KOENIG & BAUER

Metamor[e]phosis

Statement | **First Quarter 2024**

we're on it.

Index

Q1 at a glance: Koenig & Bauer reporting its figures for the first quarter of 2024 and announcing further details of the "Spotlight" focus programme

- As expected, Group revenue of €253.2m (previous year: €281.0m) and EBIT of €-10.2m (previous year: €-3.2m) in the first quarter of 2024 lower than in the previous year in a challenging market environment
- Sheetfed with an encouraging sequential improvement in order intake, Digital & Webfed with a slight increase in revenue, Special set to benefit from a high order backlog as the year continues
- "Spotlight" focus programme particularly aims at enhancing earnings and efficiency in the Digital & Webfed and Special segments and requires governance adjustments
- Further "Spotlight" measures planned for Group-wide projects and at the Holding
- Improvement in free cash flow achieved
- At €242.9m as of 31 March 2024, order intake was 19.4% below the previous year's figure, in line with expectations
- Strong order backlog of €901.2m (previous year: €970.6m) provides a solid basis for further growth in 2024
- The overall book-to-bill ratio stood at 0.96 in the first quarter of 2024, just below the previous year's figure of 1.07
- Outlook for 2024 confirmed: operating EBIT margin and revenue stable at the previous year's level; "Spotlight" will also help the Group achieve its EBIT margin target of 6–7% by 2026 on Group revenue of €1.5bn

Group key figures

in €m	Q1 2023	**Q1 2024**	Change
Order intake	301.2	**242.9**	-19.4%
Revenue	281.0	**253.2**	-9.9%
Earnings before interest and taxes (EBIT)	-3.2	**-10.2**	-218.8%
EBIT margin	-1.1%	**-4.0%**	
Net group loss	-5.7	**-16.6**	-191.2%
Earnings per share in €	-0.34	**-1.01**	-197.1%
Free Cashflow	-33.4	**-3.2**	90.4%

in €m	31.03.2023	**31.03.2024**	Change
Order backlog	970.6	**901.2**	-7.2%
Net Working Capital	342.5	**362.1**	5.7%
Net financial position	-99.8	**-148.6**	-48.9%
Employees	5,542	**5,673**	2.4%

in €m	31.12.2023	**31.03.2024**	Change
Balance sheet total	1,427.1	**1,456.6**	2.1%
Equity	410.0	**393.7**	-4.0%
Equity ratio	28.7%	**27.0%**	

Business environment

The global economy remains remarkably resilient, with growth remaining stable, while inflation is returning to target levels, writes the International Monetary Fund (IMF) on 16 April 2024 in its latest global economic outlook. Despite many "gloomy forecasts", the world has been spared a recession, the IMF's chief economist comments, while also referring to lasting problems. "Inflationary trends are encouraging, but we are not yet where we need to be," says Pierre-Olivier Gourinchas, adding that, on a positive note, the high inflation did not trigger an uncontrolled wage-price spiral. Nevertheless, global economic growth is historically weak according to the IMF. This is due, for example, to short-term factors such as higher borrowing costs and the ongoing fallout from the war in Ukraine as well as the pandemic. However, the IMF also sees risks that may place a damper on growth. New price increases in the wake of geopolitical tensions could lead to permanently higher key interest rates. The IMF also warns that mounting geopolitical fragmentation across supply chains could result in both lower growth and higher inflation. If growth in China stalls permanently, this could also have an adverse effect on the country's trading partners, according to the fund.

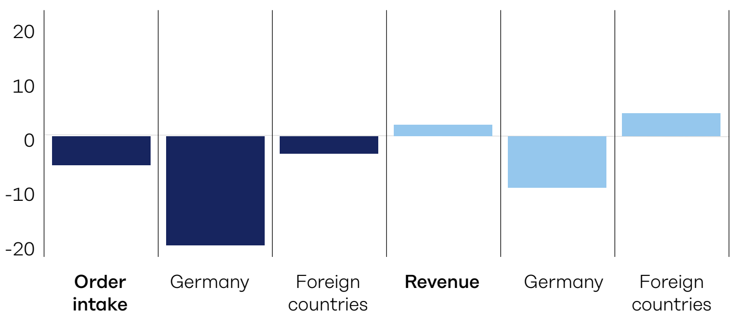
The IMF forecasts global growth of 3.2% this year, citing, among other things, the resilience of the economy in the United States and in a number of emerging markets as reasons. It has thus revised its global growth forecast slightly upwards since January. For Germany, the IMF forecasts the weakest growth of all the leading western G7 industrialised countries this year. Leading economic research institutes expect even slower growth of 0.1% for Germany in the current year.

IWF: Year-on-year gross

Country/region	2023	2024 Estimate	Deviation to January 2024
Global	3.2	3.2	0.1
Developed economies	1.6	1.7	0.2
Eurozone	0.4	0.4	-0.1
Germany	-0.3	0.2	-0.3
France	0.9	0.7	-0.3
Italy	0.9	0.7	0.0
Spain	2.5	1.9	0.4
United Kingdom	0.1	0.5	-0.1
United States	2.5	2.7	0.6
Japan	1.9	0.9	0.0
Emerging markets and developing countries	4.3	4.2	0.1
ASEAN*	4.1	4.5	-0.2
Brazil	2.9	2.2	0.5
China	5.2	4.6	0.0
India**	7.8	6.8	0.3
Russia	3.6	3.2	0.6

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

VDMA: Order intake and revenue printing presses

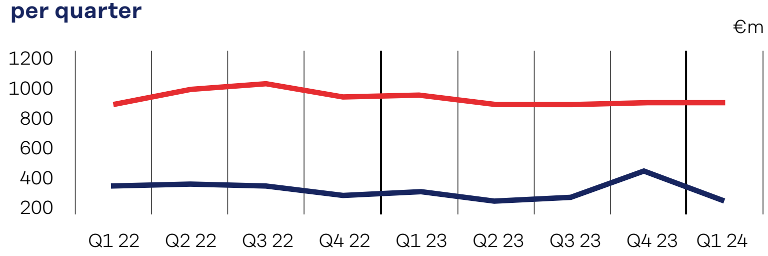


% Change to previous year

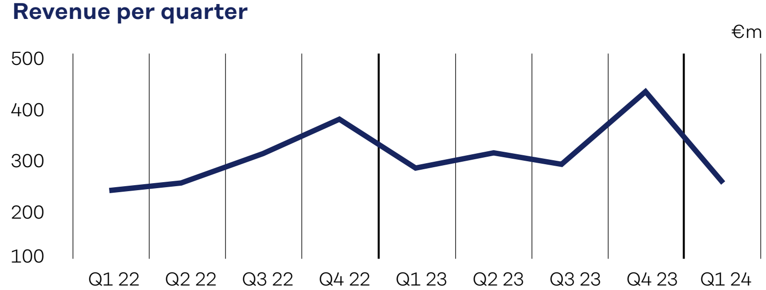
According to the German Mechanical and Plant Engineering Association (VDMA), plant and machinery orders declined by 13% in price-adjusted terms in the first three months of 2024 compared to the corresponding period of the previous year, with revenue in the mechanical engineering sector falling 8% short of the previous year's figure. "At the moment, order intake is still mostly in the doldrums. Economic researchers are expecting a turnaround in the second half of the year. However, as mechanical engineering is a late cyclical, it may take a while for the slump in orders to be overcome," explains VDMA chief economist Ralph Wiechers. "On a positive note, inflation rates are currently falling further and further," he adds.

Order intake in the printing press segment fell 5% short of the previous year in the first three months of 2024. Revenue, on the other hand, increased by 2%.

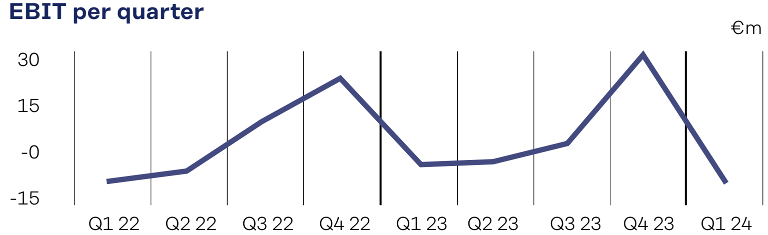
Order backlog Order intake per quarter



Revenue per quarter



EBIT per quarter



Earnings, finances and assets

Earnings

At €242.9m as of 31 March 2024, **order intake** was 19.4% below the previous year's figure of €301.2m, in line with expectations. As forecast, the Sheetfed segment in particular saw a further sequential improvement following the muted order intake in the third quarter of 2023. Order intake in the Digital & Webfed segment reflected the current temporary weakness in the market for corrugated board. Following the orders received in the Banknote Solutions business unit in the fourth quarter of 2023 from the United States Bureau of Engraving and Printing, order intake in the Special segment was significantly lower.

Group revenue came to €253.2m in the first quarter of 2024, thus falling 9.9% short of the same period in the previous year (€281.0m). This was particularly due to reduced order intake in the Sheetfed segment in the third quarter of 2023 as well as a lower percentage of completion (POC) achieved in production in the Banknote Solutions business unit compared to the previous year. As a result, revenue was down on the previous year's figures in the Sheetfed and Special segments but was slightly higher in the Digital & Webfed segment compared with the same period of the previous year. In 2024, 36.6% of revenue was generated from service business (previous year: 31.4%).

The **Group export ratio** contracted slightly from 88.7% to 86.8%, with the share of business in Asia/Pacific falling to 17.2% (previous year: 18.8%) and in Latin America and Africa to 9.8% (previous year: 16.0%). The proportion of revenue accounted for by Germany (13.2%, previous year: 11.3%), the rest of Europe (32.1%, previous year: 28.5%) and North America (27.7%, previous year: 25.4%) was up on the previous year.

At €901.2m as of 31 March 2024, **order backlog** was 7.2% below the good figure of €970.6m recorded in the previous year, dropping by 1.1% over the end of 2023 and providing a solid basis for further growth in 2024.
Gross profit fell by 13.0% to €66.9m in the period under review, resulting in a **gross margin** of 26.4% (previous year: 27.4%). At €16.0m, R&D expenses were exactly the same as in the previous year. Selling expenses dropped slightly to €37.3m (previous year: €37.6m). Administrative expenses increased marginally by €0.6m to €25.6m. Net other income came to

Group income statement

	First Quarter	
in €m	2023	**2024**
Revenue	281.0	253.2
Cost of sales	-204.1	-186.3
Gross profit	**76.9**	**66.9**
Research and development costs	-16.0	-16.0
Distribution costs	-37.6	-37.3
Administrative expenses	-25.0	-25.6
Other income and expenses	-1.5	2.1
Other financial results	–	-0.3
Earnings before interest and taxes (EBIT)	**-3.2**	**-10.2**
Interest result	-3.3	-6.6
Earnings before taxes (EBT)	**-6.5**	**-16.8**
Income tax expense	0.8	0.2
Net loss	**-5.7**	**-16.6**
attributable to owners of the Parent	-5.6	-16.7
attributable to non-controlling interests	-0.1	0.1
Earnings per share (in €, basic/dilutive)	**-0.34**	**-1.01**

€2.1m, compared with net other expenses of €-1.5m in the previous year. Among other things, this was due to currency-translation effects. Overall, **earnings before interest and taxes (EBIT)** fell by €7.0m over the same period in the previous year to €-10.2m (previous year: €-3.2m), yielding an **EBIT margin** of -4.0% (previous year: -1.1%). This was particularly due to the aforementioned decline in order intake in the third quarter of 2023, which also led to negative volume and mix effects (around €10.5m). Both margin effects (around €2.0m) and functional cost effects (around €2.0m) improved. After net interest expense of €-6.6m (previous year: €-3.3m), **earnings before taxes (EBT)** came to €-16.8m (previous year: €-6.5m). After income taxes of €0.2m, the Group thus posted a **net loss** of €-16.6m in the first quarter of 2024 (previous year: €-5.7m). This translates into proportionate **earnings per share** of €-1.01 (previous year: €-0.34).

Finances

Cash flow from operating activities amounted to €5.9m (previous year: €-22.9m). This mainly reflected the slower increase in inventories compared to the same period in the previous year as well as a sharper decrease in receivables. Prepayments received rose at a slower pace than in the same period in the previous year. At €-9.1m, cash flow from investing activities was slightly up on the previous year's figure of €-10.5m.
On balance, **free cash flow** amounted to €-3.2m (previous year: €-33.4m). **Net working capital** stood at €362.1m as of 31 March 2024 (previous year: €342.5m). Cash flow from financing activities came to €22.7m (previous year: €-16.4m) and was also affected by changes in the syndicated loan. At the end of March 2024, cash and cash equivalents were valued at €116.9m (previous year: €81.8m). Adjusted for bank liabilities of €265.5m, **net financial debt** stood at €-148.6m (previous year: €-99.8m), compared to €-147.6m at the end of 2023.

Group cash flow statement

	First Quarter	
in €m	2023	**2024**
Earnings before taxes (EBT)	-6.5	-16.8
Non-cash transactions	15.7	15.2
Gross cash flow	**9.2**	**-1.6**
Changes in inventories, receivables and other assets	-52.9	-9.8
Changes in provisions and payables	20.8	17.3
Cash flows from operating activities	**-22.9**	**5.9**
Cash flows from investing activities	**-10.5**	**-9.1**
Free cash flow	**-33.4**	**-3.2**
Cash flows from financing activities	**-16.4**	**22.7**
Change in funds	**-49.8**	**19.5**
Effect of changes in exchange rates	-0.6	1.0
Funds at beginning of period	132.2	96.4
Funds at end of period	**81.8**	**116.9**

Assets

A total of €12.5m (previous year €7.8m) 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 €1.1m (previous year: €1.1m). This was accompanied by depreciation and amortisation expense of €10.3m (previous year: €10.5m). All in all, intangible assets and property, plant and equipment increased slightly from €411.1m as of 31 December 2023 to €411.9m. **Non-current assets** decreased by €5.1m to €543.1m compared to the end of 2023, mainly due to the reduction in financial assets and other financial receivables. **Current assets** increased by €34.6m over 31 December 2023 to €913.5m (previous year: €878.9m). At the same time, inventories rose by €26.5m, other assets by €24.6m and cash and cash equivalents by €20.5m. On the other hand, trade receivables dropped by €34.6m. At €1,456.6m, the Group's **total assets** exceeded by €29.5m the figure of €1,427.1m recorded at the end of 2023. The Group net loss contributed significantly to a reduction in **equity** to €393.7m. Reflecting this, the equity ratio contracted to 27.0% (previous year: 28.7%). Provisions for retirement benefits dropped slightly from €104.8m as of the end of 2023 to €103.8m as of 31 March 2024 due to the slight increase in the discount rate for domestic retirement benefits from 3.41% as of 31 December 2023 to 3.49% as of 31 March 2024. **Non-current liabilities** rose by €39.9m, mainly due to increased financial liabilities. **Current liabilities** climbed by €5.9m, primarily as a result of the higher prepayments received.

Group balance sheet

in €m	31.12.2023	31.03.2024
Assets		
Non-current assets		
Intangible assets, property, plant and equipment	411.1	411.9
Investments and other financial receivables	25.2	19.7
Investments accounted for using the equity method	15.1	14.7
Other assets	3.6	3.2
Deferred tax assets	93.2	93.6
	548.2	**543.1**
Current assets		
Inventories	426.8	453.3
Trade receivables	156.2	121.6
Other financial receivables	41.3	38.7
Other assets	154.3	178.9
Securities	3.9	4.1
Cash and cash equivalents	96.4	116.9
	878.9	**913.5**
Balance sheet total	**1,427.1**	**1,456.6**

in €m	31.12.2023	31.03.2024
Equity and liabilities		
Equity		
Share capital	43.0	43.0
Share premium	87.5	87.5
Reserves	278.0	261.6
Equity attributable to owners of the Parent	**408.5**	**392.1**
Equity attributable to non-controlling interests	1.5	1.6
	410.0	**393.7**
Liabilities		
Non-current liabilities		
Pension provisions and similar obligations	104.8	103.8
Other provisions	37.0	36.7
Bank loans	191.2	231.1
Other financial payables	26.0	24.1
Other liabilities	5.4	6.0
Deferred tax liabilities	71.5	74.1
	435.9	**475.8**
Current liabilities		
Other provisions	89.7	83.7
Trade payables	79.3	83.4
Bank loans	52.8	34.4
Other financial payables	85.8	98.2
Other liabilities	273.6	287.4
	581.2	**587.1**
Balance sheet total	**1,427.1**	**1,456.6**

Segment performance

After a weak third quarter in 2023 (€112.3m) and an increase in the fourth quarter of 2023 to €151.8m, the **Sheetfed segment** was again able to improve its order intake sequentially, reaching €171.7m in the first quarter of 2024 and thus almost matching the figure reported in the first quarter of the previous year (previous year: €175.1m). Reflecting the muted order situation in the third quarter of 2023, revenue reached €141.2m (previous year: €157.3m). With a book-to-bill ratio of 1.22 (previous year: 1.11), the order backlog contracted from €600.7m as of 31 March 2023 to €439.8m at the end of the period under review. At €-0.3m, EBIT was slightly higher than the previous year's figure of €-0.7m. Accordingly, the EBIT margin reached -0.2% (previous year: -0.4%).

The order intake of €24.5m (previous year: €41.1m) in the **Digital & Webfed segment** reflects the current temporary weakness in the market for corrugated board, which is also being affected by merger talks between the world's largest packaging companies. At the beginning of April, the European Competition Authority cleared the merger between the Irish Smurfit Kappa Group and WestRock Company, United States. Even so, at €38.0m (previous year: €35.5m), revenue was slightly higher than in the previous year. With a book-to-bill ratio of 0.64 (previous year: 1.16), order backlog fell to €106.3m as of 31 March 2024 (previous year: €117.9m). EBIT reached €-6.4m after the first three months (previous year: €-3.1m).

Following a strong fourth quarter, order intake in the **Special segment** fell short of the previous year by 41.8%, coming to €54.1m. These heavy fluctuations in order intake are due to government and big-ticket printing press business. Revenue fell by 17.0% year-on-year to €80.6m, primarily due to the lower percentage of completion (POC) achieved in production for customer orders in the Banknote Solutions business unit compared with the previous year. Consequently, EBIT amounted to €-5.6m (previous year: €0.9m). With a book-to-bill ratio of 0.67 (previous year: 0.96), order backlog increased by €102.7m to €352.0m as of 31 March 2024 (previous year: €249.3m). As the year continues, the segment will benefit from the high order backlog, which should underpin the planned increase in earnings.

Business segments

	Revenue		EBIT		Capital investments	
	First Quarter		First Quarter		First Quarter	
in €m	2023	**2024**	2023	**2024**	2023	**2024**
Segments						
Sheetfed	157.3	**141.2**	-0.7	**-0.3**	3.0	**8.2**
Digital & Webfed	35.5	**38.0**	-3.1	**-6.4**	0.2	**0.3**
Special	97.1	**80.6**	0.9	**-5.6**	1.5	**1.1**
Reconciliation	-8.9	**-6.6**	-0.3	**2.1**	3.1	**2.9**
Group	**281.0**	**253.2**	**-3.2**	**-10.2**	**7.8**	**12.5**

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 with the corresponding statements in the annual report for 2023. The main risks facing our business and our risk management system are described in detail in the annual report for 2023 (from page 35).

The main opportunities are described on page 45 of the annual report for 2023.

“Spotlight” focus programme

Koenig & Bauer announcing further details of its “Spotlight” focus programme

Announced in February 2024, the “Spotlight” programme seeks to prioritise initiatives and business models that boost earnings and financial strength, deprioritise initiatives that do not directly impact earnings and optimise the Group and segment organisation as well as the indirect cost structure to make processes even leaner and more customer-friendly. Accordingly, the Group-wide project portfolio is to be scaled back to focus on critical modernisation, digitisation, quality-cost and growth projects and initiatives. There is a particular need for action in the Digital & Webfed and Special segments to harness the strong potential for improving earnings that they offer. To this end, Koenig & Bauer is working on the “D&W 2.0” optimisation and earnings-enhancement project as well as the “BNSx” excellence project under “Spotlight”.

With “D&W 2.0”, Koenig & Bauer addressing the ongoing loss situation in the Digital & Webfed segment

With the “D&W 2.0” optimisation and earnings-enhancement project, the company is addressing the ongoing loss situation in the Digital & Webfed segment by reviewing organizational, structural, and operational measures to safeguard earnings opportunities in the growth markets for flexible packaging, digital printing, and corrugated board. The main focus is on eliminating trailing and start-up costs for new product launches in the digital and corrugated board sector as well as on streamlining and reconfiguring value-adding and non-value-adding structures and processes in the segment. Systematic implementation of “D&W 2.0” is being driven forward directly at the Management Board level and requires governance adjustments at the segment level. The CEO, Dr Andreas Pleßke, will be overseeing the “D&W 2.0” optimisation and earnings-enhancement project. As the Management Board member responsible for Digital & Webfed, Christoph Müller, will concentrate to a greater extent on sales, service and strategic partnerships.

“BNSx” excellence project in the Special segment

In his additional role as the Management Board member responsible for the Special segment, which he assumed on 1 April 2024, Dr Stephen Kimmich, Chief Financial Officer and Deputy Chief Executive Officer, will lead the “BNSx” efficiency and earnings-enhancement project as a further key component of the “Spotlight” project. The focus is on implementing packages of measures to increase profitability and earnings in order to return the Special segment to its original above-average performance in the long term. Following the completion of major R&D projects, the “BNSx” project with the Koenig & Bauer Group’s clear commitment to the banknote market aims to optimise the operational value-creation structures at the site in Mödling (Austria) and the overall responsibility of the business unit in Lausanne (Switzerland), as well as various support and specialist functions in Würzburg. In addition, further measures are to be adopted to accelerate the successful market launch of the technologies developed in the Special segment over the past five years and to scale these accordingly.

Further “Spotlight” measures planned for Group-wide projects and at the Holding

By re-prioritizing Group-wide projects and initiatives, the Group expects to generate savings in external services, for example. Internal resources that become available are being allocated to projects and initiatives that are critical to operations and have an impact on earnings. At the Holding, there are plans to address the inflation-induced increases in personnel and material costs by adopting a package of efficiency measures and to generally optimise central administrative structures.

Sheetfed segment: focus on successful go-to-market strategy for products in the packaging workflow at the world’s leading trade fair drupa

At the world’s largest industry trade fair drupa (28 May – 7 June 2024, in Düsseldorf), the Sheetfed segment will be showcasing a wide range of technical innovations for the end-to-end packaging workflow – from prepress to printing and from punching to folding-box bonding. All the presses presented at drupa – a Rapida 106 X, the VariJET 106 digital folding-box printing press, a CutPRO X 106 rotary die-cutter, a CutPRO Q 106 SB flat-bed die-cutter and an Omega Alius 90 folding-box gluer – come equipped with the latest features. These boost performance by at least 20% compared to earlier generations, thus setting the benchmarks in folding-box production once again. Presented to the general public here for the first time, digital innovations in the packaging workflow will also play a central role. With the sequential recovery in order intake in the Sheetfed segment since the third quarter of 2023 and the roll-out of these new features, Koenig & Bauer expects a significant improvement in earnings in the second half of 2024 as well as in 2025.

“Spotlight” focus programme also aimed at underpinning the Group’s targets

With the release of further details of the previously announced “Spotlight” focus programme, Koenig & Bauer is following a clear plan to lead the company out of the current market phase in a stronger position, despite rising costs as a result of delayed inflation-related increases in personnel and material costs.

Koenig & Bauer expects to see significant impetus in the market and in customer investments during and after drupa in June 2024 after an eight-year hiatus. The “Spotlight” focus programme is to be scaled accordingly on the basis of real post-drupa effects. The members of the Management Board responsible for the individual segments will be finalising the specific details for implementing the projects and measures described above. With “Spotlight”, Koenig & Bauer is also aiming to secure the company’s targets of achieving an EBIT margin of 6 – 7% on Group revenue of €1.5bn by 2026.

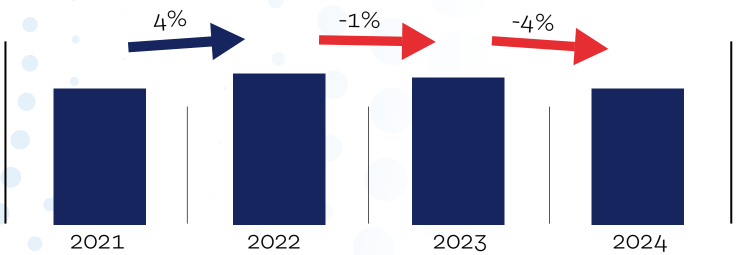
Outlook

The forecast for 2024 and the medium-term targets are fundamentally unchanged over the forecast published on 27 March 2024 from page 48 onwards in the annual report for 2023. They are based on the assumption that there will be no further setbacks or heightened restrictions compared to the current situation as a result of the war in Ukraine and the Middle East conflict, or any unabated rise in core inflation.

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

Koenig & Bauer continues to face a challenging macroeconomic environment in 2024. Even so, the Management Board expects the EBIT margin and revenue to remain stable at the previous year's level. Accordingly, it projects operating earnings of between €25m and €40m and revenue of around €1.3bn. However, Group EBIT for 2024 will be burdened by up to €10m as a result of spending on drupa, the world's largest trade fair for the printing and graphics industry, which will be taking place in Düsseldorf from the end of May until the beginning of June, resulting in Group EBIT of between €15m and €30m after this one-off effect. The Special and Digital & Webfed segments should make a disproportionately large contribution to both EBIT and revenue. By contrast, the Sheetfed segment is expected to account for a disproportionately small proportion of earnings and revenue in the first half of 2024. The decline in order intake in the third quarter of 2023 will exert pressure on revenue and EBIT in the first half of 2024. Our full-year guidance for 2024 assumes that order intake will continue the recovery emerging in the fourth quarter of 2023.

VDMA forecast: Production in the machinery and plant engineering sector



Medium-term targets

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

Additional Information

Key financial dates

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

Subject to change.
This statement was published on May 7, 2024.

Published by:
Koenig & Bauer AG
Friedrich-Koenig-Str. 4
97080 Würzburg, Germany
info@koenig-bauer.com
www.koenig-bauer.com

Contact:
Investor Relations
Lena Landenberger
T 0931 909-4085
F 0931 909-4880
lena.landenberger@koenig-bauer.com