KOENIG & BAUER

Group Interim Report First Quarter 2021

we're on it.

Koenig & Bauer Group in figures

01.01. - 31.03. in €m	2020*	**2021**
Order intake	271.5	**286.0**
Revenue	264.2	**243.5**
Order backlog at 31.03.	693.2	**674.5**
Export level in %	84.9	**85.1**
Earnings before interest and taxes (EBIT)	-17.0	**-8.9**
Earnings before taxes (EBT)	-18.3	**-11.3**
Net loss	-19.1	**-11.7**
Balance sheet total at 31.03. (prior year: 31.12.)	1,321.1	**1,296.2**
Equity at 31.03. (prior year: 31.12.)	342.2	**336.9**
Investment in intangible assets, property, plant and equipment	13.8	**5.0**
Depreciation on intangible assets, property, plant and equipment	8.7	**8.9**
Payroll at 31.03.	5,749	**5,508**
- thereof apprentices/trainees	285	**275**
Cash flows from operating activities	-15.0	**27.8**
Earnings per share in €	-1.16	**-0.72**

* adjusted

Dear shareholders,

The Koenig & Bauer Group entered 2021 on a strong note, posting a 5.3% increase in order intake over the previous year to €286m. This was particularly due to a double-digit increase in orders in the Sheetfed segment, of which around 60% can be attributed to the sharp growth in the more pandemic-resistant packaging printing market. This enabled us to additionally expand our position in the market for sheetfed offset presses for packaging printing.

We are seeing signs that our customers' spending reticence is beginning to dissipate in many areas. Nevertheless, some new investments are being postponed due to the uncertainty surrounding the Covid-19 pandemic. This mainly concerns digital decor and corrugated board printing as well as metal decorating, although we are still seeing noticeable interest on the part of our customers. The end markets that we address and particularly also the structurally growing packaging printing segment are fundamentally intact. In banknote printing, current market indicators such as the project pipeline and production figures point to a continuation of the robust business environment. Accordingly, we still see our proven broad product range as appropriate for achieving our goals.

from left to right:
Dr Andreas Pleßke
CEO – Board member Special segment
Dr Stephen M. Kimmich
CFO
Michael Ulverich
COO – Production, Purchasing & Logistics
Ralf Sammeck
CDO – Board member Sheetfed segment
Christoph Müller
Board member Digital & Webfed segment

At €243.5m as of 31 March 2021, Group revenue fell short of the previous year's figure of €264.2m due to the impact of the Covid-19 pandemic. Overall, the 7.8% decline in the first three months of 2021 was less pronounced than the VDMA figures, which indicated a 13.5% drop in revenue from printing presses across the industry as a whole.

At €674.5m, the order backlog as of 31 March 2021 was 2.7% down on the previous year but 6.7% higher than at the end of 2020, serving as a solid basis for the rest of 2021.

Despite the 7.8% year-on-year decline in Group revenue, EBIT improved to -€8.9m (previous year: -€17m). Despite the volume and margin effects, the improvement of around €8.1m compared to the previous year is mainly due to the P24x efficiency programme and reduced functional costs as well as the use of short-time work. As a result, the EBIT margin improved from -6.4% to -3.7% in the first quarter of 2021. Group net loss shrank from -€19.1m in the previous year to -€11.7m as of 31 March 2021, translating into a earnings per share of -€0.72 (previous year: -€1.16).

In the first quarter of 2021, we were again able to successfully implement further measures under our P24x efficiency programme. The short and medium-term measures under the “Performance” programme will be unleashing their effects from 2021 to 2024. Turning to 2021, we expect slight organic revenue growth for the Group of around 4% to €1,070m. On the earnings side, the Group expects to break even at the EBIT level in 2021 following the successful launch of the P24x efficiency programme and the planned savings effects. 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-saving effects in the order of €100m by then, while all innovation processes as well as process and product developments will be continued and stepped up. In the medium term, a return on sales (relative to EBIT) of at least 7% is being targeted. A further objective is to reduce net working capital to a maximum of 25% of annual revenue. To strengthen the Group’s stability in the current phase of the economy, we were able to obtain a flexibly repayable KfW loan of up to €120m in 2020 to supplement the existing syndicated credit facilities. In the quarter under review, net financial debt dropped to -€26m (previous year: -€ 40.7m). With freely available funds of more than €250m and a consolidated equity ratio of 26%, the Group is financially well positioned.

As no dividend distributions are permitted during the term of the KfW loan, the Management Board and Supervisory Board will propose to the annual general meeting to carry forward the retained profit generated by the holding company Koenig & Bauer AG to new account. In order to resume dividend payments, we aim to discharge the KfW loan as quickly as possible.

Dr Andreas Pleßke
CEO of Koenig & Bauer AG

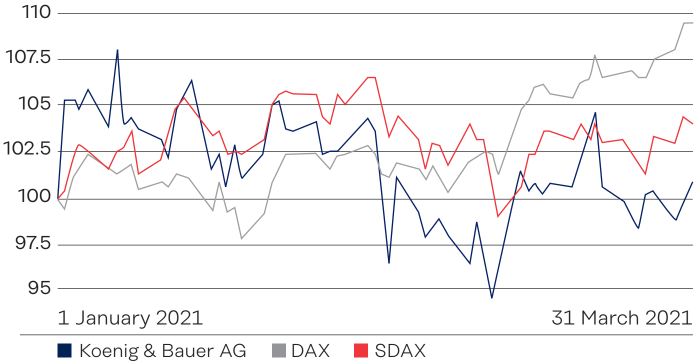
Koenig & Bauer shares

The international equity markets continued on their upward trajectory in the first quarter of 2021, underpinned by the economic recovery and, associated with this, the improvement in company earnings. With larger quantities of coronavirus vaccines expected to be available in the coming months, an economic recovery has also become more likely in the Eurozone.

The DAX crossed the 15,000 point mark at the end of March 2021 and on 31 March 2021 was trading 9.4% above the closing price of the previous year. The SDAX also advanced, closing 4.6% higher at the end of March. As with other engineering companies, Koenig & Bauer shares remained volatile during the period under review, reaching a high for the quarter of €27.06 as early as on 25 January 2021. After closing 2020 at €23.92, they were trading at €25.42 on 31 March 2021, thus advancing by 6.3% over the period under review.

Koenig & Bauer shares

in %



Group management report

The previous year’s figures have been adjusted to reflect the retrospective application of the changed revenue recognition method.

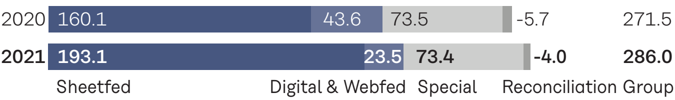
Business performance

At €286m as of 31 March 2021, the Koenig & Bauer Group’s **order intake** was up 5.3% on the previous year (31 March 2020: €271.5m) despite customer spending restraint in new market segments particularly due to the effects of the global Covid-19 pandemic. In the first two months of 2021 industry association VDMA registered an overall increase of 7.8% in incoming orders for printing presses, with domestic orders still down 16.2% and foreign orders up 12.3%.

At €243.5m as of 31 March 2021, **Group revenue** fell short of the previous year’s figure of €264.2m due to the impact of the Covid-19 pandemic. Overall, the 7.8% decline in the first three months of 2021 was less pronounced than the VDMA figures, which indicated a 13.5% drop in revenue from printing presses across the industry as a whole.

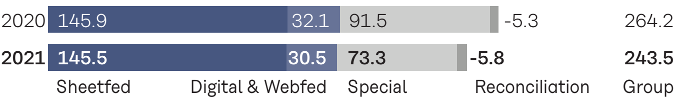
Group order intake

in €m



Group revenue

in €m

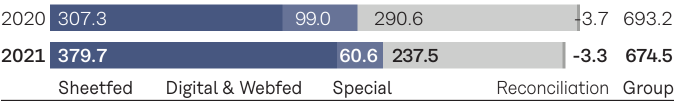


Here, too, the figures painted a decidedly mixed picture. Whereas foreign revenue was down 7.8%, domestic revenue rose sharply by 41.3%. The Group export ratio widened from 84.9% to 85.1%, with the proportion of business coming from North America growing substantially to 15.4% (previous year: 12.5%), while Latin America and Africa also made a higher contribution of 12.3% (previous year: 7.9%). The share of revenue accounted for by Germany (14.9%), Asia/Pacific (26%) and Europe excluding Germany (31.4%) was down on in the previous year (15.1%, 27.9%, 36.6%, respectively). In the first quarter of 2021, service business accounted for around 28.8% and new press business for 71.2% of Group revenue. This was also due to the lower proportion of new press business compared with previous years as a result of the Covid-19 pandemic.

At €674.5m, the **order backlog** as of 31 March 2021 was down 2.7% on the previous year's figure of €693.2m. Sequentially, the order backlog rose by 6.7% over 31 December 2020 (€632m), providing a solid basis for the rest of 2021.

Group order backlog

in €m



Group net earnings

in €m

Earnings, finances and assets

Earnings

Despite the decline in revenue compared to the previous year, the Group's earnings improved in the first quarter of 2021. The **gross margin** came to 23%, down from 23.4% in the same period of the previous year. At €11.3m, R&D expenses were somewhat higher than in the previous year (€10.6m). Distribution costs fell from €35.8m to €30.6m and administrative expenses from €30.7m to €22.4m. Net other income and expenses came to -€0.7m, down from -€1.7m in the previous year. This resulted in **EBIT** of -€8.9m (31 March 2020: -€17m). Despite the volume and margin effects, the improvement of around €8.1m over the previous year is mainly due to the P24x efficiency programme and reduced functional costs as well as the use of short-time work. As a result, the EBIT margin improved from -6.4% to -3.7% in the first quarter of 2021. With interest result coming to -€2.4m (31 March 2020: -€1.3m), the Group's **earnings before taxes** for the quarter came to -€11.3m, compared with -€18.3m in the previous year. After income taxes, the Group **net loss** shrank from -€19.1m in the previous year to -€11.7m as of 31 March 2021, equivalent to a **earnings per share** of -€0.72, down from -€1.16 in the same quarter of the previous year.

Finances

Cash flow from operating activities improved significantly, rising to €27.8 million in the period under review, compared with -€15m in the previous year. Cash flow from investing activities fell to -€5.7m. (31 March 2020: -€16.3m). **Free cash flow** improved from -€31.3m in the previous year to €22.1m. The increase of €53.4m was materially due to lower capital spending and also the reduction in net working capital from €344m as of 31 December 2020 to €324.8m as of 31 March 2021. Cash flow from financing activities came to -€42.6m (31 March 2020: -€0.4m) due to the partial repayment of the syndicated loan of €40m. At the end of March 2021, **funds** stood at €119.2m (31 December 2020: €159.3m). After the deduction of bank liabilities of €145.2m, net financial debt improved to -€26m (previous year: -€40.7m).

Assets
A total of €5m (31 March 2020: €13.8m) was spent on property, plant and equipment and intangible assets in connection with construction and IT projects in the quarter under review. Capital spending includes capitalised development costs of €1m. This was accompanied by depreciation and amortisation expense of €8.9m, which was at prior-year level. On balance, intangible assets and property, plant and equipment dropped from €392.3m as of 31 December 2020 to €388.2m. With financial investments and other financial receivables at the level as of December 2020 and deferred tax assets lower, non-current assets fell from €509.7m as of 31 December 2020 to €500.8m. Current assets also decreased from €811.4m at the end of 2020 to €795.4m. All in all, the Group's **balance sheet total** stood at €1,296.2m, thus falling slightly short of the figure recorded at the end of 2020 (€1,321.1m).

Equity contracted from €342.2m as of 31 December 2020 to €336.9m primarily as a result of the loss reported for the quarter. However, the increased discount rate on domestic retirement benefits had a counteracting effect.

The equity ratio rose slightly to 26% as of the reporting date (31 December 2020: 25.9%). Pension provisions fell from €165.6m to €153.9m as of 31 March 2021 due to the increase in the discount rate on domestic retirement benefits from 0.9% as of 31 December 2020 to 1.5% as of 31 March 2021. All told, non-current liabilities dropped by €19m from €454m in the previous year to €435m. At €524.3m, current liabilities remained at the previous year's level (€524.9m).

Segment performance
In the **Sheetfed** segment, order intake in particular was very favourable in the first quarter of 2021 thanks to growth in the orders for large-format sheetfed offset presses and parts of the post-press range for example, rising from €160.1m in the previous year to €193.1m as of 31 March 2021. More than 60% of orders were attributable to the pandemic-resistant packaging printing market (folding boxes and labels), which is growing very swiftly. Accordingly, the 20.6% increase was substantially better than the industry-wide growth of 7.8% in orders for printing presses recorded by industry association

VDMA. Revenue in the first quarter of 2021 came to €145.5m, thus matching the previous year (€145.9m). With the book-to-bill ratio standing at 1.33, the order backlog rose from €307.3m as of 31 March 2020 to €379.7m at the end of the period under review. EBIT recovered slightly to -€3.1m as of 31 March 2021 (previous year: -€4.3m), translating into an EBIT margin of -2.1% (previous year: -2.9%).

Order intake in the **Digital & Webfed** segment was heavily impacted by the Covid-19 pandemic in the first quarter of 2021. Growth in flexo presses for flexible packaging was unable to make up for lower orders for web offset presses. Customers' pandemic-related reluctance to invest in digital decor and corrugated board printing was also reflected in a 46.1% decline. Order intake stood at €23.5m as of 31 March 2021 (previous year: €43.6m). The order backlog contracted from €99m to €60.6m. At €30.5m in the first quarter of 2021, revenue matched the previous year's figure of €32.1m. The low revenue had a material impact on EBIT, which came to -€4.3m (previous year: -€5.6m). The EBIT margin improved to -14.1%, compared with -17.4% in the previous year.

At €73.4m as of 31 March 2021, order intake in the **Special** segment was virtually unchanged over the previous year's figure of €73.5m. Orders registered by Banknote Solutions (banknote and security printing) and Kammann (direct decoration of hollow bodies made of glass, plastic and metal) were higher. On the other hand, there was a decline in order intake at MetalPrint (metal packaging). With respect to Coding (coding solutions for all industries), new business was stable compared with the same quarter of the previous year. The order backlog stood at €237.5m at the end of March, compared with €290.6m in the previous year. Revenue in the first quarter of 2021 fell by €18.2m to €73.3m (previous year: €91.5m). EBIT improved from -€4.5m to -€3.9m as of 31 March 2021, with the EBIT margin reaching -5.3%, compared with -4.9% in the previous year.

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 2020. The material risks facing our business and the early warning system are described in detail in the annual report for 2020 (from page 79). Despite the ongoing uncertainties in connection with Covid-19, we currently 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 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 90 of the annual report for 2020.

Outlook

The forecast for 2021 and the medium-term targets are unchanged over the forecast report published on 24 March 2021 from page 91 onwards in the annual report for 2020.

Slight organic revenue growth and break-even at the EBIT level expected for 2021

Despite the still limited forward visibility with respect to the impact of the Covid-19 pandemic on the Koenig & Bauer Group's business environment and the travel restrictions currently in place in this connection, the Company anticipates slight growth in business in 2021. This projection assumes that progress made in vaccinations that also provide protection from the Covid-19 virus mutations will allow the restrictions to be lifted. The lower decline in order intake in 2020 compared to the industry as a whole is seen as a solid starting point for the new financial year under the prevailing Covid-19 conditions. Against this backdrop, Koenig & Bauer projects slight organic revenue growth of around 4% to €1,070m in 2021. On the earnings side, it expects to break even at the EBIT level and achieve a corresponding EBIT margin in 2021 following the successful launch of the P24x efficiency programme and the planned savings effects. That said, the reimposed travel restrictions – not least of all due to the emergence of mutations of the Covid-19 virus – will continue to exert pressure in the first quarter of 2021. As forecast, the implementation of the P24x programme will leave traces on free cash flow in 2021, resulting in a negative free cash flow in the mid double-digit region.

Medium-term goals confirmed

The Koenig & Bauer Group confirms its medium-term targets of revenue of €1.3bn, an EBIT margin of at least 7% and a reduction in net working capital to a maximum of 25% of annual revenue, which is to be achieved after the completion of the P24x efficiency programme.

Group balance sheet

Assets		
in €m	31.12.2020	**31.03.2021**
Non-current assets		
Intangible assets, property, plant and equipment	392.3	388.2
Investments and other financial receivables	22.3	22.3
Other assets	3.4	3.3
Deferred tax assets	91.7	87.0
	509.7	**500.8**
Current assets		
Inventories	357.6	362.7
Trade receivables	91.9	85.1
Other financial receivables	23.4	21.7
Other assets	197.9	203.6
Securities	2.8	3.1
Cash and cash equivalents	137.8	119.2
	811.4	**795.4**
Balance sheet total	**1,321.1**	**1,296.2**

Equity and liabilities		
in €m	31.12.2020	**31.03.2021**
Equity		
Share capital	43.0	43.0
Share premium	87.5	87.5
Reserves	210.3	205.0
Equity attributable to owners of the Parent	**340.8**	**335.5**
Equity attributable to non-controlling interests	1.4	1.4
	342.2	**336.9**
Liabilities		
Non-current liabilities		
Pension provisions and similar obligations	165.6	153.9
Other provisions	40.3	40.0
Bank loans	140.7	137.1
Other financial payables	28.9	27.4
Other liabilities	9.9	10.2
Deferred tax liabilities	68.6	66.4
	454.0	**435.0**
Current liabilities		
Other provisions	124.8	122.8
Trade payables	59.2	56.6
Bank loans	44.2	8.1
Other financial payables	67.1	85.8
Other liabilities	229.6	251.0
	524.9	**524.3**
Balance sheet total	**1,321.1**	**1,296.2**

Group income statement

01.01. - 31.03. in €m	2020*	**2021**
Revenue	264.2	243.5
Cost of sales	-202.4	-187.4
Gross profit	**61.8**	**56.1**
Research and development costs	-10.6	-11.3
Distribution costs	-35.8	-30.6
Administrative expenses	-30.7	-22.4
Other income and expenses	-1.7	-0.7
Earnings before interest and taxes (EBIT)	**-17.0**	**-8.9**
Interest result	-1.3	-2.4
Earnings before taxes (EBT)	**-18.3**	**-11.3**
Income tax expense	-0.8	-0.4
Net loss	**-19.1**	**-11.7**
- attributable to owners of the Parent	-19.2	-11.8
- attributable to non-controlling interests	0.1	0.1
Earnings per share (in €, basic/dilutive)	**-1.16**	**-0.72**

* adjusted

Statement of changes in Group equity

in €m	Share capital	Share premium
01.01.2020	**43.0**	**87.5**
Net profit/loss	–	–
Gains recognised directly in equity	–	–
Total comprehensive income	**–**	**–**
Other changes	–	–
31.03.2020*	**43.0**	**87.5**
01.01.2021	**43.0**	**87.5**
Net profit/loss	–	–
Gains recognised directly in equity	–	–
Total comprehensive income	**–**	**–**
Other changes	–	–
31.03.2021	**43.0**	**87.5**

* adjusted

Statement of comprehensive Group income

01.01. - 31.03. in €m	2020*	2021
Net loss	**-19.1**	**-11.7**
Items, which later will be reclassified to consolidated profit/loss		
Foreign currency translation	-1.6	1.1
Measurement of derivatives	-1.1	-1.6
Deferred taxes	0.3	0.5
	-2.4	**–**
Items, which later will not be reclassified to consolidated profit/loss		
Defined benefit plans	11.0	9.9
Deferred taxes	-3.0	-3.4
	8.0	**6.5**
Gains recognised directly in equity	**5.6**	**6.5**
Total comprehensive income	**-13.5**	**-5.2**
- attributable to owners of the Parent	-13.6	-5.3
- attributable to non-controlling interests	0.1	0.1

* adjusted

Reserves: Recognised in equity	Reserves: Other	**Equity attr. to owners of the Parent**	Equity attr. to non-controlling interests	**Total**
-99.2	**400.3**	**431.6**	**1.2**	**432.8**
–	-19.2	-19.2	0.1	-19.1
5.6	–	5.6	–	5.6
5.6	**-19.2**	**-13.6**	**0.1**	**-13.5**
–	–	–	-0.1	-0.1
-93.6	**381.1**	**418.0**	**1.2**	**419.2**
-86.3	**296.6**	**340.8**	**1.4**	**342.2**
–	-11.8	-11.8	0.1	-11.7
6.5	–	6.5	–	6.5
6.5	**-11.8**	**-5.3**	**0.1**	**-5.2**
–	–	–	-0.1	-0.1
-79.8	**284.8**	**335.5**	**1.4**	**336.9**

Group cash flow statement

01.01. - 31.03. in €m	2020*	**2021**
Earnings before taxes (EBT)	-18.3	-11.3
Non-cash transactions	12.0	9.7
Gross cash flow	**-6.3**	**-1.6**
Changes in inventories, receivables and other assets	26.6	-3.2
Changes in provisions and payables	-35.3	32.6
Cash flows from operating activities	**-15.0**	**27.8**
Cash flows from investing activities	**-16.3**	**-5.7**
Free cash flow	**-31.3**	**22.1**
Cash flows from financing activities	**-0.4**	**-42.6**
Change in funds	**-31.7**	**-20.5**
Effect of changes in exchange rates	–	1.9
Funds at beginning of period	191.0	137.8
Funds at end of period	**159.3**	**119.2**

* adjusted

Notes to the interim financial statements as of 31 March 2021

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.

In accordance with the procedure adopted effective 31 December 2020, the figures for the 1st quarter of 2020 were adjusted retrospectively in line with IAS 8. Accordingly, the recognition of revenue was adjusted to allow for the introduction of a new Group accounting policy. Shifts in revenue occurring within the year were not accounted for.

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 Segment information

3.1 Business segments

01.01. - 31.03.	Revenue		EBIT		Capital investments	
in €m	2020*	**2021**	2020*	**2021**	2020	**2021**
Segments						
Sheetfed	145.9	145.5	-4.3	-3.1	5.8	1.9
Digital & Webfed	32.1	30.5	-5.6	-4.3	1.3	0.5
Special	91.5	73.3	-4.5	-3.9	3.8	1.2
Reconciliation	-5.3	-5.8	-2.6	2.4	2.9	1.4
Group	**264.2**	**243.5**	**-17.0**	**-8.9**	**13.8**	**5.0**

* adjusted

3.2 Geographical breakdown of revenue

01.01. - 31.03. in €m	2020*	**2021**
Germany	40.0	36.3
Rest of Europe	96.6	76.4
North America	33.1	37.5
Asia/Pacific	73.8	63.4
Africa/Latin America	20.7	29.9
Revenue	**264.2**	**243.5**

* adjusted

Key financial dates

Koenig & Bauer Annual General Meeting
11 May 2021

Interim report on 2nd quarter 2021
29 July 2021

Interim report on 3rd quarter 2021
28 October 2021

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