KOENIG & BAUER

Metamor[e]phosis

Interim Report | **First Half Year 2024**

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Index

First half of the year and Q2 at a glance: Koenig & Bauer confirms its operational guidance in a difficult market environment and announces key figures for the "Spotlight" focus programme

- Improved order situation: increase of 16.0% in Group-wide order intake as of 30 June to €641.5m (previous year: €552.9m) – order intake in Q2 even stronger with an increase of 58.4% to €398.6m (previous year: €251.7m) and includes a large part of the legally binding orders worth approximately €200m placed at and outside of drupa

- As expected, half-year Group revenue of €532.0m (previous year: €596.4m) down on the previous year in a challenging market environment due to the muted order intake in the third quarter of 2023 – but a sequential increase of €25.6m in revenue in the second quarter to €278.8m (Q1: €253.2m)

- Individual segments: revenue lower in Sheetfed and Special due to market-related muted order intake in the third quarter of the previous year, slight increase in revenue in the Digital and Webfed segment

- Increase in the proportion of revenue from service business to 34.1% (previous year: 29.7%)

- Non-operating extraordinary expenses of roughly €10m, mainly in connection with the drupa trade fair, weighed on H1 earnings as expected; operating EBIT in H1: €-23.9m (previous year: €-5.4m); as expected, operating EBIT in Q2 (€-13.7m) slightly lower than in Q1 (€-10.2m); Group EBIT on a monthly basis better in June than in April and May, making a positive contribution to EBIT

- Improvement in free cash flow and net working capital achieved

- Order backlog of €1,021.0m (previous year: €906.9m), the highest half-year figure in the company's recent history; it will largely manifest itself after 2024 and is spread unevenly across the segments

- Increase in book-to-bill ratio from 0.96 in Q1 (previous year: 1.07) to 1.43 in Q2 (previous year: 0.80)

- Outlook for 2024: operating EBIT at the lower end of the forecast range of €25 – 40m, revenue target of €1.3bn confirmed despite the persistently difficult market situation

- As announced, further details defined for the "Spotlight" focus programme to keep the company on its trajectory towards achieving its EBIT target of around 6% and Group revenue of approx. €1.5bn in 2026 at the latest and to strengthen operating EBIT in 2025

- "Spotlight" primarily entails measures to improve costs at the Holding company and in the Digital & Webfed segment in Würzburg as well as in the Special segment at various locations. Special effects of €30 – 45m are expected within Group earnings in 2024, mainly relating to adjustments to material and personnel costs

Group key figures

	First Half-Year			Second Quarter		
in €m	2023	**2024**	Change	2023	**2024**	Change
Order intake	552.9	**641.5**	16.0%	251.7	**398.6**	58.4%
Revenue	596.4	**532.0**	-10.8%	315.4	**278.8**	-11.6%
Earnings before interest and taxes (EBIT)	-5.4	**-33.9**	-527.8%	-2.2	**-23.7**	-977.3%
EBIT margin	-0.9%	**-6.4%**		-0.7%	**-8.5%**	
Net group loss	-10.6	**-49.3**	-365.1%	-4.9	**-32.7**	-567.3%
Earnings per share in €	-0.65	**-2.99**	-360.0%	-0.31	**-1.98**	-538.7%
Free Cashflow	-64.7	**-27.7**	57.2%	-31.3	**-24.5**	21.7%

in €m	30.06.2023	**30.06.2024**	Change
Order backlog	906.9	**1,021.0**	12.6%
Net Working Capital	373.9	**357.5**	-4.4%
Net financial position	-134.5	**-175.5**	-30.5%
Employees	5,588	**5,602**	0.3%

in €m	31.12.2023	**30.06.2024**	Change
Balance sheet total	1,427.1	**1,493.8**	4.7%
Equity	410.0	**364.6**	-11.1%
Equity ratio	28.7%	**24.4%**	

Letter to the shareholders

Dear shareholders,

“Koenig & Bauer can look back on a challenging first half of 2024” – this is the second time that we have used this sentence to commence our report on the first six months to you, our shareholders.

This statement still applies – but with different signs: it is positive that the inflation and interest rate issues have calmed down this year, after the last few years have been characterised by crises, wars, high inflation rates and rising interest rates. However, like almost all manufacturing companies and our customers, we continue to find ourselves in a difficult market environment with a high level of investment restraint. A few days ago, we were able to confirm our operating result for 2024 at the lower end of the forecast corridor of €25 to 40m and the forecast revenue target of around €1.3bn despite the persistently difficult market situation, but the challenges remain high.

Improved order situation – glance back at drupa
Among other things, order intake in connection with drupa, the world’s largest trade fair for the printing and graphics industry, led to an order backlog of €1,021.0m, marking the highest half-year figure in the company’s recent history. A large part of this order backlog will manifest itself after 2024 and is spread across the segments unevenly.

It was not only for this reason that drupa was invaluable for Koenig & Bauer. In addition, it showed us that our customers’ willingness to invest seems to be slowly recovering. At the same time, however, it was also a proof point for our strategy because customer feedback showed us that we are absolutely headed in the right direction with our product and market strategy.

Nonetheless, expenses in connection with the drupa trade fair in particular dragged down our earnings by approximately €10m in the second quarter. In addition to this one-off effect, the operating EBIT of around €-13.7m in the second quarter fell slightly short of the figure of €-10.2m recorded in the first quarter in line with expectations. Broken down by month, however, Group EBIT was better in June than in April and May, making a positive contribution to EBIT. As expected, revenue in the first half of the year fell short of the previous year due to the muted order intake in the third quarter of 2023. However, it also improved by €25.6m from the first to the second quarter, rising to €278.8m. This is another reason why we expect a strong second half of the year in 2024 in terms of revenue and earnings as a basis for achieving our full-year operating earnings.

Main elements of the "Spotlight" focus programme

Under our "Spotlight" focus programme, we are working on measures to boost revenue in profitable areas and on efforts to restructure areas that are currently not profitable. As previously announced, we have now scaled "Spotlight" and defined further details on the basis of real post-drupa effects. It primarily entails measures to improve costs at the Holding company and in the Digital & Webfed segment in Würzburg as well as in the Special segment at various locations. This is likely to cause special effects of €30 – 45m on earnings. These will show up as a special effect in Group earnings in 2024 and mainly relate to adjustments to material and personnel expenses. We are agile, fast and flexible in adapting to changing conditions. We have proven this in the past, and this extraordinary ability has been firmly entrenched in our company's DNA for more than 200 years. The path that we have already embarked on to achieve the EBIT target of around 6% on Group revenue of approx. €1.5bn in 2026 at the latest and to strengthen operating EBIT in 2025 is also secured by the "Spotlight" focus programme.

Strategic partnerships and cooperation

Achieving goals together and thus often more quickly and more effectively is also an integral part of our strategy. Thus, we were able to forge new strategic partnerships in the first six months and at the same time achieve further successes. We have announced two new digital printing presses for the metal printing sector with our long-standing partner Durst and our new partner Neos. Neos is a young Italian company specialising in inkjet printing for industrial use. A year ago, we announced our partnership with Volkswagen subsidiary PowerCo in solvent-free (dry) electrode coating as an element of sustainable battery cell production. Under this partnership, Koenig & Bauer has developed a system for solvent-free dry coating, while PowerCo is contributing material and process knowledge. Almost a year later, PowerCo placed an order with us for a virtually identical version of the system. Both parties expect this to further accelerate the joint development project in order to achieve the ambitious development goals.

Outlook and summary

Dear shareholders, we can see that we have chosen the right strategy, especially when we take a glance at our formidable competitors, who are either entering or returning to product categories and markets that we are already addressing today. Now is the time to reap what we have sown. Our strategy is in place, and at drupa we presented the ways that we are implementing it with new printing presses and digital products. From now on, it is a question of consistently implementing the strategy at the sales level and strengthening our earnings potential through the “Spotlight” focus programme. Koenig & Bauer has thus reinvented itself in many areas, becoming an “end-to-end provider of packaging production solutions” with analogue and digital printing presses, post-print production systems, digital workflows and digital products, complete with the introduction of artificial intelligence. Commercial printing, banknote printing and special applications ensure our stability through market diversification.

We invite you to continue with us along this path and help us add further chapters to our company’s success story spanning more than 200 years.

Dr Andreas Pleßke
CEO of Koenig & Bauer AG

CEO
Dr Andreas Pleßke

CFO
Dr Stephen Kimmich

CDO
Ralf Sammeck

COO
Michael Ulverich

Member of the Executive Board
Christoph Müller

Koenig & Bauer shares

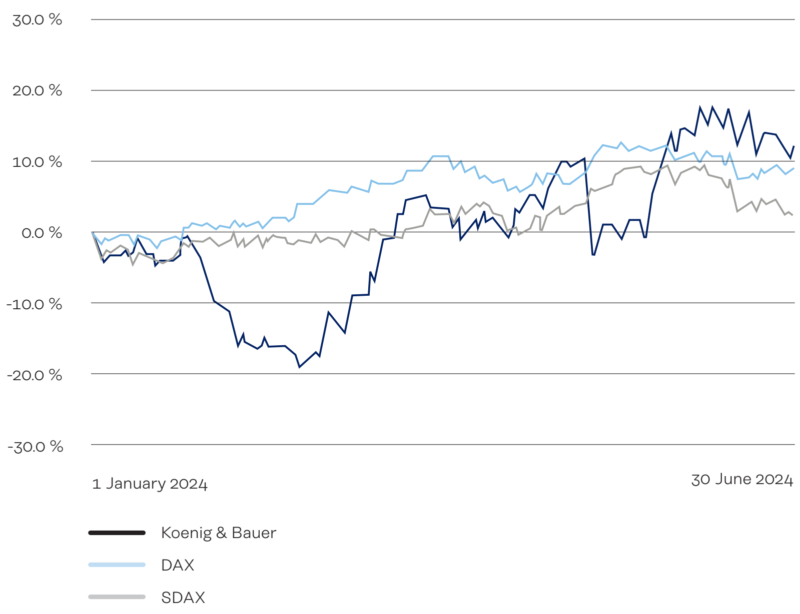
In 2023, most share indices recovered a good portion of the price losses from the previous year and this positive price trend has continued since the beginning of the year. Driven by the technology sector, which benefited from very good company results and the unbroken AI boom, many indices have risen significantly since the start of the year and reached new record highs. While Koenig & Bauer shares were able to recover from their lows, they were unable to fully decouple themselves from the overall situation on the capital market. Many German small caps, including Koenig & Bauer, are currently valued at historically low levels.

Koenig & Bauer shares reached their half-year high on 7 June, with a XETRA closing price of €14.22, which corresponds to an increase of 17.52% compared to the beginning of the year. At almost the same time, the SDAX reached its half-year high on 5 June (15,243 points, +9.19%), while the DAX had already reached its high on 15 May (18,869 points, +12.64%). In the second half of June, hopes of further interest rate cuts were noticeable in the German indices. The upcoming French elections also hovered over the markets.

On 30 June, the share price stood at €13.54 after €12.10 on 31 December 2023, which corresponds to an increase of 11.90%. Koenig & Bauer shares thus clearly outperformed the leading German indices DAX and SDAX, which recorded a price increase of 8.86% and 2.56% respectively.

Despite the price gains already achieved on the stock markets, the outlook for the rest of the year remains positive. If the global economy grows somewhat more strongly again over the course of the year and inflation rates fall at the same time, leading to a reduction in key interest rates, this would result in favourable conditions for shares.

Koenig & Bauer shares

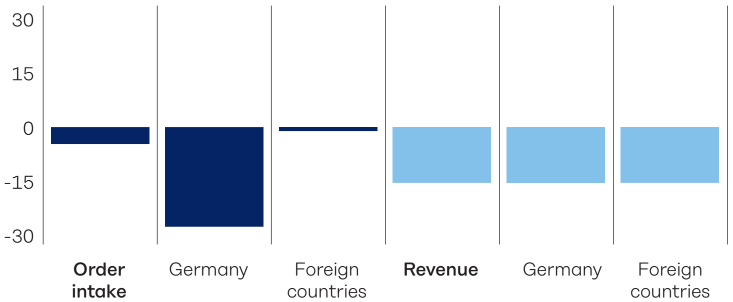


Group management report

Macroeconomic and industry conditions

“The global economy remains remarkably resilient, growth remains stable and inflation is returning to target.” This is how the International Monetary Fund (IMF) commented on its forecast for the global economic outlook on 16 April 2024. Its most recent assessment from 16 July is entitled: “The global economy in a sticky spot.” Compared to the last forecast, the IMF is still expecting global growth of 3.2% for 2024, as it did in April. However, interesting trends are emerging at the country level: While growth in the first quarter was surprisingly positive in many countries, there were surprisingly negative developments in Japan and the USA. For the world’s largest economy, the USA, the forecast for the current year was adjusted downwards by 0.1 percentage points to 2.6%, as growth is slowing down more than expected after a sustained period of strong outperformance, due to declining consumption and a negative contribution from foreign trade. In Japan, the negative growth surprise was caused by temporary supply disruptions related to the closure of a major automobile plant in the first quarter (forecast adjustment of -0.2 percentage points). In contrast, Europe showed signs of economic recovery, led by an improvement in the services sector (forecast adjustment of +0.1 percentage points). For Germany, however, the growth prospects have not yet brightened and the IMF continues to expect a growth rate of 0.2%. If this forecast comes true, Germany would again be at the bottom of the list among the major industrialised nations in 2024. In China, the rebound in private consumption in the first quarter led to a positive development, supported by a seemingly temporary increase in exports (forecast adjustment of +0.4 percentage points).

VDMA: Order intake and revenue printing presses from January to May 2024



% Change to previous year

The sharp rise in inflation has led to a more restrictive monetary policy almost everywhere in the world over the last two years. The US Federal Reserve increased the Fed Funds Rate in several steps to 5.25% to 5.50% by July 2023. At a later date, The European Central Bank also initiated a turnaround in interest rates with a delay, raising interest rates by a total of 450 basis points. However, inflation rates have since fallen significantly worldwide, meaning that a cycle of interest rate cuts has begun. In June, the ECB cut the interest rate for main refinancing operations for the first time by 25 basis points to 4.25%. In the USA, the Fed is taking its time. US central bankers have recently remained cautious about any timely interest rate cuts, and the market is now only pricing in two interest rate cuts in 2024.

2024 remains a challenging year for mechanical engineering sector in Germany. For the first five months of 2024, the German Mechanical and Plant Engineering Association (VDMA) published that, adjusted for price, 12.4% fewer machines and systems were ordered than in the corresponding period of the previous year. Sales fell by 6.5% compared to the same period of the previous year.

In the printing machinery sector, incoming orders were down by 4.2% year-on-year in the first five months of 2024. In terms of sales, there was a decrease of 13.9% compared to the previous year.

Main events and business performance

Koenig & Bauer AG Annual General Meeting
On 26 June 2024, the 99th Annual General Meeting of Koenig & Bauer AG was held again in person at the Vogel Convention Center in Würzburg. A total of around 70% of the company's share capital was represented, significantly more than in the previous year. The shareholders voted for all resolutions proposed by the Management Board and Supervisory Board, thus confirming the path taken to increase profitability. The shareholders re-elected Professor Dr.-Ing. Raimund Klinkner, Dagmar Rehm and Dr Johannes Liechtenstein to the Supervisory Board with a large majority. In addition to the successful elections to the Supervisory Board, eleven other items on the agenda required shareholder resolutions, including the approval of the remuneration report and the adjusted remuneration system for the members of the Management Board, as well as resolutions on the authorisation of the Management Board to purchase its own shares. In addition, various amendments to the Articles of Association were up for resolution. These agenda items, as well as the election of PricewaterhouseCoopers as auditor and consolidated auditor and the discharge of the Management Board and Supervisory Board, were approved by a large majority.

Koenig & Bauer at drupa
From 28 May to 7 June, Koenig & Bauer presented its broad product portfolio and numerous digital innovations at drupa, the world's largest and leading trade fair for printing technology in Düsseldorf. The trade fair took place in person for the first time after an eight-year break due to the pandemic. The great interest and the remarkable sales successes confirm that Koenig & Bauer has once again lived up to its claim of developing pioneering technologies for the printing industry for over 200 years. On 10 June Koenig & Bauer also published an ad-hoc announcement on the exceptionally positive order intake situation. In a relatively short period of time, new orders worth €250m were marketed, of which around €200m were legally binding orders. The order intake affected all segments and the new orders were placed at and outside of drupa.

Measures in the course of the optimisation and earnings-enhancement project "D&W 2.0" as part of the "Spotlight" focus programme
As part of the "Spotlight" focus program, Koenig & Bauer Digital & Webfed AG & Co. KG has announced changes at the management level effective 1 June, 2024. Philipp Zimmermann will succeed Christoph Müller as CEO Digital & Webfed and will be responsible for the overall management of the segment, sales and product management. With this step, the Group is consistently aligning the governance structure with market requirements and has thus also set the course for a generational transition. In his function as the responsible member of the Koenig & Bauer AG Management Board, Christoph Müller will increasingly focus on the network built up over decades in order to further advance technologies and partnerships in the field of digital printing.

Overall statement by the Management Board

The Koenig & Bauer Group's business performance was again influenced by the persistently difficult market situation in the first half of 2024. On a positive note, interest rates and inflation are declining again after the sharp increases.

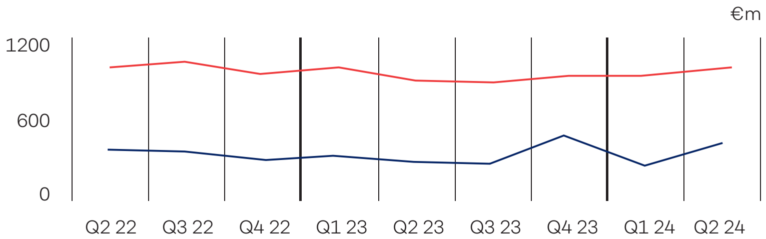
At €532.0m in the first half of the year, Group revenue fell short of the previous year's figure of €596.4m by 10.8% as expected. In line with expectations, non-operating extraordinary expenses of approx. €10m, mainly in connection the drupa trade fair, weighed on earnings in the first half of the year. Accordingly, EBIT reached €-33.9m after the first six months (previous year: €-5.4m), while operating EBIT came to €-23.9m. Q2 EBIT was €-23.7m (previous year: €-2.2m). As expected, the operating EBIT of €-13.7m in Q2 was slightly worse than in Q1. Broken down by month, however, Group EBIT was better in June than in April and May, making a positive contribution to EBIT; H1 EBIT margin; -6.4%, Q2: -8.5% (previous year: H1: -0.9%, Q2: -0.7%). The segments contributed the following EBIT in the first half of 2024: Sheetfed €-8.4m (H1 2023: €9.4m), Digital & Webfed €-16.1m (H1 2023: €-11.2m), Special €-13.1m (H1 2023: €-1.2m). Overall, the Koenig & Bauer Group's business lived up to expectations, taking into account the current global economic situation.

Earnings, finances and assets

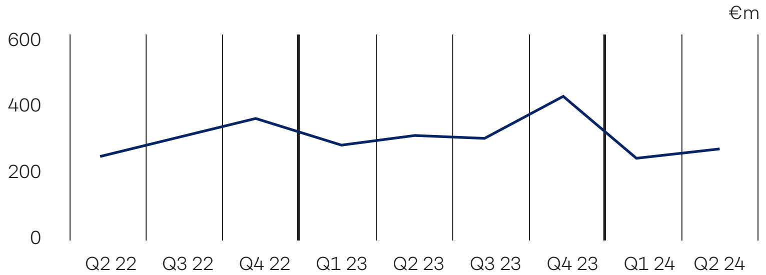
Earnings

In the first half of 2024, **order intake** was valued at €641.5m (previous year: €552.9m). With an increase of 16.0%, order intake grew as expected. The increase in order intake in the second quarter was even stronger, rising by 58.4% to €398.6m (previous year: €251.7m), and includes a large part of the legally binding orders valued at roughly €200m that were placed at and outside of drupa. As forecast, the Sheetfed segment in particular saw a further sequential improvement following the muted order intake in the third quarter of 2023.

Order backlog Order intake per quarter



Revenue per quarter



Order intake in the Digital & Webfed segment reflected the current temporary weakness in the market for corrugated board. Although order intake in the Special segment increased over the first quarter, it lagged behind the strong fourth quarter. Order intake substantially outperformed the industry average, which revealed a decline of 4.2% in the first five months.

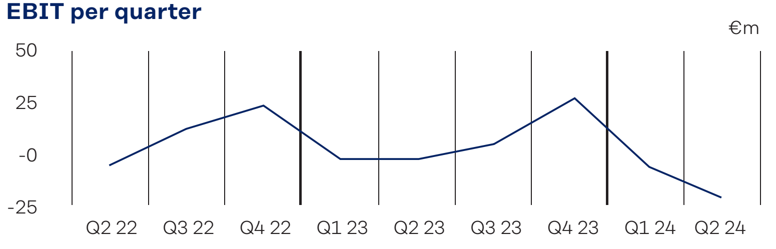
Group revenue came to €532.0m in the first half of the year in a challenging market environment, thus falling 10.8% short of the same period in the previous year (previous year: €596.4m). This was particularly due to reduced order intake in the Sheetfed segment in the third quarter of 2023 as well as a lower percentage of completion (POC) achieved in production in the Banknote Solutions business unit compared to the previous year. As a result, revenue was down on the previous year's figures in the Sheetfed and Special segments but was slightly higher in the Digital & Webfed segment compared with the same period of the previous year. However, Group revenue increased by €25.6m compared to the first quarter, coming to €278.8m (Q1: €253.2m). In the first half of the year, the proportion of revenue from service business widened to 34.1% (previous year: 29.7%). According to industry association VDMA, industry-wide revenue fell 13.9% short of the previous year in the first five months.

The **Group export ratio** contracted slightly from 88.6% to 86.1%, with the share of business in Asia/Pacific falling to 15.7% (previous year: 24.1%) and in Latin America and Africa to 11.0% (previous year: 14.4%). The proportion of revenue in Germany at 13.9% (previous year: 11.4%), in the rest of Europe at 31.3% (previous year: 29.6%) and in North America at 28.1% (previous year: 20.5%) were all up on the previous year.

At €1,021.0m as of 30 June 2024, the **order backlog** was 12.6% higher than the previous year's figure of €906.9m, marking the highest half-year figure in the company's recent history. It also serves as a solid basis for further growth in 2024, although a large part of the order backlog will not materialise until after 2024 and it is spread unevenly across the segments.

Gross profit fell by €32.4m to €127.5m in the period under review (previous year: €159.9m), resulting in a **gross margin** of 24.0% (previous year: 26.8%). At €28.0m, R&D expenses were down on the previous year's figure of €31.0m. Selling expenses increased by €4.5m to €83.1m (previous year: €78.6m). Administrative expenses fell by €3.6m to €49.5m (previous year: €53.1m). Other expenses net of other income came to €-1.2m, compared with €-2.4m in the previous year. Among other things, this was due to currency-translation effects. This resulted in EBIT of €-33.9m (previous year: €-5.4m). This was particularly due to the aforementioned decline in order intake in the third quarter of 2023, which also led to negative volume and mix effects (around €18.5m) and includes a non-operating special effect (roughly €10m) that mainly comprises expenses in connection with the drupa trade fair.

EBIT per quarter



Accordingly, the **EBIT margin** dropped from -0.9% in the first half of the previous year to -6.4% in the first half of 2024. With net interest expense of €-12.7m up on the previous year (previous year: €-7.9m), **earnings before taxes** came to €-46.6m (previous year: €-13.3m). After income taxes, **Group net loss** stood at €-49.3m as of 30 June 2024, compared with €-10.6m in the first half of the previous year. This translates into proportionate **earnings per share** of €-2.99 (previous year: €-0.65).

Finances

Cash flow from operating activities amounted to €-0.6m (previous year: €-44.9m). This mainly reflected the slower increase in inventories compared to the same period in the previous year as well as higher receivables. Prepayments received grew at a greater pace than in the same period of the previous year. At €-27.1m, cash flow from investing activities was up on the previous year's figure of €-19.8m, mainly due to the demo machines for drupa. On balance, **free cash flow** improved to €-27.7m (previous year: €-64.7m). This was chiefly due to changes in **net working capital**, which stood at €357.5m as of 30 June 2024 (previous year: €373.9m). Cash flow from financing activities came to €42.3m (previous year: €5.6m) and was affected by changes in the syndicated loan among other things. At the end of June 2024, cash and cash equivalents were valued at €112.4m (previous year: €72.1m). Adjusted for bank liabilities of €287.9m, the net financial position amounted to €-175.5m (previous year: €-134.5m), compared to €-147.6m at the end of 2023.

Assets

A total of €31.7m (previous year: €22.0m) 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 €7.9m (previous year: €1.7m). This was accompanied by depreciation and amortisation expense of €21.6m (previous year: €21.4m). All in all, intangible assets and property, plant and equipment increased by €11.3m to €422.4m, up from €411.1m as of 31 December 2023. Non-current assets, on the other hand, increased only slightly by €2.8m compared to the end of 2023, standing at €551.0m. This mainly reflected the reduction in financial assets and other financial receivables. Current assets increased by €63.9m compared with 31 December 2023 to €942.8m. At the same time, inventories rose by €37.5m, other assets by €44.7m and cash and cash equivalents by €16.0m. On the other hand, trade receivables dropped by €34.4m. At €1,493.8m, the Group's total assets exceeded by €66.7m the figure of €1,427.1m recorded at the end of 2023. The net loss contributed significantly to a reduction in equity to €364.6m. Reflecting this, the equity ratio contracted to 24.4% (previous year: 27.9%; 31 December 2023: 28.7%). Provisions for retirement benefits dropped from €104.8m as of the end of 2023 to €98.3m as of 30 June 2024, with the discount rate for domestic retirement benefits rising slightly from 3.41% as of 31 December 2023 to 3.69% as of 30 June 2024. Non-current liabilities rose by €34.7m, mainly due to increased financial liabilities. Current liabilities climbed by €77.4m, primarily as a result of the higher prepayments received.

Segment performance

After sequential increases in the last three quarters, the **Sheetfed segment** was able to post a further improvement in order intake, reaching a value of €350.8m in the first half of 2024 (previous year: €342.1m). Reflecting the muted order situation in the third quarter of 2023, revenue came to €290.6m, 17.5% down on the previous year (previous year: €352.4m). With a book-to-bill ratio of 1.21 (previous year: 0.97), the order backlog fell to €469.5m (previous year: €572.6m). At €-8.4m as of 30 June 2024, EBIT was below the figure of €9.4m recorded in the same period of the previous year and includes the segment's share in drupa-related expenses. Accordingly, the EBIT margin reached -2.9% (previous year: 2.7%).

The order intake of €54.4m (previous year: €73.1m) in the **Digital & Webfed segment** reflects the current temporary weakness in the market for corrugated board. However, good sales successes were achieved in the second quarter for digital pre-print of corrugated cardboard liners. Revenue climbed by 7.4% over the previous year to €75.3m (previous year: €70.1m). With a book-to-bill ratio of 0.72 (previous year: 1.04), the order backlog fell by €16.3m to €99.0m as of 30 June 2024 (previous year: €115.3m). EBIT amounted to €-16.1m after the first six months (previous year: €-11.2m) and includes the segment's share of drupa-related expenses. Reflecting this, the EBIT margin stood at -21.4% (previous year: -16.0%).

At €251.3m as of 30 June 2024, order intake in the **Special segment** was up 62.8% on the previous year's figure of €154.4m. The orders of €197.2m in the second quarter were €54.1m higher than in the first quarter, but lagged behind the strong fourth quarter. These heavy fluctuations in order intake are due to government and big-ticket printing press business. Orders received by MetalPrint (metal packaging), Coding (marking solutions for all industries) and Kammann (direct decoration of hollow bodies made of glass and plastic) were lower than in the previous year. On the other hand, orders received by Banknote Solutions (banknote and security printing) were up. Revenue in the first half of 2024 fell by 7.5% to €180.4m (previous year: €195.0m), primarily due to the lower percentage of completion (POC) achieved in production for customer orders in the Banknote Solutions business unit compared with the previous year. Consequently, EBIT amounted to €-13.1m as of 30 June 2024 (previous year: €-1.2m) and includes the segment's share of drupa-related expenses. Reflecting this, the EBIT margin reached -7.3% (previous year: -0.6%). With a book-to-bill ratio of 1.39 (previous year: 0.79), order backlog increased by €236.6m to €449.4m as of 30 June 2024 (previous year: €212.8m). As the year continues, the segment will continue to benefit from the high order backlog, which should underpin the planned increase in earnings.

Research and development

In line with its Exceeding Print corporate strategy providing for the "transformation from a traditional mechanical engineering company to an agile technology group", Koenig & Bauer continues to focus on workflow and digitisation solutions in its research and development activities. All efforts in this area serve one goal: The products and solutions must become even more efficient (modular), even more sustainable and even more digital, i.e. they must generate added value for the customer. Research and development expenses equalled 5.3% of revenue in the first half of 2024 (2023: 5.2%). In addition, development costs equivalent to 1.5% of revenue were capitalised (2023: 0.3%). Looking forward, the Koenig & Bauer Group's research and development expenditure will not be curtailed despite the challenging business environment.

At drupa, Koenig & Bauer presented ten digital product and technology innovations, making a significant contribution to a core theme of this year's trade fair that has never been the thematic centrepiece of the event in this form: the digitisation of the printing world. The central point of contact for accessing the comprehensive suite of digital products is the myKyana portal, which enables seamless interaction with the digital offerings. Each digital product integrated in myKyana supports Koenig & Bauer customers on their path to greater efficiency and profitability. Kyana Connect creates the foundational infrastructure for seamless data connectivity and real-time data analytics. With Kyana Data's performance dashboards, users simplify the analysis of production metrics. In order to fulfill orders in record time, immediate support for questions and problems is crucial in the dynamic day-to-day life of a print shop. The generative artificial intelligence Kyana Assist was developed for these requirements - one of the highlights of this year's trade fair appearance.

The company also demonstrated many technical innovations at the trade fair for the end-to-end packaging workflow – from prepress through printing and die-cutting to folding box gluing. In cooperation with Hybrid Software, PrintFusion, a new gateway that controls the Rapida machines with the PACKZ prepress software and the CLOUDFLOW production workflow suite from Hybrid Software, was presented. All of the machines presented at drupa – a Rapida 106 X, a VariJET 106, a CutPRO X 106 rotary die-cutter, a CutPRO Q 106 SB flatbed die-cutter and an Omega Alius 90 folder gluer – have the latest features. These increase performance by at least 20% compared to previous generations and thus once again set the benchmarks in folding box production.

Using the example of the sheet feeder of a Rapida 106 medium-format sheetfed offset press, Koenig & Bauer gave trade fair visitors their first glimpse into the future of its standardized and modular automation platform and demonstrated real predictive maintenance cases and performance dashboards for individual machine components. With the platform, which is still in the development phase, Koenig & Bauer plans to provide answers to global megatrends and lead the group into a new era. With innovative automation technology and a digital twin of its own production facilities, Koenig & Bauer plans to offer its customers a virtual product configuration in cooperation with Siemens. The aim is to significantly shorten development and commissioning times and to raise support in the areas of service and after-sales to a new level. The cooperation with Siemens is also of enormous importance for the development of digital solutions, as the new technology enables even more detailed machine and status data on the machine components to be recorded and analysed.

Employees

As of 30 June 2024, the Group had 5,602 employees, 14 more than on the same date in the previous year. This includes 329 young people (an increase of 70) who are completing an apprenticeship or internship. With an apprenticeship ratio of 5.9% (previous year: 4.6%), Koenig & Bauer is attaching key importance to securing the next generation of skilled workers because it sees this as an important investment in the future. The company offers all young people who successfully complete the apprenticeship a permanent employment contract.

Risks and opportunities

There were no significant changes in the assessment of the risks and opportunities for the Koenig & Bauer Group in the period under review compared to the corresponding statements in the annual report for 2023.

The main risks facing our business and our risk management system are described in detail in the annual report for 2023 (from page 35). The main opportunities are described from page 45 of the annual report for 2023.

“Spotlight” focus programme

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

As already stated in connection with the publication of the figures for the first quarter of 2024, Koenig & Bauer has scaled and defined further details for the “Spotlight” focus programme on the basis of real post-drupa effects. The company is to remain on its trajectory towards achieving its EBIT target of around 6% and Group revenue of approx. €1.5bn in 2026 at the latest and strengthening operating EBIT in 2025. “Spotlight” primarily entails measures to improve costs at the Holding company and in the Digital & Webfed segment in Würzburg as well as in the Special segment at various locations. Special effects of €30 – 45m are expected from the “Spotlight” focus programme. These will show up as a special effect in Group earnings in 2024 and mainly relate to adjustments to material and personnel expenses.

Outlook

Expected macroeconomic and industry conditions

In its July outlook, the International Monetary Fund (IMF) forecasts stable growth in 2024. Thus, the estimate for global economic growth remains unchanged at 3.2% compared with the April outlook, only the composition has shifted due to opposing revisions to growth assumptions. The IMF projects global economic growth of 3.3% for the coming year, 0.1 percentage points more than expected in April.

Worldwide trade in goods and services looks set to pick up again from 2024, according to the IMF. Trade volumes will widen by 3.1% this year and by 3.4% in 2025. Both estimates have thus been adjusted upwards by 0.1 percentage points since the April outlook. By comparison, the increase came to only 0.8% in 2023 and 5.6% in 2022.

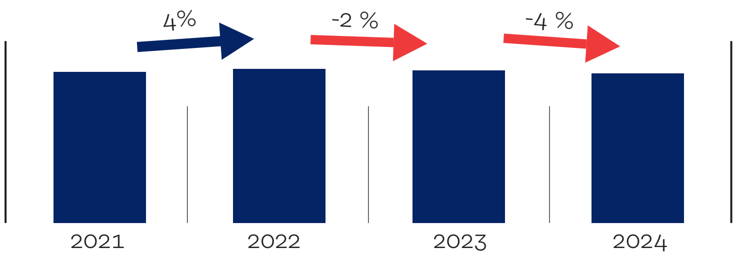
The President of the German Mechanical and Plant Engineering Association (VDMA), Karl Haeusgen, has confirmed his forecast for mechanical engineering output in Germany for 2024, projecting a decline of 4% in real production. Commenting on the current situation, he says that “the stress factors continue to make themselves felt. In particular, great uncertainty on the part of our customers is standing in the way of greater capital spending and thus an increase in orders for mechanical and plant engineering. However, the bottom seems to have been reached, at least for foreign orders.”

IMF: Year-on-year gross

Country/region	2023	2024 Estimate	Deviation to April 2024
Global	3.3	3.2	0.0
Developed economies	1.7	1.7	0.0
Eurozone	0.5	0.9	0.1
Germany	-0.2	0.2	0.0
France	1.1	0.9	0.2
Italy	0.9	0.7	0.0
Spain	2.5	2.4	0.5
United Kingdom	0.1	0.7	0.2
United States	2.5	2.6	-0.1
Japan	1.9	0.7	-0.2
Emerging markets and developing countries	4.4	4.3	0.1
ASEAN*	4.1	4.5	0.0
Brazil	2.9	2.1	-0.1
China	5.2	5.0	0.4
India**	8.2	7.0	0.2
Russia	3.6	3.2	0.0

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

VDMA forecast: Production in the machinery and plant engineering sector



Forecast

The forecast for 2024 and the medium-term targets were specified in the ad hoc announcement of 25 July 2024.

Koenig & Bauer confirms the following forecast assessments with the exception that there will be no events that have a significant impact on the global economy. For example, no further setbacks or heightened restrictions compared to the current situation as a result of the war in Ukraine and the Middle East conflict, or an unabated rise in core inflation.

Outlook for 2024: operating EBIT at the lower end of the forecast range, revenue target confirmed despite the persistently difficult market situation

Koenig & Bauer AG confirms that its operating earnings will come in at the lower end of the forecast range of €25 – 40m in 2024 and that it will achieve its revenue target of around €1.3bn despite the currently challenging market situation.

Among other things, order intake in connection with drupa, the world's largest trade fair for the printing and graphics industry, resulted in an order backlog of around €1,021.0m, marking the highest half-year figure in the company's recent history. A large part of this order backlog will manifest itself after 2024 and is spread across the segments unevenly.

As announced, further details have been defined for the "Spotlight" focus programme to keep the company on its trajectory towards achieving its EBIT target of around 6% and Group revenue of approx. €1.5bn in 2026 at the latest and to strengthen operating EBIT in 2025. "Spotlight" primarily entails measures to improve costs at the Holding company and in the Digital & Webfed segment in Würzburg as well as in the Special segment at various locations. Special effects of €30 – 45m are expected from the "Spotlight" focus programme. These will show up as a special effect in Group earnings in 2024 and mainly relate to adjustments to material and personnel expenses.

As expected, non-operating extraordinary expenses of approx. €10m, mainly in connection with the drupa trade fair, weighed on earnings in the second quarter.

Adjusted for these one-off effects, Group EBIT will come to between €-15m and -30m. The Special and Digital & Webfed segments should make a disproportionately large contribution to both EBIT and revenue. Koenig & Bauer expects a strong second half of 2024 in terms of revenue and earnings as a basis for achieving its full-year operating earnings.

Medium-term targets

Economic volatility and geopolitical uncertainties have no impact on the medium-term targets, as the company's focus is on the packaging market, which is growing structurally and sustainably and is generally intact and resilient. In the medium term, the Group is looking for revenue of around €1.8bn and an EBIT margin of 8 – 9%. A further medium-term objective is to reduce net working capital to a maximum of 25% of annual revenue.

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 and was therefore also one of the highlights at our drupa stand in line with the motto of the trade fair, namely “think digital” and “be sustainable”.

In order to heighten customers’ awareness of sustainability and the associated benefits for their own production activities, but also to shine a light on the topic in general industry discourse, Koenig & Bauer once again presented the Green Dot Award this year – this time in a special setting at the drupa stand. The award for outstanding sustainability activities was initiated by Koenig & Bauer two years ago specifically to honour visionary leaders who have made innovative contributions to sustainable printing in a special way. The core message here is that sustainable production does not rule out cost-cutting effects for customers. On the contrary, systems that generate less waste and consume less electrical energy and ink are more cost-effective in production and therefore more sustainable.

After the eight-year hiatus caused by the pandemic, drupa clearly showed how profoundly the entire industry has changed over the last few years. Topics such as sustainability and digitalisation were the central points. Many discussions revolved around business models for digital printing as well as the packaging materials of the future. Potential developments include paper- or cellulose-based materials, plastics, new environmentally friendly films and hybrid materials.

Koenig & Bauer already offers sustainable solutions for many of these questions in order to reduce the ecological footprint and, in its role as a sustainability enabler, supports its global customers in reaching their sustainability and efficiency goals. Demand-oriented production, reduced resource consumption and optimised printing processes are top priorities for this company with its long-standing traditions.

Koenig & Bauer is providing a powerful energy management system known as “VisuEnergy X” for energy monitoring and optimisation that is now also integrated in the myKyana ecosystem. It enables customers to monitor their energy consumption in real time, identify potential savings and thus improve the sustainability of their production processes. This innovation reflects Koenig & Bauer’s commitment to more environmentally friendly and sustainable production.

Various “green” components and innovative technical solutions help to reduce carbon emissions by lowering the consumption of energy, paper, cardboard, films, paints, varnishes and other consumables and substrates. In the case of sheetfed offset printing presses, the energy required by dryers can be reduced by up to 35% thanks to VariDryBlue + technology. QualiTronic inline measurement and inspection systems cut by up to 30% the consumption of printing substrates and consumables in connection with the ink workflow. With metal printing presses, gas costs can be lowered by as much as 70% thanks to HighEcon dryer technology. And even with the engraved steel printing presses for banknote printing, ink consumption can be reduced by up to 25% using a special ink application method. These examples illustrate that there is no conflict between sustainability and profitability in the printing industry and that sustainability-aligned activities are a significant lever for optimising costs in print production.

In addition, Koenig & Bauer offers its customers a product carbon footprint calculator for analysing the carbon footprint arising during the use of a sheetfed offset printing press and can make valid proposals for compensation. The calculator is the result of an innovation partnership with the Munich-based start-up Telusio.

Interim Accounts

Group balance sheet

in €m	31.12.2023	30.06.2024
Assets		
Non-current assets		
Intangible assets, property, plant and equipment	411.1	422.4
Investments and other financial receivables	25.2	18.2
Investments accounted for using the equity method	15.1	14.7
Other assets	3.6	2.9
Deferred tax assets	93.2	92.8
	548.2	**551.0**
Current assets		
Inventories	426.8	464.3
Trade receivables	156.2	121.8
Other financial receivables	41.3	41.1
Other assets	154.3	199.0
Securities	3.9	4.2
Cash and cash equivalents	96.4	112.4
	878.9	**942.8**
Balance sheet total	**1,427.1**	**1,493.8**

in €m	31.12.2023	30.06.2024
Equity and liabilities		
Equity		
Share capital	43.0	43.0
Share premium	87.5	87.5
Reserves	278.0	232.9
Equity attributable to owners of the Parent	**408.5**	**363.4**
Equity attributable to non-controlling interests	1.5	1.2
	410.0	**364.6**
Liabilities		
Non-current liabilities		
Pension provisions and similar obligations	104.8	98.3
Other provisions	37.0	37.4
Bank loans	191.2	226.1
Other financial payables	26.0	24.6
Other liabilities	5.4	5.8
Deferred tax liabilities	71.5	78.4
	435.9	**470.6**
Current liabilities		
Other provisions	89.7	80.3
Trade payables	79.3	78.6
Bank loans	52.8	61.8
Other financial payables	85.8	107.6
Other liabilities	273.6	330.3
	581.2	**658.6**
Balance sheet total	**1,427.1**	**1,493.8**

Group income statement

in €m	First Half-Year 2023	First Half-Year 2024	Second Quarter 2023	Second Quarter 2024
Revenue	596.4	532.0	315.4	278.8
Cost of sales	-436.5	-404.5	-232.4	-218.2
Gross profit	**159.9**	**127.5**	**83.0**	**60.6**
Research and development costs	-31.0	-28.0	-15.0	-12.0
Distribution costs	-78.6	-83.1	-41.0	-45.8
Administrative expenses	-53.1	-49.5	-28.1	-23.9
Other income and expenses	-2.4	-1.2	-0.9	-3.3
Other financial results	-0.2	0.4	-0.2	0.7
Earnings before interest and taxes (EBIT)	**-5.4**	**-33.9**	**-2.2**	**-23.7**
Interest result	-7.9	-12.7	-4.6	-6.1
Earnings before taxes (EBT)	**-13.3**	**-46.6**	**-6.8**	**-29.8**
Income tax expense	2.7	-2.7	1.9	-2.9
Net loss	**-10.6**	**-49.3**	**-4.9**	**-32.7**
attributable to owners of the Parent	-10.7	-49.4	-5.1	-32.7
attributable to non-controlling interests	0.1	0.1	0.2	–
Earnings per share (in €, basic/dilutive)	**-0.65**	**-2.99**	**-0.31**	**-1.98**

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**
01.01.2023	**43.0**	**87.5**	**-29.0**	**319.6**	**421.1**	**1.7**	**422.8**
Net profit/loss	–	–	–	-10.7	**-10.7**	0.1	**-10.6**
Losses recognised directly in equity	–	–	-4.0	–	**-4.0**	–	**-4.0**
Total comprehensive income	**–**	**–**	**-4.0**	**-10.7**	**-14.7**	**0.1**	**-14.6**
Other changes	–	–	–	-0.5	**-0.5**	-0.2	**-0.7**
30.06.2023	**43.0**	**87.5**	**-33.0**	**308.4**	**405.9**	**1.6**	**407.5**
01.01.2024	**43.0**	**87.5**	**-44.6**	**322.6**	**408.5**	**1.5**	**410.0**
Net profit/loss	–	–	–	-49.4	**-49.4**	0.1	**-49.3**
Gains recognised directly in equity	–	–	3.3	–	**3.3**	–	**3.3**
Total comprehensive income	**–**	**–**	**3.3**	**-49.4**	**-46.1**	**0.1**	**-46.0**
Other changes	–	–	–	1.0	**1.0**	-0.4	**0.6**
30.06.2024	**43.0**	**87.5**	**-41.3**	**274.2**	**363.4**	**1.2**	**364.6**

Statement of comprehensive Group income

	First Half-Year		Second Quarter	
in €m	2023	**2024**	2023	**2024**
Net loss	**-10.6**	**-49.3**	**-4.9**	**-32.7**
Items to be reclassified to consolidated profit or loss				
Foreign currency translation	0.5	-0.1	-0.2	-0.2
Measurement of derivatives	0.2	-0.1	1.1	0.4
Deferred taxes	-0.1	0.1	-0.2	-0.1
	0.6	**-0.1**	**0.7**	**0.1**
Items not to be reclassified to consolidated profit or loss				
Defined benefit plans	-6.0	4.3	-2.5	4.7
Deferred taxes	1.4	-0.9	0.5	-1.0
	-4.6	**3.4**	**-2.0**	**3.7**
Gains/losses recognised directly in equity	**-4.0**	**3.3**	**-1.3**	**3.8**
Total comprehensive income	**-14.6**	**-46.0**	**-6.2**	**-28.9**
attributable to owners of the Parent	-14.7	-46.1	-6.4	-28.9
attributable to non-controlling interests	0.1	0.1	0.2	–

Group cash flow statement

	First Half-Year		Second Quarter	
in €m	2023	**2024**	2023	**2024**
Earnings before taxes (EBT)	-13.3	-46.6	-6.8	-29.8
Non-cash transactions	30.5	24.5	14.8	9.3
Gross cash flow	**17.2**	**-22.1**	**8.0**	**-20.5**
Changes in inventories, receivables and other assets	-65.4	-36.2	-12.5	-26.4
Changes in provisions and payables	3.3	57.7	-17.5	40.4
Cash flows from operating activities	**-44.9**	**-0.6**	**-22.0**	**-6.5**
Cash flows from investing activities	**-19.8**	**-27.1**	**-9.3**	**-18.0**
Free cash flow	**-64.7**	**-27.7**	**-31.3**	**-24.5**
Cash flows from financing activities	**5.6**	**42.3**	**22.0**	**19.6**
Change in funds	**-59.1**	**14.6**		
Effect of changes in exchange rates	-1.0	1.4		
Funds at beginning of period	132.2	96.4		
Funds at end of period	**72.1**	**112.4**		

Notes to the interim accounts to 30 June 2024

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 reporting period

After the reporting period, Koenig & Bauer AG was informed that an order in the Special segment in the mid double-digit million euro range, which had already been contractually agreed, would be put out to tender again. This order will not have a significant impact on revenue and EBIT development in 2024. The new tendering process is expected to be completed in the first quarter of 2025.

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, 1 August 2024
Management Board

Dr Andreas Pleßke

Dr Stephen M. Kimmich

Christoph Müller

Ralf Sammeck

Michael Ulverich

5 Segment information

5.1 Business segments

	Revenue				EBIT				Capital investments			
	First Half-Year		Second Quarter		First Half-Year		Second Quarter		First Half-Year		Second Quarter	
in €m	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**
Segments												
Sheetfed	352.4	**290.6**	195.1	**149.4**	9.4	**-8.4**	10.1	**-8.1**	7.0	**15.7**	4.0	**7.5**
Digital & Webfed	70.1	**75.3**	34.6	**37.3**	-11.2	**-16.1**	-8.1	**-9.7**	1.4	**0.9**	1.2	**0.6**
Special	195.0	**180.4**	97.9	**99.8**	-1.2	**-13.1**	-2.1	**-7.5**	9.9	**6.2**	8.4	**5.1**
Reconciliation	-21.1	**-14.3**	-12.2	**-7.7**	-2.4	**3.7**	-2.1	**1.6**	3.7	**8.9**	0.6	**6.0**
Group	**596.4**	**532.0**	**315.4**	**278.8**	**-5.4**	**-33.9**	**-2.2**	**-23.7**	**22.0**	**31.7**	**14.2**	**19.2**

5.2 Geographical breakdown of revenue

	First Half-Year		Second Quarter	
in €m	2023	**2024**	2023	**2024**
Germany	68.1	**74.0**	36.3	**40.5**
Rest of Europe	177.2	**166.4**	96.9	**85.2**
North America	122.1	**149.7**	50.7	**79.5**
Asia/Pacific	143.8	**83.3**	90.9	**39.7**
Africa/Latin America	85.2	**58.6**	40.6	**33.9**
	596.4	**532.0**	**315.4**	**278.8**

6 Earnings per share

	First Half-Year		Second Quarter	
in €	2023	**2024**	2023	**2024**
Earnings per share	-0.65	**-2.99**	-0.31	**-1.98**

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	229.6	74.0	**155.6**
Property, plant and equipment	703.7	448.2	**255.5**
31.12.2023	**933.3**	**522.2**	**411.1**
Intangible assets	244.7	80.2	**164.5**
Property, plant and equipment	715.3	457.4	**257.9**
30.06.2024	**960.0**	**537.6**	**422.4**

Investment in property, plant and equipment totaling €18.8m (first half-year 2023: €18.2m) primarily refers to assets under construction and additions of other facilities, factory and office equipment.

7.2 Inventories

in €m	31.12.2023	**30.06.2024**
Raw materials, consumables and supplies	161.5	**156.5**
Work in progress	255.8	**298.4**
Finished goods and products	9.5	**9.4**
	426.8	**464.3**

7.3 Liabilities

In the first half of 2024, the **non-current liabilities** increased by €34.7m. This increase was largely influenced by the increase in bank loans. The **current liabilities** went up by €77.4m, mainly due to other liabilities, in particular advance payments received, by €56.7m and an increase in other financial payables by €21.8m.

Additional Information

Key financial dates

Statement on the 3rd quarter 2024
7 November 2024

Annual Report 2024
26 March 2025

Statement on the 1st quarter 2025
6 May 2025

Koenig & Bauer Annual General Meeting
4 June 2025

Interim report on the 2nd quarter 2025
6 August 2025

Statement on the 3rd quarter 2025
5 November 2025

Subject to change.

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