KOENIG & BAUER

Metamor[e]phosis

Statement | **Third Quarter 2023**

we're on it.

Index

9-month and Q3 figures at a glance: Koenig & Bauer temporarily weak in Q3 but medium-term guidance confirmed despite difficult economic environment

- Revenue higher in all segments in the first nine months of 2023, resulting in a 10.6% increase in Group revenue to €891.1m (previous year: €805.7m) – Q3 revenue down 6.1%
- Share of service business at 29.7% (previous year: 32.2%)
- EBIT after the first nine months at €-2.1m (previous year: €-3.0m), marking an increase of 30.0% over the previous year; decline in EBIT in the third quarter from €10.8m to €3.3m, however intra-year improvement achieved; EBIT margin 9M: -0.2%; Q3: 1.1% (previous year: 9M: -0.4%; Q3: 3.4%)
- Improvement in net financial position from €-134.5m in Q2 to €-119.3m in Q3
- Order intake of €831.3m at the end of the first nine months (previous year: €1,025.9m); noticeable decline in customer demand in the Sheetfed segment in particular in the third quarter – the Digital & Webfed segment performed well with an increase in order intake
- As expected, deliveries reduced the previous year's high order backlog of €1.027,0m to €890.6m
- For 2023, the Company now projects a revenue of roughly €1.3bn, accompanied by EBIT of €25 – 35m, and confirms its medium-term guidance
- The guidance for 2024 and 2025 will be specified in greater detail when the full-year figures for 2023 are published

Group key figures

in €m		1. - 3. Quarter			Third Quarter	
	2022	**2023**	Change	2022	**2023**	Change
Order intake	1,025.9	**831.3**	-19.0%	333.0	**278.4**	-16.4%
Revenue	805.7	**891.1**	10.6%	313.9	**294.7**	-6.1%
Earnings before interest and taxes (EBIT)	-3.0	**-2.1**	30.0%	10.8	**3.3**	-69.4%
EBIT margin	-0.4%	**-0.2%**		3.4%	**1.1%**	
Net group profit/loss	-11.0	**-12.2**	-10.9%	4.8	**-1.6**	-133.3%
Earnings per share in €	-0.70	**-0.75**	-7.1%	0.28	**-0.10**	-135.7%
Free Cashflow	-74.7	**-74.7**	0.0%	-28.3	**-10.0**	64.7%

in €m	30.09.2022	**30.09.2023**	Change
Order backlog	1,027.0	**890.6**	-13.3%
Net Working Capital	318.8	**349.3**	9.6%
Net financial position	-73.4	**-119.3**	-62.5%
Employees	5,467	**5,765**	5.5%

in €m	31.12.2022	**30.09.2023**	Change
Balance sheet total	1,449.2	**1,500.2**	3.5%
Equity	422.8	**408.8**	-3.3%
Equity ratio	29.2%	**27.2%**	

Business environment

On 10 October 2023, the International Monetary Fund (IMF) confirmed its growth forecast of 3.0% for the global economy in the current year. It was thus unchanged over the July update. However, this reflects disparate developments worldwide: the IMF revised its growth forecast for 2023 upwards by 0.3 percentage points to 2.1% for the world's largest economy, the United States, and downwards by 0.2 percentage points to 5.0% for the Chinese economy. For Germany, the IMF experts assume an even deeper recession this year than in the last forecast in the summer due to the weakness of interest rate-sensitive sectors, lower demand from trading partners and consequently a weakness in industrial production, resulting in a decline in economic growth by 0.2 percentage points to -0.5%. The German government also expects a slight recession this year and forecasts a year-on-year decline of 0.4% in economic activity.

Looking ahead to the coming year, the IMF has adjusted its forecast for the global economy slightly downwards from 3.0% to 2.9%. However, a full return to pre-pandemic trends appears to be increasingly out of reach, according to IMF experts. In addition to the impact of the pandemic and the war in Ukraine, growth is also being slowed by restrictive monetary policies due to high inflation and extreme weather.

According to the German Mechanical and Plant Engineering Association (VDMA), plant and machinery orders declined by 14.3% in price-adjusted terms in the first nine months of 2023 compared to the corresponding period of the previous year. By contrast, machinery revenue rose by 3.0%. In the printing press segment however, order intake in the first nine months of 2023 was 16.1% lower than in the previous year. Revenue, on the other hand, increased by 6.4%.

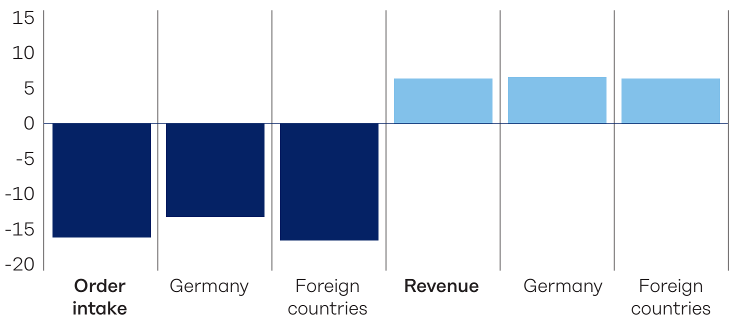
Note: Possible consequences of the war in Israel have not yet been factored into the forecasts.

IMF: Year-on-year gross

Country/region	2022	2023 Estimate	Deviation to July 2023
Global	3.5	3.0	0.0
Developed economies	2.6	1.5	0.0
Eurozone	3.3	0.7	-0.2
Germany	1.8	-0.5	-0.2
France	2.5	1.0	0.2
Italy	3.7	0.7	-0.4
Spain	5.8	2.5	0.0
United Kingdom	4.1	0.5	0.1
United States	2.1	2.1	0.3
Japan	1.0	2.0	0.6
Emerging markets and developing countries	4.0	4.0	0.1
ASEAN*	5.5	4.2	-0.4
Brazil	2.9	3.1	1.0
China	3.0	5.0	-0.2
India**	7.2	6.3	0.2
Russia	-2.1	2.2	0.7

*) Indonesia, Malaysia, Philippines, Thailand, Vietnam.
**) Fiscal year from 1 April to 31 March
Source: IMF World Economic Outlook Update October 2023

VDMA: Order intake and revenue printing presses nine months 2023



% Change to previous year

Earnings, finances and assets

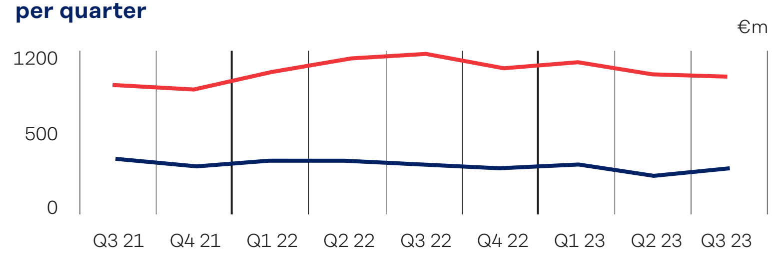
Earnings

In the first nine months of 2023, **order intake** amounted to €831.3m (previous year: €1,025.9m), which corresponds to a decrease of 19.0%. The previous year’s figure had particularly been characterised by above-average demand in the Sheetfed segment. As expected, this demand declined to a robust level up until the first half of the year, after which the third quarter saw a noticeable decline. By contrast, order intake in the Digital & Webfed segment was significantly higher than in the previous year, while the Special segment was almost at the previous year’s level despite a delay in order intake. New orders were thus slightly below the industry average for printing presses, for which a decline of 16.1% was registered in the first nine months.

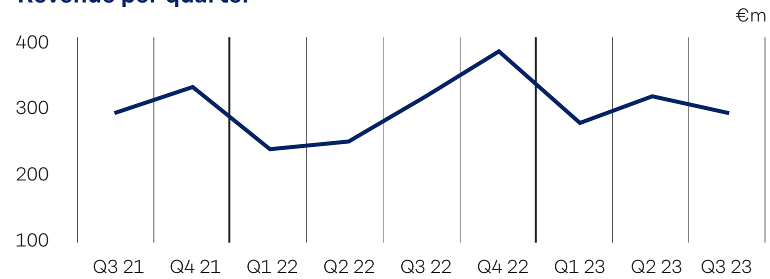
Group revenue increased by 10.6% in the first nine months of the year compared to the corresponding period of the previous year, reaching €891.1m (previous year: €805.7m). According to VDMA, revenue in the sector as a whole increased by 6.4% in the first nine months. At €294.7m, revenue in the third quarter fell short of the previous year’s figure of €313.9m by 6.1%, mainly due to a smaller contribution from the Special segment. In the first nine months of 2023, Koenig & Bauer generated 29.7% (previous year: 32.2%) of its revenue in the service sector as a result of strong new machinery business.

The **Group export ratio** dropped from 88.5% to 87.3%, with North America‘s share increasing to 21.5% (previous year: 18.0%), Latin America and Africa‘s share rising to 12.4% (previous year: 9.6%) and Germany‘s share increasing to 12.7% (previous year: 11.5%). The share of revenue generated in the Asia/Pacific region, at 23.1% (previous year: 24.6%), and in the rest of Europe, at 30.4% (previous year: 36.3%), were both down in the previous year.

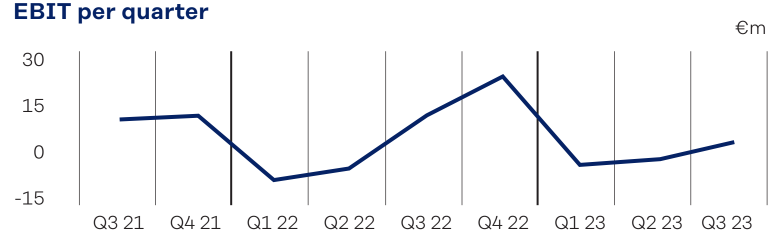
Order backlog Order intake per quarter



Revenue per quarter



EBIT per quarter



As expected, the **order backlog** has decreased as a result of completed deliveries, falling from €1,027.0m in the previous year to €890.6m as of 30 September 2023, and continues to provide a solid basis for the 2023 financial year.

Gross profit amounted to €240.7m (previous year: €218.7m). At 27.0%, the **gross margin** was almost at the previous year's level of 27.1%. The R&D expenses of €45.6m were up on the previous year's figure of €40.1m, partly due to the new Digital Business Unit, which is responsible for digitalisation within the Group. Selling expenses increased by €12.5m to €115.0m (previous year: €102.5m), mainly as a result of generally higher service costs in addition to the rise in personnel costs. Administrative expenses climbed by €6.8m over the previous year to €78.9m (previous year: €72.1m) due to the higher amortisation of intangible assets in the Group among other things.

Net other expenses and income came to €-3.2m, compared with €-6.1m in the previous year. Among other things, this was due to currency-translation effects. This resulted in **EBIT** of €-2.1m (previous year: €-3.0m). Despite the start-up and trailing costs in the Digital & Webfed segment (around €7.5m), the operating improvement of €0.9m is mainly due to the overall positive volume and mix effect (around €10.0m) and the ability to largely offset inflation costs (material, energy and personnel increases) (around € 20.0 m) through the announced price increases (around €19.0m). With no sign of recovery in demand at the moment, the Company is stepping up its cost management efforts. This also involves the greater use of flexible working time instruments. These measures are intended to boost earnings resilience and bring cost structures into line with the current difficult economic environment. The **EBIT margin** stood at -0.2% after the first nine months, compared with -0.4% in the same period of the previous year. The net interest expense of €13.1m was higher than in the previous year (previous year: €6.1m) mainly as a result of increased interest rates payable to banks, resulting in **earnings before taxes** of €-15.2m (previous year: €-9.1m). After income taxes, the **Group** posted a **net loss** of €12.2m as of 30 September 2023 (previous year: net loss of €11.0m). This translates into proportionate **earnings per share** of €-0.75 (previous year: €-0.70).

Group income statement

	1. - 3. Quarter		Third Quarter	
in €m	2022	**2023**	2022	**2023**
Revenue	805.7	891.1	313.9	294.7
Cost of sales	-587.0	-650.4	-224.3	-213.9
Gross profit	**218.7**	**240.7**	**89.6**	**80.8**
Research and development costs	-40.1	-45.6	-12.9	-14.6
Distribution costs	-102.5	-115.0	-37.1	-36.4
Administrative expenses	-72.1	-78.9	-23.9	-25.8
Other income and expenses	-6.1	-3.2	-4.7	-0.8
Other financial results	-0.9	-0.1	-0.2	0.1
Earnings before interest and taxes (EBIT)	**-3.0**	**-2.1**	**10.8**	**3.3**
Interest result	-6.1	-13.1	-1.5	-5.2
Earnings before taxes (EBT)	**-9.1**	**-15.2**	**9.3**	**-1.9**
Income tax expense	-1.9	3.0	-4.5	0.3
Net profit/loss	**-11.0**	**-12.2**	**4.8**	**-1.6**
attributable to owners of the Parent	-11.5	-12.4	4.6	-1.7
attributable to non-controlling interests	0.5	0.2	0.2	0.1
Earnings per share (in €, basic/dilutive)	**-0.70**	**-0.75**	**0.28**	**-0.10**

Finances

Cash flow from operating activities came to €-40.2m in the period under review (previous year: €-31.0m), mainly due to increased inventories. The increased prepayments received had the opposite effect. At €-34.5m, cash flow from investing activities was down on the previous year's figure of €-43.7m, which had included the acquisition of shares in Celmacch. **Free cash flow** amounted to €-74.7m and was thus exactly the same as in the previous year. **Net working capital** stood at €349.3m as of 30 September 2023 (previous year: €318.8m) and was positively impacted by a supply chain financing optimisation programme of roughly €25m for the first time in the third quarter of 2023. Cash flow from financing activities came to €31.1m (previous year: €27.5m), which was also affected by changes in the syndicated loan. At the end of September 2023, cash and cash equivalents were valued at €89.3m (previous year: €88.0m). Adjusted for bank liabilities of €208.6m, the **net financial position** amounted to €-119.3m (previous year: €-73.4m), compared to €-63.7m at the end of 2022.

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

Group cash flow statement

	1. - 3. Quarter		Third Quarter	
in €m	2022	**2023**	2022	**2023**
Earnings before taxes (EBT)	-9.1	-15.2	9.3	-1.9
Non-cash transactions	32.7	45.7	11.5	15.2
Gross cash flow	**23.6**	**30.5**	**20.8**	**13.3**
Changes in inventories, receivables and other assets	-113.5	-80.0	-21.8	-14.6
Changes in provisions and payables	58.9	9.3	-0.5	6.0
Cash flows from operating activities	**-31.0**	**-40.2**	**-1.5**	**4.7**
Cash flows from investing activities	**-43.7**	**-34.5**	**-26.8**	**-14.7**
Free cash flow	**-74.7**	**-74.7**	**-28.3**	**-10.0**
Cash flows from financing activities	**27.5**	**31.1**	**17.0**	**25.5**
Change in funds	**-47.2**	**-43.6**		
Effect of changes in exchange rates	5.7	0.7		
Funds at beginning of period	129.5	132.2		
Funds at end of period	**88.0**	**89.3**		

KfW loan obtained in connection with the Covid-19 pandemic lifted all the restrictions associated with that loan. The new syndicated credit facilities replace the existing arrangements, which were due to expire at the end of 2024. In addition to a revolving cash facility of €300m, the syndicate finance includes a guarantee facility of €200m. The credit facilities have a maturity of five years, meaning that they will expire in October 2028, subject to a two-year extension option in agreement with the lenders. 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.

Assets

A total of €35.2m (previous year: €28.7m) 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 €4.3m (previous year: €3.0m). It was accompanied by depreciation and amortisation of €32.4m (previous year: €28.9m). On balance, intangible assets and property, plant and equipment increased slightly from €393.6m as of 31 December 2022 to €395.3m. With financial investments and other financial receivables slightly down on the previous year and deferred tax assets higher, **non-current assets** climbed slightly €526.5m as of 31 December 2022 to €534.6m. **Current assets** increased by €42.9m compared with 31 December 2022. At the same time, inventories rose by €110.4m, while other assets dropped by €22.9m and cash and cash equivalents decreased by €42.9m. This was mainly due to higher sourcing costs as well as heightened stockpiling, particularly of electronic components, due to the global supply chain shortages and the limited availability of materials, although the situation eased to some extent in the third quarter. At €1,500.2m, the Group's **total assets** exceeded the figure of €1,449.2m recorded at the end of 2022. The net loss contributed significantly to a reduction in equity to €408.8m. Reflecting this, the equity ratio contracted to 27.2% (previous year: 28.5%; 31 December 2022: 29.2%). Provisions for retirement benefits dropped slightly from €86.3m as of the end of 2022 to €85.9m as of 30 September 2023 due to the increase in the discount rate for domestic retirement benefits from 3.9% as of 31 December 2022 to 4.2% as of 30 September 2023. **Non-current liabilities** fell by €6.5m. **Current liabilities** climbed by €71.5m, mainly due to higher advance payments received as well as the supply chain financing optimisation programme.

Group balance sheet

in €m	31.12.2022	30.09.2023
Assets		
Non-current assets		
Intangible assets, property, plant and equipment	393.6	395.3
Investments and other financial receivables	25.5	24.9
Investments accounted for using the equity method	16.0	15.7
Other assets	1.6	0.8
Deferred tax assets	89.8	97.9
	526.5	**534.6**
Current assets		
Inventories	426.2	536.6
Trade receivables	121.6	116.6
Other financial receivables	33.7	35.7
Other assets	205.5	182.6
Securities	3.5	4.8
Cash and cash equivalents	132.2	89.3
	922.7	**965.6**
Balance sheet total	**1,449.2**	**1,500.2**

in €m	31.12.2022	30.09.2023
Equity and liabilities		
Equity		
Share capital	43.0	43.0
Share premium	87.5	87.5
Reserves	290.6	276.5
Equity attributable to owners of the Parent	**421.1**	**407.0**
Equity attributable to non-controlling interests	1.7	1.8
	422.8	**408.8**
Liabilities		
Non-current liabilities		
Pension provisions and similar obligations	86.3	85.9
Other provisions	31.7	18.0
Bank loans	136.4	136.3
Other financial payables	22.2	25.7
Other liabilities	9.1	11.8
Deferred tax liabilities	73.0	74.5
	358.7	**352.2**
Current liabilities		
Other provisions	106.6	103.3
Trade payables	104.7	101.9
Bank loans	59.5	72.3
Other financial payables	92.4	96.7
Other liabilities	304.5	365.0
	667.7	**739.2**
Balance sheet total	**1,449.2**	**1,500.2**

Segment performance

In the **Sheetfed segment**, order intake in the first nine months of 2023 was valued at €454.4m, 30.2% below the extremely high figure recorded in the previous year, which had also been characterised by catch-up effects following the Covid pandemic as well as greater stockpiling by customers and brand owners due to supply chain disruptions and the limited availability of materials. As expected, this was replaced by robust demand up until the first half of the year, after which the third quarter saw an noticeable decline. With order intake coming to €112.3m (previous year: €193.0m) in the third quarter of 2023, purchasing restraints turned out to be more pronounced than previously assumed due to high inventories on the part of customers as a result of post-pandemic changes in consumer preferences, as well as the uncertain economic outlook. Accordingly, revenue fell slightly short of the previous year in the third quarter. In the first nine months, however, revenue increased by 17.0% to €531.4m (previous year: €454.1m). With a book-to-bill ratio of 0.86 (previous year: 1.43), order backlog was reduced as planned to €505.9m (previous year: €638.9m). At €12.1m as of 30 September 2023, EBIT after the first nine months was significantly higher than the previous year's figure of €4.0m. Reflecting this, the EBIT margin reached 2.3% (previous year: 0.9%). In the third quarter, special effects from press sales as well as a temporarily unfavourable margin mix resulted in EBIT of €2.7m (previous year: €5.1m) and an EBIT margin of 1.5% (previous year: 2.8%).

In the first nine months of 2023, order intake in the **Digital & Webfed segment** increased by 49.3% to €132.9m (previous year: €89.0m) due to demand for the RotaJET and HP digital web printing presses as well as corrugated board and flexo presses. At €59.8m (previous year: €27.8m), order intake nearly doubled in the third quarter compared to the same period in the previous year. Revenue came to €102.3m, up 7.5% on the previous year's figure of €95.2m. In the third quarter, revenue was impacted by capacity shortfalls in order-processing, falling by 16.6% to €32.2m (previous year: €38.6m). With a book-to-bill ratio of 1.30 (previous year: 0.93), the order backlog widened by €60.6m to €142.9m as of 30 September 2023 (previous year: €82.3m). EBIT was still burdened by start-up and trailing

Business segments

	Revenue				EBIT				Capital investments			
	1. - 3. Quarter		Third Quarter		1. - 3. Quarter		Third Quarter		1. - 3. Quarter		Third Quarter	
in €m	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**
Segments												
Sheetfed	454.1	**531.4**	184.0	**179.0**	4.0	**12.1**	5.1	**2.7**	12.9	**11.1**	2.0	**4.1**
Digital & Webfed	95.2	**102.3**	38.6	**32.2**	-14.7	**-19.9**	-2.0	**-8.7**	1.3	**2.1**	0.6	**0.7**
Special	280.7	**281.2**	98.1	**86.2**	4.0	**4.3**	6.5	**5.5**	6.4	**13.3**	2.7	**3.4**
Reconciliation	-24.3	**-23.8**	-6.8	**-2.7**	3.7	**1.4**	1.2	**3.8**	8.1	**8.7**	3.6	**5.0**
Group	**805.7**	**891.1**	**313.9**	**294.7**	**-3.0**	**-2.1**	**10.8**	**3.3**	**28.7**	**35.2**	**8.9**	**13.2**

costs in connection with the introduction of the new flexo, corrugated board and digital printing products, coming to €-19.9m after the first nine months (previous year: €-14.7m) and €-8.7m in the third quarter (previous year: €-2.0m). Reflecting this, the EBIT margin stood at -19.5% (previous year: -15.4%) and -27.0% (previous year: -5.2%), respectively.

At €270.7m as of 30 September 2023 (previous year: €313.7m), order intake in the **Special segment** fell short of the previous year by 13.7%. Orders in Banknote Solutions (banknote and security printing), MetalPrint (metal packaging) and Coding (marking and coding solutions for all industries) were below the previous year's level. On the other hand, order intake by Kammann (direct decoration of hollow bodies made of glass and plastic) were higher. At €116.3m in the third quarter (previous year: €121.0m), however, new orders came close to the previous year's figure, although a significant delay in order intake, particularly at Banknote Solutions, was discernible. The shorter delay between the receipt of new orders and the recognition of revenue and earnings as a result of the percentage-of-completion (POC) method applied in the Special segment was particularly evident in the third quarter. Revenue fell by 12.1% to €86.2m (previous year: €98.1m). At €281.2m (previous year: €280.7m), revenue in the nine-month period was still slightly higher than in the previous year. With a book-to-bill ratio of 0.96 (previous year: 1.12), the order backlog was reduced reaching €242.9m at the end of September (previous year: €310.6m). In the first nine months, EBIT came to €4.3m (previous year: €4.0m), 7.5% up on the previous year. In addition to the aforementioned shift in the still amply filed order pipeline, this also reflects the short-term loss of two Banknote Solutions customers in Sudan and Argentina. As a result, EBIT fell by 15.4% to €5.5m in the third quarter (previous year: €6.5m). The EBIT margin stood at 1.5% in the nine-month period (previous year: 1.4%) and 6.4% in the third quarter (previous year: 6.6%).

Risks and opportunities

There were no significant changes in the assessment of the risks and opportunities for the Koenig & Bauer Group in the period under review compared to the corresponding statements in the annual report for 2022. 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 on page 44 of the annual report for 2022.

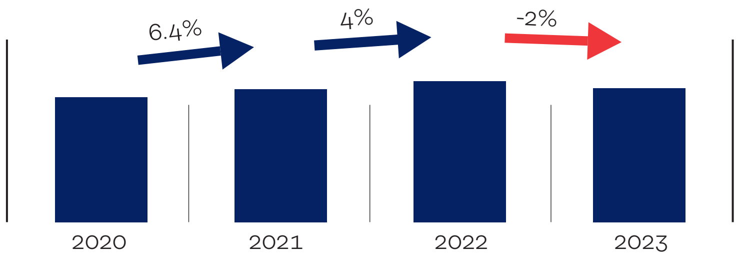
Outlook

In the adhoc announcement issued on 25 October 2023, the forecast for 2023 as well as the target for 2025 and the medium-term guidance that had been published on 29 March 2023 on page 48 of the annual report for 2022 were adjusted.

Assuming that economic conditions do not deteriorate any further, for example that there are no setbacks or restrictions as a result of the current war situation and that inflation does not rise any further, the Company now expects to achieve its revenue target of around €1.3bn, accompanied by EBIT of €25 – 35m in 2023. This corresponds to an EBIT margin of 1.9 – 2.7% (previous year: 1.9%). Originally, an EBIT margin of around 3% had been forecasted. The Digital & Webfed segment should make a disproportionately strong contribution to both EBIT and revenue growth.

The adjustment to the outlook for the current year to reflect economic volatility and geopolitical uncertainties has 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 still intact and resilient. As things currently stand, Koenig & Bauer expects demand to pick up in 2024 and will issue guidance for 2024 and 2025 when it publishes its full-year figures for 2023.

VDMA forecast:
Production in the machinery and plant engineering sector



Additional Information

Key financial dates

Annual Report 2023
27 March 2024

Statement on 1st quarter 2024
7 May 2024

Capital Markets Day, Düsseldorf
29 May 2024

Koenig & Bauer Annual General Meeting
26 June 2024

Report on 2nd quarter 2024
1 August 2024

Statement on 3rd quarter 2024
7 November 2024

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