3.0
Other financial results	(H) (19)	-0.8	0.6
Earnings before interest and taxes (EBIT)		**22.0**	**29.9**
Other interest and similar income		1.3	2.3
Other interest and similar expenses		-10.1	-19.2
Interest result	(H) (19)	**-8.8**	**-16.9**
Earnings before taxes (EBT)		**13.2**	**13.0**
Income tax expense	(H) (20)	-2.1	-10.2
Net profit		**11.1**	**2.8**
of which			
attributable to owners of the Parent		10.4	2.6
attributable to non-controlling interests		0.7	0.2
Earnings per share (in €, basic/dilutive)	(H) (21)	**0.63**	**0.16**

Statement of comprehensive Group income 2023

in €m	2022	2023
Net profit	**11.1**	**2.8**
Items to be reclassified to consolidated profit or loss		
Foreign currency translation	-0.6	-0.8
Measurement of derivatives	3.7	-0.1
Deferred taxes	-1.1	–
	2.0	**-0.9**
Items not to be reclassified to consolidated profit or loss		
Defined benefit plans	51.4	-24.1
Revaluation of land	–	0.9
Deferred taxes	-12.2	8.5
	39.2	**-14.7**
Gains/losses recognised directly in equity	**41.2**	**-15.6**
Total comprehensive income	**52.3**	**-12.8**
of which		
attributable to owners of the Parent	51.6	-13.0
attributable to non-controlling interests	0.7	0.2

Statement of changes in Group equity 2023

			Reserves							
			Recognised in equity*							
in €m	Share capital	Share premium	Defined benefit plans	Revaluation of land	Derivatives	Exchange differences	Other	**Equity attr. to owners**	Equity attr. to non-controlling interests	**Total**
31 December 2021	**43.0**	**87.5**	**-92.0**	**18.3**	**-2.6**	**3.5**	**310.4**	**368.1**	**1.3**	**369.4**
Changes in accordance with IAS 29	–	–	–	–	–	2.6	0.3	**2.9**	0.5	**3.4**
1 January 2022	**43.0**	**87.5**	**-92.0**	**18.3**	**-2.6**	**6.1**	**310.7**	**371.0**	**1.8**	**372.8**
Net profit	–	–	–	–	–	–	10.4	**10.4**	0.7	**11.1**
Gains/losses recognised directly in equity	–	–	39.2	–	2.6	-0.6	–	**41.2**	–	**41.2**
Total comprehensive income	**–**	**–**	**39.2**	**–**	**2.6**	**-0.6**	**10.4**	**51.6**	**0.7**	**52.3**
Other	–	–	–	–	–	–	-1.5	**-1.5**	-0.8	**-2.3**
31 December 2022	**43.0**	**87.5**	**-52.8**	**18.3**	**–**	**5.5**	**319.6**	**421.1**	**1.7**	**422.8**
1 January 2023	**43.0**	**87.5**	**-52.8**	**18.3**	**–**	**5.5**	**319.6**	**421.1**	**1.7**	**422.8**
Net profit	–	–	–	–	–	–	2.6	**2.6**	0.2	**2.8**
Gains/losses recognised directly in equity	–	–	-15.6	0.8	-0.1	-0.7	–	**-15.6**	–	**-15.6**
Total comprehensive income	**–**	**–**	**-15.6**	**0.8**	**-0.1**	**-0.7**	**2.6**	**-13.0**	**0.2**	**-12.8**
Other	–	–	–	–	–	–	0.4	**0.4**	-0.4	**–**
31 December 2023	**43.0**	**87.5**	**-68.4**	**19.1**	**-0.1**	**4.8**	**322.6**	**408.5**	**1.5**	**410.0**

* reserves recognised in equity are shown net of deferred taxes

Group cash flow statement 2023

in €m	Note	2022	2023
Earnings before taxes		13.2	13.0
Appreciation/depreciation on intangible assets, property, plant and equipment	(F)	40.8	45.7
Currency measurement	(H) (18)	-3.6	5.0
Non-cash interest income/expense		5.9	5.0
Other non-cash income/expenses		1.6	2.7
Gross cash flow		**57.9**	**71.4**
Changes in inventories		-96.1	-7.3
Changes in receivables and other assets		-33.8	10.2
Changes in other provisions		-13.9	-10.5
Changes in payables and other liabilities		102.6	-75.5
Interest received		1.5	1.0
Interest paid		-4.4	-13.0
Income tax paid		-8.6	-10.2
Income tax refunded		0.2	2.1
Cash flows from operating activities		**5.4**	**-31.8**
Proceeds from the disposal of intangible assets, property, plant and equipment		3.2	1.2
Payments for investment in intangible assets, property, plant and equipment		-44.0	-52.2
Proceeds from the disposal of investments		0.1	–
Payments for investments		-20.6	-4.8
Dividends received		0.5	1.5
Payments for loans to associates		-4.3	-7.3
Cash flows from investing activities		**-65.1**	**-61.6**
Free cash flow		**-59.7**	**-93.4**
Proceeds from loans		75.4	63.3
Repayment of loans		-6.0	-15.2
Proceeds from financial service providers		–	69.2
Repayments to financial service providers		–	-46.9
Payments for lease liabilities		-9.2	-9.5
Changes in equity attr. to non-controlling interests		0.4	-0.1
Other changes in equity		-1.2	0.4
Cash flows from financing activities		**59.4**	**61.2**
Change in funds		**-0.3**	**-32.2**
Effect of changes in exchange rates		3.0	-3.6
Funds at beginning of period		129.5	132.2
Funds at end of period	(G) (5)	**132.2**	**96.4**

for further information see explanatory Note (I)

Notes to the Group financial statements

(A) Preliminary remarks

The Koenig & Bauer Group (the "Group") develops, assembles and sells sheetfed and web offset, flexo and digital presses, flatbed/rotary die cutters, folding-box gluing lines and special equipment for security, metal decorating, glass and hollow container printing and marking and coding together with comprehensive services. The Parent, Koenig & Bauer AG at Friedrich-Koenig-Str. 4, 97080 Würzburg, Germany, is a public limited company under German law, listed in the commercial register at the local court, Würzburg, under HR B-No. 109. The consolidated financial statements include the Parent and all material affiliates.

Koenig & Bauer has prepared consolidated financial statements and a combined management report for the annual accounting period from 1 January 2023 to 31 December 2023 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 20 March 2024 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 2023 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 2023.

IFRS 17	Amendments to IFRS 17 - Insurance Contracts
IAS 1	Amendments to IAS 1 - Presentation of the Financial Statements
IAS 8	Amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors
IAS 12	Amendments to IAS 12 - Restriction on "Initial Recognition Exception"
IAS 12	Amendments to IAS 12 - International Tax Reform of Pillar 2

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 IFRS 17 – Insurance Contracts

The amendments to IFRS 17 are intended to enable entities to improve the usefulness for their decisions of the comparative information presented on first-time adoption of IFRS 17 and IFRS 9. Financial assets may be presented in the comparative period as if the classification and measurement rules in IFRS 9 had been applied to those financial assets. This does not have any impact on Koenig & Bauer AG's consolidated financial statements.

Amendments to IAS 1 – Presentation of the Financial Statements

The amendments to IAS 1 and IFRS guidance document 2 clarify that entities must disclose all material accounting policies. Accounting policy information is material whenever the users of the financial statements would not be able to understand any other material information of the financial statements without it. Insignificant information on accounting policies should not be disclosed. This does not have any material impact on Koenig & Bauer AG's consolidated financial statements.

Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

The amendment clarifies the distinction between changes in accounting policies and accounting estimates. Changes in estimates are prospective and changes in accounting policies are retrospective. This does not have any material impact on Koenig & Bauer AG's consolidated financial statements.

Amendments to IAS 12 – Restriction on "Initial Recognition Exception"

The amendment to IAS 12 narrows the scope of the initial recognition exception, under which no deferred tax assets or liabilities are recognized at the time an asset or liability is acquired. If, upon a transaction arising, deductible and taxable temporary differences of the same amount arise at the same time, these are no longer covered by the exception, with the result that deferred tax assets and liabilities must be recognised. This does not have any impact on Koenig & Bauer AG's consolidated financial statements.

Amendments to IAS 12 – International Tax Reform of Pillar 2

The amendment to IAS 12 allows companies to temporarily avoid the obligation to recognise deferred taxes if these result from the implementation of the Pillar 2 rules. If use is made of this exception, this fact and the actual tax expense or income in connection with Pillar 2 income taxes must be reported separately. For periods in which a law implementing the Pillar 2 regulations has been passed but has not yet entered into force, known or reliably estimable information must also be made available so that users of financial statements can assess the effects of the Pillar 2 rules. Concerning the impact of Pillar 2 for Koenig & Bauer, we refer to the explanations in section (C) Accounting policies.

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
IAS 1	Amendments to IAS 1 - Classification of Liabilities as Current or Non-Current, with Covenants	2024
IFRS 16	Amendments to IFRS 16 - Lease liability in a sale and leaseback	2024
IAS 7/IFRS 7	Amendments to IAS 7 and IFRS 7 - Disclosure requirements of Reverse Factoring arrangements	2024
IAS 21	Amendments to IAS 21 - Lack of Exchangeability	2025
IFRS 10/IAS 28	Amendments to IFRS 10 and IAS 28 - Sales or contributions of assets between an investor and its associate/joint venture	open

Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current with Covenants

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 the exercise of these rights is tied to certain conditions, these conditions have no influence on classification as current or non-current. However, if liabilities that are conditional within 12 months of the reporting date are classified as non-current, further information must be disclosed to enable users of the financial statements to assess any risks that may exist. This is not expected to have any impact on Koenig & Bauer AG's consolidated financial statements.

Amendments to IFRS 16 – Lease liability in a sale and leaseback

The amendment to IFRS 16 stipulates that when the lease liability arising from a sale and leaseback transaction is subsequently measured, the seller/lessee must measure it in such a way that no gain or loss relating to the retained right of use is recognised. Gains or losses arising in connection with the partial or complete termination of a lease must continue to be recognised as they relate to the terminated right of use. This is not expected to have any impact on Koenig & Bauer AG's consolidated financial statements.

Amendments to IAS 7 and IFRS 7 – Disclosure requirements of Reverse Factoring arrangements

The amendment to IAS 7 and IFRS 7 results in additional disclosures on reverse factoring agreements with the aim of enabling users of financial statements to assess the effects of these agreements on liabilities, cash flows and the liquidity risk. For example, the carrying amount and balance sheet items of the liabilities concerned, non-cash changes in the carrying amounts of the liabilities concerned and the carrying amount of the liabilities for which suppliers have already received payments from the factor must be disclosed. This amendement would probably have an effect on Koenig & Bauer AG's disclosure requirements.

Amendments to IAS 21 – Lack of Exchangeability

The amendment to IAS 21 specifies how non-exchangeability is to be addressed in currency translation. If the entity is able to obtain the other currency within a normal administrative timeframe and through a market or exchange mechanism in which a transaction gives rise to enforceable rights and obligations, that currency is deemed to be exchangeable. For this purpose, it is irrelevant whether there is an actual intention or decision to acquire the other currency. If there is no exchangeability, the spot rate on the measurement date is to be estimated as the rate that would have applied for a proper transaction between market participants. This is not expected to have any impact on Koenig & Bauer AG's consolidated financial statements.

Amendments to IFRS 10 and IAS 28 – Sales or contributions of assets between an investor and its associate/joint venture

To eliminate any inconsistency between IFRS 10 and IAS 28 on the disposal or contribution of assets to associates or joint ventures, future gains or losses should be recognised only if the assets disposed of or contributed constitute a business as defined in IFRS 3. Otherwise, gains or losses may only be recognised on a pro rata basis. This may result in changes for Koenig & Bauer if corresponding transactions occur.

(C) Accounting policies

The financial statements for Koenig & Bauer AG and its domestic and foreign subsidiaries were prepared using uniform accounting policies.

Measurement basis and judgements

The measurement of financial assets and liabilities is based on the historical or amortised cost, with the exception of financial assets and derivative financial instruments, which are measured at fair value through profit and loss. Changes in the value of equity instruments are recognised in other comprehensive income.

In the process of applying the entity's accounting policies management makes various judgements, essentially on the categorisation of the financial assets measured at amortised cost.

Estimates and assumptions

Where no market prices are available for assessing the value of assets and liabilities, this must be estimated and may give rise to adjustments in subsequent years to the assets and liabilities disclosed. The imputed value is predicated on past experience and current knowledge.

Koenig & Bauer assumes that its business model is only marginally affected by sustainability and climate change risks.

Significant estimates relate to the following matters, which are explained in more detail under the individual items of the balance sheet:

- Recognition and measurement of development costs and the measurement of goodwill - particularly management assumptions using the "discounted cash flow" method and determination of the discount rate and future cash flows
- Useful lives of intangible assets and property, plant and equipment
- Measurement of the impairment of financial assets
- Measurement of inventories
- Recognition and measurement of other provisions - particularly provisions for warranties
- Recognition and measurement of investments in associates and calculation of goodwill

- 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 and recognition of deferred tax assets on tax loss carryforwards
- Revenue recognition - determination of the percentage of completion for over-time revenue recognition
- Disposal of financial assets - management's assessment of the transfer of beneficial ownership

Intangible assets

Purchased intangible assets are disclosed at their purchase price if it is likely that economic benefits attributable to the use of the assets will flow to the enterprise and their cost can be measured reliably. Each asset with a limited useful life is amortised on a straight-line basis over its estimated useful life.

Development costs for new or significantly improved products are capitalized at cost if the technical feasibility, an intention to sell and the existence of a market can be demonstrated, the attributed expenditure can be measured reliably, adequate development and marketing resources are available and future economic benefits are probable. From the time of marketability of the affected product, the capitalized development costs are depreciated on a straight-line basis over their projected useful life and tested for impairment annually. Adequate allowance is made for future market trends. Research costs and non-capitalised development costs are recognised as an expense as they arise in the functional area research and development.

Property, plant and equipment

The option provided for by IAS 16 to revalue land at its fair value was exercised for the first time on 31.12.2020 with the use of independent valuation experts. Accordingly, increases in the carrying amount in excess of amortised cost are recognised in retained earnings. However, if an impairment loss previously recognised in profit or loss is reversed, the increase in the carrying amount is recognised in profit or loss up to an amount equaling amortised cost. If, on the other hand, revaluation results in a reduction in the carrying amount, the impairment is recognised in profit or loss unless an increase in the carrying amount previously recognised directly in equity is reversed. In this case, the impairment is recognised within retained earnings. Deferred taxes are recognised accordingly in retained earnings or in profit or loss. Land is revalued at regular intervals of 5 years.

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

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

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

Grants

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

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

Financial reporting in hyperinflationary economies

In 2022, the Turkish Lira, the functional currency of one of the subsidiaries, was classified as hyperinflationary within the meaning of IAS 29 for the first time.

IAS 29 states that, when the accounting standard is applied for the first time, the functional currency of the hyperinflationary economy must be treated as if the economy concerned had always been hyperinflationary. Koenig & Bauer is therefore applying IAS 29 to its subsidiary in Turkey for the first time with retroactive effect from 1 January 2022.

Financial statements prepared in a hyperinflationary currency must be restated in the light of the conditions prevailing on the reporting date. Adjustments are made on the basis of historical cost. Items in the balance sheet which are not yet held in a monetary unit, which are not subject to price adjustment agreements or which are not otherwise held at updated daily values, must be adjusted on the basis of a consumer price index derived from the data of the Turkish Statistical Institute (CPI base 2003 = 100). The same applies to expenses and income. The net adjustments are recognised in profit or loss and disclosed separately in the notes. The harmonised consumer price index stood at 1,128.45 basis points as of 31 December 2022 and increased to 1,859.38 basis points as of 31 December 2023.

After being tied to the index, all relevant items in the balance sheet and income statement are translated into the Group's reporting currency in accordance with IAS 21. The exchange rate used for this purpose is the closing rate on the reporting date. The effects of currency translation are presented in other comprehensive income in the statement of changes in equity.

Monetary assets and liabilities have not to be adjusted if they are subject to price adjustment clauses or are translated at the daily exchange rate.

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 estimated costs at the end of the term, minus lease incentives received. The lease liability is recognised at the present value of the lease payments not yet made at that date, comprising fixed and variable lease instalments and expected 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 lease is to be classified as a finance lease. At the commencement date, the carrying amount of the underlying asset is derecognised and a lease receivable is recognised in the amount of the net investment in the lease. Any gain or loss (as the case may be) must be disclosed in the income statement. In subsequent measurement, interest income is recognised using the effective interest method, which reflects a constant periodic rate of return on the net investment. If these conditions are not met, the lease is classified as an operating lease and the lease payments received are recognised in profit or loss for the period.

Depreciation

The systematic straight-line depreciation of intangible assets, property, plant and equipment is based on their useful lives as shown in the chart.

	Years
Industrial property rights and similar rights	3 to 12
Product development costs	4 to 8
Buildings	5 to 50
Plant and machinery	3 to 15
Other facilities, factory and office equipment	1 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 recoverable amount is calculated using a discounted cash flow method to determine the present value of discounted free cash flows. This corresponds to the value in use of the cash-generating units. Country-specific pre-tax interest rates which correspond to the weighted average cost of capital are used for discounting. It comprises a risk-free interest rate for equity components, adjusted for business risks, and the average borrowing rate of interest for debts, tax-adjusted for each unit. Future cash flows are calculated on the basis of the five-year integrated detailed plan approved by the management at the time when the impairment test is valid. The perpetual annuity for cash flows which surpass the planning period is calculated using a growth rate of 0.8%. If the recoverable amount approximates the residual carrying amount, both the value in use and the fair value less costs to sell are regularly determined. Where the recoverable amount is lower than the carrying amount the difference is disclosed as an impairment loss. If the reason for an impairment no longer applies, an adjustment in the allowance account is made, up to the amortised cost of acquisition or manufacture.

Depreciation on and impairments in intangible assets, property, plant and equipment are disclosed under the individual functions, reversals of impairment losses are disclosed as other operating income.

Goodwill is tested for impairment annually (as of December 31) 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 recoverable amount, 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. Impairments of goodwill cannot be reversed. The cash flow forecast based on the management's integrated five-year detailed planning together with a subsequent perpetual annuity is used to calculate the value in use of a cash-generating unit, which contains goodwill. Along with the discount rate, planning includes anticipated developments in sales and the EBIT margin. Planning is created based on a past experience, future market predictions and margin developments expected by the management. External data concerning the development of relevant markets is also taken into account. Adjustments are made for the impact of special and one-off effects on past values when predicting individual EBIT margins.

Individual items, depreciation, impairments and impairment reversals under IAS 36 are disclosed under "Changes in Intangible Assets, Property, Plant and Equipment".

Financial assets

If contractual claims exist, financial assets are recognised at fair value upon initial recognition and are accounted for on the settlement date.

For the purpose of subsequent measurement in accordance with IFRS 9 financial assets are classified as "measured at amortised cost", "measured at fair value through other comprehensive income (FVOCI)" or "measured at fair value through profit or loss (FVTPL)". The allocation of a financial instrument to one of these three categories depends on the Group's business model and the characteristics of the instrument in question. The business model is determined on a portfolio basis in the light of past experience and the management strategy for the future, taking into account the risks associated with financial assets. The analysis of the product features includes an assessment of whether contractually agreed cash flows are solely payments of principal and interest.

A financial asset is measured **at amortised cost** using the effective interest method if it is held as part of a business model whose objective it is to collect the contractual cash flows and the terms of the contract result in solely payments of principal and interest. Any changes are recognised in profit or loss.

The **FVOCI** category includes financial assets held within a business model whose objective is both to collect the contractual cash flows and to sell those assets, provided that the terms of the contract result in solely payments of principal and interest. They are remeasured on the basis of their fair value. In the case of equity instruments, dividends are recognised in profit or loss, while other net gains or losses are recognised in other comprehensive income. They are not reclassed 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 recognized 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”.

Associates are companies over whose operating and financial policies Koenig & Bauer is able to exercise significant influence, generally through indirect or direct voting interests of 20% to 50%. **Joint ventures** are companies on which two or more outside parties jointly exercise control. Joint control arises if decisions on the main activities require the unanimous consent of the parties sharing control over the entity in question. Associates and joint ventures are accounted for using the equity method and initially recognised at cost of acquisition. The share of profit or loss of the associate or joint venture after acquisition is recognised in the consolidated statement of income, while the share of changes in equity not recognised in profit or loss is recognised directly in consolidated equity. The cumulative post-acquisition changes also include effects from fair value adjustments and affect the carrying amount of the investment, with any existing goodwill included in the carrying amount of the investment. If the losses of an associate or joint venture attributable to Koenig & Bauer equal or exceed the value of the investment in that entity, no further share of losses is recognised unless Koenig & Bauer has incurred obligations or made payments on behalf of the entity. The investment in an associate or joint venture is the carrying amount of the investment plus any long-term interest that is attributable to the economic substance of Koenig & Bauer’s net investment in the entity. Koenig & Bauer tests associates and joint ventures for impairment whenever there is any objective evidence of impairment.

Other financial receivables include derivative financial instruments in the “FVTPL” category that are carried at fair value and receivables from lease agreements measured at their present value. Miscellaneous other financial receivables are measured “at amortised cost”.

Trade receivables are measured “at amortised cost”. Non-interest-bearing or low-interest receivables due for settlement in more than one year are discounted.

The **securities** are financial assets in the “FVTPL” category that are carried at fair value as of the balance sheet date.

Cash and cash equivalents are measured “at amortised cost”.

They are assigned to one of three levels of a fair-value hierarchy defined in IFRS 7, where level 1 refers to quoted prices in active markets for the same instrument (without modification or repackaging); level 2 refers to quoted prices in active markets for similar assets or liabilities or other valuation techniques for which all significant inputs are based on observable market data; and level 3 refers to valuation techniques for which any significant input is not based on observable market data. Transfers between levels are made at the end of each reporting period.

Impairment gains and losses are recognised on financial assets measured “at amortised cost” and for contract assets in an amount equalling the expected credit loss. In the case of receivables and contract assets, this involves checking on each balance sheet date whether there has been any impairment of creditworthiness and whether the credit risk has thus increased significantly. Both quantitative and qualitative information and analyses such as the length of time overdue, the nature and duration of financial difficulties or the geographical location are taken into account and forward-looking assessments are made on the basis of past experience. In addition, the average historical defaults and forward-looking information were taken into account when determining the probabilities of default. There are no material risk concentrations due to the existing broad customer base.

The following table sets out the ranges applicable to each overdue band in the Group as from this year.

Expected Credit Loss %	min.	max.
not overdue	0.0%	0.2%
overdue for ≤ 30 days	0.0%	0.7%
overdue for 31 - 90 days	0.0%	1.3%
overdue for 91 - 180 days	0.0%	1.8%
overdue for 181 - 360 days	0.0%	2.7%
overdue for > 360 days	75.0%	75.0%

If the creditworthiness of an asset is impaired, the expected credit losses are recognised as a loss allowance over the entire term of the financial asset.

If the credit risk has increased significantly since the initial recognition of assets coming within the scope of application of the general model but there is no impairment of creditworthiness, the possible payment defaults over the entire term are taken into account as a loss allowance. In the case of trade receivables and contract assets, expected credit losses are measured on the basis of a loss allowance matrix. For each business unit, the historical default probabilities of the last three years are used as a basis and adjusted to the current economic conditions using scaling factors.

All other financial assets are adjusted by the amount of the expected credit loss that may be incurred within 12 months of the balance sheet date.

The loss allowance model described in IFRS 9 requires discretionary decisions in forecasting the development of future economic conditions. However, the assumptions made are subject to uncertainty, as Koenig & Bauer can only partially influence future business developments.

Derivatives

In accordance with IFRS 9 all instruments such as swaps and future currency contracts are carried at fair value. The derivatives disclosed in the Group financial statements are classified as level 2 and level 3.

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 35 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 9 for an effective hedging relationship were fulfilled, hedge accounting is 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 capitalized 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.

Global minimum tax

Koenig & Bauer AG and its affiliated companies continuously monitor the changing tax environment in order to comply with their obligations. In connection with these efforts, the minimum tax received particular attention in the year under review.

The company operates in the Federal Republic of Germany, which has recently passed legislation to implement the global minimum tax. In view of the fact that the global minimum tax in the Federal Republic of Germany will not apply to the Group until 2024, it did not have any direct consequences on effective tax expense in 2023. After an initial indicative analysis, management assumes that the company's activities in Switzerland and the Hong Kong Special Administrative Region could potentially be subject to a Pillar 2 top-up tax.

The allocation of a possible top-up tax would result in a notional charge of less than € 0.5m for the Group.

In accordance with IAS 12.4 (a), Koenig & Bauer has not considered the potential impact of the Pillar 2 tax reform on the recognition and measurement of deferred tax.

Assets held for sale

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

Revenue

In the case of the sale of standardised **new or used machines**, the transfer of control after delivery and assembly occurs upon the customer's readiness for production. The invoice is issued at the time of the transfer of control. The payment terms are agreed individually with the customers. In addition to individual contractual agreements, payments by the customer are usually staggered and are often divided into a prepayment, a payment at the time of delivery and a final payment after acceptance of the press. Revenue is recognised when the performance obligation is fulfilled and the customer obtains control of the press, neither a right of disposal nor effective control remains with Koenig & Bauer and it is probable that the economic benefits associated with the transaction will flow to the Company.

In the case of **customer-specific production**, control is transferred to the customer over the period in which the performance is completed. The project-specific payment terms usually provide for a prepayment and other progress billings staggered over the term.

Revenue from customer-specific production is recognised over the period in which the service is provided in accordance with IFRS 15, provided that the product has no alternative use for the Company and the Company has a legal claim to payment for the services already provided. The progress made towards complete satisfaction of a performance obligation is measured on an input basis, whereby the progress of work is determined as the ratio of the costs incurred to the calculated contract costs. The ratio of the costs incurred to the calculated contract costs adequately represents the performance progress of a customer-specific production.

In the case of **spare parts and consumables**, control generally passes to the customer upon delivery of the products. The invoice is issued at the same time, the payment period is usually up to 30 days.

Revenue is recognised when the invoice is issued to the customer.

The provision of **services** mainly comprises maintenance, repairs, consulting and similar services. Control passes to the customer and the invoice is issued when the service has been rendered. Service contracts are usually due for immediate payment, the maximum payment period is usually 30 days. In the case of service agreements, the transaction price is allocated to individual service components. Revenue is recognised when the individual service components have been fulfilled.

Revenues are recognised in the amount of the transaction price for the individual performance obligations. The transaction price is the consideration that the company expects to receive for the promised goods or services. It is generally determined on the basis of contractually agreed amounts for the sale of new and used machines, spare parts, consumables and services. Price reductions, cash discounts, bonuses and volume rebates granted are recognised at their expected value if an adjustment to the transaction price is probable.

The performance obligations for products and services rendered and invoiced to the customer are recognised under trade receivables to the extent that there is an unconditional right to consideration. Where products and services have been transferred to a customer but the Group does not yet have a contractual right to payment, the contingent consideration receivable is recognised within contract assets. Contract assets are reclassified as trade receivables as soon as there is an unconditional legal claim to payment; they are reported under other assets.

Prepayments received include the company's obligations to transfer goods and services to customers for whom a payment has already been made.

The relief provided by IFRS 15.129 and IFRS 15.121(a) was used.

Other income

Interest is recognised as profit if the amount can be measured reliably and there is a reasonable likelihood of future economic benefit. Dividends are balanced with the origination of a legal claim to payment.

Expenses by function

Cost of sales include the purchase and conversion costs of products sold. In addition to directly attributable material and prime costs these incorporate overheads, depreciation on production plant and inventory adjustments.

Research and development costs encompass costs for original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding, and these are recognised in full in the functional area research and development 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.

Wherever possible, income and expenses are attributed to their respective functions; those that cannot be attributed are disclosed under other operating income and expenses.

(D) Consolidated companies and consolidation principles

Consolidated companies

In addition to Koenig & Bauer AG, Würzburg, the consolidated financial statements include 37 (previous year: 37) companies. Two companies are accounted for using the equity method (previous year: 2).

Altogether 25 (previous year: 25) 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. Any negative goodwill is recognised in profit or loss after a further review of the amounts calculated.

Receivables, liabilities, income and expenses relating to transactions among consolidated companies are eliminated, as were the profits from such transactions. With the exception of goodwill, temporary tax deferrals arising from the consolidation are recognised as deferred taxes under IAS 12.

(E) Foreign currency translation

The financial statements of consolidated companies prepared in a foreign currency are translated using their functional currency and the foreign entity method specified in IAS 21.

Since foreign subsidiaries are financially, economically and organisationally autonomous, their functional currency is normally the same as their local currency. In the consolidated financial statements, assets and liabilities are translated into the reporting currency at the closing rate, expenses and income at the average rate for the year and other equity at historical rates. The resulting exchange differences are disclosed in equity.

The financial statements for subsidiaries consolidated for the first time, the goodwill arising from the acquisition of such subsidiaries and adjustments in the carrying amounts of assets and liabilities to fair value are translated at the closing rate on the date of the initial consolidation. In subsequent periods goodwill is translated at the closing rate on the balance sheet date.

Currency gains and losses ensuing from consolidation are recognised as income or expense.

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

in €m	Cost						
	01.01.	Additions	Revaluation surplus	Exchange differences	Reclassi-fications	Disposals	**31.12.**
2022							
Intangible assets							
Industrial property rights and similar rights	68.4	13.3	–	–	30.1	0.6	**111.2**
Goodwill[4]	38.4	–	–	–	–	–	**38.4**
Product development costs[4]	54.9	5.1	–	–	–	–	**60.0**
Prepayments and assets under construction	29.8	–	–	–	-29.6	–	**0.2**
	191.5	**18.4**	**–**	**–**	**0.5**	**0.6**	**209.8**
Property, plant and equipment							
Land and buildings	301.8	5.4	–	0.7	0.6	3.2	**305.3**
Plant and machinery	192.3	3.9	–	0.4	-19.3	12.9	**164.4**
Other facilities, factory and office equipment	165.3	12.4	–	0.2	22.7	10.6	**190.0**
Prepayments and assets under construction	10.2	9.7	–	–	-4.2	1.3	**14.4**
	669.6	**31.4**	**–**	**1.3**	**-0.2**	**28.0**	**674.1**
	861.1	**49.8**	**–**	**1.3**	**0.3**	**28.6**	**883.9**
2023							
Intangible assets							
Industrial property rights and similar rights	111.2	3.2	–	–	–	6.1	**108.3**
Goodwill[4]	38.4	–	–	–	–	–	**38.4**
Product development costs[4]	60.0	17.2	–	–	0.5	–	**77.7**
Prepayments and assets under construction	0.2	5.2	–	–	–	0.2	**5.2**
	209.8	**25.6**	**–**	**–**	**0.5**	**6.3**	**229.6**
Property, plant and equipment							
Land and buildings	305.3	9.9	0.9	0.3	–	0.1	**316.3**
Plant and machinery	164.4	3.2	–	-0.5	6.7	1.1	**172.7**
Other facilities, factory and office equipment	190.0	11.4	–	0.4	0.3	7.7	**194.4**
Prepayments and assets under construction	14.4	14.1	–	–	-7.5	0.7	**20.3**
	674.1	**38.6**	**0.9**	**0.2**	**-0.5**	**9.6**	**703.7**
	883.9	**64.2**	**0.9**	**0.2**	**–**	**15.9**	**933.3**

[1] Segment Digital & Webfed
[2] Segment Special
[3] Reconciliation (from use of the revaluation method)
[4] Level 3 of fair-value hierarchy

	Depreciation							Carrying amount	
	01.01.	Annual depreciation	Impairments	Exchange differences	Reclassi-fications	Disposals	**31.12.**	01.01.	**31.12.**
	48.7	4.6	–	0.1	0.6	0.4	**53.6**	19.7	**57.6**
	0.8	–	0.2[1]	–	–	–	**1.0**	37.6	**37.4**
	4.5	5.3	0.5[2]	-0.1	–	–	**10.2**	50.4	**49.8**
	–	–	0.1[2]	–	–	–	**0.1**	29.8	**0.1**
	54.0	**9.9**	**0.8**	**–**	**0.6**	**0.4**	**64.9**	**137.5**	**144.9**
	150.0	9.9	–	0.3	–	3.2	**157.0**	151.8	**148.3**
	156.2	5.2	–	0.2	-8.6	12.8	**140.2**	36.1	**24.2**
	113.6	15.0	–	0.1	8.6	9.1	**128.2**	51.7	**61.8**
	–	–	–	–	–	–	**–**	10.2	**14.4**
	419.8	**30.1**	**–**	**0.6**	**–**	**25.1**	**425.4**	**249.8**	**248.7**
	473.8	**40.0**	**0.8**	**0.6**	**0.6**	**25.5**	**490.3**	**387.3**	**393.6**
	53.6	7.0	–	–	–	6.0	**54.6**	57.6	**53.7**
	1.0	–	–	–	–	–	**1.0**	37.4	**37.4**
	10.2	6.1	2.1[2]	–	–	–	**18.4**	49.8	**59.3**
	0.1	–	–	–	–	0.1	**–**	0.1	**5.2**
	64.9	**13.1**	**2.1**	**–**	**–**	**6.1**	**74.0**	**144.9**	**155.6**
	157.0	10.1	0.1[3]	0.2	–	0.1	**167.3**	148.3	**149.0**
	140.2	5.2	–	-0.3	–	1.1	**144.0**	24.2	**28.7**
	128.2	15.1	–	0.4	–	6.8	**136.9**	61.8	**57.5**
	–	–	–	–	–	–	**–**	14.4	**20.3**
	425.4	**30.4**	**0.1**	**0.3**	**–**	**8.0**	**448.2**	**248.7**	**255.5**
	490.3	**43.5**	**2.2**	**0.3**	**–**	**14.1**	**522.2**	**393.6**	**411.1**

(G) Explanatory notes to the balance sheet

(1) Intangible assets, property, plant and equipment

Information on the intangible assets and property, plant and equipment contained in leases in accordance with IFRS 16 is provided for leases under Note (G) (13).

Government grants for promoting investment reduced the carrying amounts for property, plant and equipment by € 1.6m (previous year: € 1.9m).

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 segment Special and from reconciliation.

Goodwill is made up as follows:

in €m	31.12.2022	**31.12.2023**
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 Duran Karton Ambalaj Teknolojileri Sanayi A.Ş., Istanbul, Turkey	10.6	10.6
	37.4	**37.4**

In compliance with IAS 36 impairment tests were conducted on the balance sheet date for all cash-generating units to which goodwill was attributable. Significant assumptions on which the calculation of the value in use is based are summarised in the following table.

Cash-generating unit	Number of planning periods	Pre-tax interest rate	Post-tax interest rate
2022			
Koenig & Bauer MetalPrint GmbH, Stuttgart, Germany	5	11.9%	9.0%
Business Unit Security	5	10.5%	9.2%
Koenig & Bauer Kammann GmbH, Löhne, Germany	5	12.2%	9.0%
Koenig Bauer Duran Karton Ambalaj Teknolojileri Sanayi A.Ş., Istanbul, Turkey	5	11.3%	9.1%
2023			
Koenig & Bauer MetalPrint GmbH, Stuttgart, Germany	5	11.3%	8.8%
Business Unit Security	5	10.3%	9.0%
Koenig & Bauer Kammann GmbH, Löhne, Germany	5	12.0%	8.8%
Koenig Bauer Duran Karton Ambalaj Teknolojileri Sanayi A.Ş., Istanbul, Turkey	5	11.0%	8.9%

The transition to a perpetual annuity assumes a growth rate for EBIT of 0.8% (previous year: 0.8%).

In addition, all cash-generating units were tested for impairment as at 31 December 2023. No adjustments were needed.

Koenig & Bauer assumes on the basis of various sensitivity analyses that no impairment is required for the cash-generating units even in the event of any changes in the key planning assumptions that are considered to be possible.

Property, plant and equipment

Additions to property, plant and equipment primarily related to new and replacement plant and machinery as well as other facilities, factory and office equipment.

In the year under review, changes in value of € 0.8m were recognised from the application of the revaluation method to land.

Applying the acquisition cost method would have resulted in a book value of € 21.4m (previous year: € 21.4m) for land.

(2) Financial and other assets

Investments

All interests and associates held by Koenig & Bauer AG are shown in the table below. Unless otherwise indicated, the figures for equity are those disclosed in the single-entity statements audited under the pertinent national accounting laws, and correspond to additional disclosures under the German Commercial Code. Statements in foreign currencies show equity translated at the balance sheet date. Capital share corresponds to the number of voting rights.

Company, location	Capital share in %	Equity in €m
Consolidated affiliates		
Koenig & Bauer Industrial GmbH, Würzburg, Germany	100.0	27.5
Koenig & Bauer Sheetfed Management GmbH, Radebeul, Germany	100.0	0.1
Koenig & Bauer Sheetfed AG & Co. KG, Radebeul, Germany	100.0	-0.7[2]
Koenig & Bauer Digital & Webfed Management GmbH, Würzburg, Germany	100.0	0.1
Koenig & Bauer Digital & Webfed AG & Co. KG, Würzburg, Germany	100.0	-64.0[2]
Koenig & Bauer Banknote Solutions GmbH, Würzburg, Germany	100.0	256.5
Koenig & Bauer Banknote Solutions (DE) GmbH, Würzburg, Germany[1]	100.0	126.3
Koenig & Bauer Finance GmbH, Würzburg, Germany	100.0	0.1
Koenig & Bauer Immobilien GmbH, Würzburg, Germany	100.0	0.2
Koenig & Bauer Gießerei GmbH, Würzburg, Germany[1]	100.0	2.6
Albert-Frankenthal GmbH, Frankenthal, Germany	100.0	1.7
Koenig & Bauer (DE) GmbH, Radebeul, Germany	100.0	0.4
Koenig & Bauer Coding GmbH, Veitshöchheim, Germany	100.0	21.3
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	18.4
Holland Graphic Occasions B.V., Wieringerwerf, Netherlands	100.0	0.5
Koenig & Bauer (FR) SAS, Tremblay-en-France, France	100.0	4.2
Koenig & Bauer IT S.R.L., Lainate, Italy	100.0	2.9
Koenig & Bauer Flexotecnica S.p.A., Tavazzano, Italy	100.0	1.3
Koenig & Bauer Iberica, S.A., Gavà (Barcelona), Spain	100.0	4.5
Koenig & Bauer (UK) Limited, Watford, UK	100.0	3.9
Koenig & Bauer Grafitec s.r.o., Dobruška, Czech Republic	100.0	19.2
KBA-SWISS HOLDING SA, Lausanne, Switzerland[1]	100.0	48.2
Koenig & Bauer Banknote Solutions SA, Lausanne, Switzerland[1]	100.0	88.7
Koenig & Bauer Banknote Solutions International SA, Geneva, Switzerland[1]	100.0	0.4
KBA NOTASYS Egypt LLC, Cairo, Egypt[1]	100.0	-0.6[2, 3]
Koenig & Bauer (CH) AG, Höri, Switzerland	100.0	2.4
Koenig & Bauer (CEE) Sp. z o.o., Warsaw, Poland	100.0	3.9
Koenig Bauer Duran Karton Ambalaj Teknolojileri Sanayi A.Ş., Istanbul, Turkey	80.0	3.8
Koenig & Bauer (US) Inc., Wilmington, DE, USA[4]	100.0	53.0
Koenig & Bauer LATAM, S.A.P.I. de C.V., Mexico City, Mexico	90.0	3.2
Koenig & Bauer (HK) Co. Limited, Hong Kong, China[5]	100.0	3.2
Koenig & Bauer Printing Machinery (Shanghai) Co., Limited, Shanghai, China	100.0	1.6

[1] Indirect interests
[2] Deficit not covered by equity
[3] Preliminary figures
[4] Including pre-consolidation Koenig & Bauer (CA) Inc., Toronto, Canada (100%)
[5] Including pre-consolidation Koenig & Bauer Printing Machinery (Dongguan) Co. Limited, Dongguan, China (100%) and Taiwan Koenig & Bauer Co. Limited, Taipei, Taiwan (100%)

Company, location	Capital share in %	Equity in €m
Non-consolidated affiliates		
Koenig & Bauer DK A/S, Værløse, Denmark	100.0	-0.2[2, 3]
Koenig & Bauer Banknote Solutions (US) Inc., Washington D.C., USA[1]	100.0	0.2
Koenig & Bauer (RU), LLC, Moscow, Russia	100.0	-1.1[2, 4]
Koenig & Bauer Kammann (US), Inc., Portsmouth, NH, USA[1]	100.0	4.2
Koenig & Bauer Kammann (Shanghai) Co., Ltd., Shanghai, China[1]	100.0	0.1
Koenig & Bauer RS d.o.o., Belgrade, Serbia[1]	100.0	0.3[3]
Koenig & Bauer (HU) Kft., Fót, Hungary[1]	100.0	0.3[3]
Koenig & Bauer (BR) Comércio de Impressoras e Serviços Ltda., São Paulo, Brasil	100.0	0.9
Koenig & Bauer (SEA) Sdn. Bhd., Kuala Lumpur, Malaysia	100.0	0.6
Koenig & Bauer KR Co. Ltd., Goyang-si, South Korea	100.0	0.6
Koenig & Bauer (JP) Co., Ltd, Tokyo, Japan	100.0	0.2
Koenig & Bauer (AU) Pty Ltd, Mount Waverley, Australia	100.0	0.2
Koenig & Bauer Coding (NL) B.V., Bergschenhoek, Netherlands[1]	100.0	0.2[3]
Koenig & Bauer Coding (FRA) SAS, Taluyers, France[1]	70.0	1.2[3]
Koenig & Bauer Coding (PL) Sp. z.o.o., Dopiewo-Dabrowa, Poland[1]	80.0	0.4
Koenig & Bauer Coding (Hangzhou) Co., Ltd., Hangzhou, China[1]	80.0	0.5
All-Print Holding AB, Stockholm, Sweden[1]	100.0	1.0[3]
Koenig & Bauer Coding Sverige AB, Stockholm, Sweden[1]	76.0	0.8[3]
Koenig & Bauer Banknote Solutions (IN) Private Limited, New Delhi, India[1]	100.0	1.1
Koenig & Bauer Banknote Solutions (Beijing) Ltd., Beijing, China[1]	100.0	0.5
Koenig & Bauer Banknote Solutions (SEA) Limited, Hong Kong, China[1]	100.0	0.2[3]
KOENIG & BAUER CURRENCY SOLUTIONS, SOCIEDAD ANÓNIMA DE CAPITAL VARIABLE, Mexico City, Mexico[1]	60.0	0.0[3]
LenSys Sarl, Lausanne, Switzerland[1]	70.0	0.2[3]
Koenig & Bauer Press Consum DK ApS, Hasselager, Denmark[1]	51.0	0.2[3]
Koenig & Bauer Press Consum (SWE) AB, Löddeköpinge, Sweden[1]	51.0	0.0[4]
Associates		
Koenig & Bauer Durst GmbH, Würzburg, Germany	50.0	-36.4[2, 3]
Koenig & Bauer Celmacch S.R.L., Desenzano del Garda, Italy	49.0	9.0

[1] Indirect interests
[2] Deficit not covered by equity
[3] Preliminary figures
[4] Previous year figures

Shares in other companies

Since 17 May 2019, Koenig & Bauer Durst GmbH, Würzburg has been operated as a joint venture between Koenig & Bauer and the Durst Group, with both parent companies each holding a 50% stake. The company is dedicated to the development and marketing of single-pass digital printing systems for the folding carton and corrugated board industry.

Under the terms of the contractual agreement, both parties will provide the joint venture with distribution channels and service capacities and grant limited rights of use to the required intellectual property rights. The financing of ongoing operations is governed by a jointly agreed business plan. If necessary, both parties are contractually obliged to comply with their financing activities towards Koenig & Bauer Durst GmbH.

In July 2022, Koenig & Bauer acquired 49% of the shares in Celmacch Group S.R.L. Accordingly, Koenig & Bauer gained decisive control over that company. Celmacch Group S.R.L. is an Italian manufacturer of high board line flexographic printing presses and rotary die cutters for the corrugated board industry. Koenig & Bauer addresses this market with the complementary products ChromaCut. This laid the foundation for joint further development and marketing in the growth market of corrugated board. Koenig & Bauer AG has an option to successively acquire further shares in Koenig & Bauer Celmacch S.R.L.. The successive acquisition of up to 80% of the shares can be executed in two further steps by 2029 at the earliest.

The Group's shares in associates are recognised in accordance with the equity method of accounting. 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.

	Koenig & Bauer Durst GmbH		Koenig & Bauer Celmacch S.R.L	
in €m	31.12.2022	**31.12.2023**	31.12.2022	**31.12.2023**
Non-current assets	–	–	1.2	1.1
Current assets	14.8	22.8	33.6	40.7
Non-current liabilities	–	–	-0.9	-0.9
Current liabilities	-41.3	-59.2	-27.9	-32.7
Net assets (100%)	**-26.5**	**-36.4**	**6.0**	**8.2**
Group share in net assets	-13.2	-18.2	3.0	4.0
Shares in associates	-0.2	-0.2	16.4	16.4
Unrecognised share of net assets (including PPA effects)	-13.0	-18.0	-3.4	-5.3
Financial investments in associates	**–**	**–**	**16.0**	**15.1**

	Koenig & Bauer Durst GmbH		Koenig & Bauer Celmacch S.R.L	
in €m	2022	**2023**	16.09.-31.12. 2022	**2023**
Revenue	9.2	8.5	11.3	36.8
Earnings (100%)	**-6.4**	**-9.9**	**0.8**	**2.2**
Group share of earnings	-3.2	-4.9	0.4	1.1
Unrecognised share of earnings	-3.2	-4.9	2.0	1.1
Group share of earnings	**–**	**–**	**0.4**	**1.1**

Financial and other assets

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

in €m	31.12.2022	Term to maturity up to 1 year	Term to maturity more than 1 year	**31.12.2023**	**Term to maturity up to 1 year**	**Term to maturity more than 1 year**
Trade receivables						
from affiliates	5.6	5.6	–	6.5	6.5	–
from associates	4.9	4.9	–	3.8	3.8	–
from third parties	111.1	108.3	2.8	145.9	140.1	5.8
	121.6	**118.8**	**2.8**	**156.2**	**150.4**	**5.8**
Investments	22.8	–	22.8	21.9	–	21.9
Other financial receivables						
from affiliates	1.8	1.8	–	1.6	1.6	–
from associates	13.5	13.5	–	20.5	20.5	–
derivatives	3.4	3.2	0.2	0.7	0.7	–
sundry other financial receivables	33.7	15.2	18.5	36.9	18.5	18.4
	75.2	**33.7**	**41.5**	**81.6**	**41.3**	**40.3**
Other assets						
contract assets	142.6	142.6	–	100.6	99.6	1.0
payments for inventories to third parties	14.3	14.3	–	17.7	17.7	–
tax receivables	37.6	37.3	0.3	24.7	24.4	0.3
prepayments	7.3	6.0	1.3	10.0	6.7	3.3
	201.8	**200.2**	**1.6**	**153.0**	**148.4**	**4.6**
	398.6	**352.7**	**45.9**	**390.8**	**340.1**	**50.7**

Performance obligations for customer contracts comprise **trade receivables** of € 51.0m (previous year: € 33.3m) and **contract assets** of € 96.8m (previous year: € 137.5m).

The decrease in contract assets in the Group is mainly due to the fulfilment of the contractual performance obligations and the associated reclassification as trade receivables or settlement of the amount owed by our customers.

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

Miscellaneous **other financial assets** comprise non-current claims of € 15.4m (previous year: € 15.9m) held against insurance companies arising from the partial external funding of the company pension scheme in Germany.

They also include a finance lease entered into with a customer in 2021. Lease receivables of € 0.3m (previous year: € 0.5m) were recognised for this contract at the end of the year. These correspond to the net investment in the lease. The interest component amounts to € 0.0m (previous year: € 0.1m). € 0.2m of the lease receivables are due for settlement within one year as a cash inflow (previous year: € 0.2m), a further € 0.1m is due for settlement in 2025 and a further € 0.0m in 2026. This contract expires in 2026.

(3) Inventories

in €m	31.12.2022	31.12.2023
Raw materials, consumables and supplies	165.2	161.5
Work in progress	249.3	255.8
Finished goods and products	11.7	9.5
	426.2	**426.8**

The carrying amount of inventories balanced at net realisable value was € 214.8m (previous year: € 163.8m). In the year under review, additions of € 11.9m (previous year: € 10.6m), reversals of € 0.8m (previous year: € 0.7m) and utilisations of € 4.2m (previous year: € 9.8m) resulted in a total increase in value adjustments of € 6.9m recognised in profit or loss (previous year: € 0.1m).

(4) Securities

These refer to shares in a fund combining stocks and bonds. The market value of the fund was € 6.8m (previous year: € 6.3m). 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	31.12.2022	31.12.2023
Cheques, cash in hand	0.2	0.1
Balances with banks	132.0	96.3
	132.2	**96.4**

(6) Deferred taxes

Deferred tax assets and liabilities relate to the following items:

	Deferred tax assets		Deferred tax liabilities	
in €m	31.12.2022	31.12.2023	31.12.2022	31.12.2023
Assets				
Intangible assets, property, plant and equipment	1.1	1.0	40.9	44.2
Inventories	44.9	46.2	2.1	1.1
Financial receivables and other assets	26.5	11.4	31.1	23.4
Securities	0.9	0.7	0.4	0.2
Equity and liabilities				
Provisions	27.5	35.9	8.7	8.5
Financial payables and other liabilities	9.5	10.6	55.8	45.7
	110.4	**105.8**	**139.0**	**123.1**
Tax loss carryforwards	45.3	38.9	–	–
Others	-0.1	–	-0.2	-0.1
Offset	-65.8	-51.5	-65.8	-51.5
	89.8	**93.2**	**73.0**	**71.5**
of which current deferred taxes	8.2	7.8	22.3	18.1

At the end of the year there were loss carryforwards of € 330.4m (previous year: € 264.8m) and temporary differences of € 149.3m (previous year: € 165.5m) for which no deferred tax assets were recognised. The recognition of deferred tax assets, even though the respective companies made a loss, amounted to € 28.3m (previous year: € 0.5m)

No deferred tax liability was recognised on temporary differences on shares of € 3.3m (previous year: € 9.6m), as a reversal is not likely in the foreseeable future.

(7) Equity

The purpose of capital management is to maintain our creditworthiness in capital markets, support our operating activities with adequate liquidity and substantially enhance our corporate value.

Management controls the Group’s liquidity on the basis of continuous monitoring and planning of cash flows, taking into account credit lines and the maturity structure of financial assets and liabilities. For this purpose, net working capital (31 December 2023: € 379.0m, previous year: € 332.6m) and the net financial position (31 December 2023: € -147.6m, previous year: € -63.7m) are the main target and control parameters.

The Group has access to syndicated finance with a term until October 2028, which can optionally be extended by two years subject to agreement with the lenders. In addition to a revolving cash facility of € 300m, the syndicated finance includes a guarantee facility of € 200m. The new syndicated facility replaces the existing arrangements, which were due to expire in December 2024. There are no longer any restrictions on dividend distributions. Compliance with the contractual leverage ratio and observance of a minimum amount of equity were reviewed at regular intervals. The covenants were complied with in 2023.

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 € 77.8m as of the reporting date (previous year: € 153.8m).

Changes in shareholders' equity are described on page 57.

Share capital

The Parent's share capital at 31 December 2023 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 24 May 2022, the shareholders authorized 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 23 May 2026.

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 decreased reserves by € 0.6m. During completion of the underlying transactions € 0.5m was recognised through income and expense.

Deferred taxes changed reserves by € 8.5m (previous year: € -13.1m), with defined benefit pension plans accounting for € 8.6m (previous year: € -12.2m), with derivatives of € 0.0m (previous year: € -1.1m) and with revaluation of land € -0.1m.

(8) Pension provisions and similar obligations

Koenig & Bauer grants retirement, disability and survivors' benefits to a large number of employees. The main pension obligations are in Germany and Switzerland.

In Germany, the company pension scheme has been converted from a defined benefit obligation with pension benefits which were defined as a fixed amount subject to adjustment rates or which were based on the applicable wage and salary group upon eligibility arising in favour of a defined contribution obligation. Koenig & Bauer provides the participating employees with an initial component for the past service period until 31 December 2016 as well as recurring contributions based on the salary group which are paid into a pension liability insurance scheme together with the contributions made by the employees. The benefits are paid in the form of a monthly pension. Parts of the pension liability insurance are individually pledged to the respective beneficiaries or are held as part of a CTA construction and are thus classified as plan assets, which are offset against the underlying obligation. In addition, there are further non-pledged pension liability insurance policies classified as refund claims in accordance with IAS 19. They are reported within other financial receivables.

In Switzerland retirement benefits include legally defined benefits that are secured by pension funds. Employers' and employees' contributions are paid into these pension funds. Employees can choose between a one-off payment or regular payments upon retirement, invalidity or death. The plans are fully funded by the Group's subsidiaries. The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan.

The extent of the (defined-benefit) pension obligation was calculated using actuarial methods which necessarily entailed making estimates.

The discount rate of 3.4% (previous year: 3.9%) applied in Germany was calculated on the basis of capital market interest rates provided by Heubeck AG. It is based on the individual cash flow profile and the final interest rate is determined using the discounted cash flow method. The method for calculating the discount rate was adjusted as at 31 December 2023. The 5A approach is now applied using the cash flow determined. This combines the expected payments with the bond values of the corresponding durations of the 2A and 3A bonds. There are sufficient bond values available that result in resilient interest rates even with higher durations. 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 (3.1%), they would have been approximately € 6.4m higher and the plan assets would have been roughly € 3.3m higher. Service cost in the following year would have increased by approximately € 0.2m.

In the case of other European companies, a weighted discount rate of 2.0% (previous year: 2.8%) is applied. In addition, salary increase rates of 2.8% (previous year: 2.5%) are assumed for other European countries. The pension adjustment rate is assumed to be 1.9% (previous year: 1.7%) in Germany and 1.0% (previous year: 0.2%) in other European countries. In addition, a pension trend of 4.5% was applied for the next two years to take into account the inflation that has already occurred and which exceeds the assumed pension increase for the existing pension commitments in Germany. Changes in actuarial assumptions that are not otherwise explained in detail had only an insignificant impact on the retirement benefit obligations. The 2018 G Heubeck guidelines are used as a basis for the assessment of the German pension obligations.

The present value of pension obligations and the fair value of plan assets changed as follows:

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	Present value of pension obligations		Fair value of plan assets		Net obligation/ net asset	
in €m	31.12.2022	**31.12.2023**	31.12.2022	**31.12.2023**	31.12.2022	**31.12.2023**
Status at 01.01.	**292.9**	**210.2**	**-153.8**	**-126.8**	**139.1**	**83.4**
Recognised in profit or loss						
Current service cost	8.4	6.0	–	–	8.4	6.0
Interest expense/income	3.5	7.1	-1.7	-4.2	1.8	2.9
	11.9	**13.1**	**-1.7**	**-4.2**	**10.2**	**8.9**
Recognised in other comprehensive income						
Actuarial gain/loss						
financial assumptions	-85.0	24.7	0.9	-0.1	-84.1	24.6
experience adjustments	0.6	0.1	-0.7	0.3	-0.1	0.4
Return on plan assets	–	–	32.8	-0.9	32.8	-0.9
	-84.4	**24.8**	**33.0**	**-0.7**	**-51.4**	**24.1**
Other						
Contributions paid by employer	–	–	-6.6	-6.7	-6.6	-6.7
Contributions paid by plan beneficiaries	0.3	0.5	-3.0	-3.4	-2.7	-2.9
Benefits paid	-13.4	-9.7	7.3	4.1	-6.1	-5.6
Foreign currency changes	2.9	4.8	-2.0	-4.2	0.9	0.6
	-10.2	**-4.4**	**-4.3**	**-10.2**	**-14.5**	**-14.6**
Status at 31.12.	**210.2**	**243.7**	**-126.8**	**-141.9**	**83.4**	**101.8**

Pension provisions and similar obligations constituted the following:

in €m	31.12.2022	31.12.2023
Present value of non-funded obligations	78.2	85.4
Present value of funded obligations	132.0	158.3
Present value of obligations	**210.2**	**243.7**
Fair value of plan assets	-126.8	-141.9
Net value	**83.4**	**101.8**
Pension provisions and similar obligations	86.3	104.8
Net defined benefit asset	-2.9	-3.0

Plan assets comprised € 21.8m (previous year: € 25.2m) from shares and equity securities, € 7.4m (previous year: € 9.1m) from loans, € 5.5m (previous year: € 1.4m) from cash and cash equivalents, € 65.3m (previous year: € 56.8m) from pension liability insurance, € 19.8m (previous year: € 17.6m) from real estate and € 22.1m (previous year € 16.7m) 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 AA or AAA, based on rating agency ratings.

Furthermore, the following reimbursement rights exist under pension liability insurance.

	Present value of reimbursement rights	
in €m	31.12.2022	31.12.2023
Status at 01.01.	**7.8**	**7.8**
Recognised in profit or loss		
Interest expense/income	0.1	0.3
	0.1	**0.3**
Recognised in other comprehensive income		
Other income from reimbursement rights	0.2	–
	0.2	**–**
Other		
Benefits paid	-0.3	-0.4
	-0.3	**-0.4**
Status at 31.12.	**7.8**	**7.7**

The actual return on plan assets was € 4.3m (previous year: € 0.9m). The anticipated rate of return is 3.0% (previous year: 1.3%), based on returns in previous years.

The plan contributions to be paid in 2024 will amount to € 10.2m (previous year: € 9.6m). In addition, retirement benefits of € 5.2m (previous year: € 5.6m) are payable.

The weighted duration of pension obligations is 15.4 years (previous year: 14.9 years).

Defined-benefit plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market risk.

Expenses for defined-contribution plans totalled € 34.4m (previous year: € 32.1m).

The impacts of a change to an actuarial parameter on the present value of a pension obligation, whereby residual parameters remain unchanged, were as follows:

	Benefit obligation			
	Increase		Decrease	
in €m	31.12.2022	31.12.2023	31.12.2022	31.12.2023
Discount rate (0.5% change)	-13.4	**-16.3**	15.0	**18.4**
Salary increase rate (0.5% change)	0.9	**1.1**	-0.9	**-1.0**
Pension increase rate (0.5% change)	7.4	**9.1**	-4.6	**-5.2**
Fluctuation rate (0.5% change)	0.2	**0.1**	-0.1	**-0.1**
Life expectancy (1 year change)	5.8	**6.7**	-6.0	**-6.8**

(9) Other provisions

in €m	01.01.2023	Utilisation	Reversal	Addition	Unwind of discount	Exchange differences	Reclassi-fications	31.12.2023
Other provisions								
for personnel and social obligations	16.3	10.4	0.6	11.6	0.1	-0.1	0.3	**17.2**
for restructuring	11.3	5.6	3.8	–	–	–	–	**1.9**
for warranties and goodwill gestures	36.6	10.1	4.9	14.1	–	-0.3	–	**35.4**
for obligations related to sales	23.9	6.6	1.4	3.0	0.1	-0.1	–	**18.9**
for sundry obligations	50.2	18.2	8.5	30.5	–	-0.4	-0.3	**53.3**
	138.3	**50.9**	**19.2**	**59.2**	**0.2**	**-0.9**	**–**	**126.7**
of which								
non-current provisions	31.7							**37.0**
current provisions	106.6							**89.7**
	138.3							**126.7**

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. Due to the efficient implementation of socially responsible measures, the provisions were released by € 3.8m in the year under review.

The provisions for **warranties and goodwill gestures** relate to future warranty and goodwill gestures cases arising from statutory, contractual or individual obligations towards our customers for reworking, replacement deliveries and compensation payments.

Provisions for **obligations related to sales** refer in particular to litigation risks, commission obligations and provisions for contingent losses.

The provisions for **sundry obligations** include performance obligations of € 28.6m (previous year: € 16.1m) as well as variable compensation, dismantling obligations and other obligations. The reversal of other provisions of € 8.5m mainly relates to the reassessment of risk provisions for litigation risks.

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

Koenig & Bauer assumes that of the current provisions € 9.9m for personnel obligations, € 1.7m for restructuring, € 30.9m for warranties and goodwill gestures, € 10.8m for obligations related to sales and € 36.4m for sundry obligations will lead to a cash outflow within one year. Cash outflows are not expected to occur until 2025 in the case of all the other provisions.

(10) Financial and other liabilities

in €m	31.12.2022	Term to maturity up to 1 year	Term to maturity more than 1 year	31.12.2023	Term to maturity up to 1 year	Term to maturity more than 1 year
Trade payables						
to affiliates	0.8	0.8	–	1.3	1.3	–
to associates	–	–	–	0.2	0.2	–
to third parties	103.9	103.9	–	77.8	77.8	–
	104.7	**104.7**	**–**	**79.3**	**79.3**	**–**
Bank loans	195.9	59.5	136.4	244.0	52.8	191.2
Other financial payables						
from derivatives	0.5	0.5	–	0.6	0.6	–
sundry	114.1	91.9	22.2	111.2	85.2	26.0
	310.5	**151.9**	**158.6**	**355.8**	**138.6**	**217.2**
Other liabilities						
from payments received from third parties	257.6	257.6	–	211.8	211.8	–
from taxes	28.2	28.2	–	20.2	20.2	–
from financial service providers	–	–	–	22.4	22.4	–
sundry	22.3	13.2	9.1	21.3	15.9	5.4
	308.1	**299.0**	**9.1**	**275.7**	**270.3**	**5.4**
	723.3	**555.6**	**167.7**	**710.8**	**488.2**	**222.6**

Bank loans were secured by mortgages to the value of € 6.9m (previous year: € 6.9m) due in more than one year and the assignment of trade receivables totalling € 2.8m (previous year: € 2.8m) due in less than one year. The carrying amounts of property, plant and equipment pledged as collateral came to € 16.4m (previous year: € 16.0m) and of trade receivables € 3.1m (previous year: € 3.7m). Failure to fulfil contractual obligations may result in the seizure of collateral.

Sundry other financial payables included finance leases to the sum of € 33.9m (previous year: € 29.4m). Further information on leases is provided under Note (G) (13).

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

in €m	31.12.2022	Term to maturity up to 1 year	Term to maturity 1 to 5 years	Term to maturity more than 5 years	31.12.2023	Term to maturity up to 1 year	Term to maturity 1 to 5 years	Term to maturity more than 5 years
Minimum lease payments	30.1	8.4	15.4	6.3	34.8	8.8	22.7	3.3
Interest portion	-0.7	-0.3	-0.3	-0.1	-0.9	-0.4	-0.5	–
Present value of finance lease	**29.4**	**8.1**	**15.1**	**6.2**	**33.9**	**8.4**	**22.2**	**3.3**

The derivatives included in sundry other financial liabilities are explained more fully in Note (G) (11).

Furthermore, sundry other financial liabilities in particular comprised Group obligations for outstanding supplier invoices and liabilities to employees for holiday entitlements and overtime.

Other liabilities included payments received of € 22.0m (previous year: € 31.4m) for customer-specific production.

The reduction in prepayments received in the Group for the year under review is mainly due to the achievement of production readiness and the associated revenue recognition.

(11) Derivatives

The effects of foreign currency-related hedges on the Group's net assets, financial position and results of operations are listed in the following table.

The **nominal amount** of derivatives signifies a calculated reference amount from which payments are deduced. The risk therefore lies not in the nominal amount but in changes in the related exchange and interest rates.

The **marktet 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	2022	**2023**
Forward contracts		
Nominal amount	88.5	85.2
Term to maturity more than 1 year	9.5	4.4
Market value	3.3	0.1
Hedging ratio	100%	100%
Currency options		
Nominal amount	12.3	20.6
Term to maturity more than 1 year	–	–
Market value	-0.4	–
Hedging ratio	100%	100%

Forward contracts with a maturity of up to 15 months (previous year: up to 13 months), which were used to hedge the calculation rate of other foreign currency trade contracts, correlated with underlying transactions with the same maturity. The currencies hedged were primarily USD, JPY and GBP. The fair value of forward contracts qualifying as hedges with a nominal volume of € 85.2m (previous year: € 88.5m) amounts to € 0.1m (previous year: € 3.3m).

In the year under review, a change in value of € -0.1m was recognised in other comprehensive income. As the parameters (such as nominal amount, currency and expected payment date) of the hedged item and the hedge fully match, changes in the value of these items are exactly balanced. The hedging ratio stands at 100%. There was no ineffectiveness requiring recognition.

The average hedge rates for the major currency pairs as of 31 December 2023 are shown below.

in €m	2022	**2023**
Hedging rate		
Average EUR-USD-Forward exchange rate	1.0494	1.0987
Average EUR-JPY-Forward exchange rate	139.9100	145.8250
Average EUR-GBP-Forward exchange rate	0.8508	0.8775

The following table shows the changes in the cash flow hedge reserve within consolidated equity.

in €m	2022	**2023**
Status at 01.01.	**-2.6**	**–**
Changes recognised within other comprehensive income	-0.3	-0.6
Recycled from other comprehensive income to profit and loss	4.0	0.5
Deferred taxes	-1.1	–
Status at 31.12.	**–**	**-0.1**

(12) Further disclosures on financial instruments

in €m	31.12.2022 Carrying amount	Measurement: Amortised cost	Measurement: FVTPL Fair value through profit and loss	Measurement: FVOCI Fair value through OCI	Measurement: Fair value hedges	31.12.2022 Fair value
Assets						
Investments and other financial receivables						
interests in affiliates	6.8	–	–	6.8	–	–
lease receivables	0.5	0.5	–	–	–	0.5
other financial receivables from derivatives	3.4	–	3.4[2]	–	–	3.4
sundry other financial receivables	48.5	48.5	–	–	–	48.5
	59.2	**49.0**	**3.4**	**6.8**	**–**	**52.4**
Trade receivables	88.3	88.3	–	–	–	88.3
Gross amounts due from customers for contract work	33.3	33.3	–	–	–	33.3
Securities	3.5	–	3.5[1]	–	–	3.5
Cash and cash equivalents	132.2	132.2	–	–	–	–
	316.5	**302.8**	**6.9**	**6.8**	**–**	**177.5**
Liabilities						
Bank loans and other financial payables						
bank loans	195.9	195.9	–	–	–	195.9
lease liabilities	29.4	29.4	–	–	–	29.4
other financial payables from derivatives (options)	0.4	–	0.4[2]	–	–	0.4
other financial payables from derivatives (forward contracts)	0.1	–	0.1[2]	–	–	0.1
sundry other financial payables	84.7	84.7	–	–	–	84.7
	310.5	**310.0**	**0.5**	**–**	**–**	**310.5**
Trade payables	104.7	104.7	–	–	–	104.7
	415.2	**414.7**	**0.5**	**–**	**–**	**415.2**

[1] level 1 of fair-value-hierarchy
[2] level 2 of fair-value hierarchy

in €m	31.12.2023 Carrying amount	Measurement: Amortised cost	Measurement: FVTPL Fair value through profit and loss	Measurement: FVOCI Fair value through OCI	Measurement: Fair value hedges	31.12.2023 Fair value
Assets						
Investments and other financial receivables						
interests in affiliates	6.8	–	–	6.8	–	–
lease receivables	0.3	0.3	–	–	–	0.3
other financial receivables from hedge accounting	0.7	–	–	–	0.7[2]	0.7
sundry other financial receivables	58.7	58.7	–	–	–	58.7
	66.5	**59.0**	**–**	**6.8**	**0.7**	**59.7**
Trade receivables	105.2	105.2	–	–	–	105.2
Gross amounts due from customers for contract work	51.0	51.0	–	–	–	51.0
Securities	3.9	–	3.9[1]	–	–	3.9
Cash and cash equivalents	96.4	96.4	–	–	–	96.4
	323.0	**311.6**	**3.9**	**6.8**	**0.7**	**316.2**
Liabilities						
Bank loans and other financial payables						
bank loans	244.0	244.0	–	–	–	244.0
lease liabilities	33.9	33.9	–	–	–	33.9
other financial payables from hedge accounting	0.6	–	–	–	0.6[2]	0.6
sundry other financial payables	77.3	77.3	–	–	–	77.3
	355.8	**355.2**	**–**	**–**	**0.6**	**355.8**
Trade payables	79.3	79.3	–	–	–	79.3
	435.1	**434.5**	**–**	**–**	**0.6**	**435.1**

[1] level 1 of fair-value-hierarchy
[2] level 2 of fair-value hierarchy

For **interests in affiliates** no prices were quoted in an active market. A fair value is not determined because the non-consolidated subsidiaries are of minor importance to the Group.

The fair value of **other financial receivables/payables from derivatives** was the market value. This is calculated from forward exchange transactions based on forward exchange rates, for interest rate swaps the expected future cash flows are discounted using current market interest rates.

The figures disclosed for **securities, cash and cash equivalents** were the quoted market prices.

Lease liabilities refer to payment obligations discounted at the market interest rate.

The fair values of **loans** and **sundry other financial receivables/payables** were basically the carrying amounts recognised at amortised cost.

The financial instruments are not offset, as the offsetting requirements of IAS 32 are not satisfied. Furthermore, there are no contingent netting agreements (e.g. in the event of insolvency).

The maximum **credit risk** relating to financial assets corresponded to the carrying amounts, with no perceptible risks relating to financial assets that were neither value-adjusted nor overdue.

The **liquidity risk** is 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 € 76.0m (previous year: € 77.7m) within the next twelve months, € 100.2m (previous year: € 152.2m) in one to three years and € 141.0m (previous year: € 13.5m) in more than three years from now. Derivative financial instruments with a negative market value will result in liquidity outflows of € 46.8m (previous year: € 14.4m) and liquidity inflows of € 46.3m (previous year: € 13.9m) next year. Additional liquidity will be required for sundry other financial payables, other financial payables and financial guarantees.

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

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			from subsequent measurement			
in €m	**Net gain/loss**	from interest	due to impairment	currency impact	from disposal	Other
2022						
Equity instruments at fair value through other comprehensive income	**0.2**	–	–	–	–	0.2
Debt instruments at fair value through profit and loss	**4.4**	-0.2	–	5.6	–	-1.0
Financial assets at amortised cost	**-10.4**	-2.1	-0.4	-4.9	-3.0	–
Gross amounts due from customers for contract work at amortised cost	**-0.3**	–	-0.3	–	–	–
Financial liabilities at amortised cost	**-6.7**	-4.3	–	-2.4	–	–
	-12.8	**-6.6**	**-0.7**	**-1.7**	**-3.0**	**-0.8**
2023						
Equity instruments at fair value through other comprehensive income	**0.1**	–	–	–	–	0.1
Debt instruments at fair value through profit and loss	**0.5**	–	–	–	–	0.5
Financial assets at amortised cost	**1.2**	-0.3	–	3.0	-1.5	–
Gross amounts due from customers for contract work at amortised cost	**0.4**	–	0.7	–	-0.3	–
Financial liabilities at amortised cost	**-16.8**	-12.7	–	-4.1	–	–
	-14.6	**-13.0**	**0.7**	**-1.1**	**-1.8**	**0.6**

The credit risk for trade receivables and contract assets is managed by recognising impairments in the amount of the expected credit losses over the term. The carrying amounts correspond with the maximum credit risk. In addition, there are secured trade receivables of € 0.1m (previous year: € 3.2m) that are not exposed to any credit risk, as they are covered by appropriate insurances.

in €m	Expected loss ratio	Carrying amount creditworthiness not impaired	Carrying amount creditworthiness impaired	31.12.2022
not overdue	0.0%	204.6	–	204.6
overdue by 1-30 days	0.8%	13.2	–	13.2
overdue by 31-90 days	0.5%	21.2	–	21.2
overdue by 91-180 days	1.6%	6.2	–	6.2
overdue by 181-360 days	2.3%	4.3	–	4.3
overdue by more than 360 days	75.0%	5.2	0.4	5.6
Group		**254.7**	**0.4**	**255.1**

in €m	Expected loss ratio	Carrying amount creditworthiness not impaired	Carrying amount creditworthiness impaired	31.12.2023
not overdue	0.0%	217.8	1.2	219.0
overdue by 1-30 days	0.0%	12.5	–	12.5
overdue by 31-90 days	0.0%	6.5	–	6.5
overdue by 91-180 days	0.0%	3.7	–	3.7
overdue by 181-360 days	2.3%	4.2	0.1	4.3
overdue by more than 360 days	75.0%	0.5	0.1	0.6
Group		**245.2**	**1.4**	**246.6**

The following table presents the impairments of trade receivables and contract assets. Impairments of € 2.1m (previous year: € 2.4m) have also been recognised in other financial assets.

Impairments

in €m	Creditworthiness not impaired	Creditworthiness impaired	31.12.2022	Creditworthiness not impaired	Creditworthiness impaired	31.12.2023
1 January	**2.8**	**10.8**	**13.6**	**3.6**	**9.2**	**12.8**
Utilisation	–	-0.9	-0.9	-1.9	-2.1	-4.0
Reversal	–	-1.7	-1.7	–	-2.1	-2.1
Addition	0.8	1.0	1.8	–	3.2	3.2
31 December	**3.6**	**9.2**	**12.8**	**1.7**	**8.2**	**9.9**

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 € 10.1m, primarily relating to the “not measured at fair value” category. The effects of changes in currency exchange rates on equity and the net profit/loss are shown in the following table.

	Equity		Net profit/loss	
in €m	31.12.2022	31.12.2023	31.12.2022	31.12.2023
Devaluation USD by 5%	–	2.1	2.3	0.9
Revaluation USD by 5%	–	-2.1	-2.7	-0.8
Devaluation CHF by 5%	–	0.8	0.7	0.8
Revaluation CHF by 5%	–	-1.0	-0.8	-1.0

A sensitivity analysis to assess **interest rate risks**, based on the assumption that variable interest rates would fluctuate by +/– 1%, revealed that such fluctuations would have had no significant impact on equity in the business year.

(13) Leases

Lease agreements with **Koenig & Bauer as lessee** relate mainly to the rental of land, business premises and warehouses along with the lease of production facilities and vehicles.

The term of the rental agreements for real estate is 5 to 10 years, usually with the option of extending the agreement at the end of the term. The rental instalments are either regularly adjusted on the basis of price indices or renegotiated in the event of a contract extension. Lease agreements for vehicles are generally concluded for a term of 3 years.

Right-of-use assets in connection with lease agreements are reported in intangible assets and property, plant and equipment under Note (F) as follows.

in €m	Carrying amount 01.01.	Additions	Annual depreciation	Other	Carrying amount 31.12.
2022					
Intangible assets					
Industrial property rights and similar rights	0.2	–	0.1	–	0.1
	0.2	**–**	**0.1**	**–**	**0.1**
Property, plant and equipment					
Land and buildings	15.0	3.4	4.6	0.1	13.9
Plant and machinery	0.4	0.1	0.2	–	0.3
Other facilities, factory and office equipment	4.0	2.5	2.8	0.2	3.9
	19.4	**6.0**	**7.6**	**0.3**	**18.1**
	19.6	**6.0**	**7.7**	**0.3**	**18.2**
2023					
Intangible assets					
Industrial property rights and similar rights	0.1	–	0.1	–	–
	0.1	**–**	**0.1**	**–**	**–**
Property, plant and equipment					
Land and buildings	13.9	8.2	4.7	–	17.4
Plant and machinery	0.3	–	0.1	–	0.2
Other facilities, factory and office equipment	3.9	3.3	2.7	0.2	4.7
	18.1	**11.5**	**7.5**	**0.2**	**22.3**
	18.2	**11.5**	**7.6**	**0.2**	**22.3**

The carrying amount of land and buildings includes a right of use asset of € 1.2m under 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 € 27.1m (previous year: € 21.9m) for the Group. If the special termination right is exercised, the leasing liabilities will be reduced by € 1.3m.

A finance lease of a flexible packaging machine is recognised as receivables from finance leases of € 0.3m with **Koenig & Bauer as a lessor** (see also (G)(2)).

The amounts recognised in the income statement for leases are summarised in the following table.

in €m	
2022	
Depreciation and amortization	7.7
Interest expenses	0.3
Short-term leases	0.5
Leases for low-value assets	0.7

2023	
Depreciation and amortization	7.6
Interest expenses	0.4
Short-term leases	0.6
Leases for low-value assets	1.6

Further details on leases are given in Note (G) (2), (G) (10) and (I).

(14) Other financial obligations and contingent liabilities

Other financial obligations

		Term to maturity				**Term to maturity**		
in €m	**31.12.2022**	up to 1 year	1 to 5 years	more than 5 years	**31.12.2023**	**up to 1 year**	**1 to 5 years**	**more than 5 years**
Obligations from:								
off-balance leases	**2.3**	1.0	1.3	–	**4.4**	1.5	2.6	0.3
service contracts	**21.0**	11.5	9.5	–	**45.0**	14.2	28.6	2.2
investment plans	**2.3**	2.3	–	–	**2.8**	2.8	–	–
long-term purchase commitments to suppliers	**11.7**	6.3	5.4	–	**5.4**	5.2	0.2	–
sundry other obligations	**11.8**	11.8	–	–	**0.4**	0.4	–	–
	49.1	**32.9**	**16.2**	**–**	**58.0**	**24.1**	**31.4**	**2.5**

Other financial obligations for leases mainly comprise low-value assets and relate primarily to the IT area. There are renewal options at standard market conditions. Obligations from leases are stated at the minimum lease payments. In the year under review, other financial liabilities for leases includes a lease for land and buildings and a residual value guarantee.

Investment plans include obligations to invest in property, plant and equipment to the value of € 2.8m (previous year: € 2.3m).

Contingent liabilites

These comprise contingencies totalling € 6.6m (previous year: € 12.1m) from financial guarantees, primarily relating to repurchase obligations to lessors and banks. The guaranteed repurchase price decreased over the term of the repurchase obligation.

Provisions totalling € 2.3m (previous year: € 1.8m) were created for existing risks that were not classified as minor.

(H) Explanatory notes to the income statement

(15) Revenue

The Group primarily generated revenue from contracts with customers. Revenue from the sale of presses came to € 925.3m (previous year: € 821.3m) and revenue from other deliveries and services € 401.5m (previous year: € 364.4m). The breakdown by product group is shown in Note (J).

In the year under review, revenue from customer-specific production of € 280.6m (previous year: € 266.4m) was recognised, cumulative revenue from orders not yet completed as of the balance sheet date amounted to € 493.2m (previous year: € 715.7m).

The prepayments received as of 1 January resulted in revenues of € 214.7m in the year under review (previous year: € 175.0m).

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

(16) Expenses by function

Cost of sales

The **cost of sales** include government grants of € 0.1m.

Manufacturing costs for customer-specific projects still in progress on the balance sheet date amounted to € 373.5m (previous year: € 496.1m).

Research and development costs

Research and development costs of € 57.5m were higher than the previous year's figure of € 54.2m. This included research grants in the previous year of € 1.5m.

Distribution costs and administrative expenses

Distribution costs increased over the previous year from € 147.3m to € 158.1m. **Administrative expenses** increased from € 92.8m to € 104.7m. Administrative expenses include an advance of € 0.2m (previous year: € 0.2m) by the government of Lower Franconia for the vocational training school in Würzburg and research grants of € 0.1m.

(17) Expenses by nature

Material costs

in €m	2022	**2023**
Cost of raw materials, consumables, supplies and purchased goods	441.9	501.9
Cost of purchased services	121.4	137.5
	563.3	**639.4**

Personnel costs (in accordance with the nature of expense method)

in €m	2022	**2023**
Wages and salaries	347.8	384.1
Social security and other benefits	68.3	71.5
Pensions	8.0	6.1
	424.1	**461.7**
Average payroll:		
Wage-earning industrial staff	2,539	2,634
Salaried office staff	2,568	2,688
Apprentices/students	289	317
	5,396	**5,639**

Reimbursements from the Federal Employment Agency for social security expenses in connection with short-time work reduced personnel expenses by € 0.0m (previous year: € 0.1m).

Due to government support programmes in connection with the Covid-19 pandemic, personnel expenses decreased in the previous year by € 1.1m.

(18) Other income and expenses

in €m	2022	2023
Gains from the disposal of intangible assets, property, plant and equipment	0.4	0.1
Foreign currency gains	5.1	10.2
Currency measurement	8.8	2.0
Income from reversal of provisions	5.1	8.2
Sundry other operating income	6.5	4.4
Other operating income	**25.9**	**24.9**
Losses from the disposal of intangible assets, property, plant and equipment	-0.6	-0.6
Foreign currency losses	-11.9	-9.1
Currency measurement	-5.2	-7.0
Bad debts	-3.0	-1.8
Additions to provisions	-0.7	-2.1
Sundry other operating expenses	-5.1	-5.2
Other operating expenses	**-26.5**	**-25.8**
Impairment gains and losses on financial assets	**0.3**	**3.0**
Other income and expenses	**-0.3**	**2.1**

Sundry other operating income included insurance and compensation claims and other refunds.

Sundry other operating expenses included customer credit notes and warranty claims.

Impairment gains and losses on financial assets primarily related to trade receivables and contract assets.

(19) Financial result

in €m	2022	2023
Other financial results		
Income from interests in affiliates	0.5	1.0
Expenses from shares in associated companies	-0.3	-0.9
Expenses from interests in associates	-0.3	0.1
Expenses/Income from securities	-0.7	0.4
	-0.8	**0.6**
Interest result		
Other interest and similar income	1.3	2.3
of which affiliates	(0.4)	(0.9)
Other interest and similar expenses	-10.1	-19.2
from pension obligations	(-1.8)	(-2.9)
	-8.8	**-16.9**
Financial result	**-9.6**	**-16.3**

(20) Income taxes

in €m	2022	2023
Actual tax expenses	-7.9	-8.7
Deferred taxes from loss carryforwards	9.3	-6.4
Deferred taxes from temporary differences	-3.6	2.9
Prior-period income taxes	0.1	2.0
	-2.1	**-10.2**

in €m	2022	2023
Earnings before taxes	**13.2**	**13.0**
Group tax rate	30.0%	30.0%
Expected taxes	**-4.0**	**-3.9**
Tax effects from		
variances due to different tax rates	1.5	-2.9
tax-free earnings	0.7	0.9
impairment gains/losses	-1.2	-3.3
tax additions and settlements	1.6	-3.4
tax payments/refunds for prior years	–	2.0
Other	-0.7	0.4
Income tax	**-2.1**	**-10.2**

The approach of previously unrecognised tax losses and temporary differences relating to subsidiaries led to deferred tax income of € 3.3m (previous year: € 13.8m). Their use reduced the actual tax expense by € 2.1m (previous year: € 1.0m).

(21) Earnings per share

	2022	**2023**
Net profit attributable to owners of the Parent in €m	10.4	2.6
Weighted average of ordinary shares issued	16,524,783	16,524,783
Earnings per share (in €, basic/dilutive)	**0.63**	**0.16**

(I) Explanatory notes to the cash flow statement

The cash flow statement as per IAS 7 shows how Group funds changed as a result of cash in- and outflows from operating, investing and financing activities.

Cash flows from operating activities were adjusted for currency translation effects. Funds totalling € 96.4m (previous year: € 132.2m) included cash and cash equivalents.

Total payments for leases amount to € 10.5m (previous year: € 10.0m). Interest paid for leases is included in the payments for lease liabilities. Cash in- and outflows generated by reverse factoring transactions through a newly agreed contract with financial service providers are recognised under payments received from financial service providers and payments made to financial service providers. Other liabilities thus increased by € 22.4m. The changes in cash flows from financing activities are shown in the following table.

	2022				**2023**			
in €m	Bank loans	Liabilities to financial service providers	Lease liabilities	Equity	**Bank loans**	**Liabilities to financial service providers**	**Lease liabilities**	**Equity**
Balance as at 1 January	**126.6**	**–**	**31.4**	**369.4**	**195.9**	**–**	**29.4**	**422.8**
Proceeds from loans	75.4	–	–	–	63.3	–	–	–
Repayment of loans	-6.0	–	–	–	-15.2	–	–	–
Proceeds from financial service providers	–	–	–	–	–	69.2	–	–
Repayments to financial service providers	–	–	–	–	–	-46.9	–	–
Payments for lease liabilities	–	–	-9.2	–	–	–	-9.5	–
Payments for non-controlling interests	–	–	–	–	–	–	–	–
New leases	–	–	5.9	–	–	–	12.8	–
Other changes	-0.1	–	1.3	53.4	–	–	1.2	-12.8
Balance as at 31 December	**195.9**	**–**	**29.4**	**422.8**	**244.0**	**22.3**	**33.9**	**410.0**

(J) Segment information

Business segments

In accordance with IFRS 8 segment information for the Group distinguishes between the business segments Sheetfed, Digital & Webfed and Special. The operating segments of the Koenig & Bauer Group are determined on the basis of the business activities of the legal entities. The operating segments and products are described below.

The **Sheetfed segment** includes sheetfed offset presses for packaging and commercial printing as well as workflow and logistics solutions. The portfolio also includes peripheral equipment for finishing and processing printed products such as rotary/flatbed die cutters and folding-box gluing lines.

Digital and offset web-fed presses for decor, flexible packaging, newspaper and commercial printing are assigned to the **Digital & Webfed segment**. It also includes flexo presses for flexible packaging as well as presses for flexo and digital printing of corrugated board.

The **Special segment** is made up of special presses for banknote and security printing and systems for industrial marking and coding as well as special systems for direct metal decorating and glass and hollow container printing.

In determining the reportable segments, the following discretionary decisions were made:

- Sales companies are allocated to the segments in accordance with their activities
- Production companies are allocated to the segments in accordance with their activities
- Services are assigned to the respective segment
- Koenig & Bauer assumes that the operating segments have the same long-term earnings outlook

Segment information was based on the same accounting and consolidation procedures as the consolidated financial statements. Internal Group transactions contained in the segment result (earnings before interest and taxes (EBIT)) were classed as arm's length transactions.

Intersegment sales and other reconciliation effects between the business segments are contained in the reconciliation.

	Segments						Reconciliation		Group	
	Sheetfed		Digital & Webfed		Special					
in €m	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**
Revenue by product group										
Presses	512.3	608.3	74.4	90.3	254.9	239.2	-20.3	-12.5	821.3	925.3
Replacement parts	79.8	81.5	30.7	29.6	60.8	62.2	-2.1	-2.0	169.2	171.3
Service	75.9	81.4	30.8	40.5	78.6	91.1	-0.8	-0.8	184.5	212.2
Other	4.2	8.6	3.9	11.9	22.8	21.2	-20.2	-23.7	10.7	18.0
Revenue	**672.2**	**779.8**	**139.8**	**172.3**	**417.1**	**413.7**	**-43.4**	**-39.0**	**1,185.7**	**1,326.8**
EBIT	19.0	29.8	-19.3	-23.9	23.2	23.0	-0.9	1.0	22.0	29.9
Depreciation	17.5	17.6	4.9	4.8	7.7	8.2	9.9	12.9	40.0	43.5
Major non-cash expenses	36.0	39.3	4.1	3.4	12.7	12.2	5.1	4.7	57.9	59.6
Capital investments	21.0	18.3	2.2	1.4	10.2	26.1	16.4	18.4	49.8	64.2

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.

	Revenue		Capital investments		Non-current assets	
in €m	2022	**2023**	2022	**2023**	2022	**2023**
Germany	134.7	173.3	39.3	51.6	316.2	332.0
Rest of Europe	414.4	386.8	8.5	11.8	73.8	78.6
North America	243.4	300.1	0.4	0.1	1.2	0.8
China	144.3	126.1	0.9	0.2	0.9	0.6
Rest of Asia/Pacific	141.8	199.7	0.4	0.3	2.6	2.2
Africa/Latin America	107.1	140.8	0.3	0.2	0.2	0.3
Reconciliation	–	–	–	–	131.6	133.7
Group	**1,185.7**	**1,326.8**	**49.8**	**64.2**	**526.5**	**548.2**

(K) Notes to section 285 no. 17 HGB

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft has served as auditor for Koenig & Bauer AG since the 2020 financial year and will be replaced after the annual financial statements for 2029 at the latest. The German Public Auditor responsible for the engagement is Marco See.

The remuneration paid to the worldwide network of PwC and to PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft in 2023 came to € 1,812 thousand for auditing services, € 88 thousand for tax consulting and € 52 thousand for other services.

The fee for services provided by the worldwide network of PwC and by the PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft were primarily for the audit of the consolidated financial statements and the annual financial statements of Koenig & Bauer AG. Further audit services arose as part of the ESEF reporting.

The tax consultancy services mainly comprise consultancy services for tax issues in connection with value-added tax and within the framework of the Country-by-Country reporting.

Other services relate to support services in the framework of the Renewable Energy Sources Act.

(L) Exemptions in accordance with sections 264b HGB and 264 (3) HGB

The following consolidated subsidiaries applied the simplification options contained in section 264b respectively 264 (3) of the German Commercial Code (HGB) in 2023.

Company/location
Koenig & Bauer Industrial GmbH, 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

(M) Related party disclosures

Related parties as defined by IAS 24 are all consolidated subsidiaries, non-consolidated affiliates, associates, interests (see Note (G) (2)) and members of the management and supervisory boards.

Business transactions with related entities resulted essentially from deliveries to and services for our sales and service subsidiaries, which as intermediaries disclosed receivables and revenue of roughly the same amount from customers. The same conditions applied as for arm's length transactions. For terms to maturity see Notes (G) (2) and (G) (10).

in €m	2022	2023
Other current financial receivables as at 31.12.	**15.3**	**22.1**
from affiliates	1.8	1.6
from associates	13.5	20.5
Trade receivables as at 31.12.	**10.5**	**10.3**
from affiliates	5.6	6.5
from associates	4.9	3.8
Prepayments made for inventories as at 31.12.	**–**	**1.8**
to affiliates	–	–
to associates	–	1.8
Trade payables as at 31.12.	**0.8**	**1.5**
to affiliates	0.8	1.3
to associates	–	0.2
Revenue	**43.3**	**30.1**
from affiliates	39.5	27.9
from associates	3.8	2.2

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.

A consultancy agreement with annual remuneration of € 0.1m was entered into between Koenig & Bauer AG and a member of the Supervisory Board in the year under review.

Expenses for the Management Board totaled € 6.0m (previous year: € 5.5m). The short-term remuneration for the Management Board amounts to € 3.9m (previous year: € 3.8m). It consists of the fixed salary, fringe benefits (company car, insurance allowances, accommodation costs) and short-term variable remuneration. The short-term variable compensation is tied to the EBIT margin, free cash flow and other individual targets. Share-based remuneration stands at € 1.6m (previous year: € 1.6m). The target amount determined for the share-based payment is exchanged for shares or virtual shares at the discretion of the Management Board member. It is paid out or released after a blocking period of four years. An amount of € 0.5m (previous year: € 0.7m) for service cost was added to the retirement benefit provisions for the Management Board. The provisions for the multi-year variable remuneration stand at € 1.6m (previous year: € 1.6m) and for short-term variable remuneration at € 1.2m (previous year: € 1.1m), while share-based remuneration accounts for € 1.6m (previous year: € 1.6m).

Koenig & Bauer AG has granted each member of the Management Board a defined-contribution insurance-linked pension commitment, for which Koenig & Bauer AG makes a contribution of € 0.2m for each year of service and for each member of the Management Board until the respective member leaves the Company.

Provisions of € 8.7m (previous year: € 7.2m) were set aside for retirement benefits for the Management Board in accordance with IAS 19. An amount of € 23.1m (previous year: € 21.0m) was set aside for former members of the Management Board and their surviving dependants.

Provisions of € 1.4m (previous year: € 1.4m) were recognised for remuneration for former members and their survivors. Supervisory board remuneration totalled € 0.9m (previous year: € 0.9m), of which € 0.9m (previous year: € 0.9m) was fixed.

The total remuneration of the Management Board under the German Commercial Code amounts to € 5.5m (previous year: € 5.5m), of which € 1.6m (previous year: € 1.6m) is the fair value at the grant date of the multi-year variable remuneration. It is converted into shares (virtual shares) on the basis of the share price on the day after the annual general meeting in 2024.

At 31 December 2023 members of the management board held 0.12% and members of the supervisory board 5.05% of Koenig & Bauer's share capital, giving a total of 5.17%.

Supervisory Board

Professor Raimund Klinkner
Chairman
Managing Partner
INSTITUTE FOR MANAGEMENT EXCELLENCE GmbH
Gräfelfing, Germany

Gottfried Weippert[1]
Deputy Chairman
Technician
Eibelstadt, Germany

Dagmar Rehm
Deputy Chairman
Self-employed business consultant
Langen, Germany

Claus Bolza-Schünemann
(since 16 June 2023)
Technical consultant
Lübeck, Germany

Julia Cuntz[1]
Trade union secretary of IG Metall
Berlin, Germany

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

Marc Dotterweich[1]
Cutting machine operator
Birkenfeld, Germany

Werner Flierl[1]
(until 31 July 2023)
1st representative of IG Metall
Würzburg office
Sulzbach-Rosenberg, Germany

Matthias Hatschek
(until 16 June 2023)
Entrepreneur
St. Martin, Austria

Christopher Kessler[1]
General Counsel Koenig & Bauer AG
Würzburg, Germany

Professor Gisela Lanza
Institute director at wbk Institute for Production Technology for Production Systems at the Karlsruhe Institut for Technologie (KIT)
Karlsruhe, Germany

Dr Johannes Liechtenstein
CFO Constantia Industries AG
Vienna, Austria

Simone Walter[1]
Head of Human Resources Management
Koenig & Bauer Coding GmbH
Arnstein, Germany

Sabine Witte Herdering[1]
(since 1 August 2023)
Trade union secretary of IG Metall
Würzburg, Germany

[1] workforce representative

Committees

Mediation committee as per section 27(3) of German Codetermination Act
Professor Raimund Klinkner (chairman)
Julia Cuntz
Carsten Dentler
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)
Claus Bolza-Schünemann
Carsten Dentler
Christopher Kessler
Professor Raimund Klinkner
Simone Walter
Gottfried Weippert

Nomination Committee
Professor Raimund Klinkner (chairman)
Claus Bolza-Schünemann
Carsten Dentler

Committee appointments to 31 December 2023

Management Board

Dr Andreas Pleßke
President (since 1 January 2024) and CEO
Executive vice-president
Special segment
Herrsching am Ammersee, Germany

Dr Stephen Kimmich
Deputy president (since 1 January 2024)
CFO
Munich, Germany

Christoph Müller
Executive vice-president
Digital & Webfed segment
Würzburg, Germany

Ralf Sammeck
CDO
Executive vice-president
Sheetfed segment
Radebeul, Germany

Michael Ulverich
COO
Würzburg, Germany

Effective 1 April 2024, the Supervisory Board assigned Dr Stephen Kimmich responsibility for the Special segment on the Management Board in addition to his position as CFO and deputy president.

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

	Member of the supervisory board at:
Professor Raimund Klinkner Chairman	Elektrobau Mulfingen GmbH, Mulfingen, Germany REHAU Verwaltungszentrale AG / REHAU Automative, Muri near Bern, Switzerland
Dagmar Rehm Deputy chairman	O'Donovan Consulting AG, Bad Homburg, Germany (until 31 March 2024) Grammer AG, Amberg, Germany (listed company) Renewable Power Capital Ltd., London, UK Rail Capital Europe Investment SAS, St Quen, France (since 1 March 2023) Power2X B.V., Amsterdam, Netherlands (since 22 January 2024)
Claus Bolza-Schünemann	Erich Netzsch GmbH & Co Holding KG, Selb, Germany
Carsten Dentler	Scope SE & Co. KGaA, Berlin, Germany Scope Management SE, Berlin, Germany Bastei Lübbe AG, Cologne, Germany (listed company) Caeli Wind GmbH, Berlin, Germany
Christopher Kessler	PrintHouseService GmbH, Halle, Germany
Professor Gisela Lanza	ZF Friedrichshafen AG, Friedrichshafen, Germany Hager SE, Blieskastel, Germany Balluff GmbH, Neuhausen, Germany Alfred Kärcher SE & Co. KG, Winnenden (since 1 July 2023)
Dr Johannes Liechtenstein	FunderMax Holding AG, Wiener Neudorf, Austria* FunderMax GmbH AG, Sankt Veit an der Glan, Austria* Isovolta AG, Wiener Neudorf, Austria* Argentiera SRL, Donoratico, Italy JAF-Group AG, Stockerau, Austria* *group positions of Constantia Industries AG

Other information

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

(N) Profit allocation proposal

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

With the Supervisory Board's approval, the shareholders will be asked to pass a resolution to retain Koenig & Bauer AG's unappropriated surplus of € 2,893,288.78.

Würzburg, 20 March 2024

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, 20 March 2024

Management Board

Dr Andreas Pleßke

Dr Stephen Kimmich

Christoph Müller

Ralf Sammeck

Michael Ulverich

The following copy of the auditor's report also includes a "Report on the audit of the electronic renderings of the Group financial statements and the Group management report prepared for disclosure purposes in accordance with § 317 Abs. 3a HGB" ("Separate report on ESEF conformity").

INDEPENDENT AUDITOR'S REPORT

To Koenig & Bauer AG, Würzburg

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

Audit Opinions

We have audited the consolidated financial statements of Koenig & Bauer AG, Würzburg, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2023, and notes to the consolidated financial statements, including any material disclosures on the accounting policies. In addition, we have audited the group management report of Koenig & Bauer AG, which is combined with the Company's management report, for the financial year from January 1 to December 31, 2023.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2023, and of its financial performance for the financial year from January 1 to December 31, 2023, and

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

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

Basis for the Audit Opinions

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

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

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

❶ Accounting treatment of deferred taxes

❷ Allocation of revenue from the sale of machines under contracts with customers to correct periods

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

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

Hereinafter we present the key audit matters:

❶ Accounting treatment of deferred taxes

① In the consolidated financial statements of Koenig & Bauer AG, EUR 93.2 million in deferred tax assets (6.5% of Group equity) and EUR 71.5 million in deferred tax liabilities (5.0% of Group equity) are reported after netting and adjustments. These items were recognized to the extent that the executive directors consider it probable that taxable profit will be available in the foreseeable future which will enable the deductible temporary differences and unused tax losses to be utilized. For this purpose, insofar as sufficient deferred tax liabilities are not available, future taxable profits are projected on the basis of the adopted business plan. Deferred taxes are calculated using future tax rates, to the extent they have already been enacted or the legislative process has largely been completed.

Of the Koenig & Bauer Group's total of EUR 93.2 million in deferred tax assets before adjustments and offsetting, EUR 38.9 million was attributable to loss carryforwards. No deferred tax assets were recognized in respect of deductible temporary differences and unused tax losses amounting in total to EUR 479.7 million since it is not probable that they will be utilized for tax purposes in the forecast period by means of offset against taxable profits.
From our point of view, the accounting treatment of deferred taxes was of particular significance in the context of our audit, as it depends to a large extent on the estimates and assumptions made by the executive directors and is therefore subject to uncertainties.

② As part of our audit, we assessed, with the involvement of our internal specialists with appropriate skills and expertise, the internal processes and controls for recording tax matters as well as the methodology used for the determination, accounting treatment and measurement of deferred taxes, among other things.
We also assessed the recoverability of the deferred tax assets relating to deductible temporary differences and unused tax losses on the basis of the Company's internal forecasts of its future earnings situation, and the appropriateness of the underlying estimates and assumptions.
Based on our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors are substantiated and sufficiently documented.

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

❷ Allocation of revenue from the sale of machines under contracts with customers to correct periods

① In the Company's consolidated financial statements as of December 31, 2023 revenue amounting to EUR 1,326.8 million, of which EUR 925.3 million was recognized from the sale of machines under contracts with customers, is reported in the income statement. Koenig & Bauer AG recognizes revenues from the sale of machines under contracts with customers when if it satisfies its performance obligation by transferring the contractually agreed printing press to a customer. This generally occurs when the printing press is technically commissioned, which is the time at which control is transferred to the customer.
Due to technical imponderables in the manufacturing process and the use of different contractual agreements in the various markets, assessing the technical commissioning and thus the timing for the recognition of revenue is subject to estimates and assumptions and thus the judgments of the executive directors.
For this reason and due to the complexity of the applicable accounting standard on revenue recognition, this matter was of particular importance for our audit.

② In light of the fact that the complexity and the estimates and assumptions that have to be made give rise to an increased risk of accounting misstatements, our audit included assessing the Group's processes and controls for recognizing revenue from the sale of machines. Our audit approach included assessing the design, implementation and effectiveness of the internal control system and the IT systems used with regard to order acceptance, invoicing and allocating revenue to the correct period.

We also assessed the invoicing processes and whether revenue was recognized in the correct period by inspecting the corresponding orders, contracts, delivery documentation, commissioning reports and receipts of payments.

In particular, by inspecting the customer contracts and commissioning reports, we assessed whether the estimates, assumptions and judgments made by the executive directors regarding the recognition and deferral of revenue are reasonable and appropriate.

We were able to satisfy ourselves that the systems, processes and controls in place are appropriate and that the estimates and assumptions made by the executive directors are sufficiently documented and the judgments thus sufficiently substantiated to serve as a basis for the proper recognition of revenue from the sale of machines.

③ The Company's disclosures relating to the recognition of revenue from the sale of machines are contained in section (15) "Revenue" and under "Accounting policies" in the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information.

The other information comprises

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB
- the remuneration report pursuant to § 162 AktG [Aktiengesetz: German Stock Corporation Act] for which the supervisory board is also responsible

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

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Assurance Opinion

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file KoenigBauer_AG_KA+LB_ESEF-2022-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from January 1 to December 31, 2022 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion
We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

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

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

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

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

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

- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.

- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.

- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on June 16, 2023. We were engaged by the supervisory board on November 21, 2023. We have been the group auditor of Koenig & Bauer AG, Würzburg, without interruption since the financial year 2020.

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

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

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be filed in the company register – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

REFERENCE TO SUPPLEMENTARY AUDIT

We issue this auditor's report on the consolidated financial statements and the group management report as well as on the rendering of the consolidated financial statements and the group management report submitted for audit for the first time, contained in the file KoenigBauer_AG_KA+LB_ESEF-2023-12-31.zip and prepared for publication purposes on the basis of our audit, duly completed as at March 20, 2024 and our supplementary audit completed as at March 27, 2024, which related to the initial submission of the ESEF documents.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

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

Nuremberg, March 20, 2024/limited to the first-time submission of the ESEF documents referred to in the "Reference to Supplementary Audit" section above:

Nuremberg, March 27, 2024

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Marco See	**ppa. Dr. Felix Canitz**
German Public Auditor	German Public Auditor
(Wirtschaftsprüfer)	(Wirtschaftsprüfer)

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Remuneration report

Detailed index

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

Remuneration is deemed to have been granted if it was actually paid (= granted) in the year under review. Remuneration is deemed to be owed if the underlying obligation is due for payment (= owed). Accordingly, the remuneration granted and owed in accordance with Section 162 (1) of the German Stock Corporation Act in the year under review consists of the fixed remuneration components for 2023 and the short-term variable remuneration components (STI) for 2022. Of the variable remuneration components, only the expected variable remuneration is disclosed for the year under review (target remuneration).

Management Board remuneration

The active Management Board members in the year under review are Dr Pleßke as the Chief Executive Officer and Dr Kimmich, Mr Müller, Mr Sammeck and Mr Ulverich as the ordinary Management Board members. At its meeting on 7 December 2023, the Supervisory Board appointed Dr Pleßke as Chief Executive Officer and Dr Kimmich as Deputy Chief Executive Officer with effect from 1 January 2024. The Management Board contracts were not modified in the year under review.

The service contracts comply with the requirements of the Act on the Transposition of the Second Shareholder Rights Directive (ARUG II) and the recommendations of the German Corporate Governance Code in the version dated 16 December 2019 valid on the date on which the contracts were signed. Since 2021, the remuneration arrangements have been the same for all Management Board members.

The current remuneration system was adopted by the Supervisory Board at its meeting on 22 March 2021.

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

The remuneration report for 2022 was approved by a majority of 63.9% of the capital represented. The Supervisory Board will be proposing a new remuneration system (Management Board remuneration system 2024) for approval at the 2024 Annual General Meeting. In this way, the company is seeking greater approval of both the next remuneration system and the remuneration report. The main criticism of the previous remuneration system concerned the absence of performance targets within the long-term variable remuneration, the absence of any cap on the amount paid under the LTI, the possibility of granting special benefits including special remuneration for extraordinary performance or success of the Management Board members, the absence of any obligation to buy or hold shares in the company and insufficient transparency in the description of the remuneration system.

The current remuneration system therefore still forms the basis for all Management Board contracts for 2023. The Supervisory Board will endeavour to modify all Management Board contracts in 2024, subject to the approval of the remuneration system at the Annual General Meeting with retroactive effect from 1 January 2024

Principles of Management Board remuneration

The Supervisory Board sets the specific target and maximum remuneration for each Management Board member on the basis of the remuneration system. In doing so, it attaches great importance to remunerating the Management Board members appropriately. The criteria for this are the duties, personal performance and experience of the individual Management Board members, as well as the company's economic situation, success and future prospects and the customary nature of the remuneration, taking into account the market environment (horizontal appropriateness) and the remuneration structure that otherwise applies in the company (vertical appropriateness). The companies listed in the MDAX and SDAX are used for the assessment of horizontal appropriateness. In doing so, the Supervisory Board is either guided by remuneration studies published by renowned institutions or a peer group composed of the MDAX or SDAX companies identified by the Supervisory Board, or asks an independent remuneration consultant to assess the remuneration system by reference to a peer group assembled in consultation with the Supervisory Board. In selecting the peer group, the Supervisory Board considers Koenig & Bauer AG's market position and key performance indicators such as revenue, employee numbers and market capitalisation. Since the remuneration systems of the companies listed in the MDAX and SDAX are not fully comparable, the horizontal comparison is primarily intended to achieve an approximate classification within the selected comparison group on the basis of the total remuneration actually granted or paid. To assess vertical appropriateness, the Supervisory Board considers the development of the Management Board remuneration in relation to the remuneration of the company's senior management and the workforce in Germany. The Supervisory Board defines senior management as all executives who report directly to members of Koenig & Bauer AG's Management Board. The remaining workforce is made up of employees subject to collective bargaining agreements as well as non-tariff employees of Koenig & Bauer AG. The Supervisory Board reserves the right to apply a Group-wide comparative view instead of one based on Koenig & Bauer AG. A decision has not yet been made on this matter. As in the past, the remuneration system for members of Koenig & Bauer AG's Management Board has four core components:

Fixed remuneration, short-term variable remuneration, long-term variable remuneration and pension entitlement. It is based on the following principles:

Basic elements of the remuneration system for the Management Board

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

The remuneration system is designed to:

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

In the remuneration system, the Supervisory Board reserved the right to make a decision at its own due discretion concerning remuneration for any future outstanding performance or success on the part of the Management Board members, including any special remuneration. In 2022, the Supervisory Board had decided to no longer make use of this option. Accordingly, no special remuneration was granted and owed for the year under review. In the new remuneration system, the special remuneration option is no longer available.

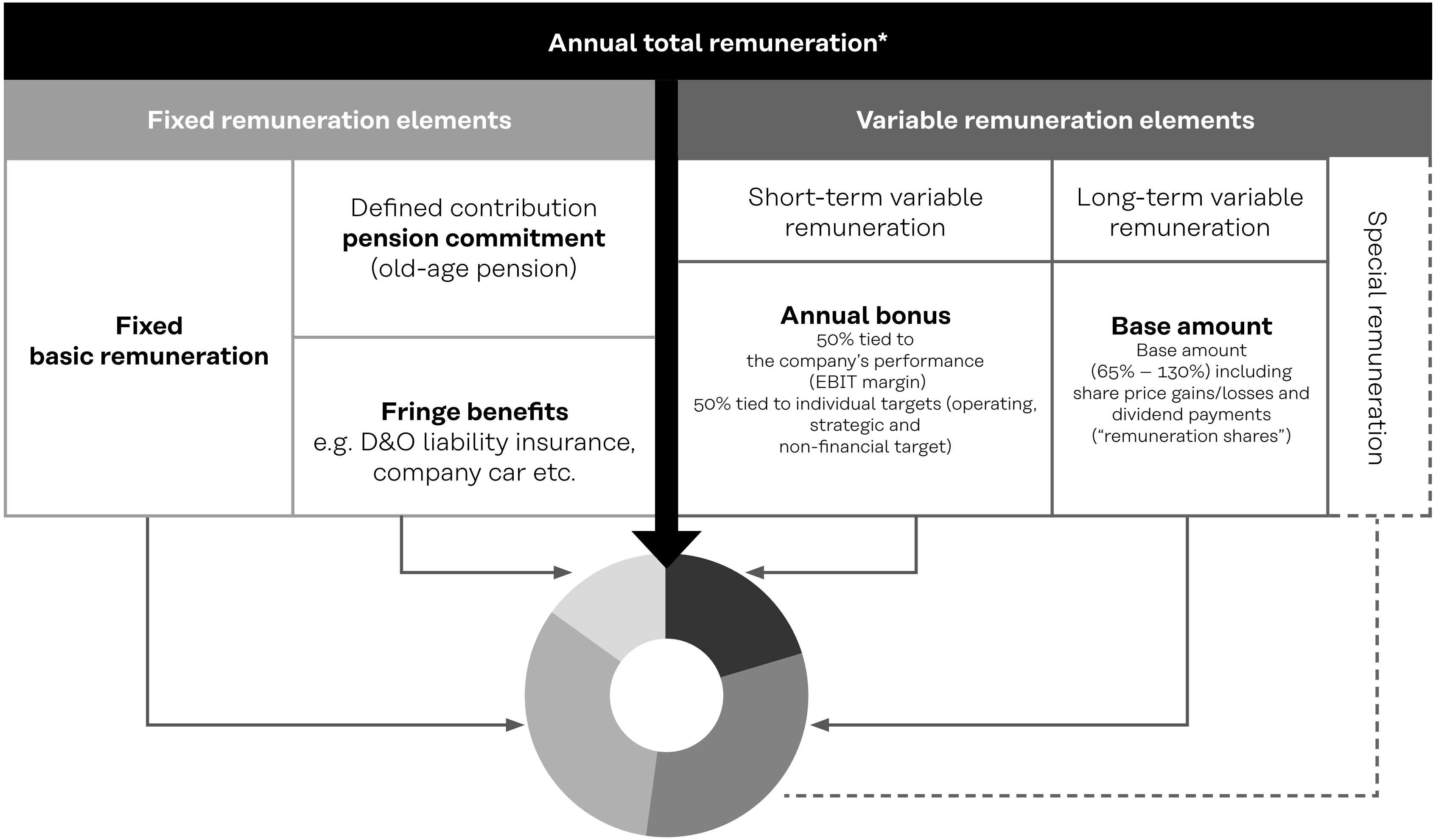
The total annual remuneration is capped at a maximum. The cap on the annual bonus and the staggered payment over time help to ensure that the Management Board members are not guided by short-term remuneration interests when managing the company on their own responsibility.

The early-termination settlement is capped. Payments, including fringe benefits, may not exceed an amount equalling two years' remuneration.

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

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

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



* The total remuneration is the sum total of the fixed remuneration, the annual bonus (100% if the targets are achieved), the annual base amount of the remuneration in accordance with the company's long-term performance (100% if the targets are achieved), the contribution to the pension scheme and fringe benefits.

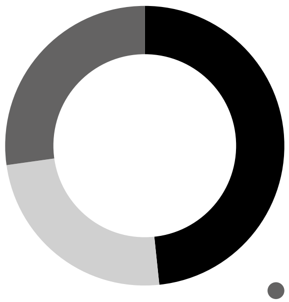
Outlook for the remuneration system in 2024

In the light of the criticism set out above, the Supervisory Board reviewed the 2021 remuneration system and identified potential improvements in order to take greater account of the company’s long-term and sustainable development. The significant changes to the remuneration system adopted by the Supervisory Board at its meeting on 7 December 2023 are presented in the following table:

Remuneration system 2021				Remuneration system 2024	
Fixed remuneration and fringe benefits Defined contribution commitment		**Introduction of a pension payment**	→	Fixed remuneration and fringe benefits Defined contribution commitment /pension payment (for new appointments)	
Annual bonus (target bonus)	50% Group EBIT margin 50% individual goals Operational, strategy, ESG	**Adjustment of performance targets**	→	75% financial targets 50% EBIT or EBIT margin 25% working capital 25% non-financial targets ESG and strategy	Annual bonus (target bonus)
Long-term incentive (restricted stock plan)	Lock-up period: 4 years No performance targets Cap: 200% of the basic amount No payout cap	**New plan type** **Inclusion of performance targets**	→	Performance period: 4 years Performance targets: 37.5% EPS 37.5% net financial position 25% ESG Cap on target achievement: 200% Cap on payout: 250%	Long-term incentive (performance share plan)
Further components	Special remuneration	**Abolition of special remuneration** **Introduction of share ownership guidelines**	→	Share ownership guidelines	Further components

In the future, the basic remuneration structure is to be composed as follows:

Fundamental remuneration structure



Application in 2023:

The 2021 remuneration system for the Management Board was applied to all active members of the Management Board for the year under review. In the year under review, fixed remuneration components complying with the 2021 remuneration system were granted and owed. The variable remuneration earned in 2023 has also already been calculated under the remuneration system described above.

Fixed remuneration elements

Non-performance-related remuneration consists of three components: fixed remuneration, fringe benefits and retirement benefits.

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

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

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

Pension commitments
During their service, the Management Board members receive a pension commitment on the basis of a defined contribution scheme. The pension scheme is based on external pension liability insurance with annual allocations of €200,000. In accordance with IAS 19, the present values of the retirement benefit obligations accruing to Dr Pleßke amounted to €1,064,423, Dr Kimmich €312,495, Mr Müller €3,363,393, Mr Sammeck €3,612,067 and Mr Ulverich €366,900 at the end of 2023. Service cost (amount added annually by the company through pension commitments, thus increasing the retirement benefit provisions) for 2023 stood at €97,053 for Dr Pleßke, €65,378 for Dr Kimmich, €75,942 for Mr Müller, €131,310 for Mr Sammeck and €84,690 for Mr Ulverich.

Variable remuneration elements

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

Annual target agreement
The Supervisory Board agrees with each Management Board member on targets relevant for the respective financial year as a basis for the calculation of the annual bonus (“target agreement”). The target agreement specifies when the individual targets are deemed to have been 100% achieved and when the thresholds of 50% and 150% are reached. The annual target agreements are such that the Supervisory Board believes that they create an incentive to manage the company sustainably in accordance with the operating and strategic targets defined. In doing so, the Supervisory Board seeks to make a contribution to ensuring an attractive and sustainable return for its shareholders in the long term and to enabling them to participate in the company’s success.

Target alignment

The respective variable remuneration is structured as follows:

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

The individual targets are based on financial targets and particularly also those of a non-quantitative nature.

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

An EBIT margin is determined for

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

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

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

The operating targets are based on the departmental duties of the Management Board member or special tasks or projects managed by him. The strategic targets are aligned with the medium-term strategy adopted in consultation with the Supervisory Board. Group-wide and department-specific ESG (environmental-social-governance) factors are applied for the non-financial targets defined in each case.

All targets are underpinned by either KPIs or concrete plans of action that enable an objective assessment to be made of the extent of fulfilment.

Individual targets	Determined by Supervisory Board
40% operational target	Tied to responsibilities
40% strategic target	P24x efficiency programme until 2022, from 2023 50 % of the P24x efficiency programme plus further individual targets
20% non-financial target	ESG factors

Amount of short-term variable remuneration (STI)

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

Short-term incentive

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

The respective variable remuneration is structured as follows:

(1) 50% is tied to the Group's business performance and

(2) 50% to the achievement of separate targets defined for the individual Management Board member in the performance of their responsibilities (including any additional tasks assumed).

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

Short-term variable remuneration (STI), granted and owed in 2023 (STI 2022)
In the year under review, the short-term variable remuneration (one-year variable remuneration) was granted and owed for 2022. In the year under review, the short-term variable remuneration was deferred as a resolution approving it had not yet been passed by the Supervisory Board.

The short-term variable remuneration granted for 2022 is calculated in accordance with the remuneration system. The performance criteria for the short-term one-year variable remuneration for the year under review are the company's performance (50%), as measured by reference to the Group's EBIT margin (Group target). A further 50% of the short-term variable remuneration depends on the following performance criteria: 20% operating target, 20% strategic target and 10% ESG target.

70% of the targets, the Group target and the operational target are tied solely to performance indicators for all Management Board members. A further 10% of the targets, namely 50% of the strategic targets, are also linked to a performance indicator in the case of Management Board members Dr Pleßke, Mr Müller, Mr Sammeck and Mr Ulverich; for Dr Kimmich, half of the strategic target is linked to a previously adopted schedule. The last 10% of the targets, i.e. the ESG targets, are evaluated by the Supervisory Board on the basis of plans of action for all Management Board members. This means that 80% of the targets for all Management Board members do not contain any discretionary component.

Group target for 2022
An EBIT margin of at least 0.6% must be achieved in 2022 for payment of 50% of the target bonus. The bonus target is paid out if the EBIT margin reaches 2.6%; the target is capped at 150% if the EBIT margin reaches 4.6%. The Group's EBIT margin came to 1.9% in 2022. The Group's EBIT margin target for 2022 was thus achieved at a rate of 82%.

Operating target for 2022
The operating target is linked to the EBIT margin of the segment, business unit or division in question or, in Dr Kimmich's case, to the free cash flow target. The principles for setting targets correspond to those for the corporate target, i.e. the budget approved by the Supervisory Board forms the target for 100% achievement. In addition, a minimum and a maximum target of 50% and 150%, respectively, is set. For Dr Pleßke, the EBIT margin for the Special segment is the decisive operating target. The EBIT margin for the Special segment was 5.6%, the target margin was 6.8%, with a minimum or maximum cap for a deviation of – or +2 percentage points from the target. For Dr Kimmich, the free cash flow in accordance with the budget is the decisive operating target. The free cash flow came to €–59.7m, the budgeted figure was €–8.9m, with a minimum or maximum cap for a deviation of – or +5 percentage points from the target. For Mr Müller, the EBIT margin for the D&W segment is the decisive operating target. The EBIT margin for the D&W segment was –13.8%, the target margin was –6.4%, with a minimum or maximum cap for a deviation of – or +2 percentage points from the target. For Mr Sammeck, the EBIT margin for the Sheetfed segment is the decisive operating target. The EBIT margin for the Sheetfed segment was 2.8%, the target margin was 3.6%, with a minimum or maximum cap for a deviation of – or +2 percentage points from the target. For Mr Ulverich, the EBIT margin of the Production Business Unit is decisive. The target margin for the Production Business Unit was 1.6%, with a minimum or maximum cap for a deviation of – or +2 percentage points from the target. The EBIT margin for the Production Business Unit was –0.6%. However, from the point of view of the Supervisory Board, this EBIT margin did not reflect the profitability of this Business Unit. The EBIT margin was heavily influenced by the inability to pass on price increases to other Business Units during the year as a result of unforeseen substantial price increases in the wake of the geopolitical crises. To determine target achievement, the Supervisory Board decided at its meeting of 15 June 2023 to incorporate these totally unforeseeable cost increases in the calculation of operating earnings. Target achievement is therefore 82%.

The Group's operating targets target for 2022 were thus achieved by Dr Pleßke with a target achievement rate of 68.5% and by Mr Sammeck with a target achievement rate of 79.7%. Mr Ulverich met his target with 82%. Accordingly, Mr Müller and Dr Kimmich did not achieve their operating target.

Strategic target for 2022
For Dr Pleßke, Mr Müller, Mr Sammeck and Mr Ulverich, half (10%) of the strategic target is linked to the implementation of the 2024x efficiency programme. With a term of five years, the programme includes a large number of operational changes, strategic measures, efficiency improvements and process adjustments to strengthen the Group's position as a leading supplier of packaging, industrial and security printing presses and finishing services and to boost its operating profitability. The budget

approved by the Supervisory Board forms the target for 100% achievement with regard to the savings effects for 2022, i.e. the actual effect on EBIT achieved as of 31 December 2022 resulting from the P24x measures compared to the budget. The budget, and thus the target value, is €89.5m. The savings achieved as of 31 December 2022 amounted to €92.2m, which is €2.7 above the budget. This translates into achievement of 103% for the sub-target. In Dr Pleßke's case, the other half of this target is linked to an HR programme to cover future personnel requirements. In 2022, a strategic HR concept was adopted to address the shortage of skilled workers by expanding the number of apprenticeship types and the number of apprentices in the first year of apprenticeship and the introduction of new dual study programmes. In addition, the Koenig & Bauer Academy was established to increase and optimise employee re- and upskilling. Overall, this sub-target was rated at 95% and the strategic target as a whole at 99%. In Mr Müller's case, the other 50% is linked to a strategy to grow income from service business. The key financials in service business are reviewed for the relevant financial years. The target is met if an increase in revenue, order intake and gross profit is achieved. This sub-target was achieved, only the increase in service contracts fell short of expectations. This sub-target was rated 95%. The strategic target reached overall fulfilment of 99%. In the case of Mr Sammeck, the strategic target is linked to the implementation of digital business models. In 2022, the digital strategy was tied to a specific target and the business models were divided into clusters and the associated roadmap adopted. The activities planned for 2022 were achieved and launched. Contrary to expectations, one product had not yet reached market maturity in 2022, which is why this sub-target has been rated 95%. The strategic target achieved overall fulfilment of 99%. In Mr Ulverich's case, the strategic target is linked to the implementation of the defined press platform concept. The organisation was set up for the press platform, while the concepts for modular curved construction kit (MBB), modular roller construction kit (MRB) and the modular automation construction kit (MAB) were designed and a decision made to go ahead with additional engineering for the MAB, with the degree of hardness falling slightly short of expectations in the case of one concept. This sub-target was rated 95%. The strategic target achieved overall fulfilment of 99%. In Dr Kimmich's case, the strategic target is based 50% on the implementation of the project point and 50% on the M&A process and its mobilisation. Mobilisation refers to a proof of concept, i.e. the concrete implementation and verification through an acquisition in practice. The target of 100% for the point project was the go-live for the implementation of the migration to S4/Hana for defined business units on 1 October 2022. The system went live on schedule. Accordingly, this sub-target is fulfilled. The M&A process was primarily characterised by the successful acquisition of shares in Celmacch. This sub-target was rated 100% and the strategic target was therefore set at 100%

Non-financial (ESG) target for 2022

The ESG target aims to highlight corporate social responsibility and to ensure that the necessary foundations are laid for the operating challenges arising in the years ahead. The ESG targets are thus the responsibility of the entire Management Board, despite the fact that reporting on and measurement of the individual targets are assigned to individual Management Board members. Responsibility for and commitment to social affairs, the environment and the community have a tradition of more than 200 years. In line with this tradition, this commitment is to be rendered more visible through the ESG target. The ESG targets are based on environment, social and governance targets. The social cluster includes policies and activities to improve equal opportunities, i.e. to achieve a level playing field. Various strategies, ideas and measures to raise the attractiveness of the company's workplaces for all genders were evaluated. In particular, this aims to increase female representation in the company, but also to make the field of mechanical engineering more visible for the female skilled labour market. Another goal is to develop and implement initiatives to combat discrimination in the Group. With its global activities and various international locations, the company feels at home all over the world. The Supervisory Board has set this goal for the Management Board in view of the terrorist attack in Halle in 2019 and general surveys by the Political Institute Dimap on racism and anti-Semitism as well as in the broader context of the diversity strategy. Various preventive measures have been taken, including the expansion of onboarding activities, additions to the whistleblower policy to include a "racism" category, efforts to render the cosmopolitan attitude visible through advertising and membership in business associations and foreign internships. The company's social responsibility has a long tradition going back to its founder's widow, Fanny Koenig. Another target is therefore to communicate the company's commitment and willingness to assume responsibility towards the community. In this connection, the company's support for public welfare has been reorganized and, above all, a focus placed on Africa. As every reduction in the consumption of energy and resources is reflected in lower carbon emissions, Koenig & Bauer has set itself the goal of contributing to climate protection through the sourcing or internal generation of green primary energy under its green energy policy. For this reason, the environment cluster focuses on the implementation of the green energy policy. To this end, measures were evaluated to reduce the carbon footprint. The protection of digital assets is also important for Koenig & Bauer. Consequently, the target of implementing cyber security screening was defined within the governance cluster in 2022. The findings and the measures defined on this basis were presented to and evaluated by the Supervisory Board.

The achievement of the target is rated by the Supervisory Board at 90% for Dr Pleßke and Mr Sammeck, 140% for Dr Kimmich and 100% for Mr Müller and Mr Ulverich.

Overall target achievement in 2022
This results in the following overall target achievement, taking into account the respective weighting adopted by the Supervisory Board at its meeting of 15 June 2023:

Management Board member	Group target Weighting: 50% %	Operating target Weighting: 20% %	Strategic target Weighting: 20% %	ESG target Weighting: 10% %	Total target achievement %
Dr Andreas Pleßke	82	68.5	99	90	83.5
Dr Stephen Kimmich	82	0	100	140	75.0
Christoph Müller	82	0	99	100	70.8
Ralf Sammeck	82	79.7	99	90	85.7
Michael Ulverich	82	82	99	100	87.2

Target achievement in 2022 for STI
The target bonus for 100% target achievement corresponds to 60% gross of the fixed annual salary, but a maximum of 90% gross of the fixed annual salary for 150% target achievement. The target achievement multiple corresponds to the achievement of the target measured by the maximum possible target.

In accordance with this requirement, the following STI was granted and owed for 2022 in 2023 to the Management Board members on the basis of overall target achievement.

Management Board member	Target 60% of the fixed remuneration at 100% (90% of the fixed remuneration at 150%) € thous.	Target deferred STI 2022 (€ thous.)	Target achievement multiple of 90% for 2022 %	STI 2022 granted and owed € thous.
Dr Andreas Pleßke	360 (540)	292	55.74	301
Dr Stephen Kimmich	288 (432)	202	50.00	216
Christoph Müller	288 (432)	202	47.22	204
Ralf Sammeck	288 (432)	246	57.17	247
Michael Ulverich	288 (432)	202	58.10	251

Committed variable remuneration for the year under review
The short-term variable remuneration granted to the Management Board members in the year under review is determined by the Supervisory Board at the meeting at which it adopts the annual financial statements and approves the consolidated financial statements. For this reason, the remuneration report shows the expected payout amounts that were determined by the Personnel Committee of the Supervisory Board on 31 January 2024.

Target criteria for 2023:
In accordance with the remuneration system, the target criteria for the year under review were adopted by the Supervisory Board at its meeting of 7 December 2022.

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

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

70% of the targets for all the Management Board members are tied solely to performance indicators. A further 20% of the targets, the strategic targets, are also 50% linked to a key performance indicator in the case of the Management Board members Dr Pleßke, Mr Müller, Mr Sammeck and Mr Ulverich. This means that 80% or 90% of the targets do not contain any discretionary component. The last 10% of the targets, i.e. the ESG targets, must be evaluated by the Supervisory Board on the basis of plans of action.

Group target for 2023
A minimum EBIT margin of 0.6% must be achieved with regard to the corporate target for the year under review in order to receive payment equalling 50% of the target short-term variable remuneration. The budget approved by the Supervisory Board forms the target of 2.6% for 100% achievement. The short-term variable remuneration is also capped at 150% of the target (4.6%).

Operating target for 2023
The operating target is linked to the EBIT margin of the segment, business unit or division in question. The principles for setting targets correspond to those for the corporate target, i.e. the budget approved by the Supervisory Board forms the target for 100% achievement. In addition, a minimum and a maximum target of 50% and 150%, respectively, is set. For Dr Pleßke, the EBIT margin for the Special segment is decisive. The target according to the budget is 7.5%, with a minimum or maximum cap for a deviation of – or +2 percentage points from the target. For Dr Kimmich, the net financial position as an average over the quarterly reporting dates in 2023 is decisive. The target budget is €–52.9m, with a minimum or maximum cap for a deviation of € – or € +25m. For Mr Müller, the EBIT margin for the D&W segment (incl. Flexotecnica) is decisive. The target according to the budget is –4.0%, with a minimum or maximum cap for a deviation of – or +2 percentage points from the target. For Mr Sammeck, the EBIT margin for the Sheetfed segment is the decisive operating target. The target according to the budget is 3.8%, with a minimum or maximum cap for a deviation of – or +2 percentage points from the target. For Mr Ulverich, the EBIT margin for the Production Business Unit is decisive. The target according to the budget is 2.3%, with a minimum or maximum cap for a deviation of – or +2 percentage points from the target.

Strategic target for 2023
In the case of Dr Pleßke, Mr Müller, Mr Sammeck and Mr Ulverich, 50% of the strategic target is linked to the average net financial position in 2023. This is based on the average of the quarterly reporting dates in 2023. The target budget is €–52.9m, with a minimum or maximum cap for a deviation of € – or € +25m. In Dr Pleßke's case, the other 50% of the strategic target is linked to an HR programme to secure the future of the key professions. In Mr Müller's case, the other 50% is linked to a service revenue growth strategy, in Mr Sammeck's case, to the implementation of defined digital business models and, in Mr Ulverich's case, to the implementation of the defined press platform strategy. In Dr Kimmich's case, the strategic target is based on the M&A process and its mobilisation as documented in a proof of concept.

Non-financial (ESG) target for 2023
The ESG target aims to ensure that corporate social responsibility is emphasised to a greater extent. Responsibility for and commitment to social affairs, the environment and the community have a tradition of more than 200 years and this commitment is to be rendered more visible. The ESG targets are based on environment, social and governance targets. The social cluster includes strategies and actions relating to equal opportunities, i.e. the achievement of a level playing field and anti-discrimination initiatives in the Group and the transparency of corporate social responsibility. The environment target involves implementing the green energy policy, while the governance target entails the implementation of the findings of the cyber security screening.

The following table sets out the deferred remuneration amounts under STI 2023 and compares them with the remuneration amounts under STI 2022.

Management Board member	Target achievement STI 2022 (%)	STI 2022 granted and owed (€ thous.)	Target achievement assumption STI 2023 (%)	Target deferred STI 2023 (€ thous.)
Dr Andreas Pleßke	83.5	301	48.9	293
Dr Stephen Kimmich	75.0	216	46.5	223
Christoph Müller	70.8	204	40.5	194
Ralf Sammeck	85.7	247	51.0	245
Michael Ulverich	87.2	251	51.9	249

Remuneration tied to the company's long-term business performance
The remuneration of the Management Board members includes an annual

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

The base amount of the annual remuneration tied to the company's long-term success is at least 65% gross of the fixed remuneration (target base amount), 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. However, it corresponds to 100% target achievement. Remuneration beyond the target base amount is tied to the extent to which the targets set for the one-year variable remuneration are achieved. Targets are interpolated on a straight-line basis. The base amount is not determined until the day after the annual general meeting at which the shareholders pass a resolution to ratify the actions of the Management Board member for the previous financial year ("exchange day"). At the discretion of the Management Board member 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 Management Board member from that date ("remuneration shares"). After the expiry of a four-year vesting period, the Management Board members 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.

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

Long-term incentive

The target base amount of the annual remuneration tied to the company's long-term business performance is at least 65% gross of the fixed remuneration

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

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

Remuneration tied to the company's long-term performance for 2022
Remuneration that was dependent on the company's long-term performance for 2022 was granted in 2023. Whereas the base amount, the minimum of 65%, is not tied to any targets, remuneration beyond the base amount depends on the extent to which the targets set for the one-year variable remuneration are achieved.

30% of the targets for LTI are linked to medium-term targets (strategic and ESG target). In particular, the P24x programme is a multi-year project. The same thing applies to the ESG targets. In particular, the amount of this remuneration is tied to the medium-term performance of the share price, which reflects the company's long-term business performance.

Reference should be made to the STI target achievement for 2022 for the overall target achievement in 2022 for remuneration tied to the company's long-term business performance.

Target achievement in 2022 for LTI
The target base amount for 100% target achievement corresponds to 65% gross of the fixed annual salary, but a maximum of 130% gross of the fixed annual salary for 150% target achievement.

In accordance with this requirement, the following STI is determined for 2022 for the Management Board members on the basis of its overall target achievement:

Management Board member	Target 65% of the fixed remuneration at 100% (130% of the fixed remuneration at 150%)	Target amount of deferred LTI 2022 (€ thous.)	Target achievement multiplier of 130% for 2022 (%)	LTI for 2022 € thous.
Dr Andreas Pleßke	390 (780)	390	50	390
Dr Stephen Kimmich	312 (624)	312	50	312
Christoph Müller	312 (624)	312	50	312
Ralf Sammeck	312 (624)	312	50	312
Michael Ulverich	312 (624)	312	50	312

(Virtual) investment in shares in the company

At the discretion of the Management Board member in question, the base amount under the annual remuneration tied to the company's long-term business performance 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 Management Board member from that date ("remuneration shares"). The (virtual) shares are subject to a lock-up period of four years. During the lock-up period, the Management Board member may not sell the shares and/or transfer them in any form whatsoever. The basic amount plus any gains or losses in the share price loss is paid after the expiry of the blocking period. This results in the following situation on the exchange day:

Management Board member	LTI 2022 (€ thous.)	Share price on exchange day (€)	Remuneration shares 2022	Remuneration shares in locked-up account	Total remuneration shares in locked-up account
Dr Andreas Pleßke	390	20.20	19,306.93	47,114.94	66,421.87
Dr Stephen Kimmich	312	20.20	15,445.54	44,706.27	60,151.81
Christoph Müller	312	20.20	15,445.54	23,543.30	38,988.84
Ralf Sammeck	312	20.20	15,445.54	37,691.95	53,137.49
Michael Ulverich	312	20.20	15,445.54	45,969.10	61,414.64

The shares have been pledged in the form of virtual remuneration shares. The Management Board members have chosen this option as the company was unable to buy the shares under the terms of a loan provided by KfW. The virtual shares are subject to a lock-up period of four years from the exchange date. The exchange rate was €20.20 on the exchange date (Annual General Meeting held on 16 June 2023) (closing price of 16 June 2023, XETRA). Accordingly, a total of €1.638m or 81,089.11 virtual shares were invested in 2023.

Remuneration tied to long-term business success granted for the year under review:

The expected payout amounts for remuneration tied to the company's long-term performance were determined at the meeting of the Personnel Committee on 31 January 2024. Of the maximum achievable amount of 130% of the fixed annual salary, 65% was deferred. There is no increase beyond the target base amount due to the assumed target achievement in 2023.

The following table sets out the deferred remuneration amounts under LTI 2023 and compares them with the remuneration amounts under LTI 2022.

Management Board member	Target achievement LTI 2022 % of fixed annual salary	LTI 2022 € thous.	Assumed target LTI amount 2023 % of fixed annual salary	Assumed target LTI amount 2023 € thous.
Dr Andreas Pleßke	65	390	65	390
Dr Stephen Kimmich	65	312	65	312
Christoph Müller	65	312	65	312
Ralf Sammeck	65	312	65	312
Michael Ulverich	65	312	65	312

Remuneration granted and owed

The following table sets out the remuneration of the Management Board members granted and owed in accordance with Section 162 (1) of the German Stock Corporation Act in 2023. The remuneration components accruing to the Management Board members in 2023 are deemed to have been granted and owed. These are the fixed remuneration components for 2023 and the short-term variable remuneration (STI) for 2022. The long-term variable remuneration (LTI) is not included as it has not yet been granted and owed, but only allocated.

		Dr Andreas Pleßke				Dr Stephen Kimmich				Christoph Müller			
		CEO Management Board member responsible for Special				CFO				Management Board member responsible for Digital & Webfed			
		2022		2023		2022		2023		2022		2023	
		€ thous.	%	€ thous.	%	€ thous.	%	€ thous.	%	€ thous.	%	€ thous.	%
Non-performance-related remuneration	Fixed remuneration	600	54	600	65	480	53	480	65	480	59	480	67
	Fringe benefits [1]	24	2	25	3	38	4	43	6	25	3	27	4
Total		**624**	**56**	**625**	**68**	**518**	**57**	**523**	**71**	**505**	**62**	**507**	**71**
STI – short-term variable remuneration		496	44	301	32	389	43	216	29	310	38	204	29
Total		**496**	**44**	**301**	**32**	**389**	**43**	**216**	**29**	**310**	**38**	**204**	**29**
Other		2	0	0	0	0	0	0	0	0	0	0	0
Total remuneration		**1,120**	**100**	**926**	**100**	**907**	**100**	**739**	**100**	**815**	**100**	**711**	**100**

		Ralf Sammeck				Michael Ulverich			
		Management Board member responsible for Sheetfed				COO			
		2022		2023		2022		2023	
		€ thous.	%	€ thous.	%	€ thous.	%	€ thous.	%
Non-performance-related remuneration	Fixed remuneration	480	53	480	64	480	53	480	62
	Fringe benefits [1]	28	3	28	4	37	4	40	5
Total		**508**	**56**	**508**	**68**	**517**	**57**	**520**	**67**
STI – short-term variable remuneration		397	44	247	32	397	43	251	33
Total		**397**	**44**	**247**	**32**	**397**	**43**	**251**	**33**
Other		0	0	0	0	0	0	0	0
Total remuneration		**905**	**100**	**755**	**100**	**914**	**100**	**771**	**100**

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

Expected remuneration

The following table sets out the expected remuneration for 2023. The remuneration consists of the fixed remuneration components and the variable remuneration components expected to be earned (deferred STI 2023 and assumed target for LTI 2023). The STI for 2023 will be paid out in 2024. The payment shows the amount of remuneration paid to the Management Board members in the year. This includes the STI 2022 paid out in 2023 and the equivalent value of the (virtual) shares transferred after the Annual General Meeting under LTI 2022.

		Dr Andreas Pleßke				**Dr Stephen Kimmich**				**Christoph Müller**			
		CEO/Management Board member responsible for Special				CFO				Management Board member responsible for Digital & Webfed			
		Expected target remuneration	Minimum remuneration	Maximum remuneration	**Payment**	Expected target remuneration	Minimum remuneration	Maximum remuneration	**Payment**	Expected target remuneration	Minimum remuneration	Maximum remuneration	**Payment**
Non-performance-related remuneration	Fixed remuneration	600	600	600	600	480	480	480	480	480	480	480	480
	Fringe benefits 1)	25	25	25	25	43	43	43	43	27	27	27	27
Total		**625**	**625**	**625**	**625**	**523**	**523**	**523**	**523**	**507**	**507**	**507**	**507**
STI – 2023 - short-term variable remuneration		293	0	540	301	223	0	432	216	194	0	432	204
LTI - multi-year variable remuneration	Share-based – 2022 (to be paid out in 2027)				390				312				312
	Share-based – 2023 (to be paid out in 2028)	390	390	780	0	312	312	624	0	312	312	624	0
Total		**683**	**390**	**1,320**	**691**	**535**	**312**	**1,056**	**528**	**506**	**312**	**1,056**	**516**
Other					0				0				0
Total remuneration		**1,308**	**1,015**	**1,945**	**1,316**	**1,058**	**835**	**1,579**	**1,051**	**1,013**	**819**	**1,563**	**1,023**

		Ralf Sammeck				**Michael Ulverich**			
		Management Board member responsible for Sheetfed				COO			
		Expected target remuneration	Minimum remuneration	Maximum remuneration	**Payment**	Expected target remuneration	Minimum remuneration	Maximum remuneration	**Payment**
Non-performance-related remuneration	Fixed remuneration	480	480	480	480	480	480	480	480
	Fringe benefits 1)	28	28	28	28	40	40	40	40
Total		**508**	**508**	**508**	**508**	**520**	**520**	**520**	**520**
STI – 2023 - short-term variable remuneration		245	0	432	247	249	0	432	251
LTI - multi-year variable remuneration	Share-based – 2022 (to be paid out in 2027)				312				312
	Share-based – 2023 (to be paid out in 2028)	312	312	624	0	312	312	624	0
Total		**557**	**312**	**1,056**	**559**	**561**	**312**	**1,056**	**563**
Other					0				0
Total remuneration		**1,065**	**820**	**1,564**	**1,067**	**1,081**	**832**	**1,576**	**1,083**

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

Special remuneration
The remuneration system provides for the payment of a special bonus for outstanding performance or success on the part of the Management Board members at the discretion of the Supervisory Board. In the remuneration system that is to be submitted to the Annual General Meeting for approval on 26 June 2024, the Supervisory Board will take into account the shareholders' interests in transparency and remove the option of special remuneration.

The Supervisory Board did not grant and/or owe any special remuneration in the year under review.

Maximum remuneration
The total annual remuneration of the Management Board members is capped at €1,750,000 (ordinary Management Board members) and €2,170,000 (Chief Executive Officer) (cap on grant and on payment). The total remuneration is calculated as the sum total of the (i) fixed annual salary, (ii) annual bonus, (iii) base amount of the annual remuneration tied to the company's long-term business performance, (iv) any special remuneration, (v) annual pension contribution and (vi) fringe benefits for both target remuneration and the payment made. With regard to the cap on grants, the maximum remuneration was not achieved in 2022; nor is it expected to be achieved in 2023. The payment cap for 2022 and 2023 will be disclosed in the Annual Reports for 2027 and 2028, respectively, after the end of the respective lock-up period.

Management Board member	Total remuneration in 2023 (€ thous.)	Expected remuneration in 2023 (€ thous.)	Cap (€ thous.)
Dr Andreas Pleßke	1,516	1,508	2,170
Dr Stephen Kimmich	1,251	1,258	1,750
Christoph Müller	1,223	1,213	1,750
Ralf Sammeck	1,267	1,265	1,750
Michael Ulverich	1,283	1,281	1,750

Share ownership guidelines

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

Negative bonus and claw-back arrangements

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

If it subsequently becomes evident that the assessment of the performance-related remuneration is based on incorrect or incomplete information on the agreed assessment bases or if the Management Board member has egregiously violated the Koenig & Bauer Group's Code of Conduct or legal obligations in the year in which the performance-related remuneration was granted.

There was no reason to apply the claw-back rules in the year under review.

Early-termination settlement

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

Disclosures on former Management Board members

In the year under review, former Management Board members received no remuneration other than retirement benefits. The total benefits (current pensions) paid to former Management Board members and their surviving dependents equal €1,434,766.00 (previous year: €1,428,916.57). Provisions of €23,075,203.00 (previous year: €20,984,171.00) were set aside for pension obligations towards former Management Board members and their surviving dependants in accordance with IFRS; in accordance with the German Commercial Code (HGB), the provisions amount to €28,279,958.00 (previous year: €27,539,332.00).

Pursuant to section 162 of the German Stock Corporation Act, the total remuneration paid to former Management Board members in the first ten years after the termination of their duties must be stated individually.

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

Former Management Board member	Retired	Pension payments in 2022	Pension payments in 2023
Claus Bolza-Schünemann	31 December 2020	€216,000	€217,080

Supervisory Board remuneration

The remuneration rules applicable to the members of the Supervisory Board for 2023 are set out in Section V, Article 13 of the Articles of Association of Koenig & Bauer AG. They were approved at the Annual General Meeting on 11 May 2021 with a majority of 99.95% of the capital represented and were applied for the first time from 2022. The remuneration rules adopted at the 2019 Annual General Meeting apply to earlier years. Detailed information and a comparison of the current and future remuneration system can be found on the company's website at https://www.koenig-bauer.com/de/investor-relations/corporate-governance/remuneration/.

Principles of Supervisory Board remuneration

The following rules thus apply in 2023: in addition to an attendance fee and the reimbursement of out-of-pocket expenses, each member receives fixed annual remuneration of €45,000. The Chairman of the Supervisory Board receives €120,000 and his deputies €80,000 each. The chairperson and the members of the Audit Committee receive €22,500 and €15,000, respectively, the chairperson and the members of the Strategy Committee €20,000 and €13,000, respectively, and the chairperson and the members of the Nomination Committee €10,000 and €8,000, respectively, per year. The members of the other committees shall not receive any separate remuneration. Activities on the committees of the Supervisory Board are remunerated once. If a member sits on several committees, he or she receives the amount for the committee with the highest remuneration. Furthermore, each member present at the meeting receives an attendance fee of €250; no attendance fee is paid for meetings of the committees.

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

Supervisory Board remuneration system until 2021

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

Supervisory Board remuneration system from 2022

Supervisory Board member	Chair	Deputy	member
Fixed remuneration	€120,000	€80,000	€45,000
Audit Committee (membership)	€22,250		€15,000
Strategy Committee (membership)	€20,000		€13,000
Personnel Committee (membership)	€10,000		€8,000

Supervisory Board remuneration for 2023

The following table sets out the remuneration of the Supervisory Board members granted and owed in accordance with Section 162 (1) of the German Stock Corporation Act in 2023. The fixed remuneration and the remuneration for committee activities accruing to the Supervisory Board members in 2023 is deemed to have been granted and owed in each case. This is the remuneration for 2022.

Change in the Supervisory Board

In the year under review, Matthias Hatschek stepped down from the Supervisory Board on the day of the Annual General Meeting on 16 June 2023.

Claus Bolza-Schünemann was elected to the Supervisory Board for the first time for a period of 4 years with 99.84% of the votes cast on the day of the Annual General Meeting.

Mr Werner Flierl stepped down from the Supervisory Board with effect from 31 July 2023. Ms Sabine Witte-Herdering was appointed a member of the Supervisory Board of Koenig & Bauer AG in a ruling issued by the Würzburg District Court with effect from 1 August 2023.

Supervisory Board remuneration granted and owed (payment of remuneration earned in 2022)

Supervisory Board member	Fixed remuneration	Percentage Fixed remuneration	Committee remuneration	Percentage Committee remuneration	Attendance fee	Percentage Attendance fee	Total
Prof. Dr.-Ing. Raimund Klinkner, Chair	€120,000	87.91%	€13,000	9.52%	€3,500	2.56%	€136,500
Gottfried Weippert, Deputy Chair	€80,000	81.01%	€15,000	15.19%	€3,750	3.80%	€98,750
Dagmar Rehm, Deputy Chair	€80,000	75.65%	€22,500	21.28%	€3,250	3.07%	€105,750
Julia Cuntz	€45,000	92.78%	€0	0.00%	€3,500	7.22%	€48,500
Carsten Dentler	€45,000	73.77%	€13,000	21.31%	€3,000	4.92%	€61,000
Marc Dotterweich	€45,000	70.59%	€15,000	23.53%	€3,750	5.88%	€63,750
Werner Flierl	€45,000	94.74%	€0	0.00%	€2,500	5.26%	€47,500
Matthias Hatschek	€45,000	73.47%	€13,000	21.22%	€3,250	5.31%	€61,250
Christopher Kessler	€45,000	72.87%	€13,000	21.05%	€3,750	6.07%	€61,750
Prof. Dr.-Ing. Gisela Lanza	€45,000	66.91%	€20,000	29.74%	€2,250	3.34%	€67,250
Dr Johannes Liechtenstein	€45,000	70.87%	€15,000	23.62%	€3,500	5.51%	€63,500
Simone Walter	€45,000	72.87%	€13,000	21.05%	€3,750	6.07%	€61,750
Total	**€685,000**		**€152,500**		**€39,750**		**€877,250**

Supervisory Board remuneration earned for 2023

Supervisory Board member	Fixed remuneration	Percentage Fixed remuneration	Committee remuneration	Percentage Committee remuneration	Attendance fee	Percentage Attendance fee	Total
Prof. Dr.-Ing. Raimund Klinkner, Chair	€120,000.00	88.24%	€13,000.00	9.56%	€3,000.00	2.21%	€136,000.00
Gottfried Weippert, Deputy Chair	€80,000.00	81.84%	€15,000.00	15.35%	€2,750.00	2.81%	€97,750.00
Dagmar Rehm, Deputy Chair	€80,000.00	75.83%	€22,500.00	21.33%	€3,000.00	2.84%	€105,500.00
Claus Bolza-Schünemann (since 16 June 2013)	€22,500.00	73.17%	€6,500.00	21.14%	€1,750.00	5.69%	€30,750.00
Julia Cuntz	€45,000.00	94.24%	€0.00	0.00%	€2,750.00	5.76%	€47,750.00
Carsten Dentler	€45,000.00	74.38%	€13,000.00	21.49%	€2,500.00	4.13%	€60,500.00
Marc Dotterweich	€45,000.00	72.00%	€15,000.00	24.00%	€2,500.00	4.00%	€62,500.00
Werner Flierl (until 31 July 2023)	€26,500.00	100.00%	€0.00	0.00%	€0.00	0.00%	€26,500.00
Matthias Hatschek (until 16 June 2023)	€22,500.00	75.00%	€6,500.00	21.67%	€1,000.00	3.33%	€30,000.00
Christopher Kessler	€45,000.00	74.38%	€13,000.00	21.49%	€2,500.00	4.13%	€60,500.00
Prof. Dr.-Ing. Gisela Lanza	€45,000.00	66.91%	€20,000.00	29.74%	€2,250.00	3.35%	€67,250.00
Dr Johannes Liechtenstein	€45,000.00	71.43%	€15,000.00	23.81%	€3,000.00	4.76%	€63,000.00
Simone Walter	€45,000.00	73.77%	€13,000.00	21.31%	€3,000.00	4.92%	€61,000.00
Sabine Witte-Herdering (since 1 August 2023)	€18,750.00	94.94%	€0.00	0.00%	€1,000.00	5.06%	€19,750.00
Total	**€685,250.00**		**€152,500.00**		**€31,000.00**		**€868,750.00**

Comparative presentation of remuneration and earnings over time

For the purpose of the horizontal comparison, the Supervisory Board commissioned an independent management consultancy to carry out a market comparison of the amounts and structure of the Management Board remuneration system. A peer group consisting of mechanical engineering and technology companies of a comparable size, particularly those listed in the MDAX and SDAX, as well as a peer group from related industries was used as a benchmark. For the purposes of the comparison, the current remuneration of the Management Board members was benchmarked against the peer group remuneration. A comparison of the target and maximum remuneration was made. In addition, the adjacent remuneration elements were reviewed:

	Target remuneration	Maximum remuneration
	Base remuneration	Base remuneration
+	Target STI amount	Maximum STI
=	**Target remuneration**	**Maximum cash remuneration**
+	Target LTI amount	Maximum LTI
=	**Target direct remuneration**	**Maximum direct remuneration**
+	Company pension scheme	Company pension scheme
=	**Target remuneration**	**Maximum total remuneration**

The following table provides a vertical comparison of the remuneration within the company. As the remuneration of the Management Board is also measured on the basis of the Group's earnings, these are also presented. Senior executives are all executives who report directly to Management Board members; the remaining workforce consists of employees subject to collective bargaining agreements and non-tariff employees of the company. All employees of the company are based in Germany.

	Granted, owed 2023[1]	Granted, owed 2022	Change in 2023 over 2022		Change in 2022 over 2021		Change in 2021 over 2020[2]		Change in 2020 over 2019	
Present Management Board members	€ thous.	€ thous.	€ thous.	%	€ thous.	%	€ thous.	%	€ thous.	%
Dr Andreas Pleßke	926	1,120	–194	–17	325	41	206	35	–57	–9
Dr Stephen Kimmich	739	907	–168	–19	283	45	254	69		
Christoph Müller	711	815	–104	–13	237	41	–465	–45	–168	–14
Ralf Sammeck	755	905	–150	–17	325	56	–536	–48	–114	–9
Michael Ulverich	771	914	–143	–16	288	46	257	70		
Employees										
Average remuneration of the workforce	66	62	4	6	4	7	–1	–2	–4	–7
Average remuneration of managers	175	161	14	9	–4	–3	29	23	–31	–20
Earnings over time (€m)	**2023 €m**	**2022 €m**	**€m**	**%**	**€m**	**%**	**€m**	**%**	**€m**	**%**
Group net profit	2.8	11.1	–8.3	–75	–3.4	–23	117.6	–114	–155.4	–297
Net profit of Koenig & Bauer AG	5.8	2.7	3.1	115	–8.6	–76	–31.2	–73	34.2	412

1 To enhance the readability of the comparative figures, only amounts granted/owed are shown in all years
2 Entry of Dr Kimmich and Mr Ulverich on 15 April 2020

	Granted, owed 2023[1]	Granted, owed 2022	Change in 2023 over 2022		Change in 2022 over 2021		Change in 2021 over 2020		Change in 2020 over 2019	
Present Supervisory Board members[2]	€	€	€ thous.	%	€ thous.	%	€ thous.	%	€ thous.	%
Prof. Dr.-Ing. Raimund Klinkner, Chairman	136,500	79,500	57	71.7	–0.5	–1	20	33.8	57	2,462.6
Gottfried Weippert, Deputy Chair	98,750	63,250	36	56.1	1	–1	3.5	5.8	11	22.8
Dagmar Rehm, Deputy Chair	105,750	67,000	39	57.8	–0.5	–1	2	3.1	13	25.4
Julia Cuntz	48,500	38,000	11	27.6	–1	–2	2.5	6.9	7	25
Carsten Dentler	61,000	44,250	17	37.9	–1	–2	2.25	5.3	8.5	24.8
Marc Dotterweich	63,750	45,500	18	40.1	–1	–2	2.25	5.1	9	25.5
Werner Flierl (until 31 July 2023)	47,500	19,000	29	150.0						
Matthias Hatschek (until 16 June 2023)	61,250	44,250	17	38.4	–1	–2	2.25	5.2	9	25.5
Christopher Kessler	61,750	44,250	18	39.6	–1	–2	2.5	5.8	8.5	24.8
Prof. Dr.-Ing. Gisela Lanza	67,250	46,875	20	43.5	–1	–3	2	4.3	9	25.5
Dr Johannes Liechtenstein	63,500	45,500	18	39.6	-0.25	–1	23	102.2		
Simone Walter	61,750	41,375	20	49.2	3	7	1.8	4.8	7.5	25.6
Former Supervisory Board members										
Walther Mann		22,125	–22	–100.0	–23	–51	2	5.2	9	25.5
Dr Martin Hoyos									–30	–47.6

1 To enhance the readability of the comparative figures, only amounts granted/owed are shown in all years
2 Corresponds to the remuneration earned in 2022, accordingly, only the Supervisory Board members in 2022 are shown.

Auditor’s Report

To Koenig & Bauer AG, Würzurg

We have audited the remuneration report of Koenig & Bauer AG, Würzburg, for the financial year from January 1 to December 31, 2023 including the related disclosures, which was prepared to com-ply with § [Article] 162 AktG [Aktiengesetz: German Stock Corporation Act].

Responsibilities of the Executive Directors and the Supervisory Board
The executive directors and the supervisory board of Koenig & Bauer AG are responsible for the prep-aration of the remuneration report, including the related disclosures, that complies with the require-ments of § 162 AktG. The executive directors and the supervisory board are also responsible for such internal control as they determine is necessary to enable the preparation of a remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibilities
Our responsibility is to express an opinion on this remuneration report, including the related disclo-sures, based on our audit. We conducted our audit in accordance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we comply with ethi-cal requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report, including the related disclosures, is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts including the related disclosures stated in the remuneration report. The procedures selected depend on the auditor’s judgment. This includes the assessment of the risks of material misstatement of the remuneration report including the related disclosures, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the preparation of the remuneration report including the related disclosures. The objective of this is to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the executive directors and the supervisory board, as well as evaluating the overall presentation of the remuneration report including the related disclosures.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion
In our opinion, based on the findings of our audit, the remuneration report for the financial year from January 1 to December 31, 2023, including the related disclosures, complies in all material respects with the accounting provisions of § 162 AktG.

Reference to an Other Matter – Formal Audit of the Remuneration Report according to § 162 AktG
The audit of the content of the remuneration report described in this auditor’s report includes the formal audit of the remuneration report required by § 162 Abs. [paragraph] 3 AktG, including the issuance of a report on this audit. As we express an unqualified audit opinion on the content of the remuneration report, this audit opinion includes that the information required by § 162 Abs. 1 and 2 AktG has been disclosed in all material respects in the remuneration report.

Restriction on use
We issue this auditor’s report on the basis of the engagement agreed with Koenig & Bauer AG. The audit has been performed only for purposes of the company and the auditor‘s report is solely intended to inform the company as to the results of the audit. Our responsibility for the audit and for our audi-tor’s report is only towards the company in accordance with this engagement. The auditor’s report is not intended for any third parties to base any (financial) decisions thereon. We do not assume any responsibility, duty of care or liability towards third parties; no third parties are included in the scope of protection of the underlying engagement. § 334 BGB [Bürgerliches Gesetzbuch: German Civil Code], according to which objections arising from a contract may also be raised against third parties, is not waived.

Nuremberg, 20 March 2024

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Marco See	**ppa. Dr. Felix Canitz**
Wirtschaftsprüfer	*Wirtschaftsprüfer*
(German Public Auditor)	*(German Public Auditor)*

Non-financial Group report

Detailed index

Koenig & Bauer attaches extraordinarily high importance to its responsibility, which is firmly anchored in its corporate values. As a pioneer of in-company social policies, we have taken our responsibility towards our employees seriously ever since our Company was first established 200 years ago. In addition to investing in our own future, we see our strong commitment to in-company training as part of our corporate responsibility to the community. We are committed to preserving and protecting the environment through our various initiatives for emission- and resource-optimised products and production processes. As a sustainability enabler, we want to support our customers around the world in their sustainability efforts. Social responsibility through donations and sponsorships as well as the strong voluntary commitment on the part of our employees are also part of Koenig & Bauer's corporate identity. Integrity in our business activities and respect for human rights are core elements of our corporate governance practices. With our sustainability goals, we want to fulfil our social, ecological, societal and ethical responsibilities and strategically advance our company.

The sustainable further development of our Group is one of the pillars of our "Exceeding Print" corporate strategy, which includes a wide range of activities targeted at environmental, social and governance (ESG) concerns. We are aiming to reduce by 2025 the carbon emissions (Scope 1 and 2) of our production plants by 75% compared with 2019 and to achieve carbon neutrality from 2030 onwards. Following an analysis of the current Scope 3 carbon emissions, measures to reduce these are being worked on throughout the Group. Another core objective of our sustainability efforts is to promote the health of our employees, prevent work-related hazards and minimise the number of workplace accidents. We also want to additionally enhance diversity in terms of gender, age, international background and experience. Alongside diversity as an element of our corporate culture, we want to make use of various activities to take a stand against racism and discrimination. And, finally, we are committed to respecting human rights and preserving and protecting the environment in our supply chain by integrating sustainability into the procurement process and complying with comprehensive due diligence obligations.

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

We have also joined the Blue Competence sustainability initiative. Blue Competence is an initiative launched by German industry association VDMA to promote sustainability in mechanical and plant engineering as well as to further sustainable solutions in this industry. Furthermore, we became the first printing press manufacturer to join the Healthy Printing Initiative in July 2021. The basic idea underlying the initiative is to advance the implementation of the cradle-to-cradle design approach in the printing industry. Accordingly, the initiative aims to promote the use of environmentally friendly substrates, inks, varnishes and auxiliaries in the printing of paper, corrugated board and cardboard products, plastics and other substrates and ultimately to enable efficient recycling systems. Koenig & Bauer is also a member of the 4evergreen alliance, which networks paper and board manufacturers, folding carton manufacturers, producers and retailers of brand-name products and suppliers of technology and materials as well as the collecting, sorting and recycling industry. The alliance aims to communicate more effectively the benefits of fibre-based packaging materials as alternative solutions and to achieve a recycling rate of 90% for them by 2030. Finally, as a member of the Holy Grail 2.0 initiative, we are working towards finding a common solution for intelligent packaging recycling. Under the auspices of the European Brands Association (AIM), numerous companies and organisations along the packaging value chain are pooling their expertise. Stamp-sized digital watermarks that can be printed on the surface of packaging and function as a “digital recycling passport” are a promising approach for an efficient circular economy. At the regional level, Koenig & Bauer has been a member since 2022 of Würzburg AG’s Green Network, which aims to connect local companies on matters relating to sustainability. The regular network meetings start with two best practice presentations, which are then discussed intensively by the participants.

Disclosure option selected

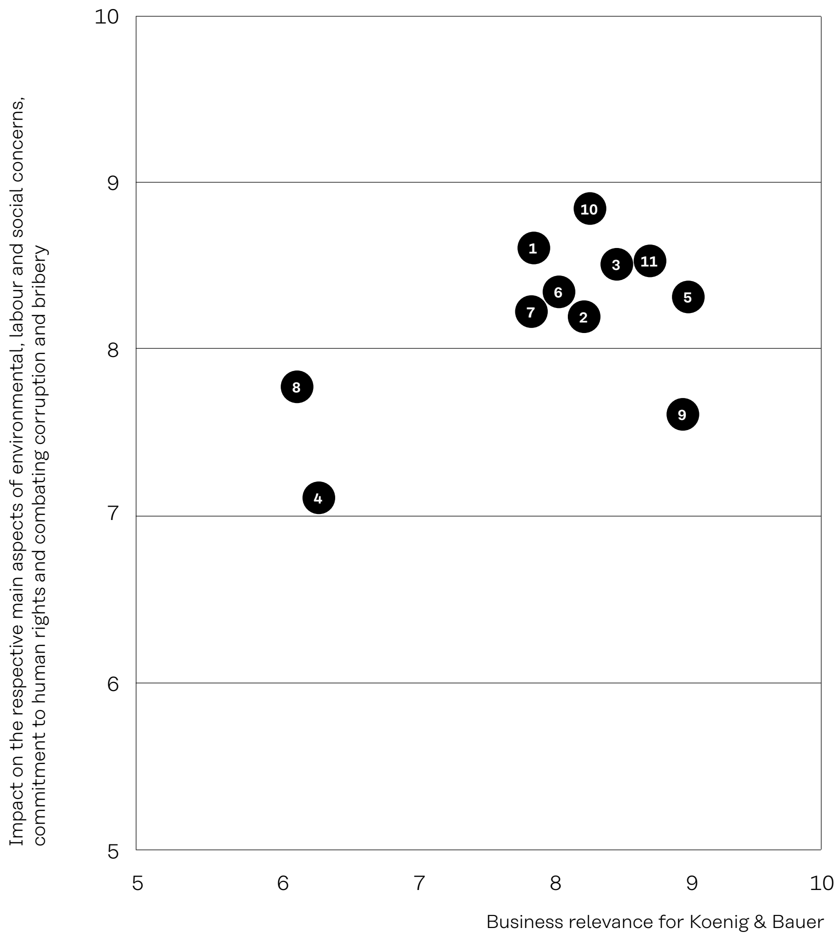
The separate non-financial Group report was prepared in accordance with Section 315c in conjunction with Sections 289c to 289e of the German Commercial Code and Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the “EU Taxonomy Regulation”) and the delegated acts adopted in this regard as well as the interpretation of the wording and terms contained in the EU Taxonomy Regulation and the delegated acts adopted in this regard, as presented in the section entitled “Disclosures on the EU Taxonomy” of the separate non-financial Group report. References to disclosures outside the Group’s non-financial report constitute further information and are therefore not part of the report. The separate non-financial Group report is published independently of the combined management report. The two separate reports are published in the Bundesanzeiger together with the external auditor’s opinion. They are also published on the company’s website at https://investors.koenig-bauer.com/en/publications/financial-reports-and-statements/.

Business model, non-financial risk report and materiality analysis

The Koenig & Bauer Group’s business model is presented in the combined management report (see page 16 of the 2023 Annual Report). In terms of sustainability, we as a solution provider and technology partner want to support our customers in reducing their ecological footprint. Various eco-components and innovative technical solutions that we have developed help to reduce carbon emissions by lowering energy consumption, waste and the use of other resources such as paints and varnishes. We incorporate eco-design criteria in the process for new and further developments wherever possible. Using detailed sustainability profiles, we present various eco-components and innovative technical solutions for improving energy and resource efficiency. We are working with various partners and start-ups on algorithms and software solutions for the customised calculation of the product carbon footprint (PCF) in order to sell carbon-neutral machines as an additional feature. The carbon footprint calculated can be offset by means of certified climate protection projects, while a carbon-neutral printing press is available to customers.

Koenig & Bauer’s Management Board is responsible for sustainability, including non-financial reporting on the environmental, employee and social aspects defined by law, the observance of human rights and anti-bribery and anti-corruption precautions. Under the Management Board’s business allocation plan, the Chief Executive Officer is responsible for corporate responsibility (ESG) and, hence, for all reported non-financial aspects. In organisational terms, the Corporate Responsibility department, which reports to the Chief Executive Officer, oversees sustainability. Individual ESG objectives are a component of the Management Board’s remuneration as an element of the short-term incentive (STI), see the comments in the remuneration report on pages 126 et seq. of the Annual Report 2023. Within the Supervisory Board, the Audit Committee is responsible for sustainability/ESG. In addition to regular updates from the Audit Committee, the entire Supervisory Board is informed of ESG activities and regulations during the annual Strategy Day and at regular Supervisory Board meetings. 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 opinion on pages 174 et seq. of 2023 Annual Report).

A materiality analysis was conducted to define the main aspects of the non-financial Group report. In accordance with the CSR Directive Implementation Act (sections 315c/289c of the German Commercial Code), the analysis is composed of the following elements: environmental, employee and social matters, observance of human rights and anti-bribery and anti-corruption precautions. In a preliminary step, a comprehensive list of non-financial matters potentially of relevance for customers, employees, investors and business partners was prepared with respect to these five aspects in accordance with the German Commercial Code to determine the main elements of the report. On the basis of this long list, we initially defined the material non-financial issues for our business activities, business relationships, products and services within the five aspects in accordance with the German Commercial Code (HGB) in internal workshops and subsequently in an online survey of external and internal stakeholders. A short list was then prepared setting out all the matters which on a scale from 0 (not material or relevant) to 10 (highly material or relevant) had an average materiality score of at least 5 for the main issue in question and its business relevance. This was aligned to the current version of the Sustainability Reporting Standards of the Global Reporting Initiative (GRI). The internal respondents were managers and experts from operations management, production, service, personnel management, personnel development, quality management, product management and innovation, construction, development & process technology, safety/health/environment, facility management, compliance & internal auditing & risk management, corporate strategy, business/corporate development, marketing and communications. All business units and, in particular, employee representatives across the Group were involved. In addition to industry representatives from other components industries, the external stakeholders questioned primarily included customers and producers of brand-name articles as well as their customers together with banks, scientific experts and students. The following materiality matrix summarises the results:



1: **Operational environmental and energy management**
2: **Ecological printing technology**
3: **Attractive employer**
4: **Diversity**
5: **Recruitment of and professional training for the next generation of skilled workers**
6: **Systematic personnel development**
7: **Health and safety**
8: **Commitment to the community**
9: **High product quality for greater on-site and process reliability in printing operations**
10: **Commitment to human rights**
11: **Anti-corruption and anti-bribery**

As in 2022, the issues and topics presented in this materiality matrix will also be reported in the 2023 non-financial Group report. The decisive factor here was that the comprehensive double materiality analysis, which was carried out in summer 2023 in accordance with the Corporate Sustainability Reporting Directive (CSRD), confirmed the topics already identified in 2022 according to the GRI materiality analysis, but classified additional topics as material due to the different requirements. At the presentation and explanation of the results of the double materiality analysis in accordance with the CSRD at a meeting on 17 August 2023, this procedure was approved by the Chief Executive Officer.

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

The risk inventory conducted at the end of 2023 did not identify any material, reportable non-financial risks resulting from business activities, business relationships, products or services that have an adverse impact on the non-financial aspects mentioned. Risks that affect the Company externally are presented in the risk report in the combined management report (see pages 35 et seq. of the 2023 Annual Report).

Environmental aspects

At Koenig & Bauer, environmental aspects and the observance of high quality and safety standards are taken into account as far as possible along the entire value chain, from the product idea and purchasing to production and the start-up of the printing presses. Right from the start of the development and design stage, attention is paid to energy and resource efficiency in the assembly and operation of printing presses and finishing equipment. A further focus is placed on minimising noise, dust, odour and carbon emissions during the production and utilisation of our presses as well as the use of environment-friendly substrates and consumables in the printing, finishing and postpress phases. There are different management approaches for the two thematic complexes of corporate environmental and energy management as well as ecological printing technology for customers.

Operational environmental and energy management
Effective environmental and climate protection in the plants as well as the responsible use of resources are priorities for Koenig & Bauer. The production plants in Radebeul, Würzburg and Dobruška hold DIN EN ISO 9001:2015 and DIN EN ISO 14001:2015 quality and environment certification. In addition, our foundry in Würzburg operates an energy management system that has been certified in accordance with DIN EN ISO 50001:2018. A permanent focus of our work is on minimising the consumption of energy and resources in production as well as on reducing workplace emissions. We are consistently investing in efficient technologies and equipment to this end. In addition, employee awareness of environmental issues and energy saving is raised via the brand ambassador Etti, who is used on our social media channels. In a sustainability tip on the intranet in December 2023, employees were reminded to use heating responsibly. As every reduction in the consumption of energy and resources is reflected in lower carbon emissions, Koenig & Bauer is also contributing to climate protection in this way.

With regard to our ecological responsibility, we want to proactively drive forward and achieve the defined goal of carbon neutrality by 2030 at our production plants. In addition to the key financial figures and ROI calculations ahead of investment decisions, the Group framework guideline for investments, which was revised in 2022 with regard to sustainability, includes mandatory monitoring of the sustainability impact of investments. Alongside the mandatory assessment of all capital expenditure plans in the Group based on an environmental score tool used by the requester of the capital expenditure, information from the Corporate Responsibility department on the sustainability impact of the planned capital expenditure is also required from a threshold of 20 thousand euros or more. With the environmental score tool provided on the intranet together with an instruction and FAQ document, capital expenditure projects can be evaluated on a Group-wide basis in a standardised, comparable and efficient manner to determine their contribution to improving sustainability. The environmental score calculated with the tool equals the value of the capital expenditure in thousands of euros per total tons of carbon saved. Together with the numerical environmental score for the capital expenditure under consideration, the tool also categorises the capital expenditure according to classes A to G. Class A carbon savings achieved through the planned capital expenditure are the highest and the quotient the lowest. By contrast, class G capital expenditure projects are less energy-efficient relative to the capital invested. If, as is the case with new capital expenditure plans, no energy or resource reference data is available to calculate the carbon savings potential, a check using soft facts based on the ESG (environmental, social and governance) criteria is required at a minimum.

We are also working on improving the carbon footprint in our plants by adopting a green energy policy, which also includes energy efficiency measures. Since the beginning of 2021, we have been sourcing solely green electricity produced from hydroelectric power in Norway for our main Group sites in Würzburg and Radebeul as well as at some subsidiaries. In addition to three solar thermal systems for climate-neutral water heating, photovoltaic systems are in operation at the Würzburg site to generate its own electricity. Further photovoltaic systems produce green electricity in Mödling and Radebeul. At the Lausanne site, a photovoltaic system has been producing green electricity on the roof of the building since November 2023. As most of the electricity produced is used internally, the project financed by the building owner can cover 18% of the Swiss subsidiary's annual electricity consumption. In the year under review, 938,258 kWh of electricity was generated by the Group-wide photovoltaic systems. At the Radebeul site, the concept for largely carbon-neutral district heating supplies using green energy could not be executed as planned. However, heating at the Mödling site was switched from gas to district heating using carbon-neutral biomass power plants in the year under review via a connection with the district heating network operated by Energieversorgung Niederösterreich. With regard to a replacement for gas at the Würzburg site, various green environmental heat sources are being tested on the basis of plant planning. To this end, a thermal response test was carried out in spring 2023 to evaluate the possible use of brine geothermal heat pumps.

Alongside the internal production and use of green energy, conservation and energy efficiency at our plants from another important pillar of our green energy policy. In addition to the modernisation and replacement of air compressors and air conditioning units, the compressed air systems are regularly checked for leaks due to their high power consumption in order to save energy through prompt repairs. Compressed air is required at almost all workplaces and production and assembly machines. Another component in our efforts to reduce electricity consumption while simultaneously improving working conditions is the accelerated replacement of lighting systems with highly efficient LED technology at our sites. The corresponding investments and expenses are included in the taxonomy-eligible Category C capital expenditure and operating expenses (see the section on the EU taxonomy). The investment in the new melting plant installed in the Würzburg foundry in the year under review has not yet been capitalised. In addition to the high energy efficiency of the new foundry melting furnaces, the optimised waste heat utilisation allows energy to be fed into the plant's internal heating network, while the closed water circuit reduces annual water consumption.

In the year under review, the vocational school in Würzburg was included in the group of climate schools in Bavaria, which includes 50 other Bavarian schools. The Bronze certificate was awarded by the Bavarian State Ministries of Education/Culture and of Environment/Consumer Protection. The award recognises schools that make their school operations sustainable and gradually cut carbon emissions. At the same time, a climate school teaches its students skills for shaping a sustainable future and makes climate-friendly behaviour tangible. The calculation of the school's specific carbon footprint was followed by the preparation of a climate protection plan, in which concrete climate protection measures for the gradual reduction of the carbon footprint in the following years are defined. The project focusses on eight fields of action such as mobility, electricity, heating, waste, purchasing, nutrition, communication & networking and involves teachers and pupils alike.

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

The following table provides an overview of electricity, natural gas, LNG, district heating, water consumption and waste in 2023 compared with the previous year. To heighten production safety, individual gas-fuelled processes in the Würzburg production facility were converted from natural gas to liquid gas.

	2022			**2023**		
	Würzburg	**Radebeul**	**Total**	**Würzburg**	**Radebeul**	**Total**
Electricity (externally sourced and self-produced)	22,948,789 kWh	13,011,905 kWh	35,960,694 kWh	21,317,104 kWh	12,570,509 kWh	33,887,613 kWh
Natural and liquid gas	10,789,041 kWh	–	10,789,041 kWh	9,740,829 kWh	–	9,740,829 kWh
District heating	–	9,402,600 kWh	9,402,600 kWh	–	8,760,585 kWh	8,760,585 kWh
Water	30,855 m³	15,671 m³	46,526 m³	34,400 m³	17,966 m³	52,366 m³
Amount of waste	5,252 t	4,945 t	10,197 t	4,586 t	4,785 t	9,371 t

Based on these consumption figures, the Scope 1 carbon-equivalent emissions at the large locations in Radebeul and Würzburg came to 3,234.3 tonnes in 2023, below the previous year's figure of 3,407.3 tonnes, mainly as a result of lower gas consumption. The location-based Scope 2 carbon-equivalent emissions amounted to 14,115.3 t, compared with 16,351.7 t in the previous year. This decline was particularly due to the reduction in emission factors for the German electricity mix from 410 g/kWh in the previous year to 370 g/kWh. The calculations for location-based Scope 2 carbon-equivalent emissions are derived from the provisional average emission factors for the German electricity mix published by Bundesverband der Energie- und Wasserwirtschaft (Federal Association of Energy and Water Management). Despite the discontinuation of nuclear energy for the production of electricity in April 2023, emissions from the electricity industry have fallen sharply over the course of the year, due in particular to the decline in coal-fired power production by more than one quarter. In addition, the further expansion of renewable energies and the largely cyclical decline in domestic electricity consumption reinforced this trend. Market-based Scope 2 carbon-equivalent emissions also fell from 3,651.9 tonnes in the previous year to 3,402.5 tonnes as a result of the lower consumption of electricity and district heating.

The Group-wide Scope 3 carbon emissions for 2023 were again calculated with external support. Scope 3 carbon-equivalent emissions totalled 2,318 kt in the year under review (2022: 2,303 kt carbon-equivalent). At over 99%, Scope 3 carbon-equivalent emissions again account for the largest share of Koenig & Bauer's carbon footprint. At 93.1%, the downstream side with product utilisation is the main Scope 3 emissions driver. Accordingly, top priority is being given to lowering the energy consumption of products by improving their energy efficiency, expanding digital services for optimum press utilisation and raising customers' awareness of the importance of transitioning to green electricity. On the upstream side, the strategic orientation in purchasing activities in favour of materials with the lowest possible carbon footprint and the more responsible transportation of materials, finished products and service parts provide further levers for reducing Scope 3 carbon emissions. A reduction in carbon emissions can also be achieved on employees' commutes to work through targeted incentives to use car pools, bicycles or public transport. Another contribution to climate protection can be achieved through sustainable travel management. Restrictions in business travel to a limited number of participants and important occasions is a significant sustainability lever. In addition, the carbon footprint of every business trip can be improved by means of targeted travel planning including the selection of the method of transport. In 2022, Koenig & Bauer amended the Group policy on business-related out-of-office activities with a strong commitment to more sustainable business travel.

The following table provides an overview of Scope 1 and 2 (large plants in Radebeul and Würzburg) and Scope 3 (Group) carbon-equivalent emissions in tonnes and the carbon-equivalent intensity in tonnes per €1m of revenue:

	2022	**2023**
Carbon-equivalent emissions (tons)		
Scope 1 (gas and vehicle fleet)	3,407.3	3,234.3
Scope 2 (electricity and district heating) – location-based	16,351.7	14,115.3
Scope 2 (electricity and district heating) – market-based	3,651.9	3,402.5
Scope 3 (indirect emissions upstream and downstream)	2,303,000.0	2,318,000.0
Carbon-equivalent intensity (in tonnes per €1m) € of revenue)		
Scope 1 (gas and vehicle fleet)	2.9	2.4
Scope 2 (electricity and district heating) – location-based	13.8	10.6
Scope 2 (electricity and district heating) – market-based	3.1	2.6
Scope 3 (indirect emissions upstream and downstream)	1,942.3	1,747.1

Ecological printing technology

We view sustainability and climate protection as part of our responsibility towards future generations, especially with regard to our products. Specifically, this is already opening up a wide range of opportunities for placing new products, equipment options and services on the market and for standing apart from the competition. Accordingly, we pay attention to energy and resource efficiency in the production process and in the operation of the presses and equipment when developing and designing our products. In addition to minimising carbon, noise, dust and odour emissions in production and for product users, the use of environmentally friendly substrates and consumables in printing, finishing and further processing is a particular priority. When considering the environmental impact of our products, we also take account of the recyclability of the equipment. The main components such as steel and grey cast iron are completely recyclable and make a significant contribution to the circular economy.

We incorporate energy-saving technologies in our new and enhanced products to lower carbon emissions in industrial printing. Below we present some of the eco-components and innovative technical solutions developed in recent years to reduce energy consumption, waste and resources such as inks and coatings. Koenig & Bauer offers a range of energy-saving alternatives for the drying process, which is one of the most energy-intensive functions in printing operations. The VariDry^{Blue} drying system that we have developed for sheetfed presses is an energy-efficient solution. Energy requirements for drying water-based dispersion coating can be reduced by 22%. This is done by using the hot air twice in the drier modules. HR and LED drier modules for interim and final drying are powerful but more efficient alternatives to conventional UV driers. Waste can be saved and makeready times shortened by means of various quality measurement and control systems, inspection systems, preset functions and other equipment options. This allows customers to significantly increase the resource efficiency of their printing operations. The technology developed for the AirTronic system for medium-format sheetfed offset presses can reduce the energy consumption of the dryers by up to 40%. By increasing the number of hot air nozzles and optimising them by means of integrated IR emitters and improved exhaust air routing via the sides instead of upwards, superior heating performance and a higher overall temperature level is achieved, which, in addition to boosting energy efficiency, improves the drying process and, thus, the drying result.

In the metal printing presses built by Koenig & Bauer MetalPrint, the HighEcon dryer, which has won the METPACK Innovation Award, cuts gas costs by up to 70% compared to older models thanks to the newly developed high-efficiency KXB burner. With the EcoTNV dryer, the solvent-laden air is fed into the thermal afterburner during drying. In integrated systems such as the High-Econ or EcoTNV dryers, the exhaust air is generally not only cleaned but also produces the heat for the dryer. The solvents in the exhaust air are used to save energy. Thus, if the solvent concentration in the exhaust air is sufficient, gas consumption can be kept to a minimum.

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

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

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

Koenig & Bauer offers customers the VisuEnergy X management system to additionally improve energy and resource efficiency in their printing operations and throughout the entire company. As a trusted advisor on sustainability, we provide customers with comprehensive support ranging from system and requirements analysis to energy consulting covering energy technology, efficiency and procurement strategies and their orientation as climate-neutral companies. VisuEnergy X permits end-to-end digitalisation of the company, helps to record environmental data and supports an energy management system that has been certified under DIN EN ISO 50001:2018.

A further example of our active environmental policies is water-based and migration-harmless ink for food packaging. in 2023, we took part in successful practical testing of the use of mineral oil-free, low-migration inks that heatset printing companies require for packaging printing in the food sector.

Employee aspects

A motivated, experienced, highly qualified, loyal and healthy workforce is a key pillar in the sustainable success of our company with its broad product portfolio of highly complex presses and services as well as sophisticated digital printing technology. With their ability to develop bespoke premium-quality high-tech printing presses and to provide comprehensive services, our employees generate sustained value for Koenig & Bauer. Against the backdrop of demographic change and the imminent retirement of “baby boomers” resulting in a significantly greater need for replacement employees in the coming years, as well as digitalisation and greater global networking as global trends, the current challenge is to find, recruit and retain young talent and people with broad and detailed expertise in a wide range of professions, especially as the activities often require a high degree of flexibility and willingness to travel. Accordingly, our HR activities in the year under review focussed on recruiting the next generation of specialists and managers, the professional and personal development, motivation and retention of employees, as well as the further promotion of diversity. One particular focus was placed on expanding training capacities and professions in order to secure the skilled labour of tomorrow and align it with the needs of our company as a technology group, as well as to create scope for growth and business expansion. In 2023, we increased the number of placements for vocational training, dual study programmes and internships by over 20% compared to the previous year and additionally diversified the job profiles. Despite the tense situation on the labour market and the higher number of trainees, all vacancies in the Group were filled. In the competition for talent, Koenig & Bauer benefits from its international outlook, its future-oriented products and digital services, its pronounced focus on innovation and value and its long history. A variety of measures, such as the early involvement of young management talent in projects and various training opportunities assist employees in unleashing their full potential. With the Koenig & Bauer Academy and the Koenig & Bauer Campus learning management system, our employees can benefit from an extensive array of training opportunities and learn autonomously and flexibly in line with their needs.

In addition to high standards of workplace health and safety, Koenig & Bauer is committed to offering all employees equal opportunities. We want to additionally consolidate equal opportunities as the basis for personnel decisions in the Group. Respectful and responsible interaction with each other and the prevention of all forms of discrimination are an integral part of our corporate culture. We want to ensure discrimination-free workplaces for employees regardless of gender, age, disability, religion, origin or sexual orientation and promote inclusiveness. People with restricted mobility also have a place in Koenig & Bauer's regular workforce. Similarly, employing people with special needs is a major priority for us. Some of the companies at the Würzburg and Radebeul sites significantly exceed the quota for employees with special needs stipulated in the German Social Code. At the foundry company in Würzburg, the severely disabled rate stood at 8.3% at the end of 2023 (previous year: 9.3%).

Attractive employer

Koenig & Bauer offers its employees modern working conditions including flexitime and working time accounts as well as mobile working. Mobile working allows them to perform their work outside the company using mobile devices. The organisation is governed by a new company agreement drawn up in the year under review, which incorporates feedback from employee surveys and from managers. In principle, the nature of the tasks, activity and projects determine whether and to what extent mobile working is feasible for employees. Mobile working is not possible in around half of our workplaces, particularly in production and assembly. The proportion of the weekly working hours that can be spent in mobile working is set at 40%, although a certain degree of flexibility can be accommodated by line managers. For employees with children in particular, the option of mobile working offers advantages in reconciling sickness-related childcare and work. To further strengthen Koenig & Bauer's profile as an attractive employer, we implemented further measures and expanded our benefits in the year under review, including bicycle leasing and a job ticket to additionally flexibilise working hours, new apprenticeships and dual Bachelor degree programmes in IT and international business. Koenig & Bauer grants employees advances towards Job, Germany and 29-euro rail tickets for apprentices in Bavaria as well as for bicycle leasing. There are also other benefits for our employees, such as pay-scale agreements at many Group companies, Group-wide internal personnel development and family-friendly programmes.

Employees are assisted in finding a viable work-life balance by means of special benefits such as flexible working hours, temporary or permanent part-time models, mobile working, childcare services and special leave as well as family leave and sabbaticals. The proportion of part-time employees in the Group widened to 4.9% (previous year: 4.5%). Furthermore, Koenig & Bauer offers various child and holiday care services at its sites. During the 2023 summer holidays, the fourth vacation programme available to the children of employees at the Würzburg site was held over two weeks and included forest adventure hikes, various activities on an adventure farm and a Koenig & Bauer day with factory and printing demonstrations. This holiday programme has been included as a comprehensive concept with two complete childcare weeks in the nationwide company childcare guide as a practical example of one of four organisational models. In the year under review, the holiday care concept, which was recognised as exemplary throughout Germany by the Federal Ministry of Family Affairs, was adopted at the Radebeul site. The Radebeul summer holiday programme included various activities on a farm for children and young people. On the school-free Day of Repentance and Prayer, the traditional Children's and Youth Day took place at the Würzburg plant. This year's programme included a trip to an animal park. While company childcare is being planned at the Würzburg site, employees at the Radebeul site can already use an existing daycare centre run by an external provider next to the company premises. Koenig & Bauer has been a member of the Family and Work Alliance in the Würzburg region since 2006.

Alongside a low fluctuation rate of 2.2% (previous year: 2%), the average length of service of 18.6 years (previous year: 19.2 years) and the continuously high number of long-service anniversaries are visible indicators of strong employee loyalty at Koenig & Bauer. in 2023, 98 employees (previous year: 129) celebrated a milestone anniversary at the two major Group sites in Radebeul and Würzburg. 26 employees were able to look back on 40 years of service, while 72 had been with the Company for 25 years.

Diversity

Koenig & Bauer attaches particular importance to the diversity of its workforce and continues to work on further enhancements in terms of gender, internationality and ethnicity, age, religion and world view, experience and qualifications under its diversity policy. We want to harness the potential arising from heterogeneous teams in the interests of sustained corporate development. In terms of internationality, we have already achieved a high degree of diversity thanks to our numerous global locations with employees of different nationalities. This is also reflected in the company's young talent: in Würzburg alone, young people from a total of eleven different nationalities embarked on their apprenticeships in September 2023. In addition, the Würzburg site was recognised by the University of Konstanz as a "committed training company in the field of integration". In terms of age structure, the following situation applies to the two large Group sites in Radebeul and Würzburg: of the 3,244 employees at the two plants, 25.6% are aged 35 and under, 49.3% are aged between 35 and 55 and 25.1% are aged over 55. As with many other mechanical engineering companies, Koenig & Bauer has a relatively small proportion of female employees (15%) compared with other sectors, although there was a small improvement over the previous year (14.8%). Various activities are being undertaken to further increase the proportion of female employees in our manufacturing company, including a targeted approach to women during girls' day, career fairs, internships and school visits. We also want to increase the proportion of women in management positions with special training and female mentoring programmes. In a programme carried out with the Bavarian Metalworkers' Association (bayme), we are encouraging skilled female employees with development potential to take on management tasks. At the end of 2023, female representation at the first and second management levels below the Management Board at the holding company Koenig & Bauer AG stood at 33.3% and 13.8%, respectively. While the proportion of women at the first management level below the Management Board remained unchanged over the previous year, it widened slightly at the second management level (previous year: 11.1%).

Recruitment of and professional training for the next generation of skilled workers

In-house training is intended to meet the high demand for qualified specialists in development, design, production, assembly, commissioning, service and commercial areas. The dual vocational training model can look back on a long tradition at Koenig & Bauer. The company's own state-recognised vocational training centre in Würzburg trains specialists by closely interlinking theory and practice. In the 155th year of its existence, it continues to enable modern learning and working. In addition to a well-equipped training workshop with various machine tools, all trainees have access to modern resources such as tablets. Via an internal website, they can use the tablet to access interactive operating instructions, e-learning, training documents, video tutorials and technical drawings. By scanning the QR codes, which are displayed on all machines, devices and containers in the vocational training centre, the trainees can view safety instructions and additional operation and handling information directly on their tablet. Apprentices gain a deep insight into the company's processes by working in different departments. Additional programmes such as exchange trips, seminars or stays abroad promote young people's professional skills as well as their personal development.

The next generation of skilled workers is being recruited from all types of schools, while opportunities are also deliberately being given to those with lower grades. At career, vocational and job fairs as well as our own events such as the career information day and the information week with an open training day in Radebeul we are committed, with the active support of our current apprentices, to arousing more people' interest in the prospect of working at Koenig & Bauer. In 2023, extensive investments were made in equipment and training facilities in the Radebeul training workshop building. For example, a new training cabinet was created for IT trainees. At an information week including an open training day held in July 2023, more than 400 interested young people from schools in the region visited the vocational training centre in Würzburg. Through close co-operation with regional schools, various school events such as career orientation days provide an opportunity to discover more about training opportunities and careers at Koenig & Bauer. A system specially built by Radebeul apprentices with hands-on CNC technology is used to advertise the apprenticeship programme for cutting machine operators. In addition to these tools, we are increasingly using our website and social media to recruit young talent. In this way, school-leavers can gain insight into what a traineeship with the Company entails together with the training syllabus and methods. In addition to the various opportunities for learning more about apprenticeships at Koenig & Bauer, we offer technically or commercially oriented work placements for school students for early career orientation for when they leave school. All internships are structured in such a way that the school students can try things out for themselves and acquaint themselves with the apprenticeship professions at the company. A number of undergraduates are completing their theses at Koenig & Bauer or attending internships or practical semesters at Koenig & Bauer. In addition, the company offers placements for undergraduates to acquaint them with the world of work at Koenig & Bauer.

As of 31 December 2023, the number of technical and commercial apprentices, including interns, stood at 400, significantly up on the previous year's figure of 331. The Group-wide training ratio rose accordingly to 7% (2022: 6%). With the number of apprentices doubling at the Würzburg site, new instructors and administrative staff were hired, buildings remodelled and constructed and equipment procured. Mechatronics technicians, industrial mechanics and IT specialists are the largest occupational groups among the apprentices. The training figures include dual students who complete their practical phases at the Group locations in addition to attending university. Koenig & Bauer apprentices at the various Group locations regularly occupy top positions in the final examinations held by the Chamber of Commerce and Industry. They are a good indicator of the acknowledged high quality of the Group-wide training centres. Two apprentices from Würzburg achieved top positions in the 2023 IHK final examinations and were each named "Top Apprentice" in their respective professions. A mechatronics technician and an industrial business management assistant were the Würzburg chamber winners in 2023. In addition, three mechatronics engineers at the Radebeul plant finished their training course with the same number of points and the highest possible grade of 1. They each received the "Top Apprentice in the Saxon Metal and Electrical Industry" prize of honour in the "Industrial Electrical Trades" category, which is awarded by the Sachsenmetall employers' association together with the Johann Andreas Schubert Foundation. This was the 23rd time that the Radebeul plant was among the companies honoured with this recognition – more than any other member company. Upon successful completion of their apprenticeships, the future specialists face good career prospects with the possibility of permanent employment at the Group's main sites in Würzburg and Radebeul.

Systematic personnel development

With the establishment of the Koenig & Bauer Academy in 2022, we have bundled all Group-wide personnel development and training activities under a single roof. With its global outlook, the Academy covers relevant fields of personnel and skills development along the employee lifecycle. In line with our Group strategy, the focus is on systematic talent management, target group-specific personnel development programmes, onboarding, individual personal development and organisational development in terms of change and transformation support. Our culture of lifelong learning and respectful interaction with one another is reflected in the wide range of programmes on offer. We ensure equal treatment of our employees, promote diversity and create supportive conditions for this.

Our employees in all consolidated Group companies, including the global sales and service companies, benefit from the Academy programme. From technical/product-related and digital skills to interdisciplinary soft skills and leadership and management competences, interested parties can find sound advice and relevant learning and development opportunities that are accessible via our learning management platform Koenig & Bauer Campus. The entire training management also runs via this system, which, in addition to establishing transparent processes for the use of personnel development tools such as annual employee appraisals, coaching and mentoring, enables key performance indicators to be determined for the needs-based management and monitoring of the programmes.

Our sustainable approach to personnel development is clearly reflected in our target group-specific programmes. The multi-part project and product management programmes are carried out regularly, some of them with external trainers and an external examination. A new programme for designers and developers was introduced in the year under review, providing our engineers with training in several modules on systematic cost reduction in teams and on the methodical development and evaluation of product ideas. While the programmes are mainly conducted by external speakers and tandems of external and internal trainers, the "Campus of Experts" lecture series is organised by Koenig & Bauer experts from a wide range of fields. In the year under review, 526 employees across the Group took advantage of the wide range of training programmes.

Thanks to worldwide collaboration within the Academy network, we ensure that experts from all disciplines shape and develop the range of training programmes offered by the Koenig & Bauer Academy and provide employees with new and important know-how. All employees have access to the online catalogue via a personal profile, where they can view the training courses available to them. In addition to traditional face-to-face sessions, the training and development programme includes live online training and a constantly growing library of e-learning courses. The extensive range of training offered by the Academy is communicated via newsletters, the Academy magazine, its own website as well as at events, training courses and in personal discussions.

Mandatory training on matters such as export control, compliance or occupational safety is allocated to employees directly in their individual training plans at the campus to ensure attendance. Each employee can apply for voluntary training courses from the online catalogue. Managers can authorise the necessary training courses directly in the system. The system documents each employee's education history It also issues reminders when training sessions are about to take place. In addition, managers are asked to register employees for training programmes. In addition to 2,333 face-to-face training sessions (2022: 522), 20,701 e-learning sessions including the 578 GoodHabitz online courses were held in the year under review (2022: 25,132). Accounting for 7,746 online training courses (2022: 11,248), compliance training is a very important aspect of e-learning. In addition, there is a wide range of technical and other training and further education courses as well as specialist training such as forklift driving licences, first aid courses etc. On top of this, we support in-service further training of our employees, allowing them to qualify as technicians, specialists and business economists, and, if desired, also offer them master training.

Koenig & Bauer has implemented systematic talent management step by step to enable management positions to be filled from its own ranks. Employee motivation through appropriate prospects, employee loyalty and, last but not least, heightened employer attractiveness are the key drivers here. Development assessments and calibrations, in which managers and junior staff undergo a differentiated potential analysis process, are a central element of talent management. In a subsequent internal calibration phase, these results are supplemented with assessments by immediate supervisors, while management and individual development plans with further training measures are drawn up. Vacancies are filled from this group of young talents in regular coordination rounds for each business unit with Management Board members and managing directors.

Eleven employees took part in the Junior Management Programme (JuMP) for up-and-coming managers in the year under review. The number of participants in the middle management programme was 35 in 2023. Encouraging young women to take on management responsibility and leadership roles is very important to us and will be further intensified, including through the new mentoring concept implemented in 2023. Employees were also able to benefit from external and internal coaches. New employees complete a digital onboarding process, which helps them to find their way around the company and familiarises them with its corporate culture. In the year under review, 199 new employees took part in the onboarding process and made their first networking contacts here.

The Koenig & Bauer Academy and the Koenig & Bauer Campus have provided the Group with the framework and tools for in-company personnel development and training. All in all, the measures and initiatives outlined above promote a global leadership and learning culture to overcome the challenges of transformation.

Health and safety

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

11.6 accidents per 1m hours worked (previous year: 15.7) with lost working time of one day or more for the core workforce were registered in the year under review at workplaces in the Würzburg and Radebeul plants. We performed extensive analyses of these incidents as a basis for defining preventive measures and providing training for significantly 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 as well as comprehensive health management also enjoy high priority at Koenig & Bauer. The various programmes are managed and implemented by human resources management and by the Koenig & Bauer in-company health insurance fund (Koenig & Bauer BKK), which is organised as an autonomous public-law entity. As part of company integration management, HR management offers employees at various business units who have been on sick leave for more than 30 days in the past year a confidential meeting via a personal invitation to discuss possible measures to overcome or prevent incapacity and maintain their performance at the workplace. A health team was established at the Radebeul site under the motto “Promoting health together”. Top priority is being given to workplace ergonomics, the prevention of musculoskeletal disorders and regeneration management. To expand the outdoor seating areas, 45 additional benches for the Würzburg and Radebeul plants were assembled internally and installed by apprentices. The annual Health Day in 2023 focused on nutrition with a nutrition quiz designed by the company doctor.

In addition to the diverse activities and offers including health courses and vaccinations, counselling and training are a further priority with which health skills are taught, while employees are encouraged to work in a health-conscious and ergonomic manner and to avoid stress. Support is also available from addiction officers for all questions relating to addictive substances and alcohol consumption. Courses were held for the apprentices under a health promotion programme tailored to their needs to raise awareness of such concerns as hearing loss caused by high noise levels, addiction prevention and the avoidance of muscle/skeletal diseases. To strengthen the mental health of apprentices and teachers, the analogue/digital You!Mind service is offered by the Koenig & Bauer BKK health insurance fund. The active weeks in selected health resorts are a special type of preventive health promotion with individual programmes to maintain or restore performance and well-being. Hearing tests, vein screenings with evaluation and on-site counselling as well as resilience webinars are among the other services on offer. Regardless of where they live, employees suffering from mental illnesses receive a qualified initial diagnosis within 14 days through the in-company health insurance fund’s ProPsych programme. If the initial diagnosis indicates the need for a medical response, the employee concerned receives psychotherapeutic treatment within a further 14 days. Special behavioural therapy for sustainable weight loss in the event of obesity is also offered under this programme. The aim of the “BGM-innovativ” programme held at the Würzburg and Radebeul sites is to provide coordinated care for at-risk and ill employees suffering from musculoskeletal disorders in order to avert illness or to prevent it from becoming chronic, to shorten the duration of the illness and absences and to maintain working capacity permanently. In addition to various sports such as functional training, full-body training with CrossFit and high-intensity interval training, yoga classes are included in the Koenig & Bauer BKK programme, which take place in hybrid form, both at the plant and online. The online skin check offered provides a specialist assessment and treatment recommendation within 48 hours. Special projects are organised to provide regular information on the importance of preventive care for the most common types of cancer. Flyers were distributed on the nationwide Dental Health Day together with a give-away. The apprentice sports day, the apprentice football cup and other team events, support for company sports festivals and the participation of employees in company runs promote health and strengthen team spirit.

Social aspects

Koenig & Bauer attaches great importance to social responsibility and has a long tradition of doing so. Even before social security was introduced in Germany, the Company had already established the predecessor of an in-company health insurance fund in 1855. The disability, widow's and orphan's fund founded in 1873 still exists today. As part of our commitment to the community, we are currently promoting social and cultural projects as well as various initiatives to preserve and protect the environment.

Social commitment of Koenig & Bauer and its employees

At Koenig & Bauer, social and cultural commitment includes comprehensive sponsoring and donation activities. Updated in 2021, the Group sponsoring and donations policy governs the basic approach and defines a consistent process throughout the Group, including approval rules. On the Koenig & Bauer sustainability website, there is a separate section setting out the various sponsorship and donation activities and the e-mail address empowerment@koenig-bauer.com as a central point of contact for all requests relating to sponsorship and donations.

In addition to annual support for the Africa Festival in Würzburg, Koenig & Bauer as the principal sponsor provides financial resources all over the world for community projects and the activities of charitable and non-profit organisations and institutions such as foundations or associations. After supporting Liebe im Karton e.V., a charity that collects relief supplies for people in need, with a monetary donation in 2022, employees at five locations wrapped over 1,000 Christmas parcels for needy children in Germany and Romania in a campaign in the year under review and handed them over to the charity for distribution. In the year under review, donations were made to the Homburg am Main Summer Academy to finance scholarships for various art courses on the subject of paper and to the Kiwanis Club in Würzburg for postnatal care for premature babies as well as for a project to provide 25 needy children with schoolbags. Koenig & Bauer also provided financial support for the Peak Performer Kids Camp 2023 in Lower Franconia and the Würzburg branch of the Bavarian Red Cross water rescue organisation. To encourage technological progress and curiosity among young people, we sponsored the "Team GreenSub-Marine" group from Dresden in their project work in the "First Lego League Challenge" competition. Since 2019, we have been supporting the Baobab Children Foundation's education project by covering the costs of 15 sponsorships. The aim of the Baobab Children Foundation is to enable young people between the ages of 13 and 18 to complete vocational training as carpenters after completing four years of school plus a practical year. In the year under review, the Fanny Koenig joinery, named after the wife of our company co-founder Friedrich Koenig, was extended and remodelled. In addition, Koenig & Bauer has for a number of years been supporting the Bakita Girls Community Centre in Tanzania, which is based on a micro- and macro-sustainability model and provides school education for young mothers and orphans in particular by providing additional vocational training resources. Koenig & Bauer MetalPrint organises an annual fundraising campaign in the form of an employee raffle, with the proceeds going to a children's and young people's hospice in Stuttgart, with the Company doubling the amount donated. Every year, the youth and trainee representatives at the Würzburg plant also collect donations from apprentices and teachers at Christmas time. In the year under review, the beneficiary was the SOS Children's Village in Hohenroth near Gemünden. Following the severe earthquake in Turkey and Syria in February 2023, we also donated to an aid organisation that helped to build emergency shelters.

In addition to supporting social organisations and school initiatives, we also fund projects aimed at promoting climate protection and the sustainable use of resources. Sponsored by Koenig & Bauer, the "Druck & Medien Awards" for the environmentally oriented company of the year recognises printing companies' ecological commitment. Initiated by Koenig & Bauer, the Green Dot Award honours international leaders from the global printing industry who have made outstanding innovative contributions to sustainable printing. After the first one in 2022, the next Green Dot Award will be presented at the drupa trade fair in Düsseldorf in May 2024.

Managers and employees make a great contribution to the community through their extensive voluntary activities at the Chambers of Industry and Commerce and the Chambers of Crafts, as honorary judges at the labour and social courts, in emergency-assistance organisations such as the Federal Agency for Technical Relief, the fire brigade and the rescue service, as well as in city and municipal councils. In many cases, employees are released from work by Koenig & Bauer so that they can pursue their various voluntary activities. In the year under review, we called on employees to present their own voluntary work in an organisation and to submit proposals for financial support from Koenig & Bauer for regional associations, events, school campaigns or social projects. Based on the wide range of proposals, we were able to provide financial support for a further 14 regional projects with personal links with our employees in the year under review. In addition, a pilot project for the continued use of decommissioned but still functional IT hardware was successfully implemented at the Radebeul plant. In addition to conserving resources and the environment through the private re-use of returned monitors, the employees made a donation in return for the purchase to support a project run by the Kiwanis Club in Dresden, which supports children from low-income families. In the year under review, the Saxon State Ministry for Culture and Tourism presented one employee at the Radebeul plant with the "Honorary Office in Culture" award for voluntary work in an association.

Activities against racism and discrimination
As a global printing press manufacturer, Koenig & Bauer has always stood for cosmopolitanism and tolerance. Our core workforce includes people who have fled their home countries for political or religious reasons. Some have completed their vocational training at Koenig & Bauer, others have directly started their careers here. At our Radebeul site, we support "Wirtschaft für ein weltoffenes Sachsen" ("Business for a Cosmopolitan Saxony") by taking specific measures to assist and promote the integration of newcomers and immigrants in the local economy. In the year under review, a donation was made to the "Willkommen in Johannstadt e. V." association in Dresden, which supports new immigrants and migrants in the Saxon state capital in a variety of ways. In the run-up to the Würzburg Week against Racism, we made a donation to the "Würzburg KUlturS e.V." association, which works in the community to combat racism, promote greater diversity and equality. The "CSD Dresden e.V." and "Queer Pride Würzburg e.V." associations, which have set themselves the goal of achieving full legal equality for queer people in all areas of life, also received financial support. We were very keen to support the work of the "Discover Jewish Europe e.V." association with a donation via the MS Goldberg culture ship. Guests on board the ship are acquainted with Jewish culture in the form of plays, readings, themed revues, concerts, cinema, talks and experimental forms of presentation.

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 production plants in Radebeul, Würzburg and Dobruška, at the Sheetfed business unit in Radebeul, at the Security business unit at the three sites in Würzburg, Lausanne and Mödling and at the Coding business unit in Veitshöchheim are certified in accordance with DIN EN ISO 9001:2015. Product development focuses on work and process safety, reliability and user-friendliness.

Commitment to human rights

Integrity in our business activities in our role as an employer and as a supplier and recipient of products and services as well as respect for human rights are core elements of our corporate governance practices. These principles were summarised in a Group-wide Code of Conduct in 2011. One of the guiding principles of our corporate policy is the United Nations Framework on Business and Human Rights ("protect, respect and remedy").

Koenig & Bauer expects suppliers to comply with Koenig & Bauer's corporate principles in addition to all applicable laws and regulations as well as international and industry standards. 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. By signing the purchasing conditions, suppliers particularly undertake to refrain from using child labour and forced labour and to avoid all forms of discrimination. The purchasing conditions impose on external business partners a duty to respect employee rights and to observe labour law. The code of conduct for suppliers included in the terms and conditions of purchase also stipulates the observance of statutory and contractual quality and safety standards as well as environmental requirements particularly in connection with the use and processing of hazardous substances. In addition to the standard templates used as framework and purchasing agreements and the purchasing conditions including the Code of Conduct, there are quality assurance agreements in force with around 400 suppliers.

The Code of Conduct also imposes on suppliers the duty to provide information on request on the observance of human rights, the ban on child labour, minimum wages, business integrity, health and safety and sustainability, and to allow audits to be carried out. We have installed different processes to verify our suppliers' compliance with the required principles initially and on an ongoing basis. A supplier qualification process must be completed whenever a supplier relationship is approved for the first time or re-established. This initial screening of potential suppliers during the selection process includes at least one self-assessment in the form of a questionnaire, in which they must also provide information on their practices for ensuring compliance with human rights and environmental standards at their companies. Further measures are initiated on the basis of the results of the self-assessment and an internal risk assessment. These can include a request for certificates, evidence of the avoidance of human rights risks or environmental risks, audit procedures or an on-site inspection. As part of the ongoing review of the partnership in the form of supplier audits, a random sample is taken from existing suppliers.

The Code of Conduct includes the elements of the Supply Chain Due Diligence Act for preventing violations of human rights in supply chains. It highlights aspects such as fair competition by preventing corruption, fraud and cartels, workplace health and safety, environmental protection, equal treatment and anti-discrimination. Adherence to these principles is ensured by the compliance management system in the form of guidelines, processes, controls, training, standard contracts and other monitoring activities. Under this approach, the measures directed at suppliers are backed by a sustainable and risk-averse purchasing strategy on the part of Koenig & Bauer, with priority given to sourcing from the German-speaking region.

On the basis of the legal obligations under the Supply Chain Due Diligence Act, we have developed a model for analysing and addressing the relevant risks and carried out a corresponding trial risk analysis in 2022. The policy statement on the implementation of the requirements under the Supply Chain Due Diligence Act is published in the Compliance section of the corporate website. In accordance with Section 5 of the Supply Chain Due Diligence Act, a risk analysis was carried out in the year under review using a formalised process. The Central Purchasing department, which is responsible for all purchasing in the Group and is based within the holding company, analysed the databases of all suppliers and, in a preliminary step, listed all countries from which goods or services above a threshold of €5,000 had been purchased directly across the Group in the last 24 months. For each direct source country, a risk score was calculated by the compliance department on the basis of twelve publicly accessible indices published by NGOs. To achieve a systematic scaling of the country-specific risk potential, a risk score of between one and three was assigned to each country for all of the twelve indices in relation to the legal interests to be protected. A risk score of one indicates a low country risk, two a medium country risk and three a high country risk. If no index-specific value was available for a country, a risk score of three was applied as the basis for further calculation. After determining all twelve index-specific country risks, a risk score was derived for each direct supplier country. In relation to the legal interests to be protected, this indicates the extent to which human rights and environmental risks can occur within the supply chain at the country level.

After all country-specific risk scores had been determined, a global average risk score was calculated. This score, which is recalculated annually, forms the basis for further risk analysis at the supplier level. All suppliers from critical countries whose risk score is up to 25% above the average international score undergo a separate audit. After an analysis of the results and approval of the risk assessment, a meeting of the committee consisting of representatives from Central Purchasing, Corporate Responsibility, Compliance and Quality Management as well as the Human Rights Officer was held to determine the suppliers from the critical countries to be audited, as well as an action plan with an audit roadmap and deadlines for high-risk suppliers. In further meetings, the Audit Committee discussed the progress report as well as the evaluation results and measures. Depending on the risks identified, the risk-minimisation action plan can include a qualified self-assessment with internationally recognised documentary evidence or certificates, an on-site audit or an unscheduled audit in the event of any suspicious activity reported. Furthermore, the inspection committee determines the date by which the suppliers that are classified as problematic must be audited. Measures to reduce or eliminate identified risks may include further awareness-raising activities and a declaration of undertaking by suppliers to respect human rights and the environment, closer monitoring of suppliers, agreement with suppliers on concrete action plans to reduce risks and, in cases in which there is a persistent risk to the protected interests, a reduction in or the discontinuation of the relationship with the supplier in question. The implementation of the defined measures and their effectiveness are monitored by the Human Rights Officer.

The risk analysis also includes information from employees and third parties on potential violations, dangers or grievances, the failure of business partners to comply with human rights and environmental protection requirements, which can also be reported anonymously via the whistleblower system. Based on a written report received, we carried out an event-driven risk analysis in accordance with Section 5 (4) sentence 1 of the Supply Chain Due Diligence Act in the year under review with a survey and other test steps. However, this did not confirm the suspected potential violation of due diligence obligations to prevent human rights violations in supply chains.

Anti-corruption and anti-bribery

Corruption and inadequate measures to combat it deprive the economies concerned of billions of euros every year and have considerable and far-reaching consequences for governments, citizens and the economic and social development of civil societies. International studies have shown that the impact of ongoing corruption not only leads to lower prosperity, but also has a significant adverse impact on respect for human rights and protection of the environment. Corrupt societies generally have a lower level of participation and labour rights, access to care facilities and systems, equal rights, equal access to education, work and equal pay and non-discriminatory lifestyles. In addition, necessary measures or internationally recognised standards or agreements to protect the environment, resources or biodiversity are often undermined as a result of corruption. It is universally acknowledged that the fight against corruption is a joint task for all stakeholders, particularly politicians, international organisations, civil society, but especially all economic players and therefore companies.

Due to the impact of corruption on human rights and the environment, the continued fight against and prevention of corruption forms an intrinsic part of Koenig & Bauer's corporate strategy. We attach key importance to responsible, sustainable and long-term value creation. We regard integrity and compliance with the law in business transactions as indispensable and pursue a zero-tolerance doctrine in this respect. For this reason, Koenig & Bauer's Code of Conduct, which applies to all subsidiaries, explicitly states that there is no trade-off between the company's commercial interests and its duty to follow the law, and that we would rather forego an order or the achievement of internal objectives than violate any laws and regulations.

Compliance management system (CMS) - control and monitoring
The Group-wide compliance management system (CMS) creates the basis for ensuring that business practices satisfy the highest compliance and integrity standards. Since 2023, all relevant German subsidiaries of Koenig & Bauer have been certified in accordance with ISO 37001 (anti-corruption management). The content and activities of the compliance organisation as well as internal processes and controls are continuously reviewed and enhanced in accordance with this standard and on the basis of any changes to the legal framework. A compliance plan is agreed with the Management Board and the Audit Committee of the Supervisory Board at the beginning of the year in order to monitor the functionality and further development of the CMS. To this end, the compliance plan also defines measurable objectives (KPIs) for the CMS. The following KPIs are currently defined:

- Ratio of compliance training completed at the Koenig & Bauer Campus
- Ratio of compliance on-boarding for new employees as part of the Welcome Days
- Number of compliance reviews conducted at Koenig & Bauer subsidiaries
- Percentage acceptance of the Koenig & Bauer business principles by relevant suppliers
- Ratio of compliance undertakings signed by relevant employees

Decisions on the modification of KPIs or the inclusion of additional ones are made during annual compliance planning.

The CMS is designed to prevent violations of laws, standards or internal policies. A regular compliance risk analysis forms the basis for the organisation and processes. More detailed stakeholder and risk analyses are carried out to intensify the analysis of special risks, such as corruption prevention and money laundering. In addition to monitoring changes in the law and reported compliance risks, one component of the risk assessment entails the continuous sharing of information on the internal processes of the Koenig & Bauer Group companies. For this purpose, a compliance team has been set up and is composed of representatives from information technology, human resources, accounting, taxes, data protection as well as the local compliance officers. In 2021, all subsidiaries additionally submitted for the first time a standardised report on their compliance situation as part of the fixed agenda of the meetings of the relevant supervisory bodies (e.g. boards, shareholder assemblies, supervisory boards, governance bodies).

Guidelines and processes

Comprehensive guidelines have been issued and the necessary processes established on the basis of the results of the risk analysis to ensure compliance and integrity in all business activities. Any changes that are identified in the risk situation or requirements are addressed by duly modifying the internal guidelines. The Code of Conduct rolled out across the Group, the rules on the compliance organisation and the relevant Group guidelines are available to all employees in their most recent version in the guidelines portal on the Koenig & Bauer intranet. In the course of ISO certification and the entry into force of the Supply Chain Due Diligence Act and the Whistleblower Protection Act, various guidelines were revised in 2023 and the processes concerned adjusted.

Certifications

The CMS attaches great importance to combating corruption and bribery. For this reason, the process for ISO 37001 anti-corruption management certification was initiated at all German subsidiaries in 2022. Companies were defined as relevant if they have sales, service and procurement activities, but are not pure production companies or those that only accompany administrative or management activities, e.g. holding or management companies. The corresponding certification audit was completed in December 2022, with the ISO 37001 certificate issued at the end of January 2023. In addition, the certification process for ISO 37001 (anti-corruption management) was carried out for Swiss-based Koenig & Bauer Banknote Solutions in 2023 in conjunction with the audit for re-accreditation with the Banknote Ethics Initiative (BnEI). Certification was achieved in February 2024. The ongoing certification efforts also reflect Koenig & Bauer's comprehensive commitment to promoting fair competition.

Training

The comprehensive compliance and integrity standards can only be fully effective if employees are aware of them and adhere to them. For this purpose, 10 online training sessions covering the main aspects of compliance and the Code of Conduct are currently available throughout the Group. in 2023, the content of the training courses was revised and restructured to reflect the current legal situation and company organisation on the one hand and to incorporate the level of knowledge achieved by employees after completing the first training cycles on the other. Available in several languages, they are mandatory for every new employee. The Koenig & Bauer Campus training management system, which is based on SAP SuccessFactors, automatically ensures that training is carried out within the cycles determined according to the risk criteria of 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, a total of 5,186 Koenig & Bauer employees completed compliance training directly related to anti-corruption measures. In the training cycle rolled out for 2023, the participation rate for anti-corruption management training exceeded 93%. The Koenig & Bauer Campus has since been rolled out across all 50 relevant subsidiaries, meaning that almost all employees in Europe, Asia, North and South America can attend compliance training via the Koenig & Bauer Campus. Companies were defined as non-relevant if they have no independent operating business activities or are made up exclusively of personnel who also have parallel employment relationships in consolidated companies, e.g. in holding or management companies. In addition, face-to-face training sessions are organised as part of the onboarding events for new employees and on-site visits by compliance officers to subsidiaries as required.

Monitoring and whistleblower system

The preventive CMS measures are complemented by a regular review of their effectiveness to identify potential for improvement. In addition to tracking the agreed KPIs for the CMS, internal and external compliance assessments in particular are carried out periodically at Koenig & Bauer AG and its subsidiaries for this purpose. Following an interruption due to the pandemic, more subsidiaries, in particular sales and service companies, were again visited in 2023 for this purpose and compliance assessments carried out on site. In addition to the companies included in the ISO scope, this related to the Koenig & Bauer companies in South Korea, Japan, Malaysia, Singapore, North America, Poland and the sales hubs of Koenig & Bauer Banknote Solutions in Asia.

The internal whistleblower system, which had been in place since 2017, was replaced in 2022 by a new online platform that will continue to ensure that potential compliance violations can be reported anonymously by employees and – in contrast to the previous system – additionally also by third parties. The whistleblowing system also includes a case management function, thereby ensuring full documentation of the actions taken to follow up on the tips received. As well as this, it contains a feedback channel to the whistleblower notifying him or her of the receipt of the report and the status and outcome of the inquiries. Moreover, the system allows for requests for further information or evidence to be made even if the whistleblower wishes to remain anonymous. Under the Group policy, all suspicions are followed up consistently and, if necessary, disciplinary or legal action taken. The platform and the processes for the internal investigation of reports were expanded in 2023 in order to fully comply with the German Whistleblower Protection Act and the transposition laws under the EU Whistleblower Protection Directive (Directive (EU) 2019/1937) enacted in the respective EU member states. The reporting channel was communicated through training courses, the intranet, notices and on Koenig & Bauer's compliance website. The external reporting centre set up in Germany at the Federal Cartel Office was included in communications to employees. Several reports received in 2023 from various subsidiaries prove that the platform is known and accepted. The systematic follow-up applies equally to reports from the media or authorities regarding potential legal 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.

Collective actions and commitment to fighting corruption

Koenig & Bauer is also committed to fighting corruption and encouraging compliance beyond its own business activities. Since its foundation in 2013, the Banknote Ethics Initiative (BnEI) has established a strict code to prevent and combat corruption and anti-trust violations in the field of banknote printing and trading. The principles espoused are not only recognised among the members of the BnEI but are also adopted by a significant proportion of central banks and banknote printers worldwide and form part of their procurement processes. As a founding member of the BnEI, Koenig & Bauer Banknote Solutions has agreed to be bound by strict rules of conduct and transparency, compliance with which is verified under the accreditation to be renewed every three years on the basis of an audit programme developed by the BnEI. The accreditation audit was held at the end of 2023 as scheduled, with accreditation duly received in February 2024.

Via the KBA-NotaSys Integrity Fund, which was founded in 2017, Koenig & Bauer financed international projects to enhance compliance processes and culture. Since the fund was established, it has supported a total of 45 projects from universities, associations and institutes in Europe, South America and Africa. The project initiators include Transparency International, the German Institute for Compliance (DICO), the German Institute for Efficiency Testing (DIEP) and various Swiss and German universities. The results of the projects were published and presented to interested groups and also discussed at two meetings of the project managers organised by the Fund in 2020 and 2022. A total amount of €5m was allocated. The Integrity Fund was formally closed on 31 December 2022. However, projects that have already been awarded will continue to run until the contractually agreed deadline of 2024 at the latest. The Integrity Fund was formally concluded at the Integrity Europe Conference on 26/27 October 2023, which was organised by the Lucerne University of Applied Sciences and Arts and partly financed by the Fund. The conference established a format that had previously not existed in Switzerland by addressing international representatives from academia, business, advocacy practice and the authorities, thus facilitating an interdisciplinary exchange. Many of those responsible for the funded projects attended the conference, which enabled the knowledge gained from the projects to be shared with a broad public. Due to the success of the conference, the management board of the Integrity Fund decided to make returned or unused allocations or incomplete projects available as start-up financing for the second conference in 2024.

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

The ongoing analysis of possible compliance risks is a decisive prerequisite for the Company's ability to continue meeting the high standards of rule-compliant business conduct and integrity in the future. The analyses and assessments carried out in the individual divisions in 2023 and the findings from internal investigations did not reveal any new compliance risks. Relevant processes and controls were adapted and expanded as described in order to address the shortcomings identified and workarounds as well as the changed legal requirements.

Disclosures on the EU taxonomy

The EU Taxonomy Regulation is an integral part of the European Commission's Action Plan on the Allocation of Capital Flows to Sustainable Economic Activities. As a classification system for ecologically sustainable economic activities, the EU taxonomy rules mark a significant step towards achieving the EU objective of climate neutrality by 2050. The taxonomy focuses on six objectives: climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control and protection and restoration of biodiversity and ecosystems.

The following information is based on the Taxonomy Regulation (EU) 2020/852. We have also adopted the delegated act on the first two environmental objectives of climate change mitigation and adaptation (Commission Delegated Regulation (EU) 2021/2139 on the technical screening criteria pursuant to Articles 10 and 11 of the Taxonomy Regulation, hereinafter referred to as the Climate Law Act), the delegated act on the reporting obligations under Article 8 of the Taxonomy Regulation (Commission Delegated Regulation (EU) 2021/2178) and the minimum protection under Article 18 of the Taxonomy Regulation. Our comments are also based on the additions made by Commission Delegated Regulations (EU) 2023/2486 and (EU) 2023/2485, including with regard to the inclusion of the four non-climate-related environmental objectives in the reporting obligations and new economic activities in the Climate Law Act. The amendments made to the delegated act on Article 8 of the Taxonomy Regulation provide for a phase-in period for environmental objectives 3-6 and for newly added activities to the Climate Law Act. Accordingly, the reporting obligations for these activities in 2024 only include information on taxonomy eligibility (share of taxonomy-eligible and non-taxonomy-eligible revenue, capital expenditure and operating expenditure). The reporting obligation also takes into account Commission Delegated Regulation (EU) 2022/1214 amending Delegated Regulation (EU) 2021/2139 with regard to economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 with regard to specific disclosure requirements for these economic activities. As Koenig & Bauer does not engage in any business activities in connection with nuclear energy and fossil gas listed in the annexes to Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022, the reporting forms shown in Annex III are not included for the 2023 reporting year.

In accordance with these regulations, we have, as in previous years, analysed potentially taxonomy-eligible economic activities with regard to the first environmental objective of climate protection in relation to categories 3.6. "Production of other low-carbon technologies", 7.3 "Installation, maintenance and repair of energy-efficient appliances" and 7.6 "Installation, maintenance and repair of renewable energy technologies" were identified. The new economic activities included in the catalogue with regard to the environmental objective of climate protection in the Climate Change Act are not relevant for Koenig & Bauer. With regard to both the second environmental objective concerning adaptation to climate change and the four non-climate-related environmental objectives (protection of water and marine resources, strengthening the circular economy, reducing pollution and protecting biodiversity), the analyses carried out did not identify any potentially taxonomy-eligible economic activities with a significant contribution to these five environmental objectives. There was also no relevant capital expenditure in the year under review with regard to the economic activity "1.2. Production of electrical and electronic equipment" in the context of the EU environmental objective of transitioning to a circular economy. Under the reporting obligations, the shares of taxonomy-eligible and non-taxonomy-eligible and taxonomy-aligned and non-taxonomy-aligned economic activities in 2023 in total revenue, capital expenditure and operating expenditure from the Group's activities are also disclosed with regard to the environmental objective of climate protection. Based on the analysis performed, the revenue, capital expenditure and operating expenditure could be clearly allocated to a taxonomy-eligible economic activity. Care was taken to avoid double counting.

Taxonomy-eligible revenue

The taxonomy-eligible share of consolidated revenue is defined as the portion of net revenue in 2023 that comes from products in connection with taxonomy-eligible economic activities (numerator), divided by consolidated net revenue in 2023 (denominator). Our Group net revenue of €1,326.8m is presented in the consolidated financial statements on page 55 of the Annual Report 2023 in the line Revenue. Further details on our accounting policies for Group revenue can be found on pages 68 et seq. of the Annual Report 2023.

Based on the classification of our economic activities according to NACE codes 28.29 and 28.99, we have used the requirements of category 3.6 “Production of other low-carbon technologies” as a basis for deriving taxonomy-eligible revenues. With regard to the environmental objective of climate protection, we have classified revenue from products or product groups as taxonomy-eligible if the printing presses and systems also aim to significantly reduce carbon emissions for our customers in the printing and finishing industry due to the technology in use and these do not already fall under Sections 3.1. to 3.5 of Annex I of the Climate Action Act. Under environmental concerns in the chapter entitled “Ecological printing technology”, we present in detail the technologies or printing presses developed to reduce carbon emissions in the printing process. These include VariDry-Blue drying and the new dryer for the AirTronic delivery for sheetfed offset presses, the HighEcon and EcoTNV dryers for metal decorating presses and the PowerSave unit, LED technology for curing inks in the press and targeted adjustment of the stencil size for banknote presses. We then aggregated the revenue determined in the accounting departments of the Group or the respective business units for each product or product group classified as taxonomy-eligible. Revenue of €365.3m was generated in 2023 from machine technology for banknote printing, sheetfed offset presses equipped with VariDryBluedryingtechnology and metal printing systems and components delivered with TNV technology, on a par with the previous year (2022: €336.4m).

Taxonomy-aligned revenue

To identify taxonomy-aligned revenue, we first analysed the technologies classified as taxonomy-eligible, or the corresponding products and product groups, to determine whether they contribute to a significant saving of greenhouse gas emissions during use of the product over the entire life-cycle of the press compared to the best-performing reference technology available on the market. In doing so, we consistently followed the relevant EU regulations for category 3.6 “Production of other low-carbon technologies” with a focus on reducing greenhouse gas emissions in the user industries and applied internationally recognised standards for calculation. The life cycle greenhouse gas emissions for the most efficient alternative technology available on the market could not be calculated, as we were unable to provide valid evidence or publicly available energy consumption data for competing presses. In the previous year, tenders for banknote printing presses were published on the Internet with energy data that were confirmed by the only competitor in the press class. The content of tender invitations depends on customer requirements and differs in the case of banknote printing presses due to the fact that customers vary considerably from year to year. As a result, no taxonomy-aligned revenue in category 3.6. “Production of other low-carbon technologies” was reported in the year under review.

Figure: Share of revenue from goods or services associated with taxonomy-aligned economic activities - Disclosure for 2023

		2023		Criteria for a material contribution					
Economic activities (1)	**Code (2)**	**Revenue (3) €m**	**Share of revenue 2023 (4) %**	**Climate change mitigation (5) Y; N; N/EL**	**Climate change adaptation (6) Y; N; N/EL**	**Water (7) Y; N; N/EL**	**Environmental pollution (8) Y; N; N/EL**	**Circular economy (9) Y; N; N/EL**	**Biological diversity (10) Y; N; N/EL**
A. Taxonomy-eligible activities									
A.1 Ecologically sustainable activities (taxonomy-aligned)									
Production of other low-carbon technologies	3.6			N	N/EL	N/EL	N/EL	N/EL	N/EL
Revenue from ecologically sustainable activities (taxonomy-aligned) (A.1)									
Of which enabling activities									
Of which transitional activities									
A.2 Taxonomy-eligible, but not ecologically sustainable activities (non-taxonomy-aligned activities)				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL
Production of other low-carbon technologies	3.6	365.3	27.5	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Revenue from taxonomy-eligible, but not ecologically sustainable activities (non-taxonomy-aligned activities) (A.2)		365.3	27.5	27.5%	0%	0%	0%	0%	0%
A. Revenue from taxonomy-eligible activities (A.1 + A.2)		365.3	27.5	27.5%	0%	0%	0%	0%	0%
B. Non-taxonomy-eligible activities									
Revenue from non-taxonomy-eligible activities		961.5	72.5						
Total		1,326.8	100						

DNSH criteria ("Do no significant harm")									
Climate change miti-gation (11) Y/N	**Adaptation to climate change (12) Y/N**	**Water (13) Y/N**	**Environmen-tal pollution (14) Y/N**	**Circular economy (15) Y/N**	**Biological diversity (16) Y/N**	**Minimum protection (17) Y/N**	**Share of taxono-my-aligned (A.1.) or taxonomy-el-igible (A.2.) revenue in 2022 (18) %**	**Category Enabling activity (19) E**	**Category Transitional activity (20) T**
n/a	n/a	n/a	n/a	n/a	n/a	n/a	12.7	n/a	n/a
							12.7		
							18.2		
							18.2		
							30.9		

Explanation of abbreviations:

Y - Yes, taxonomy-eligible activity aligned with the relevant environmental objective
N - No, taxonomy-eligible activity but not aligned with the relevant environmental objective
EL - eligible, taxonomy-aligned activity for the respective environmental objective
N/EL - not eligible, activity not taxonomy-eligible for the respective environmental objective"

Taxonomy-eligible capital expenditure

In order to identify the taxonomy-eligible proportion of capital expenditure, the investments determined by Group accounting in accordance with IFRS are placed in the denominator. This amount can be derived from the additions column in the consolidated statement of changes in assets on page 72 of the Annual Report 2023. It includes additions to property, plant and equipment and intangible assets during the year before depreciation and remeasurements, including those resulting from remeasurements and impairments for 2023 and excluding changes in fair value. In addition to additions to fixed assets (IAS 16) and intangible assets (IAS 38), additions to right-of-use assets (IFRS 16) are also included, as are additions to property, plant and equipment and intangible assets resulting from business combinations.

The first input for the numerator for deriving the taxonomy-eligible share of investment expenditure includes the investments in photovoltaic systems (climate protection economic activity 7.6) at the Würzburg site and measures to reduce energy consumption and increase energy efficiency in the plant buildings. These investments coming under category 7.3 “Installation, maintenance and repair of energy-efficient equipment” and category 7.6 “Installation, maintenance and repair of renewable energy technologies” are classified as taxonomy-eligible capital expenditure in accordance with Section 1.1.2.2. (c) of Annex I of Commission Delegated Regulation (EU) 2021/2178 on the reporting obligations under Article 8 of the Taxonomy Regulation, including the amendment by Commission Delegated Regulation (EU) 2023/2486. As the remaining part of the total investments for taxonomy-eligible or non-taxonomy-eligible economic activities, adjusted for investments in non-production areas (corporate investments), is incurred at the Group locations, e.g. for new machining centres in production, this difference is broken down according to the percentage share of taxonomy-eligible revenue in the overall product portfolio in order to determine the taxonomy-eligible share of this capital expenditure. The resulting taxonomy-eligible capital expenditure is assigned to category A. The sum total of the taxonomy-eligible category A and category C capital expenditure is used as the numerator for calculating the taxonomy-eligible share of capital expenditure as no category B capital expenditure arose in the year under review.

Category b includes capital expenditure that is part of a capital expenditure plan to expand taxonomy-eligible economic activities or to enable taxonomy-eligible economic activities to become taxonomy-aligned. While category a includes capital expenditure on assets or processes that relate to taxonomy-eligible economic activities, category c includes capital expenditure that relates to the acquisition of output from taxonomy-eligible economic activities and individual measures that enable the target activities to become low-carbon or lead to greenhouse gas reductions. The corresponding categorisation applies analogously to the explanations on operating expenditure in the following sections.

Taxonomy-aligned capital expenditure

Taxonomy-aligned capital expenditure in category 7.3 “Installation, maintenance and repair of energy-efficient equipment” and category 7.6 “Installation, maintenance and repair of renewable energy technologies” could not be reported in the year under review because the suppliers or business partners did not provide evidence of fulfilment of the DNSH criteria and compliance with minimum protection for individual taxonomy-eligible capital expenditure. As there are no taxonomy-aligned economic activities under category 3.6 “Production of other low-carbon technologies”, it was not possible to use a revenue-based allocation key to determine taxonomy-aligned capital expenditure according to category 3.6.

Taxonomy-eligible operating expenditure
Operating expenditure in the sense of the EU taxonomy includes non-capitalisable expenses for research and development, building refurbishment measures, short-term leases, maintenance and servicing, among other things. To calculate the taxonomy-eligible share of operating expenditure, the total value of denominator is first determined. One input for the denominator is the non-capitalised R&D costs, which are shown in the consolidated income statement on page 55 of the Annual Report 2023. The second input for the denominator is the maintenance and servicing costs in production, sales and administration as well as the expenses for short-term and low-value leases, which are also included in the cost of sales, selling and administrative expenses recognised in the consolidated income statement on page 55 of the Annual Report. The expenses incurred for measures for reducing energy consumption or increasing energy efficiency at the factory buildings form a partial value in the numerator for identifying the taxonomy-eligible proportion of operating expenses. These expenses coming within category 7.3 “Installation, maintenance and repair of energy-efficient equipment” are classified as taxonomy-eligible operating expenditure in accordance with Section 1.1.3.2. (c) of Annex I of Commission Delegated Regulation (EU) 2021/2178 on the reporting obligations under Article 8 of the Taxonomy Regulation, including the amendment by Commission Delegated Regulation (EU) 2023/2486. As the remainder of the total operating expenditure for taxonomy-eligible or non-taxonomy-eligible economic activities arises at the Group locations and a more accurate breakdown is not possible for system-related reasons, this difference is disaggregated on the basis of the percentage of taxonomy-eligible revenue in the entire product portfolio in order to determine the taxonomy-eligible category A operating expenses. The sum total of the taxonomy-eligible category A and category C operating expenditure is used as the numerator for calculating the taxonomy-eligible share of operating expenses as no category B operating expenses arose in the year under review.

Taxonomy-aligned operating expenditure
Taxonomy-aligned operating expenditure in category 7.3 “Installation, maintenance and repair of energy-efficient appliances” could not be reported in the year under review as the suppliers or business partners did not provide evidence of fulfilment of the DNSH criteria and compliance with the minimum protection for individual taxonomy-aligned operating expenditure.
As there are no taxonomy-aligned economic activities relating to category 3.6 “Production of other low-carbon technologies”, it was not possible to use a revenue-based allocation key to determine taxonomy-aligned operating expenditure in accordance with category 3.6.

Figure: Share of capital expenditure from goods or services associated with taxonomy-aligned economic activities - Disclosure for 2023

		2023		Criteria for a material contribution					
Economic activities (1)	**Code (2)**	**Capital expenditure (3) €m**	**Capital expenditure share, 2023 (4) %**	**Climate change mitigation (5) Y; N; N/EL**	**Climate change adaptation (6) Y; N; N/EL**	**Water (7) Y; N; N/EL**	**Environmental pollution (8) Y; N; N/EL**	**Circular economy (9) Y; N; N/EL**	**Biological diversity (10) Y; N; N/EL**
A. Taxonomy-eligible activities									
A.1 Ecologically sustainable activities (taxonomy-aligned)									
Production of other low-carbon technologies	3.6			N	N/EL	N/EL	N/EL	N/EL	N/EL
Capital expenditure on ecologically sustainable activities (taxonomy-aligned) (A.1)									
Of which enabling activities									
Of which transitional activities									
A.2 Taxonomy-eligible, but not ecologically sustainable activities (non-taxonomy-aligned activities)				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL
Production of other low-carbon technologies	3.6	18.4	28.7	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Installation, maintenance and repair of energy-efficient equipment	7.3	0.5	0.7	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Installation, maintenance and repair of technologies for renewable energies	7.6	0.7	1.1	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Capital expenditure on taxonomy-eligible but not ecologically sustainable activities (non-taxonomy-aligned activities) (A.2)		19.6	30.5	30.5%	0%	0%	0%	0%	0%
A. Capital expenditure on taxonomy-eligible activities (A.1 + A.2)		19.6	30.5	30.5%	0%	0%	0%	0%	0%
B. Non-taxonomy-eligible activities									
Capital expenditure on non-taxonomy-eligible activities		44.6	69.5						
Total		64.2	100						

DNSH criteria ("Do no significant harm")									
Climate change mitigation (11) Y/N	**Adaptation to climate change (12) Y/N**	**Water (13) Y/N**	**Environmental pollution (14) Y/N**	**Circular economy (15) Y/N**	**Biological diversity (16) Y/N**	**Minimum protection (17) Y/N**	**Share of taxonomy-aligned (A.1.) or taxonomy-eligible (A.2.) capital expenditure in 2022 (18) %**	**Category Enabling activity (19) E**	**Category Transitional activity (20) T**
n/a	n/a	n/a	n/a	n/a	n/a	n/a	15.5	n/a	n/a
							15.5		
							12.4		
							0.2		
							12.6		
							28.1		

Explanation of abbreviations:

Y - Yes, taxonomy-eligible activity aligned with the relevant environmental objective
N - No, taxonomy-eligible activity but not aligned with the relevant environmental objective
EL - eligible, taxonomy-aligned activity for the respective environmental objective
N/EL - not eligible, activity not taxonomy-eligible for the respective environmental objective"

Figure: Share of operating expenditure share from goods or services associated with taxonomy-aligned economic activities – Disclosure for 2023

Economic activities (1)	Code (2)	2023 Operating expenditure (3) €m	2023 Operating expenditure share, 2023 (4) %	Criteria for a material contribution Climate change mitigation (5) Y; N; N/EL	Climate change adaptation (6) Y; N; N/EL	Water (7) Y; N; N/EL	Environmental pollution (8) Y; N; N/EL	Circular economy (9) Y; N; N/EL	Biological diversity (10) Y; N; N/EL
A. Taxonomy-eligible activities									
A.1 Ecologically sustainable activities (taxonomy-aligned)									
Production of other low-carbon technologies	3.6			N	N/EL	N/EL	N/EL	N/EL	N/EL
Operating expenditure on ecologically sustainable activities (taxonomy-aligned) (A.1)									
Of which enabling activities									
Of which transitional activities									
A.2 Taxonomy-eligible, but not ecologically sustainable activities (non-taxonomy-aligned activities)				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL
Production of other low-carbon technologies	3.6	20.2	27.3	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Installation, maintenance and repair of energy-efficient equipment	7.3	0.7	0.9	EL	N/EL	N/EL	N/EL	N/EL	N/EL
Operating expenditure on taxonomy-eligible but not ecologically sustainable activities (non-taxonomy-aligned activities) (A.2)		20.9	28.2	28.2%	0%	0%	0%	0%	0%
A. Revenue from taxonomy-eligible activities (A.1 + A.2)		20.9	28.2	28.2%	0%	0%	0%	0%	0%
B. Non-taxonomy-eligible activities									
Operating expenditure on non-taxonomy-eligible activities		53.1	71.8						
Total		74.0	100						

DNSH criteria ("Do no significant harm")									
Climate change miti-gation (11) Y/N	Adaptation to climate change (12) Y/N	Water (13) Y/N	Environmen-tal pollution (14) Y/N	Circular economy (15) Y/N	Biological diversity (16) Y/N	Minimum protection (17) Y/N	Share of taxono-my-aligned (A.1.) or taxonomy-el-igible (A.2.) operating expenditure 2022 (18) %	Category Enabling activity (19) E	Category Transitional activity (20) T
n/a	n/a	n/a	n/a	n/a	n/a	n/a	12.6	n/a	n/a
							12.6		
							18.2		
							0.3		
							18.5		
							31.1		

Explanation of abbreviations:

Y - Yes, taxonomy-eligible activity aligned with the relevant environmental objective
N - No, taxonomy-eligible activity but not aligned with the relevant environmental objective
EL - eligible, taxonomy-aligned activity for the respective environmental objective
N/EL - not eligible, activity not taxonomy-eligible for the respective environmental objective"

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

To Koenig & Bauer AG, Würzburg
We have performed a limited assurance engagement on the separate non-financial group report of Koenig & Bauer AG, Würzburg, (hereinafter the "Company") for the period from 1 January to 31 December 2023 (hereinafter the "Separate Non-financial Group Report").

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

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

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

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

Audit Firm's Independence and Quality Management
We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Management 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality management for audit firms (IDW Qualitätsmanagementstandard 1: Anforderungen an das Qualitätsmanagement in der Wirtschaftsprüferpraxis - IDW QMS 1 (09.2022)), which requires the audit firm to design, implement and operate a system of quality management that complies with the applicable legal requirements and professional standards.

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

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

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

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

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

- Gain an understanding of the structure of the Group's sustainability organisation and stakeholder engagement
- Inquiries of the executive directors and relevant employees involved in the preparation of the Separate Non-financial Group Report about the preparation process, about the internal control system relating to this process and about disclosures in the Separate Non-financial Group Report
- Identification of likely risks of material misstatement in the Separate Non-financial Group Report
- Analytical procedures on selected disclosures in the Separate Non-financial Group Report
- Reconciliation of selected disclosures with the corresponding data in the consolidated financial statements and group management report
- Evaluation of the presentation of the Separate Non-financial Group Report
- Evaluation of the process to identify taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the Separate Non-financial Group Report
- Inquiries on the relevance of climate-risks
- Evaluation of CO2 compensation certificates exclusively with regard to their existence, but not with regard to their impact

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

Assurance Opinion
Based on the assurance procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Separate Non-financial Group Report of the Company for the period from 1 January to 31 December 2023 is not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section "Disclosures on the EU taxonomy" of the Separate Non-financial Group Report.

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

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

Frankfurt am Main, 20 March 2024

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

[sgd.] Nicolette Behncke	[sgd.] ppa. Felix Wandel
Wirtschaftsprüfer	Wirtschaftsprüfer
[German public auditor]	[German public auditor]

Additional information

Detailed index

Balance sheet for Koenig & Bauer AG to 31 December 2023

in accordance with German accounting regulations (HGB)

in €m	31.12.2022	31.12.2023
Assets		
Non-current assets		
Intangible assets	53.8	56.1
Property, plant and equipment	72.4	68.6
Financial assets	423.3	407.4
	549.4	**532.1**
Current assets		
Other receivables and assets	125.1	181.8
Cash and cash equivalents	64.2	45.1
	189.3	**226.9**
Deferred income	**2.3**	**2.3**
Asset difference from net asset transfer	0.1	0.4
	741.1	**761.7**

in €m	31.12.2022	31.12.2023
Equity and liabilities		
Equity		
Share capital	43.0	43.0
Share premium	87.5	87.5
Reserves	177.3	181.5
Retained earnings	1.3	2.9
	309.1	**314.9**
Special items with equity portion	**0.8**	**0.7**
Provisions		
Pension and similar provisions	77.0	78.2
Tax provisions	1.4	0.1
Other provisions	32.1	29.3
	110.5	**107.6**
Liabilities		
Bank loans	186.2	235.4
Trade payables	2.9	4.2
Payables to affiliated companies	126.0	95.0
Other liabilities	5.6	3.9
	320.7	**338.5**
	741.1	**761.7**

Income statement for Koenig & Bauer AG 2023

in accordance with German accounting regulations (HGB)

in €m	2022	**2023**
Revenue	98.9	112.0
Cost of sales	-70.3	-82.1
Gross profit	**28.6**	**29.9**
Administrative expenses	-28.0	-43.1
Other operating income	-9.2	4.1
Other operating expenses	17.8	31.1
Profit from operations	**9.2**	**22.0**
Financial result	-6.5	-16.8
Income taxes	-0.1	0.6
Earnings after taxes	**2.6**	**5.8**
Other taxes	–	–
Net profit	**2.6**	**5.8**
Profit carried forward	–	1.3
Transfer to other reserves	-1.3	-4.2
Retained earnings	**1.3**	**2.9**

Financial dates

Statement on 1st quarter 2024

7 May 2024

Capital Markets Day

29 May 2024
Düsseldorf

Koenig & Bauer Annual General Meeting

26 June 2024
Vogel Convention Center, Würzburg

Report on 2nd quarter 2024

1 August 2024

Statement on 3rd quarter 2024

7 November 2024

Contact / Imprint

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