KOENIG & BAUER

un:boxing

Interim Report
First Half-Year 2022

we’re on it.


Ba
na
na
Bus

Index

First half-year and Q2 at a glance: Koenig & Bauer well positioned despite all the external uncertainties

- Business performance still heavily impacted by the pandemic, supply chain bottlenecks and the related increase in the cost of materials and energy
- The disruptions to global supply chains are necessitating additional or retro work on systems and presses, thus exerting strain on productivity at the plants and on site at the customers
- New orders up 12.6% to €692.9m in the first half of the year (previous year: €615.3m)
- Revenue of €491.8m after six months (previous year: €493.2m) almost at the previous year's level; increase in Q2 revenue over the same quarter of the previous year and Q1 2022
- Increase in the share of service business in revenue from 30.4% to 33.2%
- Increase in order backlog to €1,007.9m (previous year: €754.1m), providing a solid basis for the rest of 2022
- EBIT after six months at €-13.8m (previous year: €6.4m). Previous year's figure boosted by €21.3m due to the adjustment to the P24x provisions. Accordingly, €1.1m improvement in operating earnings; operating EBIT margin -2.8% (previous year: -3.0%)
- Savings of around €22m achieved from the P24x efficiency programme in H1 2022

Group key figures

in €m	First Half-Year 2021	First Half-Year 2022	First Half-Year Change	Second Quarter 2021	Second Quarter 2022	Second Quarter Change
Order intake	615.3	**692.9**	12.6%	329.3	**343.8**	4.4%
Revenue	493.2	**491.8**	-0.3%	249.7	**253.4**	1.5%
Earnings before interest and taxes (EBIT)	6.4	**-13.8**	-315.6%	15.3	**-5.3**	-134.6%
EBIT margin	1.3%	**-2.8%**		6.1%	**-2.1%**	
Net group profit/loss	1.1	**-15.8**	-1,536.4%	12.8	**-5.3**	-141.4%
Earnings per share in €	0.05	**-0.98**	-2,060.0%	0.77	**-0.34**	-144.2%
Free Cashflow	14.3	**-46.4**	-424.5%	-7.8	**-16.4**	-110.3%

in €m	30.06.2021	30.06.2022	Change
Order backlog	754.1	**1,007.9**	33.7%
Net Working Capital	324.9	**297.4**	-8.5%
Net financial position	-36.7	**-45.2**	-23.2%
Employees	5,402	**5,326**	-1.4%

in €m	31.12.2021	30.06.2022	Change
Balance sheet total	1,288.7	**1,337.9**	3.8%
Equity	369.4	**388.7**	5.2%
Equity ratio	28.7%	**29.1%**	

Letter to the shareholders

Dear shareholders,

Koenig & Bauer can look back on a challenging first half of 2022. The current operating environment is one of the most difficult in Europe's recent history. Almost all manufacturing companies are caught between high customer demand on the one hand and a long list of adverse factors mainly on the supply side on the other. Geopolitical uncertainties, the war of aggression in Ukraine, an impending gas supply freeze, lockdowns in China, congestion in central cargo handling points and extended handling times for containers as well as a shortage of skilled workers are all causing significant increases in materials, energy, logistics and personnel. In particular, the high energy costs have caused inflation rates worldwide to rise rapidly to record highs.

Despite all the current uncertainties and temporary effects, Koenig & Bauer is well positioned in multiple respects and is continuing to strategically align the business model along the growing market for packaging. Customers ordered around 13% more in the first half of 2022 than in the already good period of the previous year. This performance was particularly underpinned by the increase of around 22% in orders in the Sheetfed segment and of around 46% in the Digital & Webfed segment. Once again, the order intake was above the industry-wide average for printing presses in the first five months, rising by just under 5%. At around €1bn, the order backlog as of 30 June is one of the highest in the Company's recent history. Customers' investment decisions are thus showing that Koenig & Bauer has done a good job in recent years and that the decision to focus on products and solutions on the structurally growing market for packaging is paying off.

A few days ago, Koenig & Bauer joined forces with the shareholders of Celmacch Group S.r.l. – a leading manufacturer of high board line flexographic printing presses and rotary die cutters for the corrugated board industry – and agreed to acquire 49 percent of the shares in that company to strengthen the presence in this growing market. Koenig & Bauer is already addressing the corrugated cardboard market, which accounts for the greatest proportion of the total market for packaging in terms of value, with CorruCUT and CorruFLEX. Looking forward, Celmacch will trade under the name Koenig & Bauer Celmacch and the joint product family will cover all price and performance classes in this market segment under the name "Chroma". Koenig & Bauer is convinced that both companies' skills will complement each other excellently and that they can actively harness the opportunities for growth in the corrugated cardboard market. These are as diverse as the goods that are packaged and transported in them.
In addition, packaging made of corrugated cardboard meets the growing sustainability requirements in the packaging industry – not least of all due to the European Green Deal – and thus reflects the aspiration of Koenig & Bauer to become even more sustainable.

It is not only since the supply chain constraints emerged that Koenig & Bauer has been working on sustainable energy concepts. The overarching goal is to achieve long-term independence from fossil fuels and maximum self-sufficiency - in particular with a view to achieving Koenig & Bauer's self-imposed sustainability goals and ensuring maximum resilience to future fluctuations in the energy markets.

Over the last few months, Koenig & Bauer has been working on becoming independent from pipeline gas in view of the imminent gas shortage. This means that the process gas previously required for production can be completely substituted from the end of July 2022. In addition, supplies of fuel for heating energy will be modified at the main production sites by the beginning of September. Unforeseen fluctuations in the power grid cannot be ruled out as a consequence of limited gas supplies. Koenig & Bauer is also prepared for this scenario and, with the measures taken, sees the production in all European plants as largely secured, even in the event of a possible Russian gas supply freeze.

The ten production sites in Europe ensure independence as well as high vertical integration in the production activities. Koenig & Bauer continues to operate the own foundry at the plant in Würzburg, which is proving its worth in these uncertain times. Koenig & Bauer is also closely networked with their main suppliers and conducted an intensive dialogue on the current market and procurement situation at the supplier day at the end of June. The shared goal is to find the right balance in the supply chains between resilience, responsiveness and costs in order to increase the reliability of supplies and additionally reduce our dependence on critical raw materials in the light of the ESG criteria.

The central purchasing system introduced under the P24x efficiency programme is also paying off given the disrupted global supply chains. Generally speaking, successful progress was made with the P24x programme in the first half of the year, resulting in savings of around €22m. With the early renewal of the contracts of the Management Board members Christoph Müller, responsible for the Digital & Webfed segment, and Ralf Sammeck, responsible for the Sheetfed segment, the Supervisory Board is also ensuring continuity in the implementation of the efficiency programme and the “Exceeding Print” strategy.

At around €492m at the end of the first six months, Group revenue was virtually unchanged over the previous year and well above the industry average, which revealed a decline of around 13% after the first five months.

In terms of the individual quarters, revenue in the second quarter was higher than in the same quarter of the previous year as well as the first quarter of 2022. With respect to earnings, the higher cost of materials and energy was almost completely offset by the price increases that had been announced. However, the proportion of inefficient production costs widened in the second quarter due to worldwide disruptions to supply chains. They are also necessitating additional or retro work on systems and presses and placing a damper on productivity at the plants and on site at the customers. At around €-14m, Group earnings before interest and taxes (EBIT) were still in negative territory. The previous year's figure of around €6m had been boosted by an amount around €20m resulting from the more efficient implementation of the P24x personnel measures and stood at €-15m in operating terms. Thus, an improvement in the operating result was achieved.

The second half of the year continues to be marked by great uncertainties. The global disruptions to supply chains are just as unpredictable as the geo-political situation and high inflation in Europe and the United States and could lead to a slowdown in the global economy in the second half of the year. This is exacerbated by the currently unknown course of the pandemic in the winter months. The planned delivery of the presses and systems for the second half of 2022 poses a major challenge for Koenig & Bauer and must be reassessed if the global supply chain situation continues to deteriorate. Accordingly, it is still not possible to provide a reliable full-year forecast for 2022 as of the date on which the report on the first half of the year was completed; Koenig & Bauer continues to anticipate a slight year-on-year increase in Group operating revenue and the operating EBIT margin in 2022 and confirms its medium-term targets.

Dr Andreas Pleßke
CEO of Koenig & Bauer AG

Top (from left to right):

Dr Andreas Pleßke

Chief Executive Officer and Director for the Special segment

Dr Stephen M. Kimmich

Chief Financial Officer

Middle (from left to right):

Ralf Sammeck

Director for the Sheetfed segment and Chief Digital Officer

Christoph Müller

Director for the Digital & Webfed segment

Bottom:

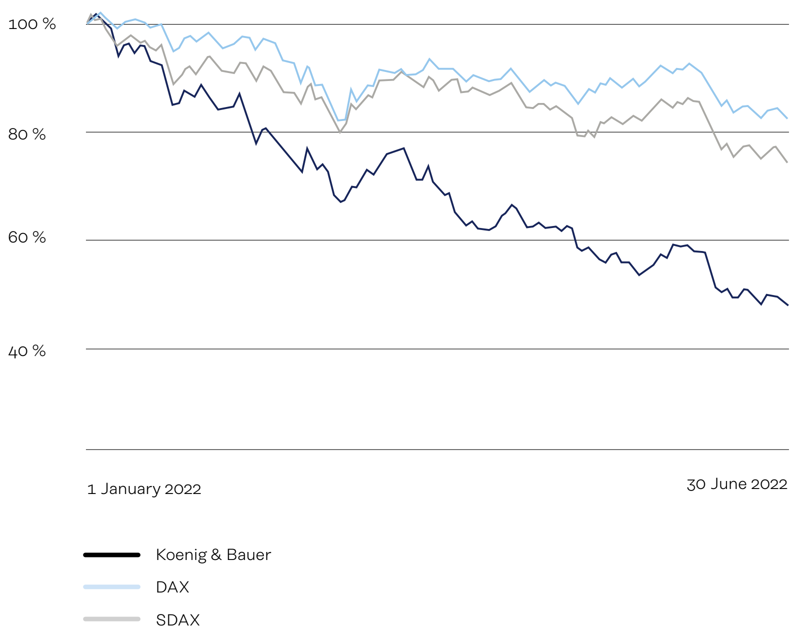
Michael Ulverich

Chief Operation Officer – Production, Purchasing & Logistics

Koenig & Bauer shares

The war in Europe, mounting economic pessimism and concerns over persistently high inflation rates precipitated heavy falls in equity prices in the first half of the year. This also applies to Koenig & Bauer shares. They rose by around 31% in 2021 based on Xetra closing prices, thus outperforming the SDAX, which was up around 11% and the DAX, which posted gains of 16%. This outperformance over the indices resulted in sharper relative declines in the year under review. Koenig & Bauer shares reached a high for the first half of the year on 4 January, closing at €32.00 in XETRA trading. This was also when the benchmark indices reached their highs for the first six months. The beginning of the war of aggression in Ukraine on 24 February triggered a massive outflow of money from the European capital markets, causing the DAX to drop below the important mark of 13,000 points on the ensuing days. Technology stocks, cyclicals and small caps are exposed to the greatest risk in the current situation, which is why they were the first to be sold off and sustained the greatest declines. This is also reflected in the performance of the SDAX small caps index, which was trading 27.6% lower than at the end of the previous year on 30 June. The DAX was down 19.5% at the end of the first half of the year. The greater dependence on imports of raw materials – especially natural gas – as well as disrupted supply chains placed an additional strain on many German industrial stocks, resulting in the current historically low valuations. Reflecting the benchmark indices, Koenig & Bauer shares hit a low for the period of €13.68 on 30 June, corresponding to a correction of 56.3%.

Koenig & Bauer shares

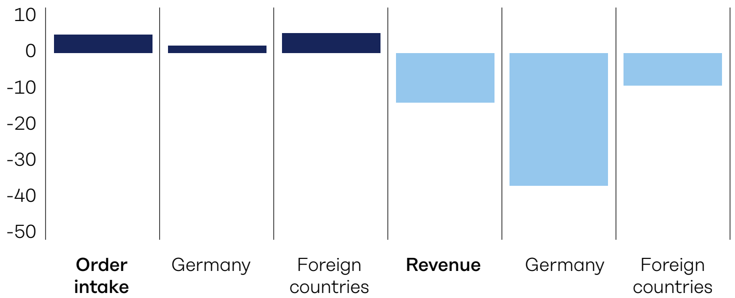


Group Management Report

Macroeconomic and Industry Conditions

The Russian war of aggression and a mix of high inflation rates and rising interest rates have led to a deterioration in economic conditions. According to the German Mechanical and Plant Engineering Association (VDMA), plant and machinery orders increased by 4.9% in price-adjusted terms in the first five months of 2022 compared to the corresponding period of the previous year. On the other hand, revenue remained at the previous year's level. Order intake in the printing machinery sector was also up 4.9% in the period from January to May 2022. However, revenue fell by 13.4% over the previous year.

VDMA: Order intake and revenue printing presses January - May 2022



% Change to previous year

Main Events and Business Performance

Koenig & Bauer AG Annual General Meeting
On 24 May 2022, the 97th Annual General Meeting of Koenig & Bauer AG was held online for the third time as a result of the pandemic situation that it had not been possible to assess when the invitation to the Annual General Meeting was published. A total of around 64% of the share capital with voting rights – and thus more than in the previous year – was represented. The Company's shareholders were asked to vote on nine of the ten items on the agenda at the Annual General Meeting, including the re-election of Carsten Dentler as a shareholder representative. They accepted management's proposal with a large majority, The shareholders also approved item two of the agenda concerning the allocation of Koenig & Bauer AG's unappropriated surplus. In addition to ratifying the actions of the Management Board and the Supervisory Board, the shareholders elected PricewaterhouseCoopers, Frankfurt am Main, as the external auditor of the annual financial statements and the consolidated financial statements for 2022. All the other items on the agenda were also approved with the necessary majority. A detailed overview of the individual voting results and the key statements can be found under "Annual General Meeting" in the Investor Relations section of the website.

Early renewal of the contracts for Management Board members Christoph Müller and Ralf Sammeck
The Supervisory Board of Koenig & Bauer decided to renew the contracts of Christoph Müller, Director for the Digital & Webfed segment, and Ralf Sammeck, Director for the Sheetfed segment and CDO, ahead of schedule. Christoph Müller will therefore remain on the Management Board until 30 June 2026 after being initially appointed in 2006. He is responsible for new developments in corrugated board and digital printing as well as strategic partnerships, such as with hp. This renewal will ensure the smooth integration of Celmacch within Koenig & Bauer's global sales and service network. Ralf Sammeck has been a member of the Management Board since 2007. He is responsible for the digital transformation within the Group and, with his experience, will ensure that the Sheetfed segment continues to expand its successful position in the growing packaging market and to drive forward digitisation even after drupa 2024. His contract has been renewed by a further year until 30 June 2025.

Overall Statement by the Management Board
With its international orientation and large export quota, the Koenig & Bauer Group's business performance was again influenced by the impact of and uncertainty arising from the global Covid-19 pandemic in the first half of 2022. The economic consequences of the Russian war in Ukraine and the production and logistics disruptions in China are weighing on global trade. Both factors are causing supply-related problems and enormous price increases, affecting the German export industry and thus Koenig & Bauer as well.

At €491.8m in the first half of the year, revenue came close to matching the previous year's figure of €493.2m. With respect to earnings, the higher cost of materials and energy was almost completely offset by the price increases that had been announced. However, the proportion of inefficient production costs widened in the second quarter due to worldwide disruptions to supply chains. They are also necessitating additional or retro work on systems and presses and placing a damper on productivity at the plants and on site at the customers. At €-13.8m, Group earnings before interest and taxes (EBIT) were still in negative territory. The previous year's figure of €6.4m had been boosted by an amount of €21.3m resulting from the more efficient implementation of the P24x personnel measures and stood at €-14.9m in operating terms. Accordingly, operating EBIT improved by €1.1m, corresponding to an operating EBIT margin of -2.8%, compared with -3.0% in the previous year.

The segments contributed the following EBIT in the first half of 2022: Sheetfed €-1.1m (H1 2021: €7.0m), Digital & Webfed €-12.7m

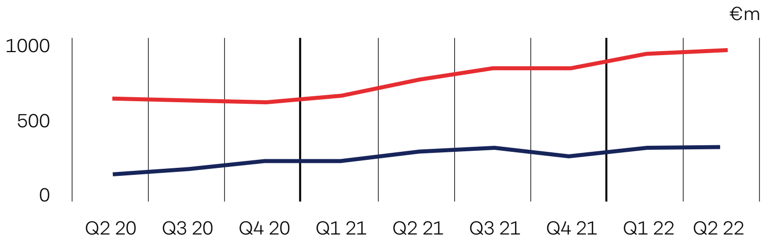
(H1 2021: €-11.0m), Special €-2.5m (H1 2021: €6.9m). In the previous year, the adjustment to the restructuring provisions had a positive impact of €7.2m on the Sheetfed segment, a negative impact of €1.5m on the Digital & Webfed segment and a positive impact of €16.0m on the Special segment. Overall, the Koenig & Bauer Group's business lived up to expectations, taking into account the current global economic situation.

Earnings, Finances and Assets

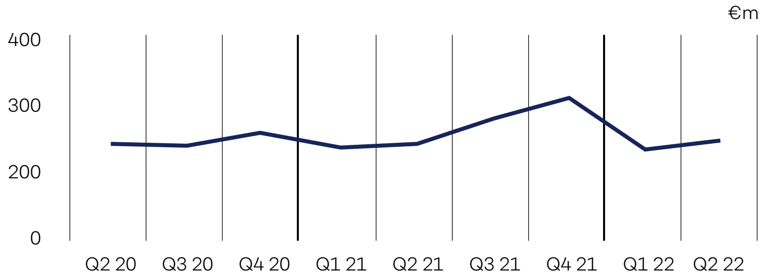
Earnings

In the first half of 2022, **order intake** at the Koenig Bauer & Group came to €692.9m, 12.6% up on the already good figure of €615.3m reported in the previous year. This was significantly better than the industry average, which rose by 4.9% in the first five months of the year. At €491.8m, **Group revenue** remained almost at the previous year's level. At 13.4%, however, the industry-wide decline in revenue in the first five months was significantly greater. Revenue in the second quarter came to €253.4m, which is higher than in the same quarter of the previous year as well as the first quarter of 2022. In the first half of 2022, 33.2% of revenue was generated from service business, up from 30.4% in the same period in the previous year. The Group export ratio widened from 84.0% to 87.7%, with the proportion of business coming from Europe excluding Germany growing substantially to 37.3%. The share contributed by Latin America and Africa remained unchanged at 10.7%. The share of revenue coming from Germany (12.3%), North America (16.5%) and Asia/Pacific (23.2%) was down on the previous year (16.0%, 17.5% and 24.7%, respectively).

Order backlog Order intake per quarter



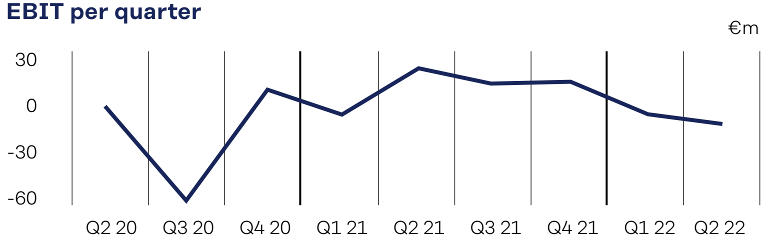
Revenue per quarter



At €1,007.9m as of 30 June 2022, the order **backlog** was up 33.7% on the previous year's figure of €754.1m, increasing by 24.9% over the end of the previous year and providing a solid basis for the rest of 2022.

Gross profit in the first half of 2022 came to €129.1m (previous year: €137.0m) due to slightly higher production costs. Reflecting this, the **gross margin** was at 26.3% (previous year: 27.8%). At €27.2m, R&D expenses were up on the previous year's figure of €21.7m. Selling expenses increased slightly by €2.6m to €65.4m, with administrative expenses also rising by €1.0m to €48.2m. Net other income and expenses came to €-1.4m, compared with €1.1m in the previous year. This resulted in **EBIT** of €-13.8m (previous year: €6.4m). The previous year's figure had been boosted by €21.3m due to the more efficient implementation of the personnel measures under P24x. Accordingly, an improvement in operating earnings of €1.1 m was achieved, corresponding to an **operating EBIT margin** of -2.8%, up from -3.0% in the previous year. The improvement at the operating level over the first half of 2021 is mainly due to the P24x efficiency programme (roughly €22m) despite the lower use of short-time work (roughly €7m), negative volume and mix effects (roughly €0.5m) and other negative effects that also include impairments of receivables and currency-translation effects (roughly €13m). The higher cost of materials and energy (around €13m) was offset by the announced price increases. However, the proportion of inefficient production costs widened in the second quarter due to worldwide disruptions to supply chains. They are also necessitating additional or retro work on systems and presses and exerting strain on productivity at the plants and on site at the customers. The net interest expense of €-4.6m (previous year: €-5.1m) was slightly higher than in the previous year, resulting in **earnings before taxes** of €-18.4m (previous year: €1.3m). After income taxes, the Group posted a **net loss** of €-15.8m as of 30 June 2022 (previous year: net profit of €1.1m) This translates into **earnings per share** of €-0.98 (previous year: €0.05).

EBIT per quarter



Finances

Cash flow from operating activities came to €-29.5m in the period under review (previous year: €26.5m), mainly due to increased inventories and other assets, as well as higher prepayments received. Cash flow from investing activities stood at €-16.9m (previous year: €-12.2m). **Free cash flow** amounted to €-46.4m (previous year: €14.3m). The decrease of €60.7m was mainly due to changes in **net working capital** in addition to heightened investing activities. Cash flow from financing activities came to €10.5m (previous year: €-58.5m). In the previous year, the partial repayment of the syndicated loan had a substantially stronger effect than in the reporting period. At the end of June 2022, cash and cash equivalents stood at €96.3m (previous year: €95.0m). Adjusted for bank liabilities of €141.5m, **net financial position** amounted to €-45.2m (previous year: €-36.7m).

Assets

A total of €19.8m (previous year €12.1m) 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 €1.6m (previous year: €3.4m). Capital spending was accompanied by depreciation and amortisation of €18.8m (previous year: €18.2m). On balance, intangible assets and property, plant and equipment dropped slightly from €387.3m as of 31 December 2021 to €386.4m. With financial investments and other financial receivables slightly down on the previous year accompanied by lower deferred tax assets, non-current assets fell from €507.6m as of 31 December 2021 to €492.2m. Current assets increased from €781.1m at the end of 2021 to €845.7m. This is mainly due to the increase in inventories and other assets. At €1,337.9m, the total assets of the Group were above the figure of €1,288.7m recorded at the end of 2021. The increase in the discount rate for domestic pensions more than made up for the loss for the first half of the year and contributed significantly to an increase in equity from €369.4m at the end of 2021 to €388.7m. Accordingly, the equity ratio also rose to 29.1% as of the reporting date (end of 2021: 28.7%). Provisions for retirement benefits dropped from €140.8m as of the end of 2021 to €87.7m as of 30 June 2022 due to the increase in the discount rate for domestic retirement benefits from 1.5% as of 31 December 2021 to 3.8% as of the end of June. In total, non-current liabilities fell by €61.4m over the end of 2021 to €323.3m. Current liabilities increased by €91.3m compared to the end of 2021, coming to €625.9m as of 30 June 2022.

Segment Performance

In the **Sheetfed segment**, order intake was very favourable, rising by 22.3% in the first half of 2022 thanks to higher orders for sheetfed offset presses and the post-press range. It increased from €374.7m in the previous year to €458.4m as of 30 June 2022. Revenue in the first half of the year was still 7.9% lower than in the previous year but improved in the second quarter compared to the first quarter of 2022. With the book-to-bill ratio standing at 1.70 (previous year: 1.28), the order backlog rose from €413.5m as of 30 June 2021 to €629.9m at the end of the period under review. At €-1.1m as of 30 June 2022, EBIT was below the previous year's figure, which had been boosted by the adjustment to the P24x provision of €7.2m. Accordingly, the EBIT margin reached -0.4% (previous year: 2.4%).

In the first half of 2022, order intake in the **Digital & Webfed segment** increased by 45.7% to €61.2m (previous year: €42.0m), mainly due to heightened demand for corrugated board presses and the RotaJET digital printing press as well as service business. At €56.6m, revenue was 11.7% below the previous year's figure of €64.1m. Order backlog increased by €47.6m to €93.1m as of 30 June 2022 (previous year: €45.5m). In addition to customers' pandemic-related purchasing restraint, EBIT also came under pressure from start-up costs and spending on product enhancements, reaching €-12.7m (previous year: €-11.0m). The previous year's figure includes an adjustment to the P24x restructuring provisions and had a negative impact of €1.5m on EBIT. Reflecting this, the EBIT margin came to -22.4%, compared with -17.2% in the same period in the previous year.

At €192.7m as of 30 June 2022, order intake in the **Special segment** fell short of the previous year's figure of €218.7m by 11.9%. Orders for Coding (marking and coding solutions for all industries) were higher in the period under review. On the other hand, orders received by Banknote Solutions (banknote and security printing), MetalPrint (metal packaging) and Kammann (direct decoration of hollow bodies made of glass, plastic or metal) declined. Revenue increased by 22.9% to €182.6m in the first half of 2022 (previous year: €148.6m). At the end of June, the order backlog of €287.7m was lower than in the previous year (previous year: €307.5m). EBIT amounted to €-2.5m (previous year: €6.9m). The previous year's figure had been boosted by the adjustment of €16.0m to the P24x restructuring provisions. Substantial improvements in operating EBIT were thus achieved in comparison. The EBIT margin reached -1.4%, compared with 4.6% in the same quarter 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 5.5% of revenue in the first half of 2022 (2021: 4.4%). As well as this, development costs equivalent to 0.3% of revenue were capitalised (2021: 0.7%). 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-oriented digital services is the "Job Optimiser" for automated detailed planning for print production. Intelligent production planning is indispensable today as our customers' own customers are demanding ever greater product diversity, swift delivery and lower prices. Koenig & Bauer's Job Optimiser offers powerful advanced planning software (APS) capabilities for the detailed planning of production processes. For example, the production sequence is optimised with regard to printing parameters such as printing substrate, ink and finishing requirements in such a way that makeready times are significantly reduced and additional production capacities are freed up for further jobs. In addition, printing plates, printing substrates, inks and other necessary materials are available at the press when they are required and in the right sequence. Seamless integration with MIS and MES systems enables printers to optimise their planning process for production and logistics and thus to control material flow and capacities efficiently.

In the field of corrugated board digital printing, the Koenig & Bauer Durst joint venture has launched the Delta SPC 130 FlexLine ECO+. It supplements the existing product range as an "entry level solution" for print runs of 4-8m square metres per year and uses water-based, food-safe and sustainable inks. It can process substrates measuring up to 1.3 by 2.8 metres. This new printing press can be fully upgraded to the Delta SPC FlexLine Automatic version. The compact model thus offers printers who handle corrugated cardboard a new path to digital packaging, expanding the possibilities available to them.

Employees

As of 30 June 2022, the Group had 5,326 employees, 76 fewer than on the same date in the previous year. This was particularly due to the layoffs under the P24x efficiency programme. The employee numbers include 253 young people who are completing an apprenticeship or internship. With an apprenticeship ratio of 4.8% (previous year: 4.9%), 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

The main risks facing our business and our risk management system are described in detail in the annual report for 2021 (from page 36). Changes in our risk assessment, on the other hand, relate to procurement and logistics risks. In view of the limited forward visibility with respect to the availability of parts, the current steadily rising costs of materials, energy and logistics as well as the growing uncertainties with regard to energy supplies, we see, in conjunction with our pleasingly high order backlog compared to the industry as a whole, a significant risk of disruptions to the production process including delays in the delivery of our products and thus a risk to the achievement of our targets. Appropriate risk mitigation measures, such as close supplier management, detailed demand planning and control processes at the Group level or the adaptation of our energy infrastructure with mobile grid replacement systems and the complete substitution of process gas to ensure the greatest possible reliability in production at all our European plants, have already been adopted and will be fully implemented by the end of August. We try to pass on the price increases and inflation surcharges imposed by our suppliers by means of demand-oriented sales prices.

Despite the uncertainties in the wake of Covid-19, the Russian war of aggression in Ukraine and mounting geopolitical tensions, risk-bearing capacity is sufficient on the basis of the current risk assessment. As things currently stand, we do not see any risks that either individually or cumulatively are liable to jeopardise the Koenig & Bauer Group's going-concern status. Our broad-based product range, which is geared to fundamentally intact sell-side markets, the continued successful implementation of the P24x efficiency programme as well as our strong market position and financial stability are limiting risk potential. The main opportunities are described on page 44 of the annual report for 2021.

Outlook

Expected Macroeconomic and Industry Conditions

In its "April Outlook", the International Monetary Fund (IMF) lowered its growth forecast for the global economy significantly due to the Russian war of aggression against Ukraine and now expects growth of only 3.6% in 2022, 0.8 percentage points less than projected in January 2022. As announced in mid-July, the IMF plans to scale back its global growth forecast again, as the war in Ukraine has intensified and exerted additional pressure on commodity and food prices. At the same time, global financial conditions have worsened more than previously assumed. The ongoing pandemic-related disruptions and renewed bottlenecks in global supply chains are exerting strain on economic activity. In addition, the IMF stresses the importance of countries doing everything in their power to reduce inflation. In April, the IMF pointed out that inflation is proving to be much more persistent than initially expected.

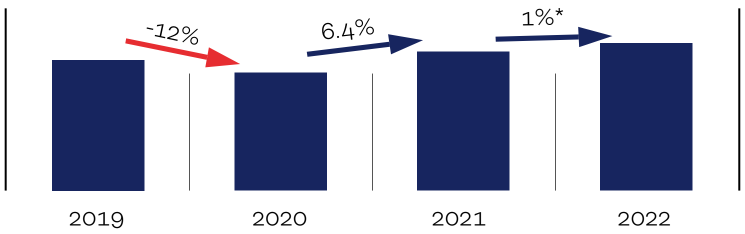
The German Mechanical and Plant Engineering Association (VDMA) has also lowered its forecast for mechanical engineering production in Germany for 2022 for the third time – from plus 7% to initially 4% and now to 1% in real terms.

IWF: Year-on-year gross

Country/region	2021	2022 Estimate	Deviation to January 2022
Global	6.1	3.6	-0.8
Developed economies	5.2	3.3	-0.6
Eurozone	5.3	2.8	-1.1
Germany	2.8	2.1	-1.7
France	7.0	2.9	-0.6
Italy	6.6	2.3	-1.5
Spain	5.1	4.8	-1.0
United Kingdom	7.4	3.7	-1.0
United States	5.7	3.7	-0.3
Japan	1.6	2.4	-0.9
Emerging markets and developing countries	6.8	3.8	-1.0
ASEAN*	3.4	5.3	-0.3
Brazil	4.6	0.8	0.5
China	8.1	4.4	-0.4
India**	8.9	8.2	-0.8
Russia	4.7	-8.5	-11.3

*) Indonesia, Malaysia, Philippines, Thailand, Vietnam.
**) Fiscal year from 1 April to 31 March
Source: IWF, World Economic Outlook, April 2022

VDMA forecast: Production in the machinery and plant engineering sector



* The German Mechanical and Plant Engineering Association (VDMA) has lowered its forecast for mechanical engineering production in Germany for 2022 for the third time – from plus 7% to 4% and now to 1% in real terms.

Forecast

The forecast for 2022 and the medium-term targets are unchanged over the forecast report published on 30 March 2022 from page 49 onwards in the annual report for 2021.

The second half of the year continues to be marked by great uncertainties. The global disruptions to supply chains are just as unpredictable as the geopolitical situation and high inflation in Europe and the United States and could place a damper on the global economy in the second half of the year. This is exacerbated by the currently unknown course of the pandemic in the winter months. Accordingly, it is still not possible to provide a reliable full-year forecast for 2022 as of the date on which the report on the first half of the year was completed; Koenig & Bauer continues to anticipate a slight year-on-year increase in Group operating revenue and the operating EBIT margin in 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. The planned delivery of the presses and systems for the second half of 2022 poses a major challenge for Koenig & Bauer and must be reassessed if the global supply chain situation continues to deteriorate.

The Koenig & Bauer Group reaffirms its medium-term targets based on its “Exceeding Print” strategy. Following the implementation of the cost and structural adjustments that have been initiated, Group revenue should rise to around €1.3bn by 2024 accompanied by annual cost-reduction effects in the order of €100m, while all innovation processes as well as process and product developments will be continued and stepped up. In the medium term, a return on sales (relative to EBIT) of at least 7% is being targeted. A further objective is to reduce net working capital to a maximum of 25% of annual revenue.

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. Beyond its responsibility towards its customers and employees, the Group wants to fulfil its environmental, social and community obligations even more effectively as a member of the world's largest sustainability initiative, UN Global Compact. Koenig & Bauer attaches key importance to a solid work-life balance. For this reason, Koenig & Bauer in Würzburg is offering "holidays at the farm" during the 2022 summer holidays, organising excursions to farms in the region. In the mornings, the children are introduced to various topics, after which there is still plenty of time for the animals as well as for games. Following the launch in 2020, the number of places was increased due to the very positive response from staff last year. Koenig & Bauer has been a member of the Family and Work Alliance in the Würzburg region since 2006, offering working mothers and fathers multifaceted assistance with the aim of helping them to achieve an appropriate work-life balance. The activities and events at the Würzburg headquarters include excursions and swimming courses for employees' children as well as the children's and youth day on the Day of Repentance and Prayer, which is a public holiday. These activities have also been included in the nationwide company childcare guide as a practical example of one of four organisational models and are thus setting an example across the country. This guide is issued by Gesellschaft für soziale Unternehmensberatung under funding provided by the Federal Ministry for Family Affairs, Senior Citizens, Women and Youth.

The "Energy Saving in Metal Decorating" webinar by Koenig & Bauer MetalPrint also met with a great response at the end of June. Saving energy is one of the greatest challenges at the moment, not least of all due to increased gas prices. Metal decorating is a complex industrial activity with high energy requirements. The hot-air dryers through which the painted sheets pass are predominantly heated with gas. Koenig & Bauer MetalPrint has been exploring all options for saving energy and purifying exhaust air at an early stage, developing various technologies for this purpose. Launched in 2014, the HighEcon dryer, with its newly developed KXB burner and high efficiency, can reduce gas costs by up to 70% compared to older versions and has received the METPACK Innovation Award. Using best-practice examples, the speakers explained the possibilities for reducing energy consumption. In addition, alternatives to natural gas were explained, because it is also fundamentally possible for the dryer to be used with other sources of energy such as LPG, biogas or hydrogen.

For Koenig & Bauer, sustainability also means social responsibility, diversity and anti-discrimination. Greater diversity with regard to gender, age and international background also forms part of the Company's strategic orientation as a social goal. One priority concerns the advancement of women. Accordingly, in connection with the official renaming of the "Adalbert Stifter Elementary School" as "Fanny Koenig Elementary School", a decision was also made to bestow a Fanny Koenig Award on women exhibiting a particular commitment to mechanical and plant engineering annually from 2023. In this way, the company wants to draw attention to and actively promote the fact that there are many women in still male-dominated industries who do great work. Fanny Koenig (1803 - 1882) is considered to be one of the world's first female company managers. After a childhood in poverty and the sudden death of her husband Friedrich Koenig, the founder of Koenig & Bauer, the now single mother of three children gathered all her strength and helped to return the printing press company to the top of its game. In the 19th century, she had to overcome a number of prejudices and obstacles. However, these did not prevent her from working for the people in the company and in the region. Among other things, she founded a facility with the local pastor to look after the factory workers' children.

Interim Accounts

Group balance sheet

in €m	31.12.2021	30.06.2022
Assets		
Non-current assets		
Intangible assets, property, plant and equipment	387.3	386.4
Investments and other financial receivables	25.0	24.8
Other assets	3.0	2.3
Deferred tax assets	92.3	78.7
	507.6	**492.2**
Current assets		
Inventories	331.6	406.5
Trade receivables	94.7	83.1
Other financial receivables	26.0	28.6
Other assets	195.5	227.7
Securities	3.8	3.5
Cash and cash equivalents	129.5	96.3
	781.1	**845.7**
Balance sheet total	**1,288.7**	**1,337.9**

in €m	31.12.2021	30.06.2022
Equity and liabilities		
Equity		
Share capital	43.0	43.0
Share premium	87.5	87.5
Reserves	237.6	256.8
Equity attributable to owners of the Parent	**368.1**	**387.3**
Equity attributable to non-controlling interests	1.3	1.4
	369.4	**388.7**
Liabilities		
Non-current liabilities		
Pension provisions and similar obligations	140.8	87.7
Other provisions	47.9	45.7
Bank loans	92.4	91.6
Other financial payables	25.2	25.6
Other liabilities	9.9	10.1
Deferred tax liabilities	68.5	62.6
	384.7	**323.3**
Current liabilities		
Other provisions	103.7	85.5
Trade payables	64.9	74.5
Bank loans	34.2	49.9
Other financial payables	74.7	93.0
Other liabilities	257.1	323.0
	534.6	**625.9**
Balance sheet total	**1,288.7**	**1,337.9**

Group income statement

in €m	First Half-Year 2021	First Half-Year 2022	Second Quarter 2021	Second Quarter 2022
Revenue	493.2	491.8	249.7	253.4
Cost of sales	-356.2	-362.7	-168.8	-186.5
Gross profit	**137.0**	**129.1**	**80.9**	**66.9**
Research and development costs	-21.7	-27.2	-10.4	-13.2
Distribution costs	-62.8	-65.4	-32.2	-33.8
Administrative expenses	-47.2	-48.2	-24.8	-25.4
Other income and expenses	1.1	-1.4	1.8	0.9
Other financial results	–	-0.7	–	-0.7
Earnings before interest and taxes (EBIT)	**6.4**	**-13.8**	**15.3**	**-5.3**
Interest result	-5.1	-4.6	-2.7	-2.2
Earnings before taxes (EBT)	**1.3**	**-18.4**	**12.6**	**-7.5**
Income tax expense	-0.2	2.6	0.2	2.2
Net profit/loss	**1.1**	**-15.8**	**12.8**	**-5.3**
attributable to owners of the Parent	0.9	-16.1	12.7	-5.5
attributable to non-controlling interests	0.2	0.3	0.1	0.2
Earnings per share (in €, basic/dilutive)	**0.05**	**-0.98**	**0.77**	**-0.34**

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**
01.01.2021	**43.0**	**87.5**	**-86.3**	**296.6**	**340.8**	**1.4**	**342.2**
Net profit	–	–	–	0.9	**0.9**	0.2	**1.1**
Gains recognised directly in equity	–	–	11.0	–	**11.0**	–	**11.0**
Total comprehensive income	**–**	**–**	**11.0**	**0.9**	**11.9**	**0.2**	**12.1**
Other changes	–	–	–	0.1	**0.1**	-0.3	**-0.2**
30.06.2021	**43.0**	**87.5**	**-75.3**	**297.6**	**352.8**	**1.3**	**354.1**
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**

Statement of comprehensive Group income

in €m	First Half-Year 2021	First Half-Year 2022	Second Quarter 2021	Second Quarter 2022
Net profit/loss	**1.1**	**-15.8**	**12.8**	**-5.3**
Items to be reclassified to consolidated profit or loss				
Foreign currency translation	1.2	-1.0	0.1	-1.9
Measurement of derivatives	-1.6	-2.7	–	-3.0
Deferred taxes	0.4	0.6	-0.1	0.7
	–	**-3.1**	**–**	**-4.2**
Items not to be reclassified to consolidated profit or loss				
Defined benefit plans	15.1	51.3	5.2	42.1
Deferred taxes	-4.1	-12.9	-0.7	-8.3
	11.0	**38.4**	**4.5**	**33.8**
Gains recognised directly in equity	**11.0**	**35.3**	**4.5**	**29.6**
Total comprehensive income	**12.1**	**19.5**	**17.3**	**24.3**
attributable to owners of the Parent	11.9	19.2	17.2	24.1
attributable to non-controlling interests	0.2	0.3	0.1	0.2

Group cash flow statement

in €m	First Half-Year 2021	First Half-Year 2022	Second Quarter 2021	Second Quarter 2022
Earnings before taxes (EBT)	1.3	-18.4	12.6	-7.5
Non-cash transactions	20.8	21.2	11.1	11.1
Gross cash flow	**22.1**	**2.8**	**23.7**	**3.6**
Changes in inventories, receivables and other assets	-4.3	-91.7	-1.1	-35.1
Changes in provisions and payables	8.7	59.4	-23.9	21.3
Cash flows from operating activities	**26.5**	**-29.5**	**-1.3**	**-10.2**
Cash flows from investing activities	**-12.2**	**-16.9**	**-6.5**	**-6.2**
Free cash flow	**14.3**	**-46.4**	**-7.8**	**-16.4**
Cash flows from financing activities	**-58.5**	**10.5**	**-15.9**	**17.4**
Change in funds	**-44.2**	**-35.9**		
Effect of changes in exchange rates	1.4	2.7		
Funds at beginning of period	137.8	129.5		
Funds at end of period	**95.0**	**96.3**		

Notes to the interim accounts to 30 June 2022

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 Events after the balance sheet date

On July 21, 2022, Koenig & Bauer AG and the shareholders of Celmacch Group S.r.l. merged and agreed to take over 49 % of the shares. Koenig & Bauer AG has thus obtained significant influence over the group. The Celmacch Group S.r.l. is an Italian manufacturer of high board line flexo printing machines and rotary die-cutters for the corrugated industry. Koenig & Bauer addresses this market with the supplementary products CorruCUT/FLEX. This laid the foundation for joint further development and marketing in the growth market of corrugated board.

Koenig & Bauer has the option to successively increase its stake in Celmacch Group S.r.l. beyond the initial 49 % holding. The successive acquisition of up to 80 % of the shares can take place in 2 further steps until 2029 at the earliest.

The closing is scheduled for September 2022.

The recognition of the shares in Celmacch Group S.r.l. was not completed by the time the interim report was published.

There were no further events after the balance sheet date.

4 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, 29 July 2022
Management Board

Dr Andreas Pleßke

Dr Stephen M. Kimmich

Christoph Müller

Ralf Sammeck

Michael Ulverich

5 Segment information

5.1 Business segments

in €m	Revenue				EBIT				Capital investments			
	First Half-Year		Second Quarter		First Half-Year		Second Quarter		First Half-Year		Second Quarter	
	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**
Segments												
Sheetfed	293.3	**270.1**	147.8	**142.7**	7.0	**-1.1**	10.1	**2.5**	4.3	**10.9**	2.4	**3.4**
Digital & Webfed	64.1	**56.6**	33.6	**28.6**	-11.0	**-12.7**	-6.7	**-6.6**	0.6	**0.7**	0.1	**0.3**
Special	148.6	**182.6**	75.3	**91.3**	6.9	**-2.5**	10.8	**-1.8**	3.5	**3.7**	2.3	**2.3**
Reconciliation	-12.8	**-17.5**	-7.0	**-9.2**	3.5	**2.5**	1.1	**0.6**	3.7	**4.5**	2.3	**2.9**
Group	**493.2**	**491.8**	**249.7**	**253.4**	**6.4**	**-13.8**	**15.3**	**-5.3**	**12.1**	**19.8**	**7.1**	**8.9**

5.2 Geographical breakdown of revenue

in €m	First Half-Year		Second Quarter	
	2021	**2022**	2021	**2022**
Germany	79.1	**60.3**	42.8	**31.9**
Rest of Europe	153.3	**183.7**	76.9	**93.2**
North America	86.5	**81.3**	49.0	**45.7**
Asia/Pacific	121.8	**114.0**	58.4	**57.5**
Africa/Latin America	52.5	**52.5**	22.6	**25.1**
	493.2	**491.8**	**249.7**	**253.4**

6 Earnings per share

in €	First Half-Year		Second Quarter	
	2021	**2022**	2021	**2022**
Earnings per share	0.05	**-0.98**	0.77	**-0.34**

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).

7 Balance sheet

7.1 Intangible assets, property, plant and equipment

in €m	Purchase or manufacturing cost	Accumulated depreciation	Carrying amount
Intangible assets	191.5	54.0	**137.5**
Property, plant and equipment	664.8	415.0	**249.8**
31.12.2021	**856.3**	**469.0**	**387.3**
Intangible assets	196.5	58.6	**137.9**
Property, plant and equipment	668.8	420.3	**248.5**
30.06.2022	**865.3**	**478.9**	**386.4**

Investment in property, plant and equipment totaling €14.8m (first half-year 2021: €5.2m) primarily refers to assets under construction and additions of other facilities, factory and office equipment.

7.2 Inventories

in €m	31.12.2021	**30.06.2022**
Raw materials, consumables and supplies	118.0	**135.0**
Work in progress	206.5	**265.4**
Finished goods and products	7.1	**6.1**
	331.6	**406.5**

7.3 Liabilities

In the first half of 2022, the **non-current liabilities** fell by €61.4m. This decline was largely influenced by the interest rate-related decline in pension provisions. On the other hand, the **current liabilities** increased by €91.3m. The increase consists of an increase in other liabilities, in particular advance payments received, by €65.9m, an increase in financial liabilities by €15.7m and an increase in other financial liabilities by €18.3m. On the other hand, other provisions fell by €18.2m.

Additional Information

Key financial dates

Statement on 3rd quarter 2022
8 November 2022

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