Group Interim Report First Half-Year 2021

we're on it.

Koenig & Bauer Group in figures

01.01. - 30.06. in €m	2020*	**2021**
Order intake	480.2	**615.3**
Revenue	515.7	**493.2**
Order backlog at 30.06.	650.4	**754.1**
Export level in %	85.7	**84.0**
Earnings before interest and taxes (EBIT)	-19.8	**6.4**
Earnings before taxes (EBT)	-21.8	**1.3**
Net profit/loss	-24.3	**1.1**
Balance sheet total at 30.06. (prior year: 31.12.)	1,321.1	**1,268.1**
Equity at 30.06. (prior year: 31.12.)	342.2	**354.1**
Investment in intangible assets, property, plant and equipment	19.4	**12.1**
Depreciation on intangible assets, property, plant and equipment	17.1	**18.2**
Payroll at 30.06.	5,661	**5,402**
- thereof apprentices/trainees	284	**264**
Cash flows from operating activities	-68.6	**26.5**
Earnings per share in €	-1.48	**0.05**

* adjusted

Dear shareholders,

The first half of 2021 was favourable for the Koenig & Bauer Group in several respects. Our customers ordered around 28% more than in the same period of the previous year. This performance was particularly underpinned by the increase of around 45% in orders in the Special segment. Orders were up on the previous year in all parts of this segment. In June, MetalPrint recorded one of the best order intakes in the Company's history. This shows that, after a difficult first half for this segment, the order situation is improving and that the global economic engine is increasingly gaining momentum, allowing Koenig & Bauer to face the future with confidence and in a good position. Order intake was also up in the Sheetfed segment again, rising by around 30%, with the sharply growing and more pandemic-resistant packaging printing market accounting for the bulk of this growth. This enabled us to further expand our position in the market for sheetfed offset presses for packaging printing. The market leadership in Germany achieved in 2020 after the substantial increase in market share was particularly gratifying.

Koenig & Bauer also celebrated a number of successes in China – at this year's China Print in Beijing from 23 to 27 June we set a new record for this trade fair in terms of the number of orders received. At the core of the presentation was the world premiere of the new Rapida 105 generation. It was one

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

of the absolute highlights of the fair and also attracted great attention beyond it. The visitors to our stand at the fair were impressed by the demonstrations of the new medium-format press, its high printing performance and the swift job changes. The fact that the press is wholly developed and produced in Germany is another key factor in its favour. Thanks to the comprehensive scope for configuration and its suitability for a wide range of different substrates, the new Rapida 105 can be used in packaging, commercial and also label printing. In this way, our customers can widen their product range and harness new potential for their business success. Alongside the medium-format presses, the large-format Rapida 145 and Rapida 164 sheetfed offset presses also enjoyed strong demand. This is due to the particular need for high-quality packaging – mainly for mobile telephones and consumer electronics.

This shows 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. In the first half of 2021, this mainly concerned incoming orders in digital decor and corrugated printing. However, as of the end of July 2021, a total of five machines from the CorruCUT series had been successfully marketed to beta customers as well as new customers. Our customers' decisions also show that we have done very good work in recent years and that our focus on growth markets such as conventional and digital packaging printing is paying off. We expect to place incoming orders on our books in the third quarter of 2021, with production of the new presses to commence next year. This makes it clear that the end markets that we address and particularly also the structurally growing packaging printing segment are fundamentally intact. Accordingly, we still see our proven broad product range as appropriate for achieving our goals.

With respect to our sustainability initiative, we were also able to demonstrate our commitment to sustainable and environmentally friendly printed matter and packaging by joining the "Healthy Printing Initiative". Koenig & Bauer is the first printing press manufacturer to actively participate in the network made up of paper, packaging, ink and printing chemical manufacturers, printers, recyclers, designers, end customers and other industry representatives. The Company passed a further milestone on the road towards sustainable corporate development, which is a key imperative for the future, with the confirmation of its membership of the "Holy Grail 2.0" project in June 2021. You can read about the development of an efficient recycling system in the Sustainability section of this report on page 21. Here you can also find out why we joined the "Blue Competence" sustainability initiative organised by our industry association VDMA as a partner in July 2021.

At €493.2m as of 30 June 2021, Group revenue fell short of the previous year's figure of €515.7m due to the impact of the Covid-19 pandemic. Sequentially, revenue in the second quarter of 2021 increased by around 2.5% over the first quarter of 2021. At €754.1m, the order backlog as of the end of June 2021 was up 15.9% on the previous year's figure of €650.4m. A further 11.8% increase was also achieved as of 31 March 2021 (€674.5m), which provides a solid basis for the rest of 2021.

Despite the 4.4% year-on-year decline in Group revenue, EBIT improved to €6.4m (previous year: -€19.8m). The improvement of around €26.2m compared to the previous year is mainly due to the more efficient implementation of the P24x personnel measures, which is also reflected in the adjustment of the restructuring provisions for the efficiency programme, as well as the P24x cost-reduction effects and reduced functional costs, despite the volume and margin effects, the lower use of short-time working and the one-off income achieved in the previous year. In particular, Koenig & Bauer succeeded in replacing the cost-reduction effects from the use of short-time working in the previous year with long-term and sustainable measures under P24x. As a result, the EBIT margin improved from -3.8% to 1.3% in the first half of 2021. Group net profit increased from -€24.3m in the previous year to €1.1m as of 30 June 2021, translating into earnings per share of €0.05 (30 June 2020: -€1.48). In addition, net debt in the first half of 2021 was reduced year-on-year to -€36.7m (30 June 2020: -€97.1m). With freely available funds of more than €250m and a consolidated equity ratio of 27.9%, the Group is financially well positioned.

As already mentioned, we were again able to successfully implement further measures under our P24x efficiency programme in the first half of 2021. In this connection, we decided on 23 June 2021 to waive all compulsory redundancies at the Company's German facilities in 2021 and 2022 due to the progress made in achieving the personnel targets defined under the P24x programme. Koenig & Bauer has thus demonstrated that it can implement major staff reduction programmes necessitated by global economic changes, adverse conditions and the ongoing transformation of customer needs free of any turbulence. As a result, it has been possible to reduce the originally planned short- and medium-term one-off costs for personnel measures by about €20m to some €37m. Restructuring provisions of €57.6m had originally been set aside for this purpose in the third quarter of 2020 and were expensed in 2020. The resultant one-off income of around €20m will boost Group earnings and free cash flow and was not yet included in the forecast for 2021.

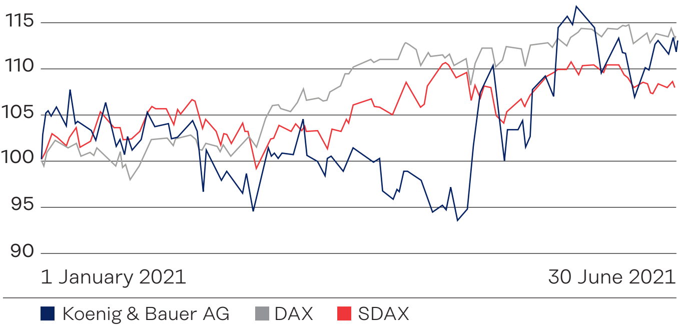
For 2021 as a whole, we now expect organic growth in Group revenue of 7 - 10% to €1,100 - 1,135m (previously: increase of 4% to €1,070m) thanks to our strong order books and intake together with the upgraded forecast of the International Monetary Fund and our industry association VDMA for the economy as a whole as well as underlying sector conditions. With respect to earnings, an EBIT margin of 2% is projected after the swifter emergence of the expected cost-reduction effects from P24x and the more efficient implementation of the related personnel measures. That said, persistent delivery shortfalls and, related to this, increases in the price of materials as well as the reimposition of travel restrictions – not least of all due to the emergence of mutations of the Covid-19 virus – will continue to exert pressure in the second half of 2021.

We reaffirm our medium-term targets: Following the implementation of the cost and structural adjustments that have been initiated, Group revenue should rise to around €1.3bn by 2024 accompanied by annual cost-reduction effects in the order of €100m by then, while all innovation processes as well as process and product developments will be continued and stepped up. In the medium term, a return on sales (relative to EBIT) of at least 7% is being targeted. A further objective is to reduce net working capital to a maximum of 25% of annual revenue.

Dr Andreas Pleßke
CEO of Koenig & Bauer AG

Koenig & Bauer shares

in %



Koenig & Bauer shares

Since the beginning of the year, most equity markets have been performing very favourably. The main reason for this is the expectation of a strong economic recovery. This is based, on the one hand, on extremely expansionary monetary and fiscal policies and, on the other, on the prospect of a sustained containment of the coronavirus pandemic. The brighter economic outlook has prompted analysts to raise their earnings estimates in recent months. This also applies to Koenig & Bauer: in the first half of 2021, three analysts issued a buy recommendation and two a hold rating on the basis of their models and assumptions. On 3 June 2021 the quarterly index review by Deutsche Börse resulted in the removal of Koenig & Bauer AG from the SDAX effective 21 June 2021 due to lower trading volumes. Under the current fast-exit rules, a minimum ranking of 175/175 is required in the free-float market capitalisation and stock exchange trading volumes of listed companies in Germany. Obviously, the Company regrets its exit from the SDAX. However, the review is performed regularly. As a general principle, inclusion in an index is not one of Koenig & Bauer AG's targets. Rather, it seeks to achieve an appropriate valuation of its shares, something which is reflected in their favourable performance. As with other mechanical engineering companies, Koenig & Bauer shares remained volatile during the period under review, hitting a low for the first half of €23.60 on 30 April 2021. They recovered in the further course of the period under review, reaching a high of €29.40 for the first six months on 2 June. After closing 2020 at €23.92, Koenig & Bauer shares were trading at €28.15 on 30 June 2021, thus advancing by 17.7% over the period under review. The DAX had already crossed the 15,000 mark at the end of March 2021, trading 13.2% above the closing price of the previous year on 30 June 2021. The SDAX also advanced, closing 8.5% higher at the end of June.

Group management report

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

Macroeconomic and industry conditions

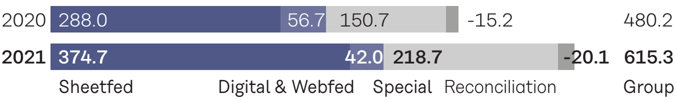
According to the German Mechanical and Plant Engineering Association (VDMA), orders for plant and machinery were up 24.8% on the previous year in price-adjusted terms in the first five months of 2021. Industry-wide revenue rose by 6.7% year-on-year. In the same period, new orders for printing presses were 35.7% up on in the previous year in price-adjusted terms. Of this, 14.1% came from Germany and 40.2% from other countries. Printing press revenue was also up 8.7% over the previous year, although a decline of 9.8% was registered in Germany accompanied by an increase of 13.5% in other countries.

Business performance

The Koenig & Bauer Group's **order intake** grew in the first half of 2021 in line with sector trends despite customer spending restraint particularly in the new market segments due to the effects of the global Covid-19 pandemic. At €615.3m as of 30 June 2021, new orders exceeded the previous year's figure of €480.2m by 28.1%. Group **revenue** came to €493.2m as of 30 June 2021, down 4.4% on the

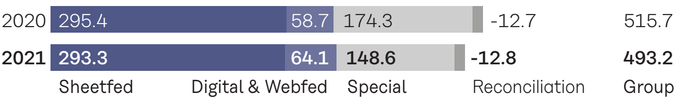
Group order intake 01.01. - 30.06.

in €m



Group revenue 01.01. - 30.06.

in €m



previous year's figure of €515.7m due to the effects of the Covid-19 pandemic. Sequentially, revenue in the second quarter of 2021 increased by around 2.5% over the first quarter of 2021.

The Group export ratio contracted slightly from 85.7% to 84.0%, with the proportion of business coming from Latin America and Africa widening substantially to 10.7% (previous year: 7.1%), while the proportion accounted for by Germany increased to 16.0% (previous year: 14.3%). The share of revenue contributed by Europe excluding Germany (31.1%), North America (17.5%) and Asia/Pacific (24.7%) was down on in the previous year (32.3%, 18.5% and 27.8%, respectively).

In the first half of 2021, service business accounted for around 30.4% and new press business for 69.6% 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 €754.1m, the **order backlog** as of 30 June 2021 was up 15.9% on the previous year's figure of €650.4m. Sequentially, the order backlog likewise rose by 11.8% over 31 March 2021 (€674.5m), providing a solid basis for the rest of 2021.

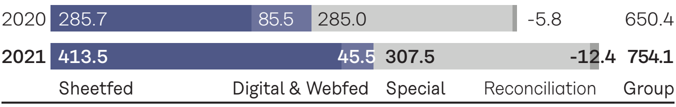
Geographical breakdown of revenue 01.01. - 30.06.

	2020*		**2021**	
	in €m	in %	in €m	in %
Germany	73.6	14.3	79.1	16.0
Rest of Europe	166.8	32.3	153.3	31.1
North America	95.3	18.5	86.5	17.5
Asia/Pacific	143.4	27.8	121.8	24.7
Africa/Latin America	36.6	7.1	52.5	10.7
Gesamt	**515.7**	**100**	**493.2**	**100**

* adjusted

Group order backlog at 30.06.

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 half of 2021. The **gross margin** widened to 27.8% in the first half of 2021, up from 23.3% in the same period of the previous year. At 32.4%, the increase was even more pronounced in the second quarter of 2021, compared with 23.2% in the same quarter of the previous year. R&D expenses came to €21.7m and were thus largely unchanged over the previous year (€21.1m). Distribution costs increased slightly from €61.0m to €62.8m as of 30 June 2021. Administration expenses fell from €55.9m to €47.2m in the same period. Net other income and expenses came to €1.1m, compared with -€2.0m in the previous year. This resulted in **EBIT** of €6.4m in the first half of 2021 (30 June 2020: -€19.8m). The improvement of around €26.2m compared to the previous year is mainly due to the more efficient implementation of the P24x personnel measures, which is also reflected in the adjustment of the restructuring provisions for the efficiency programme (roughly €20m), as well as the P24x cost-reduction effects and reduced functional costs (roughly €21m), despite the volume and margin effects (roughly €3m), the lower use of short-time working (roughly €9m) and the one-off income recognised in the previous year (€4.2m). In particular, Koenig & Bauer succeeded in replacing the cost-reduction effects from the use of short-time working in the previous year with long-term and sustainable measures under P24x. As a result, the **EBIT margin** improved from -3.8% to 1.3% in the first half of 2021. Not including the adjustment of around €20m in the restructuring provision for P24x, EBIT in the first half of 2021 came to -€13.6m. The previous year's figure had included one-off income of €4.2m following the successful settlement of a legal dispute, resulting in adjusted EBIT of -€24.0m. With interest result standing at -€5.1m (30 June 2020: -€2.0m), the

Group net earnings 01.01. - 30.06.

in €m	
2020	-24.3
2021	**1.1**

Group's **earnings before tax** came to €1.3m, compared with -€21.8m in the previous year. After income taxes, the Group posted **net profit** of €1.1m as of 30 June 2021, thus reversing the previous year's net loss of -€24.3m. This translates into **earnings per share** of €0.05 (30 June 2020: -€1.48).

Finances

Cash flow from operating activities improved significantly, rising to €26.5m in the period under review, compared with -€68.6m in the previous year. Cash flow from investing activities came to -€12.2m (30 June 2020: -€20.4m). **Free cash flow** improved from -€89.0m in the previous year to €14.3m. The increase of €103.3m was materially due to lower capital spending and also the reduction in **net working capital** from €344.0m as of 31 December 2020 to €324.9m as of 30 June 2021. Cash flow from financing activities came to -€58.5m due to the partial repayment of the syndicated loan of €56.0m (30 June 2020: €23.3m). At the end of June 2021, cash and cash equivalents stood at €95.0m (30 June 2020: €124.4m), with freely **available liquid funds** exceeding €250m. After the deduction of bank liabilities of €131.7m, **net financial debt** improved to -€36.7m (31 December 2020: -€47.1m).

Assets

A total of €12.1m (30 June 2020: €19.4m) was spent on property, plant and equipment and intangible assets in connection with construction and IT projects in the first half of 2021. Capital spending includes capitalised development costs of €3.4m (30 June 2020: €5.9m). This was accompanied by depreciation and amortisation expense of €18.2m, which was nearly unchanged over the previous year. On balance, intangible assets and property, plant and equipment dropped slightly from €392.3m as of 31 December 2020 to €384.2m. With financial investments and other financial receivables nearly unchanged over the previous year and deferred tax assets lower, non-current assets fell from €509.7m as of 31 December 2020 to €497.1m. Current assets also decreased from €811.4m at the end of 2020 to €771.0m. All in all, the Group's **balance sheet total** stood at €1,268.1m as of 30 June 2021, thus falling slightly short of the figure recorded at the end of 2020 (€1,321.1m). Equity increased from €342.2m as of 31 December 2020 to €354.1m primarily as a result of the profit reported for the first half of the year.

The equity ratio rose to 27.9% as of the reporting date (31 December 2020: 25.9%). All told, current and non-current liabilities fell by €64.9m in the first half of 2021, chiefly as a result of the repayment of the syndicated loan of €56.0m. Retirement benefit provisions fell by €17.5m to €148.1m 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 30 June 2021 (31 March 2021: 1.5%). The decline of €28.7m in other provisions, especially due to the partial adjustment of the restructuring provision for P24x of around €20m, was largely offset by an increase in other financial liabilities.

Segment performance

In the **Sheetfed** segment, order intake in particular was very favourable in the first half-year of 2021 thanks to growth in orders for large-format sheetfed offset presses and parts of the post-press range for example, rising from €288.0m in the previous year to €374.7m as of 30 June 2021. More than 60% of orders were attributable to the pandemic-resistant packaging printing market (folding boxes and labels), which is growing at a very swift rate. The increase of 30.1% is thus in line with the upbeat sector-wide trend identified by industry association VDMA. Revenue in the first half-year of 2021 came to €293.3m, thus matching the previous year (€295.4m). With the book-to-bill ratio standing at 1.28, the order backlog rose from €285.7m as of 30 June 2020 to €413.5m at the end of the period under review. EBIT improved to €7.0m as of 30 June 2021 (previous year: -€1.0m), translating into an EBIT margin of 2.4% (previous year: -0.3%). The adjustment of the restructuring provision for P24x had a positive impact of €7.2m on EBIT in the Sheetfed segment.

Order intake in the **Digital & Webfed** segment was heavily impacted by the Covid-19 pandemic in the first half-year 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 25.9% decline. Order intake stood at €42.0m as of 30 June 2021 (previous year: €56.7m). The order backlog contracted from €85.5m to €45.5m. In the first half of 2021, revenue increased by 9.2% to €64.1m (previous year: €58.7m). Accordingly, EBIT rose from -€12.3m to -€11.0m, while the EBIT margin improved to -17.2%, compared with -21.0% in the previous year. The adjustment of the restructuring provision for P24x had a negative impact of €1.5m on EBIT in the Digital & Webfed segment.

At €218.7m as of 30 June 2021, order intake in the **Special** segment exceeded the previous year's figure of €150.7m by 45.1%. Orders were up in all areas (Banknote Solutions: banknote and security printing; MetalPrint: metal packaging; Coding: coding solutions for all industries; Kammann: direct decoration of hollow bodies made of glass, plastic and metal). In June, MetalPrint achieved one of the best order intakes in the Company's history, following a difficult first half of 2021. This shows that the order situation is improving and that the global economic engine is picking up momentum again. Order backlog increased by 7.9% to €307.5m as of 30 June 2021 (previous year: €285.0m). Revenue in the first half of 2021 fell by €25.7m to €148.6m (previous year: €174.3m). EBIT improved from -€6.2m to €6.9m as of 30 June 2021, with the EBIT margin widening accordingly to 4.6%, compared with -3.6% in the previous year. The adjustment of the restructuring provision for P24x had a positive impact of €16.0m EBIT on the Special segment. In the previous year, EBIT adjusted for the one-off income from the successful outcome of a legal dispute (€4.2m), had stood at €-10.4m.

Research and development

Alongside new product developments and enhancements with a focus on packaging and industrial printing, new customer-oriented digital services form the main thrust of Koenig & Bauer's research and development activities. By offering customised and integrated solutions, we want to improve our customers' competitiveness by means of quality and productivity improvements as well as greater transparency. Group research and development expenses amounted to 4.4% of revenue in the first half of 2021 (previous year: 4.1%). In addition, development costs equivalent to 0.7% of revenue were capitalised (2020: 1.1%). Looking forward, the Koenig & Bauer Group's research and development expenditure will not be curtailed despite the challenging business environment caused by the impact of the Covid-19 pandemic.

The latest example of our new and further developments in the Sheetfed segment was the world premiere of the new Rapida 105 medium-format sheetfed offset generation at China Print, which was held in Beijing from 23 to 27 June 2021. The six-colour press with a coater and extended delivery (max. sheet size 720/740 x 1,050 mm) was demonstrated several times a day in practice-oriented live shows. Among other things, the press, which is based on the Rapida 106 and Rapida 106 X series, features additional automation components, increased print output and many Rapida-typical design solutions such as comprehensive preset capabilities, adjustment-free universal gripper systems for all substrates, environmentally friendly cloth-based CleanTronic washing systems, VariDry dryer technology and measurement and control technology for quality control. In addition, sheet guidance has been improved, something which is particularly noticeable on the suction belt table, which has only a single central suction belt . In this way it is aiming to make printing companies fit for today's and tomorrow's challenges. Thanks to its high substrate flexibility (0.06 – 0.7mm as standard, up to 1.2mm with carton or microwave equipment) and its versatility with up to eight inking units including sheet-turning for 4-over-4 printing, plus features such as coating units, cold-foil and reel-to-sheet feeders and logistics options, the Rapida 105 is targeted at commercial, packaging and label printers alike.

This means that printing companies are more flexible and better positioned than ever before with the new-generation presses. Different versions for register measurement and control, colour control and sheet inspection with QualiTronic PrintCheck also ensure perfect print quality. The Koenig & Bauer Durst joint venture is also observing interest from Chinese print professionals in its new VariJET 106 digital folding carton press. For this reason, a model of the press was also on display at the stand at China Print, providing an insight into the packaging production of the future.

In the Special segment, the Group subsidiary Coding (coding solutions for all industries) has taken entry-level laser coding to a new level with the introduction of the iCON 3. The product has been specially developed for permanent labelling and marking for consumer goods and industrial products and offers users an economical alternative to inkjet printing, while providing the advantages of laser technology: laser marking is clean and does not produce any solvent emissions. As no consumables are required, it is also possible to reduce operating costs enormously.

Coding also unveiled another innovation. For the first time, a product launch was held in a web-based livestream entitled “Kyana Experience - Digital Revolution in SMEs”. The unconventional event platform provided a perfect digital setting for the product presentations. Kyana, Koenig & Bauer’s artificial intelligence system, welcomed the visitors to the virtual lobby. The digital journey of discovery was accompanied by themed rooms and individual discussions as well as expert talks on digitalisation in mechanical engineering and SMEs with keynote speakers. In particular, the Kyana room provided a perfect setting for demonstrating and explaining the new digital packages. The Kyana chatbot provides support at all times, learns through interaction and permanently improves its answers and recommendations to questions about the alphaJET. The Kyana dashboard provides an overview of the integrated systems, thus making monitoring and central control of networked production facilities easier and safer. At the same time, Kyana provides real-time data around the clock and enables optimum remote service. Other rooms were dedicated, among other things, to the identification of products, traceability along the entire value chain and the possibilities of digital watermarks on product packaging. The alphaJET 5 X inkjet printer gave a foretaste of the product launch in autumn in augmented reality. Koenig & Bauer has also successfully introduced predictive press maintenance to the newspaper and commercial press market. In close cooperation with more than 20 pilot customers from the newspaper and commercial market, different workflows have been developed and implemented. The purpose of predictive maintenance is to use existing machine data to analyse this information automatically. In this way, potential faults can be identified before they occur and rectified in good time. Accordingly, service managers plan remote maintenance and possible service calls. The technicians on site rectify faults during pre-planned calls before a press failure occurs. The downtimes required for this are shifted to production-free times. Currently, it is possible to evaluate a wide range of components, for example, plate changers, roller changers or lubrication systems and hydraulic clamping. In addition to newspaper and commercial presses, Koenig & Bauer is also offering predictive maintenance for the RotaJET, the Corru series and presses from other business units.

Employees

As of 30 June 2021, the Group had 5,402 employees, 259 fewer than on the same date in the previous year. This was particularly due to the layoffs under the P24x efficiency programme. The employee numbers include 264 young people who are completing an apprenticeship or internship. With an apprenticeship ratio of 4.9% (previous year: 5.0%), Koenig & Bauer is attaching key importance to securing the next generation of skilled workers because it sees this as an

Group payroll at 30.06.

important investment in the future. The Company offers all young people who successfully complete the apprenticeship a permanent employment contract. In 2020, 96.6% of the trained young specialists accepted a permanent employment contract. To safeguard our Group's future viability, we decided to continue operating our training facilities to the same extent as before despite the pandemic. This also applies to our vocational school in Würzburg, which was founded in 1868. As the world's first vocational school for skilled trades, it is the birthplace of dual vocational training.

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

Expected macroeconomic and industry conditions

In April 2021, the International Monetary Fund (IMF) revised its forecast for global economic growth for the current year upwards by 0.5%. This development is being materially driven by the United States. According to the IMF, the end of the Corona crisis is in sight in the industrialised countries – at least from an economic perspective. Thanks to vaccinations, the greater adaptability of the economy and measures to support the economy and the labour market, the global economy is expected to grow by 6% this year. In July 2021, the IMF again upgraded its growth forecast for the United States from 4.6% to 7% due to unprecedented fiscal and monetary stimulus. The revised forecast represents the fastest pace of growth in a generation in the United States, the IMF stated in its annual assessment of US economic policy.

The German Mechanical and Plant Engineering Association (VDMA) has also lifted its forecast for mechanical engineering production in Germany for 2021 for the second time – from plus 4% to initially 7% and now to 10% in real terms. According to the VDMA, this is due not only to the low baseline effect in the previous year, but also to the sharp increase in incoming orders, better capacity utilisation and a 6% increase in production output in real terms in the first four months of the current year. In addition, the machinery and plant engineering sector is benefiting from extensive economic stimulus and growth packages in key sell-side markets. However, VDMA also emphasises that the strength and breadth of the upswing is also causing a variety of production hindrances. These include bottlenecks along the supply chain and the associated material price increases, as well as pandemic-related restrictions.

Slight organic revenue growth of 7 - 10% with an EBIT margin of 2% now 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 still in place to some extent in this connection, the Company anticipates slight growth in its business in 2021. This also takes account of the aforementioned upward adjustments to forecasts by the IMF and VDMA for the macroeconomic and specific industry environment. 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 strong order intake of €615.3m as of 30 June 2021 as well as the large order backlog provide a solid basis for the current year under the current conditions. Against this backdrop, Koenig & Bauer now expects slight organic revenue growth of 7 - 10% to €1,100 - 1,135m for 2021 (previously 4% to €1,070m). With respect to earnings, an EBIT margin of 2% is projected after the swifter emergence of the expected cost-reduction effects from P24x and the more efficient implementation of the related personnel measures. That said, the aforementioned delivery shortfalls and, related to this, increases in the price of materials as well as the reimposition of travel restrictions – not least of all due to the emergence of mutations of the Covid-19 virus – will continue to exert pressure in the second half of 2021. The adjustment of the restructuring provision for P24x in the second quarter of 2021 will lead to one-off income of around €20m and ease the pressure on Group earnings and free cash flow accordingly. This effect was not included in the forecast for 2021.

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.

Sustainability

With the establishment of a Sustainability department, we plan to significantly expand our activities in this area, which is of crucial importance for the Group's future development. In July 2021 Koenig & Bauer was the first printing press manufacturer to join the Healthy Printing Initiative. The aim of the initiative is to promote the use of environmentally friendly substrates, inks, varnishes and auxiliaries in the printing of paper, corrugated board and cardboard products, plastics and other materials, and ultimately to enable efficient recycling systems. Residues and heavy contamination can adversely affect the use of recycled materials in new products such as food packaging. Using environmentally friendly and integrated printing processes, resource productivity is therefore to be increased by improving recyclability and the (re-)use of recycled raw materials. By joining the Healthy Printing Initiative, Koenig & Bauer is demonstrating its commitment to sustainable and environmentally friendly printed matter and packaging. In addition, the Company is strengthening the network with its preferred suppliers, some of whom are also members.

Koenig & Bauer passed a further milestone on the road to sustainable corporate development, which is a key imperative for the future, with the confirmation of its membership of the Holy Grail 2.0 project in June 2021. Under the auspices of the

European Brands Association (AIM), more than 120 companies and organisations along the packaging value chain are pooling their expertise to achieve an ambitious goal: to explore how digital technology can contribute to better sorting and higher-quality recycling for packaging in the EU to bring about a truly efficient recycling system. Digital watermarks emerged from previous examinations as the most promising technology, as they are unobtrusive stamp-sized codes that can be printed on the surface of the packaging. Apart from their function as a “digital recycling passport”, they can also be used in other areas, such as customer loyalty, supply chain traceability and retailing. Not least of all, Koenig & Bauer’s subsidiary Coding has many years of expertise in coding solutions. As an official member of the sustainable development initiative, the Group is now working together to find a common solution for intelligent packaging recycling.

In July 2021, Koenig & Bauer also joined VDMA’s Blue Competence sustainable development initiative, which aims to promote ecological product and production design and responsible corporate governance. In this way, it reaffirmed its commitment to sustainable development and social responsibility, which is entrenched in the Company’s values and has been practised since its foundation over 200 years ago. After all, offering solutions that combine climate and environmental protection with high practical benefits and economic efficiency for our customers is the Koenig & Bauer Group’s declared corporate goal. The Company would like to underpin this aspiration by joining and, as a partner, helping to promote sustainable technology and services. In addition to resource-saving and emission-optimised products and production processes, product development is focusing on energy-saving technologies to reduce carbon emissions in the printing process. At the Drupa 2000 trade fair, the Rapida 105 was the world's first sheetfed offset press to be awarded the "Emission tested" environmental certificate by industrial compensation society Berufsgenossenschaft Druck und Papierverarbeitung. Koenig & Bauer is actively working to minimise energy and resource consumption at its plants and emissions at its workplaces. Following a change of supplier at the beginning of 2020, the proportion of electricity from renewable energies has increased significantly, contributing to the substantial cut in carbon emissions. Green electricity accounted for 65.7% at the main Group sites in 2020. The goal for 2021 is to increase the share of green electricity to 100%. Another project is the carbon-neutral heat supply system at the Radebeul site, which uses green energy. The contract for the construction of a new district heating power plant by the supplier was signed at the end of 2020, and the project is to be completed by 2023 at the latest. The Company is also working on environmentally friendly and economically attractive ways to generate electricity and heat in Würzburg. The necessary construction measures are scheduled to begin in 2022. As one of the pioneers in corporate social policies, Koenig & Bauer has traditionally always taken its responsibility for its own employees as well as for society as a whole very seriously. In fact, the Company has had its own company health insurance fund since 1855. Its foundation goes back to a decision made by Fanny Koenig. The wife of the Company's founder, she was a major supporter of social issues at Koenig & Bauer in the mid-19th century and is considered to be Germany's first female manager. Fanny Koenig is also the inspiration for one of the Company's ESG projects. Human Resources has launched a diversity project with a comprehensive package of measures to promote women in technical positions and especially also management positions.

Group balance sheet

Assets		
in €m	31.12.2020	**30.06.2021**
Non-current assets		
Intangible assets, property, plant and equipment	392.3	384.2
Investments and other financial receivables	22.3	24.4
Other assets	3.4	3.1
Deferred tax assets	91.7	85.4
	509.7	**497.1**
Current assets		
Inventories	357.6	381.0
Trade receivables	91.9	89.5
Other financial receivables	23.4	22.3
Other assets	197.9	179.2
Securities	2.8	4.0
Cash and cash equivalents	137.8	95.0
	811.4	**771.0**
Balance sheet total	**1,321.1**	**1,268.1**

Equity and liabilities		
in €m	31.12.2020	**30.06.2021**
Equity		
Share capital	43.0	43.0
Share premium	87.5	87.5
Reserves	210.3	222.3
Equity attributable to owners of the Parent	**340.8**	**352.8**
Equity attributable to non-controlling interests	1.4	1.3
	342.2	**354.1**
Liabilities		
Non-current liabilities		
Pension provisions and similar obligations	165.6	148.1
Other provisions	40.3	41.0
Bank loans	140.7	122.8
Other financial payables	28.9	26.3
Other liabilities	9.9	10.1
Deferred tax liabilities	68.6	63.0
	454.0	**411.3**
Current liabilities		
Other provisions	124.8	95.4
Trade payables	59.2	70.4
Bank loans	44.2	8.9
Other financial payables	67.1	84.1
Other liabilities	229.6	243.9
	524.9	**502.7**
Balance sheet total	**1,321.1**	**1,268.1**

Group income statement

01.01. - 30.06. in €m	2020*	**2021**
Revenue	515.7	493.2
Cost of sales	-395.5	-356.2
Gross profit	**120.2**	**137.0**
Research and development costs	-21.1	-21.7
Distribution costs	-61.0	-62.8
Administrative expenses	-55.9	-47.2
Other income and expenses	-2.0	1.1
Earnings before interest and taxes (EBIT)	**-19.8**	**6.4**
Interest result	-2.0	-5.1
Earnings before taxes (EBT)	**-21.8**	**1.3**
Income tax expense	-2.5	-0.2
Net profit/loss	**-24.3**	**1.1**
- attributable to owners of the Parent	-24.4	0.9
- attributable to non-controlling interests	0.1	0.2
Earnings per share (in €, basic/dilutive)	**-1.48**	**0.05**

* adjusted

01.04. - 30.06. in €m	2020*	**2021**
Revenue	251.5	249.7
Cost of sales	-193.1	-168.8
Gross profit	**58.4**	**80.9**
Research and development costs	-10.5	-10.4
Distribution costs	-25.2	-32.2
Administrative expenses	-25.2	-24.8
Other income and expenses	-0.3	1.8
Earnings before interest and taxes (EBIT)	**-2.8**	**15.3**
Interest result	-0.7	-2.7
Earnings before taxes (EBT)	**-3.5**	**12.6**
Income tax expense	-1.7	0.2
Net profit/loss	**-5.2**	**12.8**
- attributable to owners of the Parent	-5.2	12.7
- attributable to non-controlling interests	–	0.1
Earnings per share (in €, basic/dilutive)	**-0.32**	**0.77**

* 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	–	–
30.06.2020*	**43.0**	**87.5**
01.01.2021	**43.0**	**87.5**
Net profit	–	–
Gains recognised directly in equity	–	–
Total comprehensive income	**–**	**–**
Other changes	–	–
30.06.2021	**43.0**	**87.5**

* adjusted

Statement of comprehensive Group income

01.01. - 30.06.

in €m	2020*	**2021**
Net profit/loss	**-24.3**	**1.1**
Items, which later will be reclassified to consolidated profit/loss		
Foreign currency translation	-1.9	1.2
Measurement of derivatives	0.2	-1.6
Deferred taxes	–	0.4
	-1.7	**–**
Items, which later will not be reclassified to consolidated profit/loss		
Defined benefit plans	6.4	15.1
Deferred taxes	-1.7	-4.1
	4.7	**11.0**
Gains recognised directly in equity	**3.0**	**11.0**
Total comprehensive income	**-21.3**	**12.1**
- attributable to owners of the Parent	-21.4	11.9
- attributable to non-controlling interests	0.1	0.2

* 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**
–	-24.4	-24.4	0.1	-24.3
3.0	–	3.0	–	3.0
3.0	**-24.4**	**-21.4**	**0.1**	**-21.3**
–	–	–	-0.1	-0.1
-96.2	**375.9**	**410.2**	**1.2**	**411.4**
-86.3	**296.6**	**340.8**	**1.4**	**342.2**
–	0.9	0.9	0.2	1.1
11.0	–	11.0	–	11.0
11.0	**0.9**	**11.9**	**0.2**	**12.1**
–	0.1	0.1	-0.3	-0.2
-75.3	**297.6**	**352.8**	**1.3**	**354.1**

Group cash flow statement

01.01. - 30.06. in €m	2020*	**2021**
Earnings before taxes (EBT)	-21.8	1.3
Non-cash transactions	20.8	20.8
Gross cash flow	**-1.0**	**22.1**
Changes in inventories, receivables and other assets	17.9	-4.3
Changes in provisions and payables	-85.5	8.7
Cash flows from operating activities	**-68.6**	**26.5**
Cash flows from investing activities	**-20.4**	**-12.2**
Free cash flow	**-89.0**	**14.3**
Cash flows from financing activities	**23.3**	**-58.5**
Change in funds	**-65.7**	**-44.2**
Effect of changes in exchange rates	-0.9	1.4
Funds at beginning of period	191.0	137.8
Funds at end of period	**124.4**	**95.0**

* adjusted

Notes to the interim accounts to 30 June 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 half-year 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 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, 29 July 2021
Management Board

Dr Andreas Pleßke

Dr Stephen M. Kimmich

Christoph Müller

Ralf Sammeck

Michael Ulverich

4 Segment information

4.1 Business segments

01.01. - 30.06.	Revenue		EBIT		Capital investments	
in €m	2020*	**2021**	2020*	**2021**	2020	**2021**
Segments						
Sheetfed	295.4	293.3	-1.0	7.0	9.1	4.3
Digital & Webfed	58.7	64.1	-12.3	-11.0	1.8	0.6
Special	174.3	148.6	-6.2	6.9	5.1	3.5
Reconciliation	-12.7	-12.8	-0.3	3.5	3.4	3.7
Group	**515.7**	**493.2**	**-19.8**	**6.4**	**19.4**	**12.1**

* adjusted

4.2 Geographical breakdown of revenue

01.01. - 30.06. in €m	2020*	**2021**
Germany	73.6	79.1
Rest of Europe	166.8	153.3
North America	95.3	86.5
Asia/Pacific	143.4	121.8
Africa/Latin America	36.6	52.5
Revenue	**515.7**	**493.2**

* adjusted

5 Earnings per share

01.01. - 30.06. in €	2020*	**2021**
Earnings per share	-1.48	0.05

* adjusted

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).

6 Balance sheet

6.1 Intangible assets, property, plant and equipment

in €m	Purchase or manufacturing cost	Accumulated depreciation	Carrying amount
Intangible assets	179.5	49.7	129.8
Property, plant and equipment	667.7	405.2	262.5
Total at 31.12.2020	**847.2**	**454.9**	**392.3**
Intangible assets	184.3	50.7	133.6
Property, plant and equipment	668.7	418.1	250.6
Total at 30.06.2021	**853.0**	**468.8**	**384.2**

Investment in property, plant and equipment totaling €5.2m (first half-year 2020: €11.5m) primarily refers to assets under construction and additions of other facilities, factory and office equipment.

6.2 Inventories

in €m	31.12.2020	**30.06.2021**
Raw materials, consumables and supplies	111.9	112.0
Work in progress	235.8	258.4
Finished goods and products	9.9	10.6
	357.6	**381.0**

6.3 Liabilities

Current and non-current liabilities fell by €64.9m in the first half of 2021 primarily as a result of the repayment of the syndicated loan of €56.0m. An interest rate-related decrease of €17.5m in retirement benefit provisions and the decrease of €28.7m in other provisions, especially due to the adjustment of the restructuring provision for P24x by around €20m, were largely offset by an increase in other financial liabilities.

Key financial dates

Interim report on 3rd quarter 2021
28 October 2021

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