KOENIG & BAUER

un:boxing

Statement
First Quarter 2022

we're on it.

Index

Q1 at a glance: Koenig & Bauer standing its ground in a gloomy economic environment

- New orders up by 22.1% to €349.1m (previous year: €286m)
- Revenue of €238.4m (previous year: €243.5m), down a slight 2.1% on the previous year's figure
- Increase in the share of service business in revenue from 28.8% to 33.9% in Q1 2022
- Business performance heavily impacted by the pandemic, supply chain bottlenecks and the related increase in the cost of materials and energy
- Order intake and revenue outpacing the industry average
- Despite a slight decline in revenues, improvement in EBIT of €0.4m to €-8.5m (previous year: €-8.9m); EBIT margin -3.6% (previous year: -3.7%)
- Savings of around €10m achieved from the P24x efficiency programme in Q1 2022
- Free cash flow impacted by changes in net working capital and high order backlog
- Increase in order backlog to €917.5m (previous year: €674.5m), providing a solid basis for the rest of 2022

Group key figures

01.01. - 31.03. in €m	2021	2022	Change in %
Order intake	286.0	349.1	22.1%
Order backlog as of 31.03.	674.5	917.5	36.0%
Revenue	243.5	238.4	-2.1%
Earnings before interest and taxes (EBIT)	-8.9	-8.5	4.5%
EBIT margin (in %)	-3.7	-3.6	
Net group profit	-11.7	-10.5	10.3%
Balance sheet total at 31.03. (previous year: 31.12.)	1,288.7	1,306.6	1.4%
Equity 31.03. (previous year: 31.12.)	369.4	364.6	-1.3%
Equity ratio (in %)	28.7	27.9	
Net financial position	-26.0	-27.8	-6.9%
Net Working Capital	324.8	308.6	-5.0%
Free Cashflow	22.1	-30.0	-235.7%
Employees as of 31.03.	5,508	5,359	-2.7%
Earnings per share in €	-0.72	-0.64	11.1%

Business environment

The International Monetary Fund (IMF) has significantly lowered its growth forecast for the global economy due to the Russian war of aggression against Ukraine. It now expects growth of only 3.6% in 2022, 0.8 percentage points less than projected in January 2022. According to the IMF, economic risks have increased significantly, while disruptions to global supply chains have continued, with recent coronavirus-related lockdowns in China likely to exacerbate these problems once again. The IMF also states that, contrary to initial expectations, inflation is proving to be much more persistent and is likely to reach 5.7% in developed economies and 8.7% in emerging and developing countries. It reports that the situation has deteriorated significantly since January and does not rule out the possibility of a significant further deterioration.

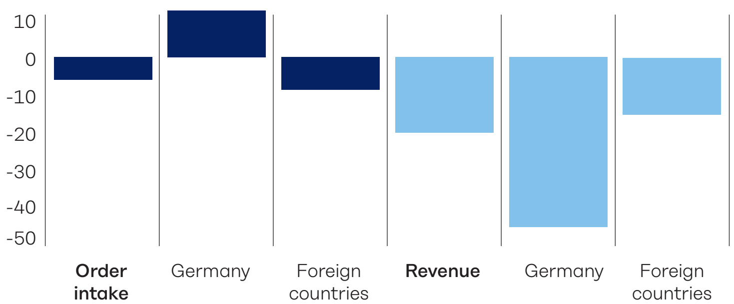
According to the German Mechanical and Plant Engineering Association (VDMA), plant and machinery orders increased by 7,2% in price-adjusted terms in the first three months of 2022 compared to the corresponding period of the previous year. By contrast, revenue in the mechanical engineering segment rose by only 0.7%. At the same time, order intake in the printing press sector fell 5.9% short of the previous year in January and February 2022. At 20.0%, the decline in revenue was more pronounced.

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

VDMA: Order intake and revenue printing presses



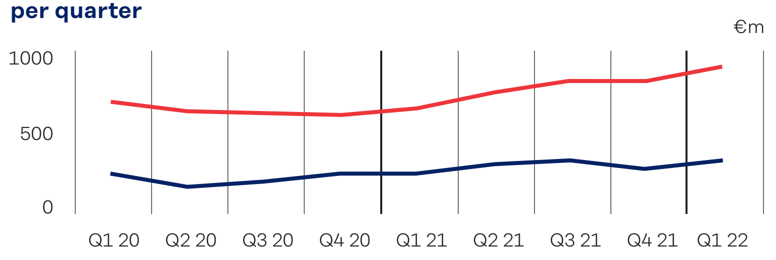
% Change to previous year

Earnings, finances and assets

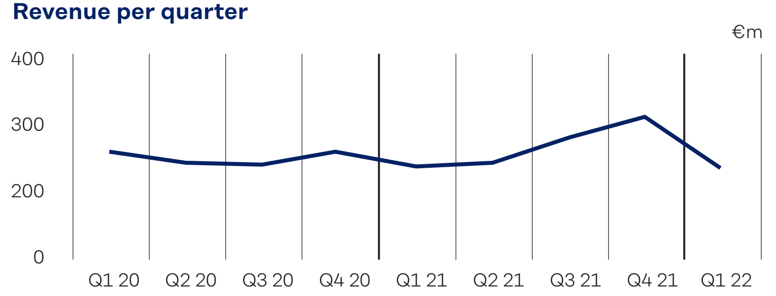
Earnings

In the first quarter of 2022, **order intake** at the Koenig Bauer & Group came to €349.1m, 22.1% up on the already good figure of €286m reported in the previous year. This was significantly better than the industry average, which declined by 5.9%. At €238.4m, **Group revenue** was slightly down on the previous year by 2.1%. At 20.0%, however, the industry-wide decline in revenue was markedly sharper. In the first quarter of 2022, 33.9% of revenue was generated from service business, up from 28.8% in the same quarter of the previous year. At €917.5m as of 31 March 2022, the **order backlog** was 36.0% higher than the previous year's figure of €674.5m, increasing by 13.7% over the end of the previous year and providing a solid basis for the rest of 2022.

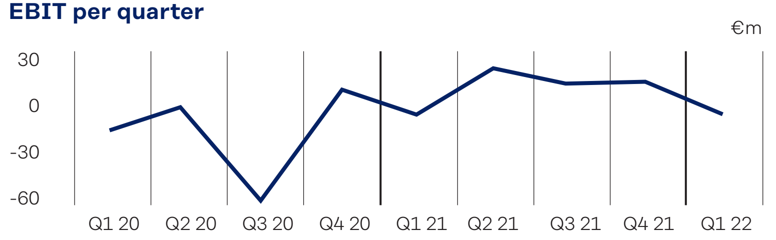
Order backlog Order intake per quarter



Revenue per quarter



EBIT per quarter



Although revenue was down on the previous year, gross profit climbed by 10.9% in the first quarter of 2022 to €62.2m (previous year: €56.1m) thanks to lower production costs among other things. Reflecting this, the **gross margin** widened to 26.1% (previous year: 23.0%). At €14m, R&D expenses were up on the previous year's figure of €11.3m. Selling expenses increased slightly by €1m to €31.6m, with administrative expenses rising by €0.4m to €22.8m. Net other expenses came to €-2.3m, compared with €-0.7m in the previous year. This resulted in **EBIT** of €-8.5m (previous year: €-8.9m). The improvement of €0.4m over the same period of the previous year is mainly due to the P24x efficiency programme (roughly €10m) despite the lower use of short-time work (roughly €5m), negative volume and mix effects (roughly €1m) and negative other effects that also include impairments of receivables (roughly €4m). The increase in the cost of materials and energy (around €6m) was offset by the announced price increases. Consequently, the **EBIT margin** improved from -3.7% in the previous year to -3.6% in the first quarter of 2022. Net interest expense of €-2.4m (previous year: €-2.4m) remained at the previous year's level, resulting in **earnings before taxes** of €-10.9m, i.e. an improvement over the figure of €-11.3m recorded in the first quarter of 2021. After income taxes, **net loss** shrank from €-11.7m in the same quarter of the previous year to €-10.5m as of 31 March 2022. This translates into **earnings per share** of €-0.64 (previous year: €-0.72).

Group income statement

01.01. - 31.03. in €m	2021	2022
Revenue	243.5	238.4
Cost of sales	-187.4	-176.2
Gross profit	**56.1**	**62.2**
Research and development costs	-11.3	-14.0
Distribution costs	-30.6	-31.6
Administrative expenses	-22.4	-22.8
Other income and expenses	-0.7	-2.3
Earnings before interest and taxes (EBIT)	**-8.9**	**-8.5**
Interest result	-2.4	-2.4
Earnings before taxes (EBT)	**-11.3**	**-10.9**
Income tax expense	-0.4	0.4
Net loss	**-11.7**	**-10.5**
attributable to owners of the Parent	-11.8	-10.6
attributable to non-controlling interests	0.1	0.1
Earnings per share (in €, basic/dilutive)	**-0.72**	**-0.64**

Finances

Cash flow from operating activities came to €-19.3m in the period under review, mainly due to increased inventories and other assets (previous year: €27.8m). Cash flow from investing activities stood at €-10.7m (previous year: €-5.7m). **Free cash flow** amounted to €-30m (previous year: €22.1m). The decrease of €52.1m was mainly due to changes in **net working capital** in addition to heightened investing activities. Cash flow from financing activities came to €-6.9m (previous year: €-42.6m). The previous year's figure is due to the partial repayment of the syndicated loan. At the end of March 2022, cash and cash equivalents stood at €94.1m (previous year: €119.2m). Adjusted for bank liabilities of €121.9m, **net financial debt** amounted to €-27.8m (previous year: €-26m), compared to €2.9m at the end of 2021.

Group cash flow statement

01.01. - 31.03. in €m	2021	**2022**
Earnings before taxes (EBT)	-11.3	-10.9
Non-cash transactions	9.7	10.1
Gross cash flow	**-1.6**	**-0.8**
Changes in inventories, receivables and other assets	-3.2	-56.6
Changes in provisions and payables	32.6	38.1
Cash flows from operating activities	**27.8**	**-19.3**
Cash flows from investing activities	**-5.7**	**-10.7**
Free cash flow	**22.1**	**-30.0**
Cash flows from financing activities	**-42.6**	**-6.9**
Change in funds	**-20.5**	**-36.9**
Effect of changes in exchange rates	1.9	1.5
Funds at beginning of period	137.8	129.5
Funds at end of period	**119.2**	**94.1**

Assets

In the quarter under review, €10.9m (previous year: €5m) was spent on property, plant and equipment and intangible assets in connection with construction and IT projects. Capital spending includes capitalised development costs of €0.9m (previous year: €1m). Capital spending was accompanied by depreciation and amortisation of €9.6m (previous year: €8.9m). All in all, intangible assets and property, plant and equipment increased slightly from €387.3m as of 31 December 2021 to €388.5m. With financial investments and other financial receivables unchanged over the previous year and deferred tax assets lower, **non-current assets** fell from €507.6m as of 31 December 2021 to €501.1m. **Current assets** increased from €781.1m at the end of 2021 to €805.5m. This is mainly due to the increase in inventories and other assets. At €1,306.6m, the total assets of the Group were slightly above the figure of €1,288.7m recorded at the end of 2021.

The loss for the quarter contributed significantly to a reduction in **equity** from €369.4m at the end of 2021 to €364.6m. However, the increased discount rate on domestic retirement benefits had a counteracting effect. The equity ratio contracted slightly to 27.9% 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 €129.8m as of 31 March 2022 due to the increase in the discount rate for domestic retirement benefits from 1.5% as of 31 December 2021 to 2.2% as of 31 March 2022. In total, **non-current liabilities** fell by €16m over the end of 2021 to €368.7m. **Current liabilities** increased by €38.7m compared to the end of 2021, coming to €573.3m as of 31 March 2022.

Group balance sheet

in €m	31.12.2021	**31.03.2022**
Assets		
Non-current assets		
Intangible assets	387.3	388.5
Investments and other financial receivables	25.0	24.6
Other assets	3.0	2.8
Deferred tax assets	92.3	85.2
	507.6	**501.1**
Current assets		
Inventories	331.6	368.7
Trade receivables	94.7	93.4
Other financial receivables	26.0	27.6
Other assets	195.5	218.0
Securities	3.8	3.7
Cash and cash equivalents	129.5	94.1
	781.1	**805.5**
Balance sheet total	**1,288.7**	**1,306.6**

in €m	31.12.2021	**31.03.2022**
Equity and liabilities		
Equity		
Share capital	43.0	43.0
Share premium	87.5	87.5
Reserves	237.6	232.7
Equity attributable to owners of the Parent	**368.1**	**363.2**
Equity attributable to non-controlling interests	1.3	1.4
	369.4	**364.6**
Liabilities		
Non-current liabilities		
Pension provisions and similar obligations	140.8	129.8
Other provisions	47.9	46.8
Bank loans	92.4	91.7
Other financial payables	25.2	25.7
Other liabilities	9.9	10.0
Deferred tax liabilities	68.5	64.7
	384.7	**368.7**
Current liabilities		
Other provisions	103.7	99.8
Trade payables	64.9	67.8
Bank loans	34.2	30.2
Other financial payables	74.7	90.1
Other liabilities	257.1	285.4
	534.6	**573.3**
Balance sheet total	**1,288.7**	**1,306.6**

Segment performance

In the **Sheetfed segment**, order intake in particular was very favourable, rising by 25.4% in the first quarter of 2022 thanks to higher orders for sheetfed offset presses and the post-press range. Order intake climbed from €193.1m in the previous year to €242.1m as of 31 March 2022. Revenue in the first quarter of 2022 came to €127.4m (previous year: €145.5m), down 12.4% on the same quarter of the previous year. With a book-to-bill ratio of 1.90 (previous year: 1.33), the order backlog increased from €379.7m as of 31 March 2021 to €556.3m at the end of the reporting period. At €-3.6m as of 31 March 2022, the loss at the EBIT level was slightly up on the previous year's figure of €-3.1m. Accordingly, the EBIT margin reached -2.8% (previous year: -2.1%).

In the first quarter of 2022, order intake in the **Digital & Webfed** segment increased by 31.1% to €30.8m (previous year: €23.5m), mainly due to service business and demand for corrugated board presses. At €28m, revenue was 8.2% below the previous year's figure of €30.5m. Order backlog increased by €30.7m to €91.3m as of 31 March 2022 (previous year: €60.6m). In addition to customers' pandemic-related purchasing restraint, EBIT also came under pressure from start-up costs and spending on product enhancements, reaching €-6.1m (previous year: €-4.3m). Reflecting this, the EBIT margin came to -21.8%, compared with -14.1% in the same quarter of the previous year.

At €81.7m, order intake in the **Special segment** as of 31 March 2022 was up 11.3% on the previous year's figure of €73.4m. Orders for Banknote Solutions (banknote and security printing) and Coding (marking and coding solutions for all industries) were higher. On the other hand, orders received by MetalPrint (metal packaging) and Kammann (direct decoration of hollow bodies made of glass, plastic or metal) declined. Revenue in the first quarter of 2022 increased by 24.6% to €91.3m (previous year: €73.3m). Order backlog also rose to €268m at the end of March (previous year: €237.5m). EBIT improved from €-3.9m to €-0.7m as of 31 March 2022. The EBIT margin reached -0.8%, compared with -5.3% in the same quarter of the previous year.

Business segments

	Order intake		Revenue		Order backlog		EBIT		Capital investments	
01.01. - 31.03. in €m	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**
Segments										
Sheetfed	193.1	**242.1**	145.5	**127.4**	379.7	**556.3**	-3.1	**-3.6**	1.9	**7.5**
Digital & Webfed	23.5	**30.8**	30.5	**28.0**	60.6	**91.3**	-4.3	**-6.1**	0.5	**0.4**
Special	73.4	**81.7**	73.3	**91.3**	237.5	**268.0**	-3.9	**-0.7**	1.2	**1.4**
Reconciliation	-4.0	**-5.5**	-5.8	**-8.3**	-3.3	**1.9**	2.4	**1.9**	1.4	**1.6**
Group	**286.0**	**349.1**	**243.5**	**238.4**	**674.5**	**917.5**	**-8.9**	**-8.5**	**5.0**	**10.9**

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 2021. The material risks facing our business and the risk management system are described in detail in the annual report for 2021 (from page 36).

Despite the protracted uncertainties in connection with Covid-19, the associated risks in the supply chains and mounting geopolitical tensions, the Group's risk-bearing capacity is sufficient in the light 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

The forecast for 2022 and the medium-term targets are unchanged over the forecast report published on 30 March 2022 from page 47 onwards in the annual report for 2021.

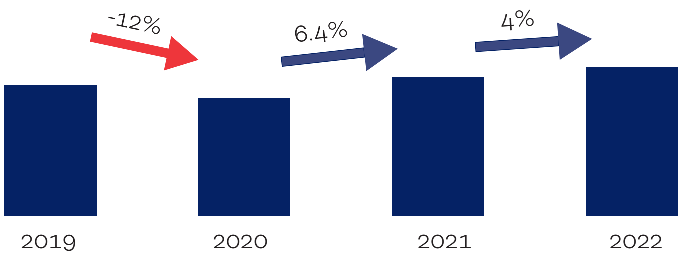
The following estimates are based on the assumption that no further setbacks or intensified restrictions compared with the current situation arise from the Ukraine-Russia crisis, the resulting war and the sanctions imposed on Russia and Belarus as a result, and the fight against the pandemic. In addition, supply chain bottlenecks and the associated material price increases as well as increased energy costs continue to burden the Company and are not foreseeable due to the limited forward visibility with regard to the effects of the Russia-Ukraine conflict.

Koenig & Bauer expects a slight increase over the previous year in Group revenue and operating EBIT margin in 2022.

At the date on which the quarterly statement was completed, a reliable assessment of the extent of the impact of the aforementioned risks was not possible due to the limited forward visibility, meaning that no precise statement on future development for 2022 can be made.

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 by then, 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.

VDMA forecast: Production in the machinery and plant engineering sector



Additional Information

Key financial dates

Koenig & Bauer
Annual General Meeting
24 May 2022

Report on 2nd quarter 2022
29 July 2022

Statement on 3rd quarter 2022
8 November 2022

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