KOENIG & BAUER

Metamor[e]phose

Statement | **First Quarter 2023**

we're on it.

Index

Q1 at a glance: Koenig & Bauer enjoys a dynamic start to the new financial year and confirms forecast for 2023

- Growth across all segments led to a surge in revenue of 17.9% to €281.0m (previous year: €238.4m) in the first quarter of 2023 and thus the highest Q1 revenue in the Company's recent history

- EBIT improved by €5.3m to €-3.2m (previous year: €-8.5m), equivalent to an increase of 62.4% over the first quarter of 2022; this marks a big step forward in the first quarter 2023 towards achieving the Group's targets; EBIT margin -1.1% (previous year: -3.6%)

- Increase in the cost of materials, in personnel and energy costs was nearly offset by price rises

- Free cash flow impacted by changes in net working capital and high order backlog

- At €301.2m (previous year: €349.1m) the order intake in the first quarter was in line with expectations; this means that order intake returned to a robust level, as forecasted

- The order backlog reached €970.6m, exceeding the previous year's figure of €917.5m

- Outlook for 2023 reaffirmed: revenue growth to €1.3bn along with an EBIT margin of around 3%

Group key figures

in €m	Q1 2022	**Q1 2023**	Change
Order intake	349.1	**301.2**	-13.7%
Revenue	238.4	**281.0**	17.9%
Earnings before interest and taxes (EBIT)	-8.5	**-3.2**	62.4%
EBIT margin	-3.6%	**-1.1%**	
Net group loss	-10.5	**-5.7**	45.7%
Earnings per share in €	-0.64	**-0.34**	46.9%
Free Cashflow	-30.0	**-33.4**	-11.3%

in €m	31.03.2022	**31.03.2023**	Change
Order backlog	917.5	**970.6**	5.8%
Net Working Capital	308.6	**342.5**	11.0%
Net financial position	-27.8	**-99.8**	-259.0%
Employees	5,359	**5,542**	3.4%

in €m	31.12.2022	**31.03.2023**	Change
Balance sheet total	1,449.2	**1,452.1**	0.2%
Equity	422.8	**414.7**	-1.9%
Equity ratio	29.2%	**28.6%**	

Business environment

According to the International Monetary Fund (IMF), the outlook for the global economy has clouded over slightly of late, primarily on account of the persistently high level of inflation. IMF chief economist Pierre-Olivier Gourinchas stated: "We are therefore entering a perilous phase during which economic growth remains low by historical standards and financial risks have risen, yet inflation has not yet decisively turned the corner." According to the forecast, policymakers have a narrow path to walk towards restoring price stability while avoiding a recession. At present, however, the IMF does not anticipate a global downturn. But it considers the fact that inflation is coming down less substantially than initially projected worrying. For 2023 the IMF expects a global inflation rate averaging 7%, 0.4 percentage points more than projected in January 2023.

The IMF's new economic forecast anticipates a slowdown in global growth to 2.8% this year, following a rise of 3.4% in 2022. In January 2023, the IMF had projected global growth of 2.9%. The IMF considers the fact that growth in advanced economies is projected to decline to 1.3% noteworthy. Accordingly, the forecast for Germany was corrected slightly downwards, by 0.2 percentage points, compared to January. By contrast, the economic prospects for the emerging and developing economies are substantially better with projected growth of 3.9%.

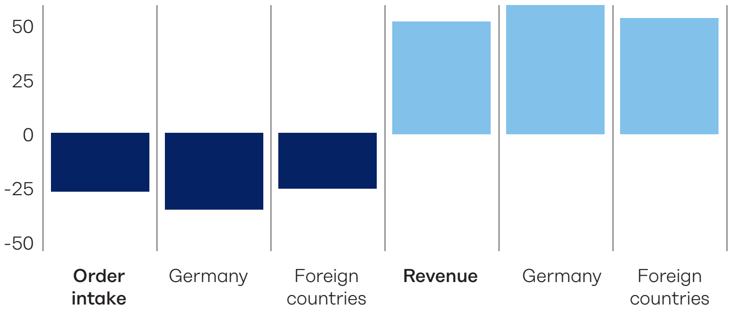
In early April 2023, leading German economic research organisations expressed slightly more optimism about the current year. For 2023 they forecast mini-growth of 0.3% for gross domestic product. It is thus becoming increasingly clear that the feared recession in Germany will not materialise.

IWF: Year-on-year gross

Country/region	2022	2023 Estimate	Deviation to January 2023
Global	3.4	2.8	-0.1
Developed economies	2.7	1.3	0.1
Eurozone	3.5	0.8	0.1
Germany	1.8	-0.1	-0.2
France	2.6	0.7	0.0
Italy	3.7	0.7	0.1
Spain	5.5	1.5	0.4
United Kingdom	4.0	-0.3	0.3
United States	2.1	1.6	0.2
Japan	1.1	1.3	-0.5
Emerging markets and developing countries	4.0	3.9	-0.1
ASEAN*	5.5	4.5	0.2
Brazil	2.9	0.9	-0.3
China	3.0	5.2	0.0
India**	6.8	5.9	-0.2
Russia	-2.1	0.7	0.4

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

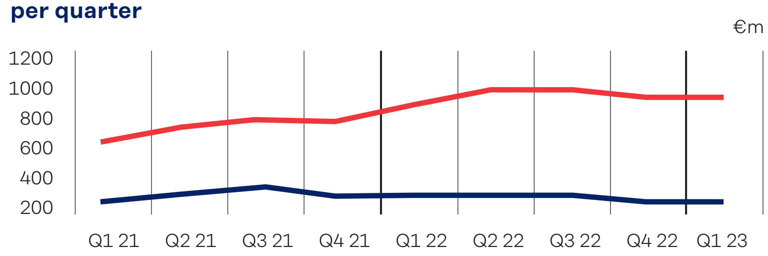
VDMA: Order intake and revenue printing presses



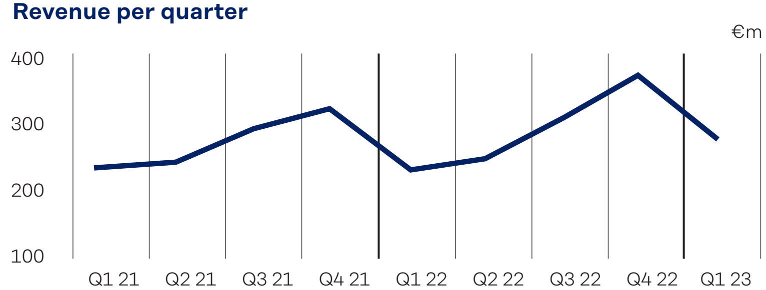
% Change to previous year

According to the German Mechanical and Plant Engineering Association (VDMA), plant and machinery orders declined by 13.2% in price-adjusted terms in the first three months of 2023 compared to the corresponding period of the previous year. By contrast, revenue in the mechanical engineering segment rose by 7.0%. In early May VDMA chief economist Ralph Wiechers explained the situation as follows: “In recent weeks we have received some surprisingly more positive signals from the economic environment. Yet many investors remain nervous, global growth remains low and inflation high. What supports machinery manufacturers at present is a high order backlog that currently provides sufficient work for 11.6 months.” But order intake in the printing press subsector was down 26.9% year-on-year in the first quarter of 2023. By contrast, revenue reported a rise of 51.5%.

Order backlog Order intake per quarter

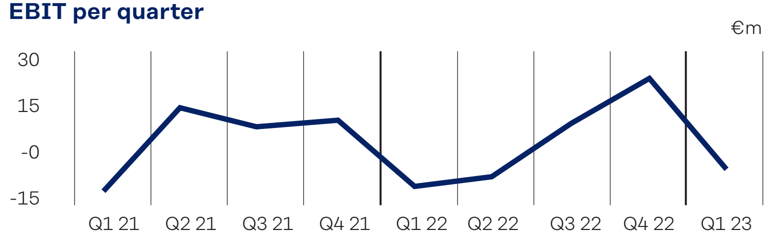


Revenue per quarter



Earnings, finances and assets

EBIT per quarter



Earnings

In the first quarter of 2023, **order intake** came to €301.2m (previous year: €349.1m). This means a return of order intake to a robust level, as projected, with a drop of 13.7%. The previous year’s figure was marked in particular by above-average demand in the Sheetfed segment. Orders were thus significantly better than the industry average, which declined by 26.9%.

Group revenue rose by 17.9% over the previous year’s figure and, at €281.0m (previous year: €238.4m), constitutes one of the highest Q1 revenue figures in the Company’s recent history. In the first quarter of 2023, 31.4% (previous year: 33.9%) of revenue was generated from service business. At 51.5%, the industry-wide increase in revenue was encouraging.

The **Group export ratio** widened from 88.1% to 88.7%, with the proportion of business coming from North America growing substantially to 25.4% (previous year: 14.9%) and the share of Latin American and African business expanding to 16.0% (previous year: 11.5%). The share of revenue coming from Germany remained almost unchanged at 11.3% (previous year: 11.9%). The share of revenue coming from Europe excluding Germany (28.5%) and Asia/Pacific (18.8%) was down on the previous year (38.0% and 23.7%, respectively).

At €970.6m as of 31 March 2023, the **order backlog** was up 5.8% on the previous year's already good figure of €917.5m, increasing by 2.1% over the end of the 2022 financial year and providing a solid basis for the rest of 2023.

Gross profit amounted to €76.9m (previous year: €62.2m). The **gross margin** recorded a slight rise to 27.4% (previous year: 26.1%) thanks to P24X. R&D expenses came to €16.0m and were up on the previous year's figure of €14.0m. Selling expenses rose by €6.0m to €37.6m (previous year: €31.6m), primarily as a result of elevated personnel costs in addition to the general rise in expenses for services. Administrative expenses climbed by €2.2m to €25.0m (previous year: €22.8m) over the previous year due to the increase in depreciation and amortisation of intangible assets within the Group. Net other income and expenses came to €-1.5m, compared with €-2.3m in the previous year. Among other things, this was due to currency-translation effects. This resulted in **EBIT** of €-3.2m (previous year: €-8.5m). The improvement in operating earnings of €5.3m over the

Group income statement

	First Quarter	
in €m	2022	**2023**
Revenue	238.4	281.0
Cost of sales	-176.2	-204.1
Gross profit	**62.2**	**76.9**
Research and development costs	-14.0	-16.0
Distribution costs	-31.6	-37.6
Administrative expenses	-22.8	-25.0
Other income and expenses	-2.3	-1.5
Earnings before interest and taxes (EBIT)	**-8.5**	**-3.2**
Interest result	-2.4	-3.3
Earnings before taxes (EBT)	**-10.9**	**-6.5**
Income tax expense	0.4	0.8
Net loss	**-10.5**	**-5.7**
attributable to owners of the Parent	-10.6	-5.6
attributable to non-controlling interests	0.1	-0.1
Earnings per share (in €, basic/dilutive)	**-0.64**	**-0.34**

previous year is mainly attributable to the overall positive volume and mix effect (about €5.5m) and the ability to all but offset the rise in the cost of materials, in energy and personnel costs (around €6.5m) through the higher prices announced (around €6.0m). The delta reflects the time lag in the fourth quarter of 2022 in particular between price increases and cost increases, for example in connection with energy costs and electronic components. On top of this, another delaying effect occurs between downward price adjustments on the procurement market and their effect in the income statement. The P24x efficiency programme – which fulfilled its aim for 2023 with €92m in savings as at 31 December 2022 and had almost been completed – will also contribute to slight improvements in results in 2023.

The **EBIT margin** improved accordingly, from -3.6% in the previous year to -1.1% in the first quarter of 2023. The net interest expense of €-3.3m (previous year: €-2.4m) was slightly lower than in the previous year, resulting in **earnings before taxes** of €-6.5m (previous year: €-10.9m). After income taxes, **consolidated net loss** shrank from €-10.5m in the same quarter of the previous year to €-5.7m as of 31 March 2023. This translates into **earnings per share** of €-0.34 (previous year: €-0.64).

Finances

Cash flow from operating activities came to €-22.9m in the period under review (previous year: €-19.3m), mainly due to higher inventories, offset by increased prepayments received. At €-10.5m, cash flow from investing activities was almost at the previous year's level of €-10.7m. **Free cash flow** amounted to €-33.4m (previous year: €-30.0m). The decrease of €3.4m was mainly due to changes in **net working capital**, which came to €342.5m (previous year: €308.6m) as of 31 March 2023. Cash flow from financing

Group cash flow statement

	First Quarter	
in €m	2022	**2023**
Earnings before taxes (EBT)	-10.9	-6.5
Non-cash transactions	10.1	15.7
Gross cash flow	**-0.8**	**9.2**
Changes in inventories, receivables and other assets	-56.6	-52.9
Changes in provisions and payables	38.1	20.8
Cash flows from operating activities	**-19.3**	**-22.9**
Cash flows from investing activities	**-10.7**	**-10.5**
Free cash flow	**-30.0**	**-33.4**
Cash flows from financing activities	**-6.9**	**-16.4**
Change in funds	**-36.9**	**-49.8**
Effect of changes in exchange rates	1.5	-0.6
Funds at beginning of period	129.5	132.2
Funds at end of period	**94.1**	**81.8**

activities amounted to €-16.4m (previous year: €-6.9m), primarily due to the partial repayment of the syndicated loan. At the end of March 2023, cash and cash equivalents were €81.8m (previous year: €94.1m). Adjusted for bank liabilities of €181.6m, **net financial debt** amounted to €-99.8m (previous year: €-27.8m), compared to €-63.7m at the end of 2022.

Assets

A total of €7.8m (previous year: €10.9m) was invested in property, plant and equipment and intangible assets in connection with construction and IT projects in the period under review. Capital expenditures includes capitalised development costs of €1.1m (previous year: €0.9m). Capital spending was accompanied by depreciation and amortisation of €10.5m (previous year: €9.6m). All in all, intangible assets and property, plant and equipment decreased slightly from €393.6m as of 31 December 2022 to €390.8m. With financial investments and other financial receivables unchanged over the previous year and deferred tax assets higher, **non-current assets** increased slightly from €526.5m as of 31 December 2022 to €529.0m. **Current assets** were slightly higher year-on-year. Inventories increased by €53.2m while cash and cash equivalents declined by €50.4m. This remains mainly attributable to higher costs in the procurement markets as well as greater stockpiling in response to the global supply chain constraints and shortages of material. At €1,452.1m, the **total assets** of the Group were slightly above the figure of €1,449.2m recorded at the end of 2022. The decline in the discount rate for domestic pensions and the consolidated net loss were the main factors contributing to the decline in **equity** to €414.7m; accordingly, the equity ratio dropped to 28.6% (previous year: 29.2%). Provisions for retirement benefits rose slightly from €86.3m as of the end of 2022 to €88.8m as of 31 March 2023 due to the fall in the discount rate for domestic retirement benefits from 3.9% as of 31 December 2022 to 3.6% as of 31 March 2023. **Non-current liabilities** increased slightly by €0.5m. **Current liabilities** rose by €10.5m, mainly due to higher prepayments received.

Group balance sheet

in €m	31.12.2022	**31.03.2023**
Assets		
Non-current assets		
Intangible assets, property, plan and equipment	393.6	390.8
Investments and other financial receivables	25.5	25.6
Investments accounted for using the equity method	16.0	15.9
Other assets	1.6	1.3
Deferred tax assets	89.8	95.4
	526.5	**529.0**
Current assets		
Inventories	426.2	479.4
Trade receivables	121.6	114.9
Other financial receivables	33.7	32.3
Other assets	205.5	210.7
Securities	3.5	4.0
Cash and cash equivalents	132.2	81.8
	922.7	**923.1**
Balance sheet total	**1,449.2**	**1,452.1**

in €m	31.12.2022	**31.03.2023**
Equity and liabilities		
Equity		
Share capital	43.0	43.0
Share premium	87.5	87.5
Reserves	290.6	282.5
Equity attributable to owners of the Parent	**421.1**	**413.0**
Equity attributable to non-controlling interests	1.7	1.7
	422.8	**414.7**
Liabilities		
Non-current liabilities		
Pension provisions and similar obligations	86.3	88.8
Other provisions	31.7	27.3
Bank loans	136.4	136.4
Other financial payables	22.2	20.7
Other liabilities	9.1	10.0
Deferred tax liabilities	73.0	76.0
	358.7	**359.2**
Current liabilities		
Other provisions	106.6	104.6
Trade payables	104.7	101.8
Bank loans	59.5	45.2
Other financial payables	92.4	90.6
Other liabilities	304.5	336.0
	667.7	**678.2**
Balance sheet total	**1,449.2**	**1,452.1**

Segment performance

In the **Sheetfed segment**, order intake in the first quarter of 2023 came to €175.1m and was thus 27.7% below the previous year's extremely high figure which was boosted by catch-up effects resulting from the Covid-19 pandemic. The return of order intake to a robust level thus took place, as projected. Revenue, by contrast, rose by 23.5% to €157.3m. With the book-to-bill ratio standing at 1.11 (previous year: 1.90), the order backlog rose from €556.3m as of 31 March 2022 to €600.7m at the end of the period under review. At €-0.7m as of 31 March 2023, the loss at the EBIT level was substantially below the previous year's loss of €-3.6m. Accordingly, the EBIT margin reached -0.4% (previous year: -2.8%).

In the first quarter of 2023, order intake in the **Digital & Webfed segment** increased by 33.4% to €41.1m (previous year: €30.8m), thanks to demand for the RotaJET roll digital printing system. Revenue stood at €35.5m and was 26.8% above the previous year's figure of €28.0m. The order backlog increased by €26.6m to €117.9m (previous year: €91.3m) as of 31 March 2023 with a book-to-bill ratio of 1.16 (previous year: 1.10). The segment reduced its negative earnings contribution substantially and generated an EBIT of €-3.1m, up from €-6.1m in the same quarter of the previous year. The EBIT margin thus reached -8.7% (previous year: -21.8%).

At €93.0m, order intake in the **Special segment** as of 31 March 2023 was up 13.8% on the previous year's figure of €81.7m. Orders received by Banknote Solutions (banknote and security printing), MetalPrint (metal packaging) and Kammann (direct decoration of hollow bodies made of glass or plastic) increased. By contrast, orders for Coding (marking solutions for all industries) were down year-on-year. Revenue in the first quarter of 2023 rose by 6.4% to €97.1m (previous year: €91.3m). With a book-to-bill ratio of 0.96 (previous year: 0.89), the order backlog contracted and came to €249.3m at the end of March (previous year: €268.0m). EBIT improved from €-0.7m to €0.9m as of 31 March 2023. The EBIT margin reached 0.9%, compared with -0.8% in the same quarter of the previous year.

Business segments

	Revenue		EBIT		Capital investments	
	First Quarter		First Quarter		First Quarter	
in €m	2022	**2023**	2022	**2023**	2022	**2023**
Segments						
Sheetfed	127.4	**157.3**	-3.6	**-0.7**	7.5	**3.0**
Digital & Webfed	28.0	**35.5**	-6.1	**-3.1**	0.4	**0.2**
Special	91.3	**97.1**	-0.7	**0.9**	1.4	**1.5**
Reconciliation	-8.3	**-8.9**	1.9	**-0.3**	1.6	**3.1**
Group	**238.4**	**281.0**	**-8.5**	**-3.2**	**10.9**	**7.8**

Risks and opportunities

There have been no material changes to the statements made in the annual report for 2022 regarding the assessment of risks and opportunities for the Koenig & Bauer Group during the period under review. The main risks facing our business and our risk management system are described in detail in the annual report for 2022 (from page 34).

The main opportunities are described from page 44 onwards of the annual report for 2022.

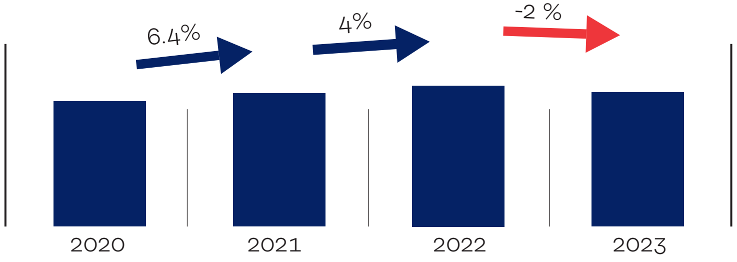
Outlook

The forecast for 2023 and the medium-term targets are unchanged over the forecast report published on 29 March 2023 from page 46 onwards in the annual report for 2022.

This forecast assumes that there are no further setbacks or tightened restrictions compared with the current situation as a result of the war in Ukraine, the availability of energy supplies, the disruptions to global supply chains and the efforts to contain the pandemic.

Current year
Koenig & Bauer projects Group revenue of €1.3bn, accompanied by an EBIT margin of roughly 3%, for 2023 despite this challenging macroeconomic environment. For 2023 the Company expects the Digital & Webfed segment to make a disproportionately strong contribution to both EBIT and revenue growth.

VDMA forecast: Production in the machinery and plant engineering sector



Medium-term targets also adjusted for inflation effects
In the medium term, the Koenig & Bauer Group expects Group revenue of around €1.8bn and an EBIT margin of 8–9%. A further objective is to reduce net working capital to a maximum of 25% of annual revenue. Revenue of €1.5bn and a EBIT margin of 6–7% are to be achieved in 2025.

Additional Information

Key financial dates

Koenig & Bauer
Annual General Meeting
16 June 2023

Report on 2nd quarter 2023
28 July 2023

Statement on 3rd quarter 2023
8 November 2023

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