KOENIG & BAUER

# Metamor[e]phosis

Interim Report | **First Half Year 2023**

we're on it.

# Index

# First half of the year and Q2 at a glance: Koenig & Bauer can look back on a favourable first half and confirms its guidance

- Revenue growth in all segments resulting in a 21.3% increase in Group revenue to €596.4m in the first half of 2023 (previous year: €491.8m) – revenue growth in Q2 even stronger at 24.5%, leading to the highest half-year revenue in the Company's recent history

- Services contributing 29.7% of revenue due to strong new press business (previous year: 33.2%)

- EBIT after the first six months at €-5.4m (previous year: €-13.8m), marking an increase of 60.9% compared to the previous year; improvement in EBIT in the second quarter from €-5.3m to €-2.2m; EBIT margin H1: -0.9%; Q2: -0.7% (previous year: H1: -2.8%; Q2: -2.1%)

- The higher material, personnel and energy costs very largely passed on through the price increases

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

- At €552.9m, order intake in the first half of the year matched expectations (previous year: €692.9m), resulting in the previously forecast return to a solid order intake, especially in the Sheetfed and Special segments – new orders in the Digital & Webfed segment encouragingly higher

- As expected, deliveries reduced the previous year's high order backlog of €1,007.9m to €906.9m

- Outlook for 2023 confirmed: revenue to rise to around €1.3bn, accompanied by an EBIT margin of roughly 3%

# Group key figures

| in €m | First Half-Year 2022 | First Half-Year 2023 | First Half-Year Change | Second Quarter 2022 | Second Quarter 2023 | Second Quarter Change |
|---|---|---|---|---|---|---|
| Order intake | 692.9 | **552.9** | -20.2% | 343.8 | **251.7** | -26.8% |
| Revenue | 491.8 | **596.4** | 21.3% | 253.4 | **315.4** | 24.5% |
| Earnings before interest and taxes (EBIT) | -13.8 | **-5.4** | 60.9% | -5.3 | **-2.2** | 58.5% |
| EBIT margin | -2.8 % | **-0.9%** | | -2.1% | **-0.7%** | |
| Net group loss | -15.8 | **-10.6** | 32.9% | -5.3 | **-4.9** | 7.5% |
| Earnings per share in € | -0.98 | **-0.65** | 33.7% | -0.34 | **-0.31** | 8.8% |
| Free Cashflow | -46.4 | **-64.7** | -39.4% | -16.4 | **-31.3** | -90.9% |

| in €m | 30.06.2022 | **30.06.2023** | Change |
|---|---|---|---|
| Order backlog | 1,007.9 | **906.9** | -10.0% |
| Net Working Capital | 297.4 | **373.9** | 25.7% |
| Net financial position | -45.2 | **-134.5** | -197.6% |
| Employees | 5,326 | **5,588** | 4.9% |

| in €m | 31.12.2022 | **30.06.2023** | Change |
|---|---|---|---|
| Balance sheet total | 1,449.2 | **1,462.5** | 0.9% |
| Equity | 422.8 | **407.5** | -3.6% |
| Equity ratio | 29.2% | **27.9%** | |

# Letter to the shareholders

## Dear shareholders,

“Koenig & Bauer can look back on a challenging first half of 2022” – this was the sentence with which we commenced the letter to you, our shareholders, exactly one year ago in our report on the first six months of 2022.

The exact same statement applies to the underlying macroeconomic conditions because we, like almost all manufacturing companies and our customers, are still feeling the effects of inflation, price increases and persistent disruptions along our supply chains in some cases. However, true to its Metamor(e)phosis motto, the Company has learned from the experience gained in 2022, performing very dynamically in the first half of 2023.

**Record revenue in the first half of the year**
All segments posted significant increases in revenue in the first six months of the year, with Group revenue rising by more than 21% from just under €492m in the same period of the previous year to over €596m. On an equally encouraging note, the second quarter was particularly strong, with revenue up almost 25% over the same period in the previous year. As a result, the Company recorded the highest revenue of any first half of the year of its recent history.

We also succeeded in improving the earnings for the period – which is admittedly still negative – by €8.4m compared to the first half of 2022 to €-5.4m, equal to an increase of around 61%. In the second quarter, EBIT came to €-2.2m, compared with €-3.2m in the first quarter of 2023.

In operating terms, it was particularly gratifying to see that in the first half of the year the Company was able to very largely pass on the increased material, personnel and energy costs to customers. This testifies to the high demand for technologically sophisticated printing solutions even in economically challenging times.

The large order backlog of just under €907m also reflects the very good position held by Koenig & Bauer products on the market. By the same token, this also ties up working capital, impacting free cash flow, which stood at around €-64.7m at the end of June.

Order intake came to just under €553m in the first six months of the year, compared with almost €693m in the same period of the previous year. These figures are in line with the Management Board's expectations and indicate a return to a solid, sustainable level. As expected, order intake in the Sheetfed and Special segments was lower, while Digital & Webfed posted an increase. This confirms our strategy of focusing on the growth markets of corrugated board as well as flexible and digital printing.

**Even greater focus on sustainability**

During the period under review, Koenig & Bauer took further steps to position itself not only more profitably, but also more sustainably. For example, a partnership was forged with printing ink specialist hubergroup Print Solutions, which, among other things, entails the development of a joint strategy for sustainability with a particular focus on health protection, cradle-to-cradle solutions and certifications. We are also looking forward to the results of the special campaign under the workplace suggestion scheme for improving the energy efficiency of our products. At the same time, we are working on improving the carbon footprint in our plants by adopting a green energy policy in line with our climate goals. At the foundry in Würzburg, another major step towards greater sustainability is being taken with the installation of a new melting system.

**Further strategic partnerships**

In addition to this, important strategic partnerships were established in the first six months. One example is the partnership with GIETZ AG in banknote printing. Combining technology, expertise and research in banknote printing is creating a unique opportunity for both partners to discover new ways for unlocking value for our customers while maintaining the highest standards in the application of OVDs (optically variable devices) that are essential to the banknote industry.

In another example, Sealed Air Corporation (SEE) and Koenig & Bauer are expanding their strategic partnership in the digital printing press segment. The two parties agreed to this in a joint letter of intent in April. The aim of the partnership is to significantly expand the possibilities in packaging design by developing state-of-the-art digital printing technology, equipment and services. The solutions developed by SEE and Koenig & Bauer will be scalable and make digitally printed materials available much faster.

And something else, even though we will not know until the end of 2024 – after the end of the development phase – whether we will achieve our ambitious development goals: I would like to briefly mention our partnership with Volkswagen subsidiary PowerCo SE for joint development activities in sustainable battery cell production. In this connection, we will be developing a system for the industrial powder-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.

As you can see, we have put out the feelers of our pioneering spirit beyond the print media industry in order to work on a new technology together with Volkswagen. This clearly shows our constant willingness to change and our determination to continuously learn with and from our customers. This is where we are today and where we will continue to be – despite all changes – in the future.

**Outlook**

In its history spanning more than 200 years, Koenig & Bauer has addressed the various challenges that the market environment poses and, precisely because it has proven to be flexible and efficiently adaptable, mastered them capably. One aspect of this is that management always pays attention to possible developments closely and in good time and will continue to do so, even though the P24x programme has now officially ended with the achievement of the defined savings targets. We therefore reaffirm our Group revenue forecast of €1.3bn for 2023, accompanied by an EBIT margin of roughly 3%.

So, as you, our shareholders, can see, your Company has not only positioned itself well – as confirmed by the figures in the first half of the year – but will not be resting on its laurels as we move forward. Together with you, we will continue to build on Koenig & Bauer's long-term, sustainable success story.

Dr Andreas Pleßke
CEO of Koenig & Bauer AG

CEO
Dr Andreas Pleßke

CFO
Dr Stephen M. Kimmich

CDO
Ralf Sammeck

COO
Michael Ulverich

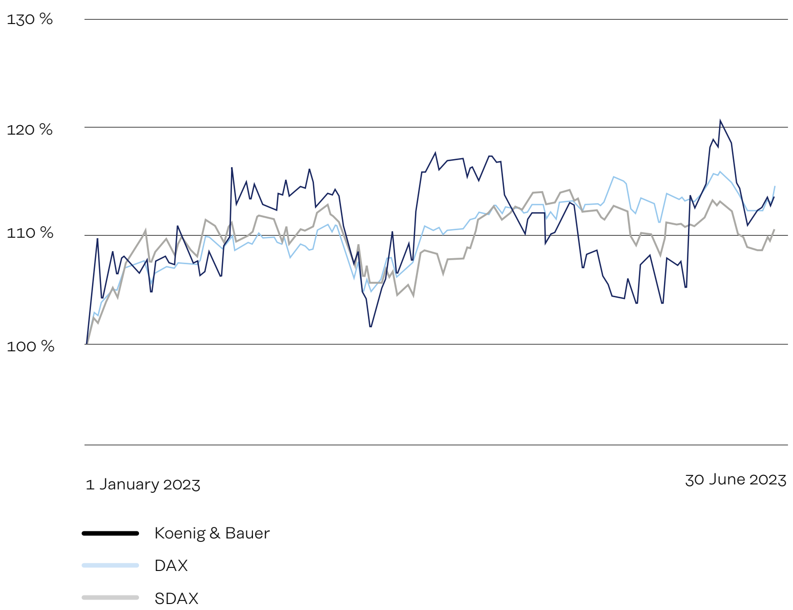
CEO Digital & Webfed
Christoph Müller

# Koenig & Bauer shares

With most indices losing ground in 2022 in the face of rising interest rates and concerns over a recession, equity markets were able to recoup a sizeable part of their losses in the first six months of 2023. This also applies to Koenig & Bauer shares, which lost 48.0% in 2022 on the basis of XETRA closing prices, thus underperforming the DAX and the SDAX by -12.35% and -27.35%, respectively.

This underperformance compared to the indices over the year as a whole also resulted in greater relative gains in the first six months of 2023. With the announcement of the partnership with Volkswagen for joint development activities in battery cell production on 8 June, Koenig & Bauer shares tested the 20-euro mark on several occasions. However, they reached their high for the first half of the year on the day of the annual general meeting, 16 June, with a Xetra closing price of €20.20, equivalent to an increase of 21.10%. The benchmark indices also hit their highs for the first six months on this day (DAX: 16,357 points, +16.27%; SDAX: 13,707 points, +13.43%). In the second half of June, newly rekindled concerns over rising interest rates and a profit warning in the chemical sector alongside weaker macroeconomic data continued to weigh on sentiment. This was also reflected in the indices. On 30 June, the DAX closed 14.77% and the SDAX 10.9% up on the end of the previous year. Koenig & Bauer shares were also unable to escape this minor price correction, trading at €19.00 on 30 June, equivalent to an increase of 13.91% compared to the beginning of the year. (All figures based on Xetra closing prices.)

**Koenig & Bauer shares**



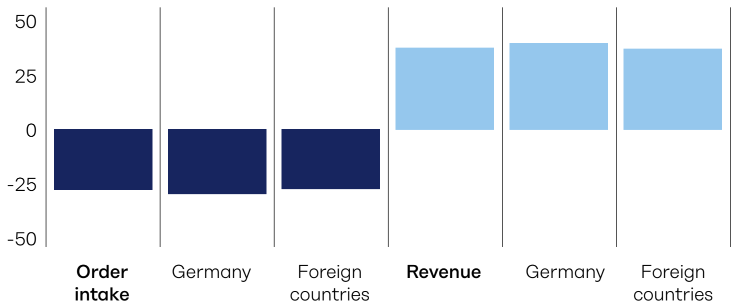

Overall, the positive performance of the capital markets came as a surprise to many in view of the strong prevailing headwinds. Muted economic data, consistently high inflation rates and central banks' more restrictive monetary policy fanned widespread scepticism over equities. Despite the negative sentiment, however, it should also be noted that earnings expectations for the DAX companies have risen to a new record high. Compared to the long-term average P/E ratio of 12.6 since 2003, the DAX is still favourably valued at 11.1 despite its good performance this year, meaning that a further increase to 17,000 points is possible by the end of the year in the absence of a more severe recession.

# Group management report

## Macroeconomic and industry conditions

The global economy entered 2023 on a muted note. The Russian attack on Ukraine and the combination of high inflation and the sharp rise in interest rates triggered a deterioration in the macroeconomic environment. After two negative GDP growth rates in a row, Germany fulfilled the criterion for a technical recession. However, thanks to the stability of the services sector, this is likely to be mild and short. The labour market in the United States remains in a very solid condition, accompanied by signs of easing in the real estate market and abating stress in the banking sector. Recently, there have been signs of base formation in the manufacturing sector. In China, the recovery was very muted after the abolition of the pandemic-related restrictions. In addition to the decisions already made to ease monetary policy, a new fiscal package is also expected. Inflationary pressures are continuing to fade but are still too strong. Following the previous sharp rise in energy and food prices, services in particular are currently becoming more expensive. Recently, however, inflation rates have dropped due to baseline effects and this should continue over the next few months. Price pressure is clearly easing at the preliminary stages of consumer prices, where disinflationary forces already predominate. Although inflation has passed its zenith, core inflation rates remain elevated. Furthermore, the risk of negative surprises due to second-round effects and a possible wage-price spiral remains high.

**VDMA: Order intake and revenue printing presses from January to May 2023**




% Change to previous year

German mechanical engineering companies continue to face muted confidence on the part of their customers. In May, real order intake, i.e. adjusted for price increases, fell by 10.0% compared to the same month of the previous year according to the German Mechanical and Plant Engineering Association (VDMA). As VDMA chief economist Ralph Wiechers explained: “Our scenario of persistently weak global demand for capital expenditure remains intact,” adding that “the order backlog is still large enough for the coming months, although the number of companies that are feeling a significant change here is increasing.”

According to the German Mechanical and Plant Engineering Association (VDMA), plant and machinery orders declined by 13.9% in price-adjusted terms in the first five months of 2023 compared to the corresponding period of the previous year. By contrast, revenue in the mechanical engineering sector rose by 5.0%. At the same time, order intake in the printing press segment fell 25.8% short of the previous year in the first five months of 2023. Revenue, on the other hand, increased by 35.0%.

# Main events and business performance

### Koenig & Bauer AG Annual General Meeting

On 16 June 2023, Koenig & Bauer AG's 98th annual general meeting was held again in a physical format, meeting with great enthusiasm on the part of the shareholders. A total of around 59% of the voting capital was present in person or by proxy, ensuring a comparatively high attendance rate. The Company's shareholders were asked to vote on eight of the nine items on the agenda at the annual general meeting, including – in line with a general trend in the capital market – one to modify the term of office of the members of the Supervisory Board, which was duly passed. In addition, the shareholders ratified the actions of the Management Board and the Supervisory Board and approved the remuneration report. A resolution permitting annual general meetings to be held in virtual form was also passed, thus creating the legal basis for this. The shareholders elected Claus Bolza-Schünemann to the Supervisory Board with a majority of 99.9%. Bolza-Schünemann had been a member of Koenig & Bauer AG's Management Board for 28 years, including nine years as Chief Executive Officer.

### Changes in the shareholder base

At the beginning of July, several existing shareholders who are descendants of Koenig & Bauer's founding family pooled their voting rights to form the Koenig Shareholders' Association, which now holds a total of 2,751,704 shares, corresponding to 16.7% of the total number outstanding.

### Overall statement by the Management Board

The Koenig & Bauer Group's business performance was again influenced by the impact of high inflation and the sharp rise in interest rates in the first half of 2023. On a positive note, supply chain problems and the enormous price increases are receding in part.

At €596.4m in the first half of the year, Group revenue rose by a substantial 21.3% over the previous year's figure of €491.8m. With respect to earnings, higher material, personnel and energy costs were very largely passed on through the price increases. After the first six months, EBIT stood at €-5.4m (previous year: €-13.8m), marking an increase of 60.9% compared to the previous year. In the second quarter, it improved from €-5.3m to €-2.2m, with the EBIT margin reaching -0.9% in the first half and -0.7% in the second quarter (previous year: H1: -2.8%; Q2: -2.1%). The segments contributed the following EBIT in the first half of 2023: Sheetfed €9.4m (H1 2022: €-1.1m), Digital & Webfed €-11.2m (H1 2022: €-12.7m), Special €-1.2m (H1 2022: €-2.5m). Overall, the Koenig & Bauer Group's business lived up to expectations, taking into account the current global economic situation.

# Earnings, finances and assets

### Earnings

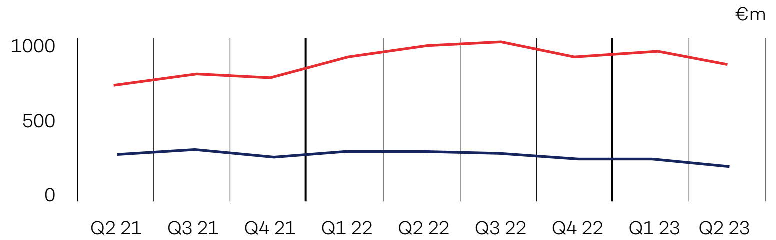
In the first half of 2023, **order intake** was valued at €552.9m (previous year: €692.9m). This was a decline of 20.2%, marking the projected return to a solid order intake. The previous year's figure had particularly been characterised by above-average demand in the Sheetfed segment. Consequently, order receipts outperformed the industry average, which revealed a decline of 25.8% in order intake in the first five months.

**Group revenue** increased by 21.3% in the first half of the year compared to the corresponding period of the previous year and, at €596.4m (previous year: €491.8m), was one of the highest figures in any half-year period in the Company's recent history. Revenue in the second quarter came to €315.4m (previous year: €253.4m), thus exceeding the same quarter of the previous year as well as the first quarter of 2023. In the first half of 2023, 29.7% of Koenig & Bauer's revenue was generated from service business (previous year: 33.2%). According to VDMA, industry-wide revenue increased by an encouraging 35.0% in the first five months.

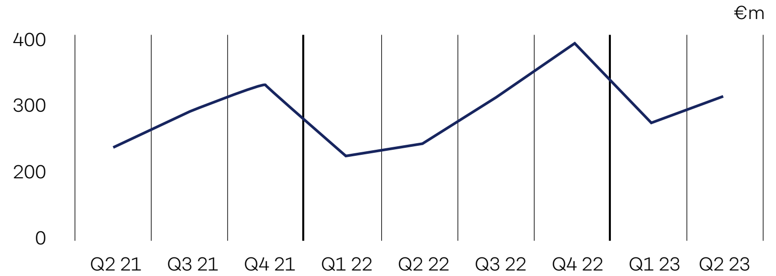
The **Group export ratio** widened from 87.7% to 88.6%, with the share of business from North America growing to 20.5% (previous year: 16.5%), while the share of business from Latin America and Africa also increased to 14.4% (previous year: 10.7%) and from the Asia/Pacific region to 24.1% (previous year: 23.2%). The share of revenue accounted for by Germany (11.4%) and Europe excluding Germany (29.6%) was down on in the previous year (12.3% and 37.3%, respectively).

As expected, the **order backlog** contracted as a result of deliveries, dropping from €1,007.9m in the previous year to €906.9m as of 30 June 2023, and continues to provide a solid basis for the 2023 financial year.

**Order backlog Order intake per quarter**



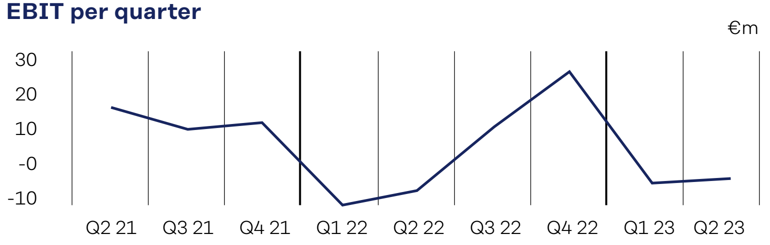

**Revenue per quarter**



Gross profit amounted to €159.9m (previous year: €129.1m). The **gross margin** widened slightly to 26.8% (previous year: 26.3%). At €31.0m, R&D expenses were up on the previous year's figure of €27.2m, partly due to the new Digital Business Unit, which is responsible for digitalisation within the Group. Selling expenses increased by €13.2m to €78.6m (previous year: €65.4m), mainly as a result of generally higher service costs in addition to the rise in personnel costs. Administrative expenses climbed by €4.9m over the previous year to €53.1m (previous year: €48.2m) due to the higher amortisation of intangible assets in the Group. Net other income and expenses came to €-2.4m, compared with €-1.4m in the previous year. Among other things, this was due to currency-translation effects. This resulted in **EBIT** of €-5.4m (previous year: €-13.8m). The improvement of €8.4m in operating earnings over the same period of the previous year is mainly due to the positive overall volume and mix effects (approximately €16.0m) and the ability to very largely pass on the higher material, energy and personnel costs (approximately €16.0m) through the announced price increases (approximately €14.0m). On the one hand, the difference reflects the time lag between price increases and cost increases in the procurement markets, for example in connection with energy costs and electronic components. On the other, there is a further delay between price reductions on the procurement market and their inclusion in the income statement. The P24x efficiency programme – which was almost completed with the achievement of the savings of €92m budgeted for 2023 as of 31 December 2022 – will also contribute to slight improvements in earnings in 2023.

Accordingly, the **EBIT margin** improved from -2.8% in the first half of the previous year to -0.9% in the first half of 2023. With net interest expense of €-7.9m up on the previous year (€-4.6m), **earnings before taxes** came to €-13.3m (previous year: €-18.4m). After income taxes, **consolidated net loss** increased to €-10.6m as of 30 June 2023, compared with €-15.8m in the same quarter of the previous year. This translates into proportionate **earnings per share** of €-0.65 (previous year: €-0.98).

### EBIT per quarter



### Finances

**Cash flow from operating activities** came to €-44.9m in the period under review mainly due to increased inventories (previous year: €-29.5m). The increase in prepayments received had the opposite effect. At €-19.8m, cash flow from investing activities was up on the previous year's figure of €-16.9m. **Free cash flow** amounted to €-64.7m (previous year: €-46.4m). The decline of €18.3m was mainly due to changes in **net working capital**, which amounted to €373.9m as of 30 June 2023 (previous year: €297.4m). Cash flow from financing activities came to €5.6m (previous year: €10.5m) due to changes in the syndicated loan. At the end of June 2023, cash and cash equivalents were valued at €72.1m (previous year: €96.3m). Adjusted for bank liabilities of €206.6m, the **net financial position** amounted to €-134.5m (previous year: €-45.2m), compared to €-63.7m at the end of 2022.

### Assets

A total of €22.0m (previous year €19.8m) 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 €1.7m (previous year: €1.6m). This was accompanied by depreciation and amortisation expense of €21.4m (previous year: €18.8m). At €393.7m as of 30 June 2023, intangible assets and property, plant and equipment were virtually unchanged over the end of 2022. With financial investments and other financial receivables in line with the previous year and deferred tax assets higher, **non-current assets** climbed from €526.5m as of 31 December 2022 to €533.0m. **Current assets** increased slightly compared with December 31, 2022. Inventories rose by €68.3m, cash and cash equivalents decreased by €60.1m. This is mainly due to higher buy-side costs as well as greater stockpiling, particularly of electronic components, due to the global supply chain shortages and scarce materials. At €1,462.5m, the Group's **total assets** 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 net consolidated loss contributed significantly to the reduction in equity to €407.5m. Reflecting this, the equity ratio dropped to 27.9% (previous year: 29.2%). Provisions for retirement benefits increased slightly from €86.3m at the end of 2022 to €90.6m as of 30 June 2023 due to the reduction in the discount rate for domestic retirement benefits from 3.9% as of 31 December 2022 to 3.7% as of 30 June 2023. **Non-current liabilities** increased by €5.4m. **Current liabilities** climbed by €23.2m, mainly due to higher advance payments received.

# Segment performance

In the **Sheetfed segment**, order intake in the first half of 2023 was valued at €342.1m, 25.4% below the extremely high figure recorded in the previous year, which had been characterised by catch-up effects following the Covid pandemic. This marked the projected return to solid order intake. Revenue, however, rose by 30.5% to €352.4m. With a book-to-bill ratio of 0.97 (previous year: 1.70), order backlog was reduced as planned to €572.6m (previous year: €629.9m). At €9.4m as of 30 June 2023, EBIT was significantly higher than the figure of €-1.1m recorded in the first half of the previous year. This translated into an EBIT margin of 2.7% (previous year: -0.4%).

In the first half of 2023, order intake in the **Digital & Webfed segment** increased by 19.4% to €73.1m (previous year: €61.2m) due to demand for the RotaJET digital web printing press and corrugated board presses. At €70.1m, revenue was 23.9% up on the previous year's figure of €56.6m. With a book-to-bill ratio of 1.04 (previous year: 1.08), order backlog increased by €22.2m to €115.3m as of 30 June 2023 (previous year: €93.1m). EBIT was still burdened by start-up and trailing costs in connection with the launch of the new products in flexo, corrugated board and digital printing and amounted to €-11.2m (previous year: €-12.7m). Reflecting this, the EBIT margin came to -16.0% (previous year: -22.4%).

At €154.4m as of 30 June 2023, order intake in the **Special segment** fell short of the previous year's figure of €192.7m by 19.9%. Orders in Banknote Solutions (banknote and security printing), MetalPrint (metal packaging) and Coding (marking and coding solutions for all industries) were down on the previous year. On the other hand, orders received by Kammann (direct decoration of hollow bodies made of glass or plastic) were higher. Revenue in the first half of 2023 increased by 6.8% to €195.0m (previous year: €182.6m). With a book-to-bill ratio of 0.79 (previous year: 1.06), order backlog was reduced due to the execution of deliveries, reaching €212.8m at the end of June (previous year: €287.7m). EBIT improved slightly from €-2.5m in the same period of the previous year to €-1.2m as of 30 June 2023. This negative earnings contribution was mainly due to the short-term loss of two Banknote Solutions customers based in Sudan and Argentina. The EBIT margin reached -0.6%, compared with -1.4% in the same period of the previous year.

# Research and development

Alongside new product developments and enhancements with a focus on packaging and industrial printing, new customer-oriented digital services form the main thrust of Koenig & Bauer's research and development activities. By offering customised and integrated solutions, we want to improve our customers' competitiveness by means of improved quality and productivity as well as greater transparency. Research and development expenses equalled 5.2% of revenue in the first half of 2023 (2022: 5.5%). As well as this, development costs equivalent to 0.3% of revenue were capitalised (2022: 0.3%). Looking forward, the Koenig & Bauer Group's research and development expenditure will not be curtailed despite the challenging business environment.

The most recent example of our customer-centric digital services is the first functional prototype (MVP) from Koenig & Bauer Analytics, which we presented at the Hannover Messe in 2023. This powerful analysis tool combines data seamlessly from various sources, such as machine log files and data from existing MES and MIS systems. It enables users to generate very simply complex evaluations of patterns, trends and anomalies in production processes and thus to obtain a comprehensive understanding of their production processes. In this way, they are able to take action pre-emptively before any major problems occur. The aim is to achieve almost 100% productivity for as many presses as possible. At the core is the Google Cloud Manufacturing Data Engine (MDE), which consolidates data silos and drills manufacturing data to improve efficiency and productivity. The official product release is scheduled for autumn 2023.

In the growth market of corrugated board, further development work has been performed on the ready-to-use die-cutter for the Chroma X Pro series. Looking forward, Koenig & Bauer Celmacch will be offering a new option of internal and external printing in a single pass. Printing on both sides in a single operation not only increases efficiency significantly but also substantially reduces production costs.

# Employees

As of 30 June 2023, the Group had 5,588 employees, 262 more than on the same date in the previous year. This includes 259 young people (an increase of six) who are completing an apprenticeship or internship. With an apprenticeship ratio of 4.6% (previous year: 4.8%), Koenig & Bauer is attaching key importance to securing the next generation of skilled workers because it sees this as an important investment in the future. The Company offers all young people who successfully complete the apprenticeship a permanent employment contract.

# 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 from page 44 of the annual report for 2022.

# Outlook

### Expected macroeconomic and industry conditions

Overall, the International Monetary Fund (IMF) has adopted a slightly more optimistic stance in its "July Outlook" compared to the spring. "Better results for global growth have become increasingly plausible," the updated economic outlook says, especially if core inflation rates "fall faster than expected" and energy prices continue to decline. Global growth is set to slow from 3.5% in the previous year to 3.0% in 2023. Compared to the April forecast, however, this marks a slight improvement of 0.2 percentage points for the current year. The IMF projects growth of 0.9% in the Eurozone for 2023. This means that the forecast is largely unchanged. However, there has been a shift within the individual countries. Whereas the outlook for Germany has been scaled back, the IMF has raised its growth forecast for high-tourism countries such as Italy (up 0.4 percentage points) and Spain (up 1.0 percentage points). With its muted outlook, Germany is thus moving against the trend.

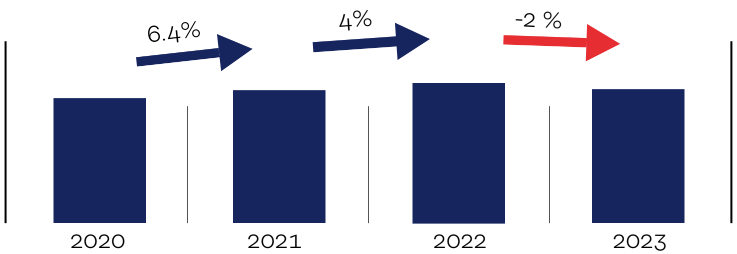
The German Mechanical and Plant Engineering Association (VDMA) has re-affirmed its production forecast for mechanical engineering in Germany for 2023 and forecasts a 2% decline in real production. However, it commented on the figures for the first five months of 2023 as follows: "Our scenario of persistently weak global demand for capital expenditure remains intact. The order backlog is still large enough for the coming months, although the number of companies that are feeling a significant change here is increasing."

**IWF: Year-on-year gross**

| Country/region | 2022 | 2023 Estimate | Deviation to April 2023 |
|---|---|---|---|
| Global | 3.5 | 3.0 | 0.2 |
| Developed economies | 2.7 | 1.5 | 0.2 |
| Eurozone | 3.5 | 0.9 | 0.1 |
| Germany | 1.8 | -0.3 | -0.2 |
| France | 2.5 | 0.8 | 0.1 |
| Italy | 3.7 | 1.1 | 0.4 |
| Spain | 5.5 | 2.5 | 1.0 |
| United Kingdom | 4.1 | 0.4 | 0.7 |
| United States | 2.1 | 1.8 | 0.2 |
| Japan | 1.1 | 1.4 | 0.1 |
| Emerging markets and developing countries | 4.0 | 4.0 | 0.1 |
| ASEAN* | 5.5 | 4.6 | 0.1 |
| Brazil | 2.9 | 2.1 | 1.2 |
| China | 3.0 | 5.2 | 0.0 |
| India** | 7.2 | 6.1 | 0.2 |
| Russia | -2.1 | 1.5 | 0.8 |

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

**VDMA forecast: Production in the machinery and plant engineering sector**



## Forecast

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

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

### Forecast for 2025 and medium-term targets

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 an EBIT margin of 6–7% are being targeted for 2025.

# Sustainability

Sustainability is one of the greatest global challenges of our times. It is with this in mind that Koenig & Bauer is designing its products and processes to make them ready for the future. This is also firmly entrenched in our “Exceeding Print” strategy. In addition to the European Green Deal, the main drivers are the Company’s own sustainability goals.

The relevance of climate and environmental protection has increased significantly for mechanical and plant engineering companies. More and more customers are paying greater attention to sustainability factors such as the energy and resource efficiency of the products in their purchasing decisions. According to the results of the Koenig & Bauer climate impact report for 2022, more than 90% of the Company’s carbon footprint is generated from product use. Accordingly, it is actively committed to the preservation and protection of the environment, particularly through a wide variety of initiatives for emission-reduced products. Numerous employees participated in a special campaign under the workplace suggestion scheme, submitting proposals for improving the energy efficiency of the products. Work on implementing the innovative energy efficiency proposals has already begun.

We are also working on improving the carbon footprint in our plants by adopting a green energy policy, which also includes comprehensive energy efficiency measures in line with our climate goals. At the foundry in Würzburg another major step towards greater sustainability is being taken with the installation of a new melting system.

When the new medium-frequency melting furnace featuring the latest technology goes into operation in autumn 2023, only a fraction of the previous melting time will be required, thus significantly improving the energy efficiency of the melting process. The new foundry melting furnace consumes 30% less electricity than the old system. As well as this, significant quantities of energy can be fed into the plant's internal heating network thanks to the optimised utilisation of waste heat. This means that the amount of gas required for heating the buildings at the Würzburg site can be cut by 8%. Moreover, the closed-end water cycle can lower annual water consumption by over 9,000$m^3$.

# Interim Accounts

## Group balance sheet

| in €m | 31.12.2022 | 30.06.2023 |
|---|---|---|
| **Assets** | | |
| **Non-current assets** | | |
| Intangible assets, property, plant and equipment | 393.6 | 393.7 |
| Investments and other financial receivables | 25.5 | 25.2 |
| Investments accounted for using the equity method | 16.0 | 15.6 |
| Other assets | 1.6 | 1.0 |
| Deferred tax assets | 89.8 | 97.5 |
| | **526.5** | **533.0** |
| **Current assets** | | |
| Inventories | 426.2 | 494.5 |
| Trade receivables | 121.6 | 122.4 |
| Other financial receivables | 33.7 | 35.4 |
| Other assets | 205.5 | 200.6 |
| Securities | 3.5 | 4.5 |
| Cash and cash equivalents | 132.2 | 72.1 |
| | **922.7** | **929.5** |
| **Balance sheet total** | **1,449.2** | **1,462.5** |

| in €m | 31.12.2022 | 30.06.2023 |
|---|---|---|
| **Equity and liabilities** | | |
| **Equity** | | |
| Share capital | 43.0 | 43.0 |
| Share premium | 87.5 | 87.5 |
| Reserves | 290.6 | 275.4 |
| **Equity attributable to owners of the Parent** | **421.1** | **405.9** |
| Equity attributable to non-controlling interests | 1.7 | 1.6 |
| | **422.8** | **407.5** |
| **Liabilities** | | |
| **Non-current liabilities** | | |
| Pension provisions and similar obligations | 86.3 | 90.6 |
| Other provisions | 31.7 | 26.9 |
| Bank loans | 136.4 | 136.3 |
| Other financial payables | 22.2 | 26.1 |
| Other liabilities | 9.1 | 9.6 |
| Deferred tax liabilities | 73.0 | 74.6 |
| | **358.7** | **364.1** |
| **Current liabilities** | | |
| Other provisions | 106.6 | 95.6 |
| Trade payables | 104.7 | 105.6 |
| Bank loans | 59.5 | 70.3 |
| Other financial payables | 92.4 | 95.5 |
| Other liabilities | 304.5 | 323.9 |
| | **667.7** | **690.9** |
| **Balance sheet total** | **1,449.2** | **1,462.5** |

## Group income statement

| | First Half-Year | | Second Quarter | |
|---|---|---|---|---|
| in €m | 2022 | **2023** | 2022 | **2023** |
| Revenue | 491.8 | 596.4 | 253.4 | 315.4 |
| Cost of sales | -362.7 | -436.5 | -186.5 | -232.4 |
| **Gross profit** | **129.1** | **159.9** | **66.9** | **83.0** |
| Research and development costs | -27.2 | -31.0 | -13.2 | -15.0 |
| Distribution costs | -65.4 | -78.6 | -33.8 | -41.0 |
| Administrative expenses | -48.2 | -53.1 | -25.4 | -28.1 |
| Other income and expenses | -1.4 | -2.4 | 0.9 | -0.9 |
| Other financial results | -0.7 | -0.2 | -0.7 | -0.2 |
| **Earnings before interest and taxes (EBIT)** | **-13.8** | **-5.4** | **-5.3** | **-2.2** |
| Interest result | -4.6 | -7.9 | -2.2 | -4.6 |
| **Earnings before taxes (EBT)** | **-18.4** | **-13.3** | **-7.5** | **-6.8** |
| Income tax expense | 2.6 | 2.7 | 2.2 | 1.9 |
| **Net loss** | **-15.8** | **-10.6** | **-5.3** | **-4.9** |
| attributable to owners of the Parent | -16.1 | -10.7 | -5.5 | -5.1 |
| attributable to non-controlling interests | 0.3 | 0.1 | 0.2 | 0.2 |
| | | | | |
| **Earnings per share** (in €, basic/dilutive) | **-0.98** | **-0.65** | **-0.34** | **-0.31** |

## Statement of changes in Group equity

| in €m | Share capital | Share premium | Reserves: Recognised in equity | Reserves: Other | **Equity attr. to owners of the Parent** | Equity attr. to non-controlling interests | **Total** |
|---|---|---|---|---|---|---|---|
| **01.01.2022** | **43.0** | **87.5** | **-72.8** | **310.4** | **368.1** | **1.3** | **369.4** |
| Net profit/loss | – | – | – | -16.1 | **-16.1** | 0.3 | **-15.8** |
| Gains recognised directly in equity | – | – | 35.3 | – | **35.3** | – | **35.3** |
| **Total comprehensive income** | **–** | **–** | **35.3** | **-16.1** | **19.2** | **0.3** | **19.5** |
| Other changes | – | – | – | – | **–** | -0.2 | **-0.2** |
| **30.06.2022** | **43.0** | **87.5** | **-37.5** | **294.3** | **387.3** | **1.4** | **388.7** |
| | | | | | | | |
| **01.01.2023** | **43.0** | **87.5** | **-29.0** | **319.6** | **421.1** | **1.7** | **422.8** |
| Net profit/loss | – | – | – | -10.7 | **-10.7** | 0.1 | **-10.6** |
| Losses recognised directly in equity | – | – | -4.0 | – | **-4.0** | – | **-4.0** |
| **Total comprehensive income** | **–** | **–** | **-4.0** | **-10.7** | **-14.7** | **0.1** | **-14.6** |
| Other changes | – | – | – | -0.5 | **-0.5** | -0.2 | **-0.7** |
| **30.06.2023** | **43.0** | **87.5** | **-33.0** | **308.4** | **405.9** | **1.6** | **407.5** |

## Statement of comprehensive Group income

| in €m | First Half-Year 2022 | First Half-Year 2023 | Second Quarter 2022 | Second Quarter 2023 |
|---|---|---|---|---|
| **Net loss** | **-15.8** | **-10.6** | **-5.3** | **-4.9** |
| **Items to be reclassified to consolidated profit or loss** | | | | |
| Foreign currency translation | -1.0 | 0.5 | -1.9 | -0.2 |
| Measurement of derivatives | -2.7 | 0.2 | -3.0 | 1.1 |
| Deferred taxes | 0.6 | -0.1 | 0.7 | -0.2 |
| | **-3.1** | **0.6** | **-4.2** | **0.7** |
| **Items not to be reclassified to consolidated profit or loss** | | | | |
| Defined benefit plans | 51.3 | -6.0 | 42.1 | -2.5 |
| Deferred taxes | -12.9 | 1.4 | -8.3 | 0.5 |
| | **38.4** | **-4.6** | **33.8** | **-2.0** |
| **Gains/losses recognised directly in equity** | **35.3** | **-4.0** | **29.6** | **-1.3** |
| **Total comprehensive income** | **19.5** | **-14.6** | **24.3** | **-6.2** |
| attributable to owners of the Parent | 19.2 | -14.7 | 24.1 | -6.4 |
| attributable to non-controlling interests | 0.3 | 0.1 | 0.2 | 0.2 |

## Group cash flow statement

| in €m | First Half-Year 2022 | First Half-Year 2023 | Second Quarter 2022 | Second Quarter 2023 |
|---|---|---|---|---|
| Earnings before taxes (EBT) | -18.4 | -13.3 | -7.5 | -6.8 |
| Non-cash transactions | 21.2 | 30.5 | 11.1 | 14.8 |
| **Gross cash flow** | **2.8** | **17.2** | **3.6** | **8.0** |
| Changes in inventories, receivables and other assets | -91.7 | -65.4 | -35.1 | -12.5 |
| Changes in provisions and payables | 59.4 | 3.3 | 21.3 | -17.5 |
| **Cash flows from operating activities** | **-29.5** | **-44.9** | **-10.2** | **-22.0** |
| **Cash flows from investing activities** | **-16.9** | **-19.8** | **-6.2** | **-9.3** |
| **Free cash flow** | **-46.4** | **-64.7** | **-16.4** | **-31.3** |
| **Cash flows from financing activities** | **10.5** | **5.6** | **17.4** | **22.0** |
| **Change in funds** | **-35.9** | **-59.1** | | |
| Effect of changes in exchange rates | 2.7 | -1.0 | | |
| Funds at beginning of period | 129.5 | 132.2 | | |
| **Funds at end of period** | **96.3** | **72.1** | | |

# Notes to the interim accounts to 30 June 2023

## 1 Accounting and measurement policies

This interim report for the Koenig & Bauer Group is prepared in accordance with the International Financial Reporting Standards (IFRS). All International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), London, and all binding interpretations of the International Financial Reporting Interpretation Committee (IFRIC) as well as the rules of the European Union valid as of the reporting date are duly taken into account.

Accounting standard IAS 34 on interim reporting is complied with.

## 2 Consolidated companies and consolidation principles

There were no changes in our consolidated companies and the consolidation methods applied in the current year.

## 3 Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review 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 in the remaining months of the year.

Würzburg, 28 July 2023
Management Board

Dr Andreas Pleßke

Dr Stephen M. Kimmich

Christoph Müller

Ralf Sammeck

Michael Ulverich

# 4 Segment information

## 4.1 Business segments

| | Revenue | | | | EBIT | | | | Capital investments | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | First Half-Year | | Second Quarter | | First Half-Year | | Second Quarter | | First Half-Year | | Second Quarter | |
| in €m | 2022 | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 | **2023** |
| Segments | | | | | | | | | | | | |
| Sheetfed | 270.1 | **352.4** | 142.7 | **195.1** | -1.1 | **9.4** | 2.5 | **10.1** | 10.9 | **7.0** | 3.4 | **4.0** |
| Digital & Webfed | 56.6 | **70.1** | 28.6 | **34.6** | -12.7 | **-11.2** | -6.6 | **-8.1** | 0.7 | **1.4** | 0.3 | **1.2** |
| Special | 182.6 | **195.0** | 91.3 | **97.9** | -2.5 | **-1.2** | -1.8 | **-2.1** | 3.7 | **9.9** | 2.3 | **8.4** |
| Reconciliation | -17.5 | **-21.1** | -9.2 | **-12.2** | 2.5 | **-2.4** | 0.6 | **-2.1** | 4.5 | **3.7** | 2.9 | **0.6** |
| **Group** | **491.8** | **596.4** | **253.4** | **315.4** | **-13.8** | **-5.4** | **-5.3** | **-2.2** | **19.8** | **22.0** | **8.9** | **14.2** |

## 4.2 Geographical breakdown of revenue

| | First Half-Year | | Second Quarter | |
|---|---|---|---|---|
| in €m | 2022 | **2023** | 2022 | **2023** |
| Germany | 60.3 | **68.1** | 31.9 | **36.3** |
| Rest of Europe | 183.7 | **177.2** | 93.2 | **96.9** |
| North America | 81.3 | **122.1** | 45.7 | **50.7** |
| Asia/Pacific | 114.0 | **143.8** | 57.5 | **90.9** |
| Africa/Latin America | 52.5 | **85.2** | 25.1 | **40.6** |
| | **491.8** | **596.4** | **253.4** | **315.4** |

# 5 Earnings per share

| | First Half-Year | | Second Quarter | |
|---|---|---|---|---|
| in € | 2022 | **2023** | 2022 | **2023** |
| Earnings per share | -0.98 | **-0.65** | -0.34 | **-0.31** |

Basic earnings per share were calculated in accordance with IAS 33 by dividing the net income attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period (16,524,783 no-par shares, previous year: 16,524,783 no-par shares).

# 6 Balance sheet

## 6.1 Intangible assets, property, plant and equipment

| in €m | Purchase or manufacturing cost | Accumulated depreciation | Carrying amount |
|---|---|---|---|
| Intangible assets | 209.8 | 64.9 | **144.9** |
| Property, plant and equipment | 669.3 | 420.6 | **248.7** |
| **31.12.2022** | **879.1** | **485.5** | **393.6** |
| | | | |
| Intangible assets | 213.7 | 71.5 | **142.2** |
| Property, plant and equipment | 689.9 | 438.4 | **251.5** |
| **30.06.2023** | **903.6** | **509.9** | **393.7** |

Investment in property, plant and equipment totaling €18.2m (first half-year 2022: €14.8m) primarily refers to assets under construction, right of use for land and buildings and additions of other facilities, factory and office equipment.

## 6.2 Inventories

| in €m | 31.12.2022 | **30.06.2023** |
|---|---|---|
| Raw materials, consumables and supplies | 165.2 | **179.5** |
| Work in progress | 249.3 | **306.5** |
| Finished goods and products | 11.7 | **8.5** |
| | **426.2** | **494.5** |

## 6.3 Liabilities

In the first half of 2023, the **non-current liabilities** slightly rose by €5.4m. This increase was largely influenced by the interest rate-related boost in pension provisions. The **current liabilities** went up by €23.2m, mainly due to other liabilities, in particular advance payments received, by €19.4m and an increase in bank loans by €10.8m. On the other hand, other provisions fell by €11m.

# Additional Information

## Key financial dates

**Capital Markets Day, Radebeul**
9 - 10 October 2023

**Statement on 3rd quarter 2023**
8 November 2023

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