

KOENIG & BAUER

Group  
Interim Report  
First Quarter 2020

we're on it.

## Koenig & Bauer Group in figures

01.01. - 31.03.

in €m	2019	2020
Order intake	276.4	<b>271.5</b>
Revenue	230.7	<b>172.4</b>
Order backlog at 31.03.	656.6	<b>632.8</b>
Export level in %	81.4	<b>84.1</b>
Earnings before interest and taxes (EBIT)	-2.8	<b>-34.9</b>
Earnings before taxes (EBT)	-4.1	<b>-36.2</b>
Net loss	-4.9	<b>-36.6</b>
Balance sheet total at 31.03. (prior year: 31.12.)	1,343.1	<b>1,331.0</b>
Equity at 31.03. (prior year: 31.12.)	460.4	<b>429.3</b>
Investment in intangible assets, property, plant and equipment	19.2	<b>13.8</b>
Depreciation on intangible assets, property, plant and equipment	8.7	<b>8.7</b>
Payroll at 31.03.	5,706	<b>5,749</b>
- thereof apprentices/trainees	270	<b>285</b>
Cash flows from operating activities	-30.6	<b>-15.0</b>
Earnings per share in €	-0.30	<b>-2.22</b>

<b>Letter to shareholders</b>	<b>4</b>
<b>Koenig &amp; Bauer shares</b>	<b>7</b>
<b>Group management report</b>	<b>8</b>
8	Business performance
8	Earnings, finances and assets
10	Segment performance
11	Risk report
12	Outlook and opportunities
<b>Interim accounts</b>	<b>13</b>
13	Group balance sheet
14	Group income statement
14	Statement of changes in Group equity
15	Statement of comprehensive Group income
16	Group cash flow statement
17	Notes
<b>Key financial dates</b>	<b>20</b>



Whereas we were able to achieve a sound order intake of €271.5m in the first quarter of 2020, the coronavirus pandemic, which has been spreading rapidly since January, has already had a considerable impact on revenue and earnings. With Group revenue 25.3% lower than in the prior year at €172.4m, EBIT was –€34.9m. Restrictions especially in travelling initially imposed in China and then gradually in many parts of the world are having a significant impact on order and project processing for the delivery, assembly and installation of the machines at our international customers. The effects are also being felt in the services area.

The economic consequences of the corona crisis pose major challenges for our Group. Our broad product portfolio with a significant share of revenue in system relevant packaging printing, the robust, increasingly digital service business and our sound balance sheet with a high equity ratio limit the risk potential. With the corona crisis management established in March, we are working to actively counter this extraordinary situation. It is particularly helpful for the rapid and decisive implementation of the comprehensive action plan that the professional project organisation already set up for the Performance 2024 programme can be used directly for the corona crisis management. The health and safety of our employees, customers and suppliers is our top priority. In

In addition to various hygiene measures and social distancing regulations, we are using mobile working and form employee groups with appropriate isolation via differentiated shift and break schedules. Our action plan focuses on reliable customer support, cost and investment discipline and securing liquidity.

With Koenig & Bauer Flexotecnica in Italy having already been classified by the authorities as system relevant and thus able to remain functional, the German Federal Ministry of Food and Agriculture has included companies for the production of packaging and packaging materials in the list of critical and thus system relevant companies for the food industry throughout Europe. The printed folding cartons, cardboard and corrugated packaging, film, bottles and cans with the necessary marking are given high priority for hygienic and efficient delivery of food, beverages and pharmaceutical products to the end consumer. Koenig & Bauer takes this responsibility very seriously and is aware that these supply chains must not be interrupted. Our service employees are constantly on call, while at the same time remote maintenance and modern communication channels are becoming increasingly important in the current environment. The spare parts warehouses in Europe, Asia and USA supply our customers throughout the world on a daily basis. Our production, located exclusively in Europe, remains in operation.

Short-time working has, however, been in place at different locations since 1 April 2020 due to capacity utilisation.

Given the uncertainty regarding future developments and the serious concern about a deep global recession, many of our customers are reluctant to make new investments, even though packaging printers for food, beverages and pharmaceuticals as well as for online retailing are currently operating at particularly high capacity utilisation. Considering the high volatility and the tremendous uncertainty about the severity and duration of the coronavirus pandemic as well as the success of health and economic policies, the impact on revenue and earnings in the 2020 financial year cannot yet be quantified. Because of the drastic effects that are already apparent, our planning for 2020 is no longer achievable. Accordingly, corona crisis management currently has the highest priority so that we can master the challenges that lie ahead and be prepared for the period after the Covid-19 pandemic. In addition to the Performance 2024 efficiency programme, the strategic focus on packaging printing and digital services is to be stepped up again afterwards.

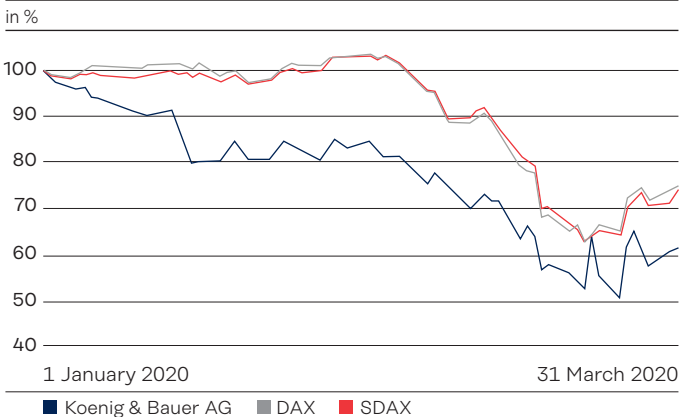


Claus Bolza-Schünemann  
President and CEO of Koenig & Bauer AG

## Koenig & Bauer shares

Development on the international stock markets in the first quarter was defined by the corona crisis. As compared to the prior year's closing price, the DAX and the SDAX had lost 25% and 26.1% of their value respectively by the end of March 2020. The Koenig & Bauer share also followed this downward trend and, like other capital goods stocks, suffered a more severe 37.7% drop in price. Deeper demand cutbacks are expected in the capital goods sector as a result of the pandemic. After reaching €27.94 at the end of 2019 our share price stood at €17.40 on 31 March 2020. After the crash in March, capital markets have recovered thanks to the support of central banks, the economic stimulus packages undertaken by various countries and the prospect of easing restrictions. With considerable volatility, the price of the Koenig & Bauer share fluctuated between €16.26 and €21 in April.

### Koenig & Bauer shares



## Group management report

### Business performance

In the opening quarter of 2020, **order intake** in the Koenig & Bauer Group of €271.5m was slightly below the prior-year figure of €276.4m. At €172.4m, **revenue** was 25.3% lower than in the previous year (2019: €230.7m) due to the impact of the coronavirus pandemic. The export ratio increased from 81.4% to 84.1% with a significantly higher share of 37.8% coming from Europe outside Germany (previous year: 32.7%). While the share of revenue from North America grew from 12.9% to 13.8% and from the Asia/Pacific region from 21.2% to 22.4%, the figure for Latin America and Africa was 10.1% and thus lower than in 2019 (14.6%). At €632.8m, the **order backlog** as of 31 March was 3.6% below the previous year's figure of €656.6m. The figure at the beginning of the year 2020 (€533.7m) was exceeded by 18.6%.

### Earnings, finances and assets

#### Earnings

The low revenue significantly impacted **earnings** development in the Group in the first quarter. The **gross margin** came to 25.5%, following 27.4% in the prior year. At €10.6m, R&D expenses were at the previous year's level (€11.2m).

#### Group order intake

in €m

2019	174.2	31.9	80.4	-10.1	276.4
2020	160.1	43.6	73.5	-5.7	271.5
	Sheetfed	Digital & Web	Special	Reconciliation	Group

#### Group revenue

in €m

2019	113.7	32.4	93.6	-9.0	230.7
2020	68.2	28.1	81.4	-5.3	172.4
	Sheetfed	Digital & Web	Special	Reconciliation	Group



Distribution costs increased from €32.8m to €35.8m while administration expenses rose from €22.2m to €30.7m as a result of higher IT and consulting costs. Other income and expenses amounted to –€1.7m after €0.1m in 2019. This resulted in **EBIT** of –€34.9m (2019: –€2.8m). The interest result of –€1.3m, which was at precisely the level of the previous year, led to **earnings before taxes** for the quarter of –€36.2m as compared to –€4.1m in the prior year. After income taxes, Group **net earnings** came to –€36.6m as of 31 March (2019: –€4.9m). This corresponds to **earnings per share** of –€2.22. The prior-year figure was –€0.30.

## Finances

Despite the significant drop in trade receivables and increased customer prepayments, substantially higher inventories as a result of pandemic-related delivery delays had a major impact on **cash flows from operating activities** of –€15m (2019: –€30.6m). **Free cash flow** improved from –€51.2m in the previous year to –€31.3m. At the end of March 2020, **cash and cash equivalents** stood at €159.3m (31 December 2019: €191m). Adjusted for bank loans of €200m, the net financial position was –€40.7m.

## Group order backlog

in €m

Year	Sheetfed	Digital & Web	Special	Reconciliation	Group
2019	250.5	85.4	332.3	–11.6	656.6
2020	275.3	81.6	279.6	–3.7	632.8

## Group net earnings

in €m

2019	–4.9
2020	–36.6

### Assets

For construction and IT projects, a sum of €13.8m (2019: €19.2m) was invested in property, plant and equipment as well as intangible assets in the quarter under review. Investment volume also included capitalised development costs of €4.5m. The investments were countered by depreciation at the previous year's level of €8.7m. There was a net increase in intangible assets and property, plant and equipment from €361m to €365.1m. With slightly higher investments and other financial receivables as well as lower deferred tax assets, non-current assets rose from €490.8m to €493m. Current assets, on the other hand, decreased from €852.3m to €838m. All in all, the Group **balance sheet total** of €1,331m was slightly below the figure at the end of 2019 (€1,343.1m).

The quarterly loss contributed significantly to the decline in equity from €460.4m to €429.3m. Accordingly, the equity ratio fell to 32.3% (31 December 2019: 34.3%).

### Segment performance

Since 1 January 2020, business units previously allocated to the reconciliation as production service providers have been divided among the three segments in accordance with their respective activities. Prior-year figures have been adjusted accordingly.

In the **Sheetfed** segment, primarily increased orders in large format as well as pleasing sales of folder gluer systems contributed to the solid order intake of €160.1m (2019: €174.2m). For reasons related to delivery and the pandemic, revenue of €68.2m was well below the prior-year figure of €113.7m. With a book-to-bill ratio of 2.35, order backlog increased from €250.5m to €275.3m. EBIT of –€18.6m was below the prior-year figure (–€3m) as a result of the substantial drop in revenue.

Despite declining service business with web offset presses, order intake at **Digital & Web** of €43.6m was significantly higher than the prior-year figure of €31.9m. In addition to increased orders in flexible packaging printing, follow-up orders received in corrugated board and digital decor printing were the main reason for this growth. Mainly as a result of corona-related restrictions at the Italian subsidiary Flexotecnica, revenue of €28.1m was lower than in the previous year (€32.4m). Order backlog decreased from €85.4m to €81.6m. The low revenue level had a significant impact on the EBIT of –€5.5m (2019: –€5.4m).

Lower orders in security, coding and glass direct printing contributed to the decline in order intake in the **Special** segment from €80.4m to €73.5m. New business in metal decorating was stable compared with the prior-year quarter. Revenue decreased to €81.4m (2019: €93.6m). Order backlog at the end of March was €279.6m compared with €332.3m at the same time last year. After a segment profit of €2.1m in the prior year, EBIT of –€7.6m was reported in the first quarter of 2020.

## Risk report

The major risks facing our business and the early warning system are described in detail in the annual report 2019 (page 50 onwards). Due to the corona crisis, there are significant risks to the Koenig & Bauer Group's future business development. The restrictions that have been imposed as a result of the pandemic are hampering our ability to fulfil contracts already concluded. In such cases, our contracts generally include appropriate clauses that exclude our liability in cases of force majeure. Similarly, the conclusion of new business is also being hampered or prevented, with corresponding declines in revenue and earnings. Despite these challenging conditions, we currently do not see any risks that either individually or cumulatively could jeopardise the Koenig & Bauer Group's going-concern status.

## Outlook and opportunities

In a forecast for 2020 published in mid-April to coincide with the start of the virtual spring meeting of the International Monetary Fund (IMF) and World Bank, IMF economists expect the global economy to contract by 3% under an optimistic scenario. There are, however, still tremendous uncertainties regarding the severity and duration of the coronavirus pandemic as well as the success of health and economic policies in various countries. Considering the high level of volatility and uncertainty regarding future developments, the impact on revenue and earnings in the 2020 financial year cannot yet be quantified. Because of the drastic effects that are already apparent, our planning for 2020 is no longer achievable. Accordingly, corona crisis management currently has the highest priority so that we can master the challenges that lie ahead and be prepared for the period after the coronavirus pandemic. In addition to the Performance 2024 efficiency programme, the strategic focus on packaging printing and digital services is to be stepped up again afterwards.

**Group balance sheet**

Assets		
in €m	31.12.2019	31.03.2020
<b>Non-current assets</b>		
Intangible assets, property, plant and equipment	361.0	365.1
Investments and other financial receivables	22.5	23.5
Other assets	0.9	0.9
Deferred tax assets	106.4	103.5
	<b>490.8</b>	<b>493.0</b>
<b>Current assets</b>		
Inventories	292.6	346.5
Trade receivables	140.6	106.0
Other financial receivables	15.5	18.7
Other assets	207.8	204.1
Securities	4.8	3.4
Cash and cash equivalents	191.0	159.3
	<b>852.3</b>	<b>838.0</b>
<b>Balance sheet total</b>	<b>1,343.1</b>	<b>1,331.0</b>
<b>Equity and liabilities</b>		
in €m	31.12.2019	31.03.2020
<b>Equity</b>		
Share capital	43.0	43.0
Share premium	87.5	87.5
Reserves	328.7	297.6
<b>Equity attributable to owners of the Parent</b>	<b>459.2</b>	<b>428.1</b>
Equity attributable to non-controlling interests	1.2	1.2
	<b>460.4</b>	<b>429.3</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Pension provisions and similar obligations	165.5	153.5
Other provisions	23.7	23.2
Bank loans	0.9	0.9
Other financial payables	31.3	30.1
Other liabilities	6.3	6.0
Deferred tax liabilities	53.2	52.4
	<b>280.9</b>	<b>266.1</b>
<b>Current liabilities</b>		
Other provisions	90.0	87.4
Trade payables	110.0	81.4
Bank loans	198.4	199.1
Other financial payables	73.5	89.0
Other liabilities	129.9	178.7
	<b>601.8</b>	<b>635.6</b>
<b>Balance sheet total</b>	<b>1,343.1</b>	<b>1,331.0</b>

## Interim accounts

### Group income statement

<b>01.01. - 31.03.</b>		
in €m	2019	2020
Revenue	230.7	172.4
Cost of sales	-167.4	-128.5
<b>Gross profit</b>	<b>63.3</b>	<b>43.9</b>
Research and development costs	-11.2	-10.6
Distribution costs	-32.8	-35.8
Administrative expenses	-22.2	-30.7
Other income and expenses	0.1	-1.7
<b>Earnings before interest and taxes (EBIT)</b>	<b>-2.8</b>	<b>-34.9</b>
Interest result	-1.3	-1.3
<b>Earnings before taxes (EBT)</b>	<b>-4.1</b>	<b>-36.2</b>
Income tax expense	-0.8	-0.4
<b>Net loss</b>	<b>-4.9</b>	<b>-36.6</b>
- attributable to owners of the Parent	-5.0	-36.7
- attributable to non-controlling interests	0.1	0.1
<b>Earnings per share (in €, basic/dilutive)</b>	<b>-0.30</b>	<b>-2.22</b>

### Statement of changes in Group equity

in €m	Share capital	Share premium
<b>31.12.2018</b>	<b>43.0</b>	<b>87.5</b>
Amendments in accordance with IFRS 16	-	-
<b>01.01.2019</b>	<b>43.0</b>	<b>87.5</b>
Net profit/loss	-	-
Losses recognised directly in equity	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>
Other changes	-	-
<b>31.03.2019</b>	<b>43.0</b>	<b>87.5</b>
<b>01.01.2020</b>	<b>43.0</b>	<b>87.5</b>
Net profit/loss	-	-
Gains recognised directly in equity	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>
Other changes	-	-
<b>31.03.2020</b>	<b>43.0</b>	<b>87.5</b>

**Statement of comprehensive Group income**

01.01. - 31.03.

in €m	2019	2020
<b>Net loss</b>	<b>-4.9</b>	<b>-36.6</b>
<b>Items, which later will be reclassified to consolidated profit/loss</b>		
Foreign currency translation	0.5	-1.6
Measurement of derivatives	-0.9	-1.1
Deferred taxes	0.2	0.3
	<b>-0.2</b>	<b>-2.4</b>
<b>Items, which later will not be reclassified to consolidated profit/loss</b>		
Defined benefit plans	-8.7	11.0
Deferred taxes	2.0	-3.0
	<b>-6.7</b>	<b>8.0</b>
<b>Gains/Losses recognised directly in equity</b>	<b>-6.9</b>	<b>5.6</b>
<b>Total comprehensive income</b>	<b>-11.8</b>	<b>-31.0</b>
- attributable to owners of the Parent	-11.9	-31.1
- attributable to non-controlling interests	0.1	0.1

Reserves Recognised in equity	Other	Equity attr. to owners of the Parent	Equity attr. to non-controlling interests	Total
-84.6	406.6	452.5	0.9	453.4
-	-0.1	-0.1	-	-0.1
<b>-84.6</b>	<b>406.5</b>	<b>452.4</b>	<b>0.9</b>	<b>453.3</b>
-	-5.0	-5.0	0.1	-4.9
-6.9	-	-6.9	-	-6.9
<b>-6.9</b>	<b>-5.0</b>	<b>-11.9</b>	<b>0.1</b>	<b>-11.8</b>
-	-0.3	-0.3	0.2	-0.1
<b>-91.5</b>	<b>401.2</b>	<b>440.2</b>	<b>1.2</b>	<b>441.4</b>
<b>-99.2</b>	<b>427.9</b>	<b>459.2</b>	<b>1.2</b>	<b>460.4</b>
-	-36.7	-36.7	0.1	-36.6
5.6	-	5.6	-	5.6
<b>5.6</b>	<b>-36.7</b>	<b>-31.1</b>	<b>0.1</b>	<b>-31.0</b>
-	-	-	-0.1	-0.1
<b>-93.6</b>	<b>391.2</b>	<b>428.1</b>	<b>1.2</b>	<b>429.3</b>

**Group cash flow statement**

01.01. - 31.03.

in €m	2019	2020
Earnings before taxes (EBT)	-4.1	-36.2
Non-cash transactions	8.9	12.0
<b>Gross cash flow</b>	<b>4.8</b>	<b>-24.2</b>
Changes in inventories, receivables and other assets	-17.5	-17.8
Changes in provisions and payables	-17.9	27.0
<b>Cash flows from operating activities</b>	<b>-30.6</b>	<b>-15.0</b>
<b>Cash flows from investing activities</b>	<b>-20.6</b>	<b>-16.3</b>
<b>Free cash flow</b>	<b>-51.2</b>	<b>-31.3</b>
<b>Cash flows from financing activities</b>	<b>-10.5</b>	<b>-0.4</b>
<b>Change in funds</b>	<b>-61.7</b>	<b>-31.7</b>
Effect of changes in exchange rates	0.5	-
Funds at beginning of period	142.0	191.0
<b>Funds at end of period</b>	<b>80.8</b>	<b>159.3</b>



## Notes to the interim accounts to 31 March 2020

### 1 Accounting policies

This interim report for the Koenig & Bauer Group is based on international financial reporting standards (IFRS). The consolidated financial statements were prepared in accordance with the standards valid on that date, as issued by the International Accounting Standards Board (IASB), London, and all binding interpretations by the International Financial Reporting Interpretation Committee (IFRIC), with due regard for EU directives.

The interim accounts conform to IAS 34.

### 2 Consolidated companies and consolidation principles

There were no changes in our consolidated companies and consolidation principles.

### 3 Segment information

#### 3.1 Business segments

As of 2020, subsidiaries previously allocated to the reconciliation as production service providers are now spread across the segments according to their activities. The previous year's figures have been adjusted accordingly.

01.01. - 31.03. in €m	Revenue		EBIT		Capital investments	
	2019	2020	2019	2020	2019	2020
Segments						
Sheetfed	113.7	68.2	-3.0	-18.6	5.1	5.8
Digital & Web	32.4	28.1	-5.4	-5.5	2.3	1.3
Special	93.6	81.4	2.1	-7.6	5.7	3.8
Reconciliation	-9.0	-5.3	3.5	-3.2	6.1	2.9
<b>Group</b>	<b>230.7</b>	<b>172.4</b>	<b>-2.8</b>	<b>-34.9</b>	<b>19.2</b>	<b>13.8</b>

**3.2 Geographical breakdown of revenue****01.01. - 31.03.**

in €m	2019	2020
Germany	43.0	27.4
Rest of Europe	75.4	65.1
North America	29.8	23.9
Asia/Pacific	49.0	38.6
Africa/Latin America	33.5	17.4
<b>Revenue</b>	<b>230.7</b>	<b>172.4</b>

## Key financial dates

Koenig & Bauer Annual General Meeting  
14 July 2020  
Vogel Convention Center, Würzburg

Interim report on 2nd quarter 2020  
29 July 2020

Interim report on 3rd quarter 2020  
11 November 2020

Published by:  
Koenig & Bauer AG  
Postfach 60 60  
97010 Würzburg, Germany

Contact:  
Investor Relations  
Dr Bernd Heusinger  
T +49 931 909-4835  
F +49 931 909-4880  
[bernd.heusinger@koenig-bauer.com](mailto:bernd.heusinger@koenig-bauer.com)  
[www.koenig-bauer.com](http://www.koenig-bauer.com)