KOENIG & BAUER

un:boxing

Statement
Third Quarter 2022

we're on it.

Index

Nine months and Q3 at a glance: Koenig & Bauer on track for profitable growth with a strong third quarter and robust demand in turbulent economic environment

- 4.8% increase in order intake to €1,025.9m (previous year: €978.6m) after nine months; at €333.0m in Q3, customer orders very robust and still at a high level
- Revenue up 2.3% after nine months, coming to €805.7m (previous year: €787.4m); Q3 revenue up 6.7% year-on-year, making it the strongest quarter to date in 2022
- Increase in the share of service business in revenue from 29.9% to 32.2% after nine months
- EBIT after nine months €-3.0m (previous year: €16.7m). Previous year's figure boosted by €21.3m due to the adjustment to the P24x provisions. Accordingly, €1.6m improvement in operating earnings; operating EBIT margin -0.4% (previous year: -0.6%). At €10.8m, EBIT in Q3 on par with the previous year, thus also showing a significant sequential improvement
- Savings of around €24m achieved from the P24x efficiency programme after the first nine months of 2022
- Business performance still heavily impacted by the pandemic, supply chain bottlenecks and the related increase in the cost of materials and energy
- Increase in order backlog to €1,027.0m (previous year: €823.2m), providing a solid basis for the rest of 2022 and beyond
- Forecast for 2022 confirmed and now indicating operating revenue of between €1,160m and €1,190m and operating EBIT of between €15m and €20m (EBIT margin of between 1.3% and 1.7%), medium-term targets confirmed
- With the release of the guidance for 2023 – which marks a further important step towards achieving the medium-term targets – the medium-term targets announced in 2020 will also be adjusted to take account of inflation effects

Group key figures

in €m	1. - 3. Quarter 2021	1. - 3. Quarter 2022	1. - 3. Quarter Change	Third Quarter 2021	Third Quarter 2022	Third Quarter Change
Order intake	978.6	**1,025.9**	4.8%	363.3	**333.0**	-8.3%
Revenue	787.4	**805.7**	2.3%	294.2	**313.9**	6.7%
Earnings before interest and taxes (EBIT)	16.7	**-3.0**	-118.0%	10.3	**10.8**	4.9%
EBIT margin	2.1%	**-0.4%**		3.5%	**3.4%**	
Net group profit/loss	5.5	**-11.0**	-300.0%	4.4	**4.8**	9.1%
Earnings per share in €	0.31	**-0.70**	-325.8%	0.26	**0.28**	7.7%
Free Cashflow	14.3	**-74.7**	-622.4%	0.0	**-28.3**	-100.0%

in €m	30.09.2021	**30.09.2022**	Change
Order backlog	823.2	**1,027.0**	24.8%
Net Working Capital	329.1	**318.8**	-3.1%
Net financial position	-37.7	**-73.4**	-94.7%
Employees	5,410	**5,467**	1.1%

in €m	31.12.2021	**30.09.2022**	Change
Balance sheet total	1,288.7	**1,373.1**	6.5%
Equity	369.4	**391.7**	6.0%
Equity ratio	28.7%	**28.5%**	

Business environment

In October, the International Monetary Fund (IMF) again lowered its forecast for global economic growth, stating: “We are experiencing a fundamental change in the global economy. It is becoming more unpredictable, more volatile and more marked by geopolitical tensions. Europe is particularly affected by the consequences of the Russian attack on Ukraine, while high inflation is weighing on consumer confidence in the United States and the pandemic-related restrictions are continuing to place a damper on companies in China.”

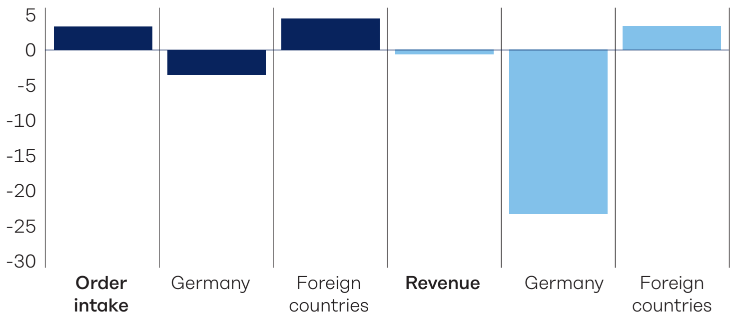
Despite the difficult economic conditions, the German Mechanical and Plant Engineering Association (VDMA) has confirmed its forecast for German mechanical and plant engineering production for 2022. It also stated in October that output is expected to increase by one percent in real terms this year, before dropping by two percent in 2023. According to the industry association, orders for plant and machinery were up 0.6% year-on-year in price-adjusted terms in the first nine months of 2022. Revenue in the mechanical engineering segment rose by 1.6%. At the same time, order intake in the printing press subsector exceeded the previous year by 3.1%, while revenue declined by 0.5%.

IWF: Year-on-year gross

Country/region	2021	2022 Estimate	Deviation to January 2022	2023 Estimate
Global	6.0	3.2	-0.4	2.7
Developed economies	5.2	2.4	-0.9	1.1
Eurozone	5.2	3.1	0.3	0.5
Germany	2.6	1.5	-0.6	-0.3
France	6.8	2.5	-0.4	0.7
Italy	6.6	3.2	0.9	-0.2
Spain	5.1	4.3	-0.5	1.2
United Kingdom	7.4	3.6	-0.1	0.3
United States	5.7	1.6	-2.1	1.0
Japan	1.7	1.7	-0.7	1.6
Emerging markets and developing countries	6.6	3.7	-0.1	3.7
ASEAN*	3.4	5.3	0.0	4.9
Brazil	4.6	2.8	2.0	1.0
China	8.1	3.2	-1.2	4.4
India**	8.7	6.8	-1.4	6.1
Russia	4.7	-3.4	5.1	-2.3

*) Indonesia, Malaysia, Philippines, Thailand, Vietnam.
**) For India, data and forecasts are presented on a fiscal year basis and GDP from 2011 onward is based on GDP at market prices with fiscal year 2011/12 as a base year.
Quelle: IMF, World Economic Outlook, October 2022

VDMA: Order intake and revenue printing presses nine months 2022



% Change to previous year

Earnings, finances and assets

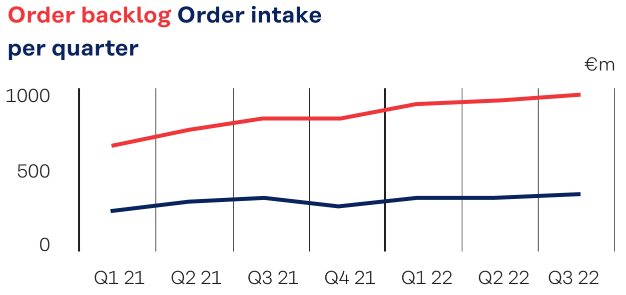
Earnings

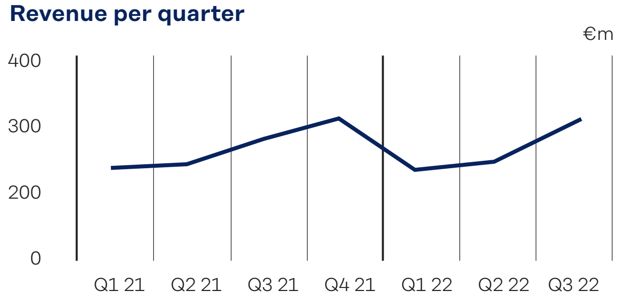
In the first nine months of 2022, **order intake** at the Koenig Bauer & Group came to €1,025.9m, 4.8% up on the already good figure of €978.6m reported in the previous year. At €805.7m, **Group revenue** exceeded the previous year's figure by 2.3%. Revenue in the third quarter came to €313.9m, up 6.7% year-on-year, making it the strongest quarter to date in 2022. In the first nine months of 2022, 32.2% of revenue was generated from service business, up from 29.9% in the same period in the previous year.

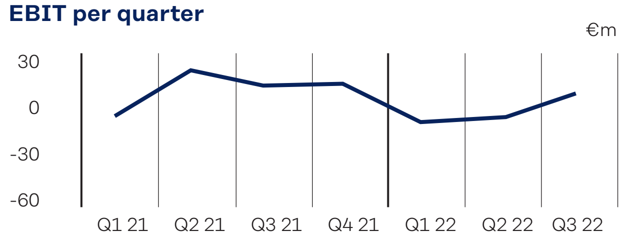
The Group export ratio widened from 86.1% to 88.5%, with the proportion of business coming from Europe excluding Germany growing substantially to 36.3% (previous year: 30.7%), while the share of North American business also expanded to 18.0% (previous year: 17.7%). The share of revenue coming from Germany (11.5%), Asia/Pacific (24.6%) and Latin America and Africa (9.6%) was down on the previous year (13.9%, 26.0% and 11.7%, respectively).

At €1,027.0m as of 30 September 2022, the **order backlog** was 24.8% higher than the previous year's figure of €823.2m, increasing by 27.3% over the end of the previous year and providing a solid basis for the rest of 2022.

Gross profit came to €218.7m (previous year: €214.5m) due to slightly higher production costs. Reflecting this, the **gross margin** was 27.1% (previous year: 27.2%). R&D expenses were up €6.9m on the previous year. Selling expenses increased by €9.8m mainly due to elevated outbound freight costs and higher travel and advertising expenses. Administrative expenses rose by €0.8m compared with the previous year. Net other income and expenses came to €-6.1m, compared with €-0.6m in the previous year, mainly due to exchange rate effects. All told, this resulted







in **EBIT** of €-3.0m (previous year: €16.7m). The previous year's figure had been boosted by roughly €21.3m thanks to the more efficient implementation of the personnel measures under P24x. Accordingly, an improvement in operating earnings of €1.6m was achieved, corresponding to an operating **EBIT margin** of -0.4%, compared with -0.6% in the previous year. At €10.8m, EBIT was unchanged over the previous year in the third quarter. Thus, substantial sequential improvements were achieved.

The improvement at the operating level over the first nine months of 2021 is mainly due to the P24x efficiency programme (roughly €24m) despite the lower use of short-time work in the previous year (roughly €8m), positive volume and mix effects (roughly €5m) and other negative effects that also include impairments of receivables and currency-translation effects (roughly €13m). The effects of higher cost of materials and energy (around €24m) were not fully offset by the announced price increases (roughly €18m). This is primarily due to the time lag between price increases and price peaks in Q3, for example in energy costs and electronic components. On a positive note, the proportion of other effects did not increase any further compared to the first half of 2022. In addition to impairments of receivables and currency-translation effects, they also include necessary additional or retro work on systems and presses due to supply chain disruptions and exert strain on productivity at the plants and on site at the customers. The net interest expense of €-6.1m (previous year: €-7.9m) was slightly higher than in the previous year, resulting in **earnings before taxes** of €-9.1m (previous year: €8.8m). After income taxes, the Group posted a **net loss** of €11.0m as of 30 September 2022 (previous year: net profit of €5.5m). This translates into **earnings per share** of €-0.70 (previous year: €0.31).

Group income statement

	1. - 3. Quarter		Third Quarter	
in €m	2021	**2022**	2021	**2022**
Revenue	787.4	805.7	294.2	313.9
Cost of sales	-572.9	-587.0	-216.7	-224.3
Gross profit	**214.5**	**218.7**	**77.5**	**89.6**
Research and development costs	-33.2	-40.1	-11.5	-12.9
Distribution costs	-92.7	-102.5	-29.9	-37.1
Administrative expenses	-71.3	-72.1	-24.1	-23.9
Other income and expenses	-0.6	-6.1	-1.7	-4.7
Other financial results	–	-0.9	–	-0.2
Earnings before interest and taxes (EBIT)	**16.7**	**-3.0**	**10.3**	**10.8**
Interest result	-7.9	-6.1	-2.8	-1.5
Earnings before taxes (EBT)	**8.8**	**-9.1**	**7.5**	**9.3**
Income tax expense	-3.3	-1.9	-3.1	-4.5
Net profit/loss	**5.5**	**-11.0**	**4.4**	**4.8**
attributable to owners of the Parent	5.2	-11.5	4.3	4.6
attributable to non-controlling interests	0.3	0.5	0.1	0.2
Earnings per share (in €, basic/dilutive)	**0.31**	**-0.70**	**0.26**	**0.28**

Finances

Cash flow from operating activities came to €-31.0m in the period under review (previous year: €33.3m), mainly due to increased inventories and trade receivables as well as higher prepayments received. Cash flow from investing activities, which also includes the acquisition of holdings in Celmacch, stood at €-43.7m (previous year: €-19.0m). **Free cash flow** amounted to €-74.7m. The decrease of €89.0m was mainly due to changes in **net working capital** in addition to heightened investing activities. Cash flow from financing activities came to €27.5m (previous year: €-60.5m). 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 September 2022, cash and cash equivalents stood at €88.0m (previous year: €94.6m). Adjusted for bank liabilities of €161.4m, **net financial debt** amounted to €-73.4m (previous year: €-37.7m).

Group cash flow statement

	1. - 3. Quarter		Third Quarter	
in €m	2021	**2022**	2021	**2022**
Earnings before taxes (EBT)	8.8	-9.1	7.5	9.3
Non-cash transactions	32.9	32.7	12.1	11.5
Gross cash flow	**41.7**	**23.6**	**19.6**	**20.8**
Changes in inventories, receivables and other assets	-25.0	-113.5	-20.7	-21.8
Changes in provisions and payables	16.6	58.9	7.9	-0.5
Cash flows from operating activities	**33.3**	**-31.0**	**6.8**	**-1.5**
Cash flows from investing activities	**-19.0**	**-43.7**	**-6.8**	**-26.8**
Free cash flow	**14.3**	**-74.7**	**0.0**	**-28.3**
Cash flows from financing activities	**-60.5**	**27.5**	**-2.0**	**17.0**
Change in funds	**-46.2**	**-47.2**		
Effect of changes in exchange rates	3.0	5.7		
Funds at beginning of period	137.8	129.5		
Funds at end of period	**94.6**	**88.0**		

Assets

A total of €28.7m (previous year: €19.3m) 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 €3.0m (previous year: €4.4m). Capital spending was accompanied by depreciation and amortisation of €28.9m (previous year: €27.6m). On balance, intangible assets and property, plant and equipment dropped slightly from €387.3m as of 31 December 2021 to €385.8m. In view of the slightly lower financial investments and other financial receivables, the acquisition of shares in Celmacch, which together with all transaction costs is reported within „Investments accounted for using the equity method“, and lower deferred tax assets, **non-current assets** remained almost constant at €506.3m, compared with €507.6m as of 31 December 2021. **Current assets** increased from €781.1m at the end of 2021 to €866.8m. This is mainly due to the increase in inventories and receivables. At €1,373.1m, 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 nine months of the year and contributed significantly to the stabilisation of **equity** at €391.7m compared with €369.4m at the end of 2021. Accordingly, the equity ratio also contracted slightly to 28.5% 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 €87.8m as of 30 September 2022 due to the increase in the discount rate for domestic retirement benefits from 1.5% as of 31 December 2021 to 3.9% as of the end of September. In total, **non-current liabilities** fell by €64.1m over the end of 2021 to €320.6m. **Current liabilities** increased by €126.2m compared to the end of 2021, coming to €660.8m as of 30 September 2022 mainly due to prepayments received and the use of credit lines.

Group balance sheet

in €m	31.12.2021	30.09.2022
Assets		
Non-current assets		
Intangible assets, property, plant and equipment	387.3	385.8
Investments and other financial receivables	25.0	24.6
Investments accounted for using the equity method	–	14.8
Other assets	3.0	2.1
Deferred tax assets	92.3	79.0
	507.6	**506.3**
Current assets		
Inventories	331.6	434.8
Trade receivables	94.7	112.7
Other financial receivables	26.0	34.7
Other assets	195.5	193.0
Securities	3.8	3.6
Cash and cash equivalents	129.5	88.0
	781.1	**866.8**
Balance sheet total	**1,288.7**	**1,373.1**

in €m	31.12.2021	30.09.2022
Equity and liabilities		
Equity		
Share capital	43.0	43.0
Share premium	87.5	87.5
Reserves	237.6	259.9
Equity attributable to owners of the Parent	**368.1**	**390.4**
Equity attributable to non-controlling interests	1.3	1.3
	369.4	**391.7**
Liabilities		
Non-current liabilities		
Pension provisions and similar obligations	140.8	87.8
Other provisions	47.9	41.5
Bank loans	92.4	91.6
Other financial payables	25.2	24.9
Other liabilities	9.9	10.0
Deferred tax liabilities	68.5	64.8
	384.7	**320.6**
Current liabilities		
Other provisions	103.7	91.9
Trade payables	64.9	69.0
Bank loans	34.2	69.8
Other financial payables	74.7	96.4
Other liabilities	257.1	333.7
	534.6	**660.8**
Balance sheet total	**1,288.7**	**1,373.1**

Segment performance

In the **Sheetfed segment**, order intake was very favourable, rising by 15.4% in the first nine months of 2022 thanks to higher orders for sheetfed offset presses and the post-press range. Orders increased from €564.3m in the previous year to €651.4m as of 30 September 2022. The cumulative revenue of €454.1m was still 1.5% lower than in the previous year, but improved sequentially in the course of the year, reaching €184.0m in the third quarter, one of the highest third-quarter figures in recent history. With the book-to-bill ratio standing at 1.43 (previous year: 1.22), the order backlog rose from €435.5m as of 30 September 2021 to €638.9m at the end of the period under review. At €4.0m as of 30 September 2022, EBIT fell short of the previous year's figure of €18.5m, which had been boosted by the adjustment of €7.2m to the P24x provisions in Q2/2021. Accordingly, the EBIT margin reached 0.9% (previous year: 4.0%). EBIT improved sequentially in the course of the year, reaching €5.1m in the third quarter, up from €2.5m in Q2 and €-3.6m in Q1.

In the first nine months of 2022, order intake in the **Digital & Webfed segment** increased by 5.8% to €89.0m (previous year: €84.1m), mainly due to heightened demand for corrugated board presses and the RotaJET digital printing press as well as service business. Revenue climbed by 6.3% to €95.2m (previous year: €89.6m). The revenue of €38.6m in the third quarter was one of the best quarterly results in the last two years. Order backlog increased by 32.5% to €82.3m as of 30 September 2022 (previous year: €62.1m). In addition to customers' pandemic-induced purchasing restraint, EBIT also came under pressure from start-up costs and spending

Business segments

	Revenue				EBIT				Capital investments			
	1. - 3. Quarter		Third Quarter		1. - 3. Quarter		Third Quarter		1. - 3. Quarter		Third Quarter	
in €m	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**
Segments												
Sheetfed	460.9	**454.1**	167.6	**184.0**	18.5	**4.0**	11.5	**5.1**	8.0	**12.9**	3.7	**2.0**
Digital & Webfed	89.6	**95.2**	25.5	**38.6**	-20.8	**-14.7**	-9.8	**-2.0**	0.9	**1.3**	0.3	**0.6**
Special	254.2	**280.7**	105.6	**98.1**	15.3	**4.0**	8.4	**6.5**	5.5	**6.4**	2.0	**2.7**
Reconciliation	-17.3	**-24.3**	-4.5	**-6.8**	3.7	**3.7**	0.2	**1.2**	4.9	**8.1**	1.2	**3.6**
Group	**787.4**	**805.7**	**294.2**	**313.9**	**16.7**	**-3.0**	**10.3**	**10.8**	**19.3**	**28.7**	**7.2**	**8.9**

on product enhancements, reaching €-14.7m (previous year: €-20.8m). 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 -15.4%, compared with -23.2% in the same period of the previous year.

At €313.7m as of 30 September 2022, order intake in the **Special segment** fell short of the previous year's figure of €359.7m by 12.8%. Orders for Coding (marking solutions for all industries) and Kammann (direct decoration of hollow bodies made of glass, plastic or metal) were higher in the period under review. On the other hand, orders received by Banknote Solutions (banknote and security printing) and MetalPrint (metal packaging) declined. Cumulative revenue climbed by 10.4% to €280.7m (previous year: €254.2m). At the end of September, the order backlog stood at €310.6m and was lower than in the previous year (€342.9m). EBIT amounted to €4.0m (previous year: €15.3m). The previous year's figure had been inflated by the adjustment of €16.0m to the P24x restructuring provisions. Substantial improvements in operating EBIT were thus achieved in comparison. The EBIT margin stood at 1.4%, compared with 6.0% in the same period in the previous year.

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 implemented. 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 46 of the annual report for 2021.

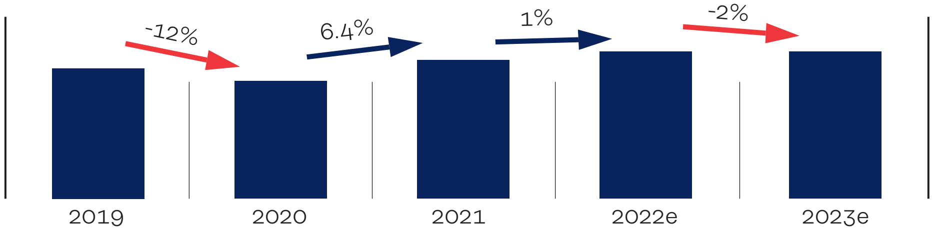
Outlook

Due to the shorter planning horizon compared to the beginning of the year, the full-year forecast for 2022 has been confirmed and rendered more precise as follows. Until now, Koenig & Bauer had been anticipating a slight increase over the previous year in Group operating revenue (2021: €1,115.8m) and the operating EBIT margin (2021: 0.5%). It now expects to report operating EBIT of between €15m and €20m and an operating EBIT margin of between 1.3% and 1.7% on Group revenue of between €1,160m and €1,190m. EBIT in the previous year had been boosted by the more efficient implementation of the personnel measures under P24x and the resultant adjustments to restructuring provisions (net €23m).

The Koenig & Bauer Group reaffirms the medium-term targets announced in 2020, to which the "Exceeding Print" strategy is also contributing: 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. With the release of the guidance for 2023 – which marks a further important step towards achieving the medium-term objectives – the medium-term objectives announced in 2020 will also be adjusted to take account of inflation effects.

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 our presses and systems for the fourth quarter of 2022 poses a major challenge for Koenig & Bauer and must be reassessed if the global supply chain situation continues to deteriorate.

VDMA forecast:
Production in the machinery and plant engineering sector



Additional Information

Key financial dates

Annual Report 2022
29 March 2023

Statement on 1st quarter 2023
4 May 2023

Koenig & Bauer Annual General Meeting
16 June 2023

Report on 2nd quarter 2023
28 July 2023

Statement on 3rd quarter 2023
8 November 2023

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