KOENIG & BAUER

We print your world.

H1 2021

Dr Andreas Pleßke, CEO | Dr Stephen Kimmich, CFO

29 July 2021

we‘re on it.

Koenig & Bauer at a glance.

1. Business performance at a glance.	• Further improvement in operating profit achieved in H1. • Increase in AE due in particular to Special and Sheetfed segments. • Business performance still impacted by Covid-19, supply bottlenecks and associated material price increases.
2. Figures H1 2021.	• Covid 19-related decline in group sales – but sequential increase in the reporting period. • EBIT improves despite decline in sales. • FCF improves and net financial position reduced.
3. Segments.	• Segments affected to varying degrees by Covid-19. • Double-digit increases in AE in the Special and Sheetfed segments. • One of the best sales in the company's history in June at MetalPrint. • Market entry successful - Koenig & Bauer markets further CorruCUTs.
4. Efficiency programme P24x.	• Further P24x measures were also successfully implemented in H1, which had a positive impact on earnings development. • More efficient implementation of personnel measures leads to one-off income of around €20m.
5. Market outlook & forecast.	• Fundamentally intact end markets with different growth opportunities. • Forecast for 2021: 2% EBIT margin on sales of €1,100 – 1,135m; medium-term targets confirmed.

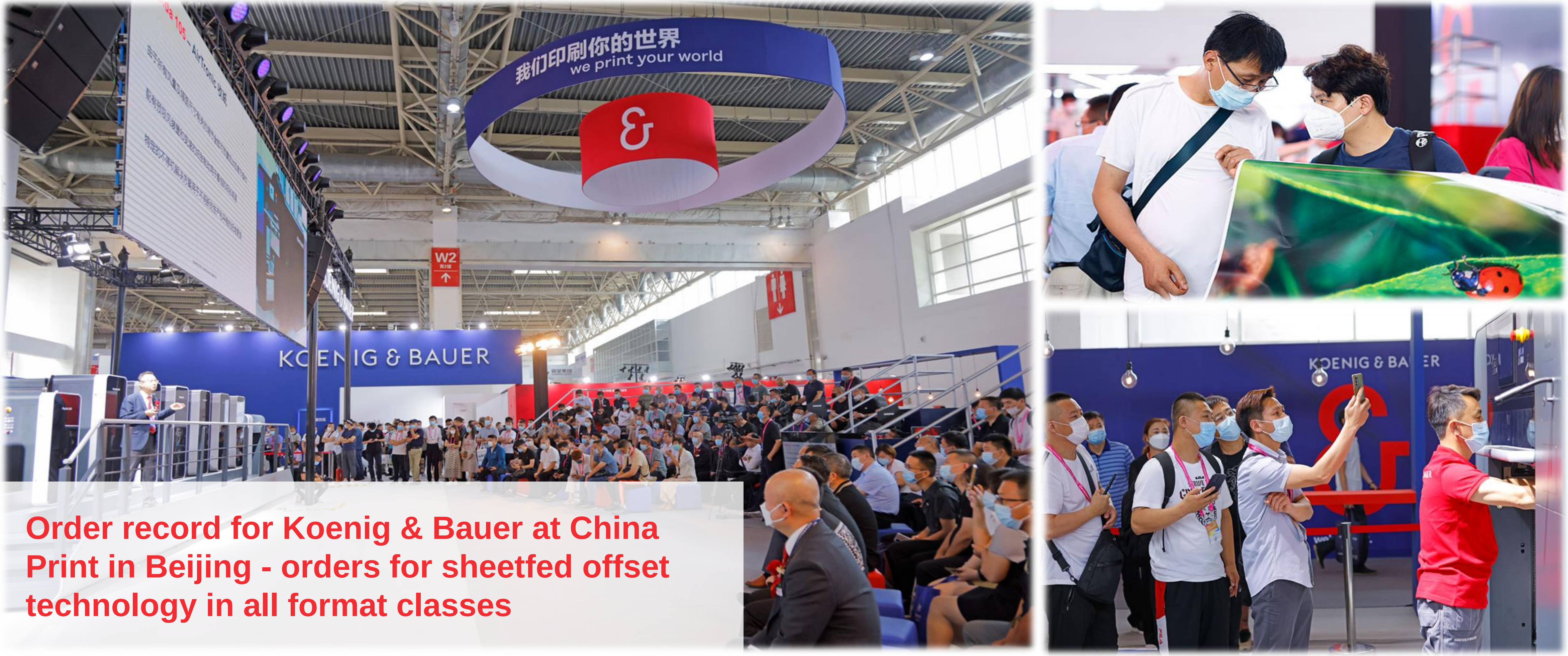
1. Business performance at a glance.

First Half-Year 2021.

- Increase in incoming orders by 28.1% to € 615.3m – in particular due to a plus of 45.1% in the Special segment and 30.1% in the Sheetfed segment – the vast majority of which can be attributed to the strongly growing and more pandemic-resistant packaging printing market. Koenig & Bauer was thus able to further expand its market position with sheetfed offset presses in packaging printing.
- Covid 19-related decline in Group sales - but sequential increase in the reporting period.
- Despite the volume and margin effect and the lower use of short-time working as well as a special gain in the previous year, the EBIT improvement of around €26.2m compared to the previous year is mainly attributable to the accelerated onset of the expected savings effects from P24x as well as the more efficient implementation of the associated personnel measures.
- In particular, Koenig & Bauer succeeded in replacing the savings effects from the use of short-time working in the previous year with long-term, sustainable measures under P24x.
- Net profit increases by €25.4m to €1.1m as of June 30, 2021.
- Free cash flow improved by € 103.3m to € 14.3m.
- Net financial position significantly reduced despite persistent Covid 19 situation worldwide.
- Order backlog increased by around 16% year-on-year and by around 19% year-end to €754.m and serves as a solid basis for the second half of 2021.
- Planned organic sales growth of now 7% to 10% (previously: 4%) to €1,100 - 1,135m with an EBIT margin of 2% for 2021 – including more efficient implementation of personnel measures under P24x, which is also reflected in the adjustment of the restructuring provision of around €20m (previously: break-even EBIT); medium-term targets of €1.3billion sales with an EBIT margin of at least 7% confirmed.

1. Business performance at a glance.

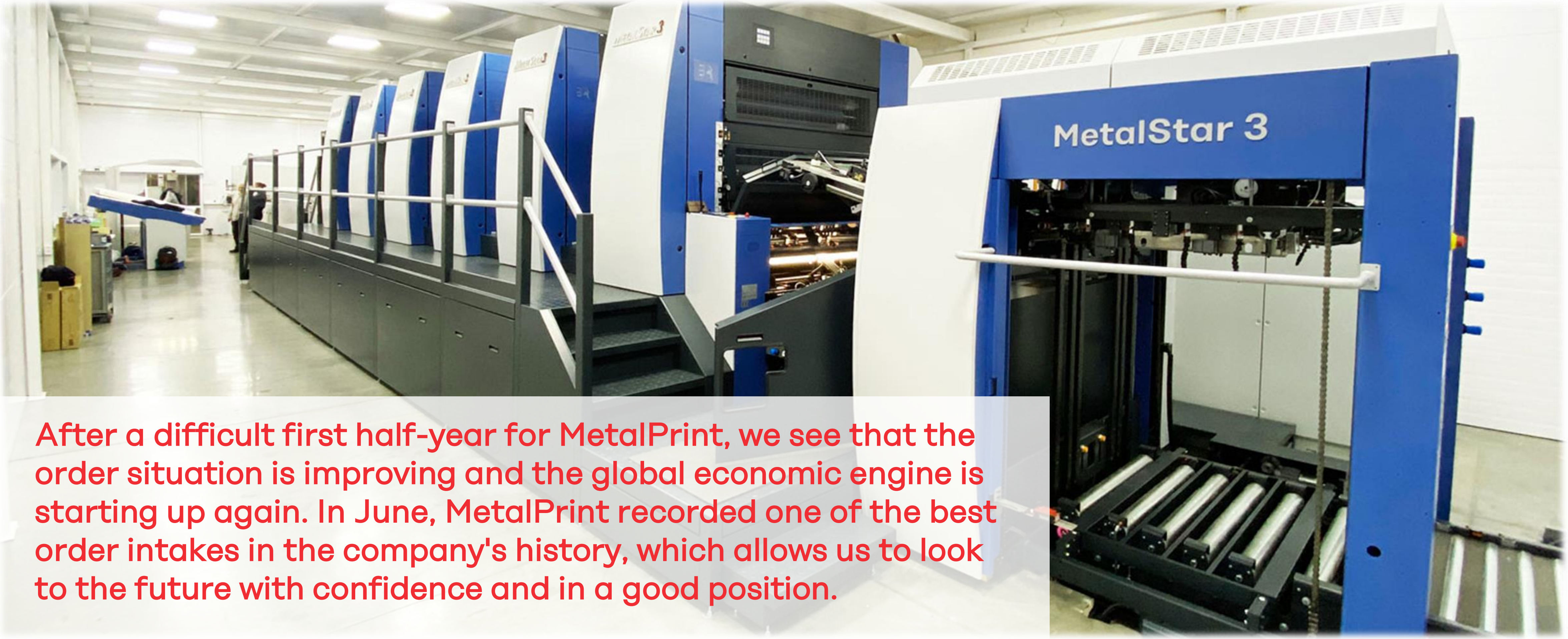
Order record for Koenig & Bauer at China Print in Beijing.



Order record for Koenig & Bauer at China Print in Beijing - orders for sheetfed offset technology in all format classes

1. Business performance at a glance.

MetalPrint – Order intake at record level in June.



After a difficult first half-year for MetalPrint, we see that the order situation is improving and the global economic engine is starting up again. In June, MetalPrint recorded one of the best order intakes in the company's history, which allows us to look to the future with confidence and in a good position.

1. Business performance at a glance.

Successful market launch – Koenig & Bauer continues its CorruCUT sales campaign.

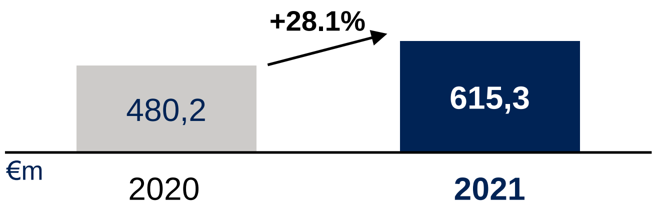
+5 CorruCuts successfully marketed
to beta customers and new customers.

Order intake is not yet included in the figures for the first half of 2021.

2. Figures H1 2021.

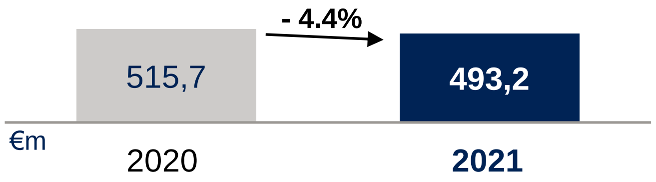
Business development in the group.

Order intake 01.01. - 30.06.



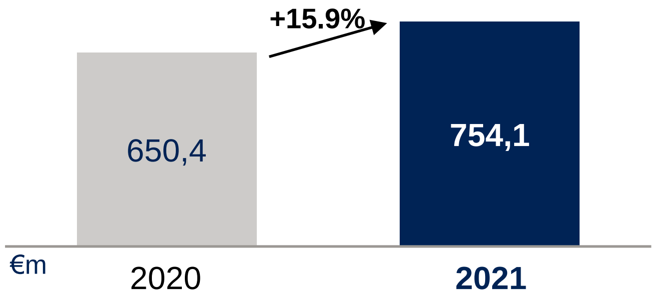
	2020	2021
Q1:	271.5	286.0
Q2:	208.7	329.3

Revenue 01.01. - 30.06.



	2020	2021
Q1:	264.2	243.5
Q2:	251.5	249.7

Order backlog 30.6.



	2020	2021
Q1:	693.2	674.5
Q2:	650.4	754.1

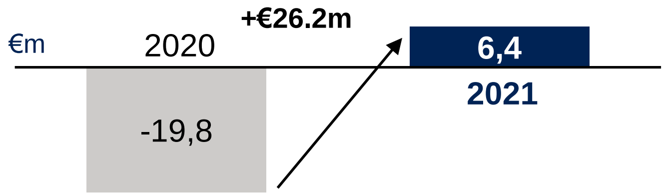
- Despite a reluctance to invest, particularly in new market segments due to the global Covid 19 pandemic, order intake was 28.1% higher than in the previous year.
- Sales in the first half of the year were still 4.4% below the prior-year figure. Sequentially, sales increased by 2.5% in the reporting period.
- The order backlog increased by 15.9% year-on-year and by 19.3% compared to December 31, 2020, and serves as a solid basis for the second half of 2021.

[1] Prior-year figures adjusted.

2. Figures H1 2021.

Business development in the group.

EBIT 01.01. - 30.06.



	2020	2021
Q1:	-17.0	- 8.9
Q2:	-2.8	+15.3

EBIT-bridge Δ +€26,2m

- \+ Adjustment P24x provisions (approx. € 20m)
- \+ P24x & Function costs (approx. €21m)
- − Volume and product mix (approx. €3m)
- − Short-time work (approx. €9m)
- − Non-recurring income PY (€4.2m)

- Although sales declined by 4.4% compared to the previous year, the earnings situation developed more positively.
- Despite a negative volume and margin effect as well as less short-time work and a one-off gain in the previous year, Koenig & Bauer succeeded in replacing the savings effects from the use of short-time work in the previous year with long-term and sustainable measures within the framework of P24x, in addition to the adjustment of P24x provisions and further cost savings from P24x & functional costs. As a result, the EBIT margin improved from -3.8% to 1.3% in H1 2021.

[1] Prior-year figures adjusted.

2. Figures H1 2021.

Group income statement.

in €m	H1 2020[1]	in %[2]	H1 2021	in %[2]	Δ in%
Revenue	515.7		493.2		*-4.4*
Cost of sales	-395.5	*76.6*	-356.2	*72.2*	*-9.9*
Gross profit	**120.2**	*23.3*	**137.0**	*27.8*	*14.0*
Research and development costs	-21.1	*4.1*	-21.7	*4.4*	*2.8*
Distribution costs	-61.0	*11.8*	-62.8	*12.7*	*3.0*
Administrative expenses	-55.9	*10.8*	-47.2	*9.6*	*-15.6*
Other income ./. expenses	-2.0	*0.4*	1.1	*0.2*	*-155.0*
Earnings before interest and taxes (EBIT)	**-19.8**	*-3.8*	**6.4**	*1.3*	*-132.3*
Interest result	-2.0	*0.4*	-5.1	*1.0*	*155.0*
Earnings before taxes (EBT)	**-21.8**	*-4.2*	**1.3**	*0.3*	*-106.0*
Income tax	-2.5	*0.5*	-0.2	*0.04*	*-92.0*
Net profit/loss	**-24.3**	*-4.7*	**1.1**	*0.2*	*-95.0*

- **Revenue** down €22.5 million year-on-year due to pandemic; sequentially, sales increased by 2.5% in the reporting period.
- Due to the Covid 19 pandemic, volume and product mix, and less short-time working, **gross profit** was €137.0m despite lower cost of sales. Gross margin at 27.8% (previous year: 23.3%).
- In addition to capitalized **development costs** of €3.4m (previous year: €5.9m), **R&D expenses** were slightly above the level of the previous year at €21.7m.
- Slight increase in **distribution costs** and further reduction in **administrative expenses.**
- Balance of **other income and other expenses** amounted to € 1.1m, compared to € -2.0m in the previous year.
- **EBIT** improvement of €26.2m despite volume and margin effect and less short-time working and special income in prior year - mainly due to adjustment of restructuring provision and savings effects from P24x efficiency program & reduced functional costs. **EBIT margin** improves -3.8% to 1.3%.
- **Interest result** of € -5.1m below previous year's level.
  EBT of € 1.3m improved by € 23.1m compared to previous year.
- Slight decline in **tax expense** in the first half of the year.
- **Net profit** improves by €25.4m in H1 and corresponds to pro rata earnings per share of €0.05 (previous year: -€1.48).

[1] Prior-year figures adjusted.
[2] In % zu Umsatzerlösen.

2. Figures H1 2021.

Group cash flow statement.

in €m	H1 2020[1]	H1 2021
Earnings before taxes	-21.8	1.3
Non-cash transactions	20.8	20.8
Gross cash flow	**-1.0**	**22.1**
Changes in inventories, receivables, 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**

- **Gross cashfllow** improves from € -1.0m to € 22.1m in the first half of the year.
- **Cash flow from operating activities** improved significantly from -€-68.6m in the previous year to € 26.5m in the reporting period.
- **Cash flow from investing activities** decreased to -€12.2m (June 30, 2020: -€20.4m).
- **Free cash flow** improved from € -89.0 million in the previous year to € 14.3 million. In addition to the decline in investing activities, the reduction in net working capital from €344.0m as of Dec. 31, 2020, to €324.9m as of June 30, 2021, contributed significantly to the €103.3m increase.
- **Financing activities** resulted in a cash flow of -€58.5m due to the partial repayment of the syndicated loan in the amount of €56.0m.
- At the end of June 2021, **cash and cash equivalents** amounted to €95.0m (Dec. 31, 2020: €137.8m) and there were more than €250m in **freely available cash and cash equivalents.**
- After deducting liabilities to banks of € 131.7m, **net financial debt** improved to -€36.7m (previous year: -€47.1m).

[1] Prior-year figures adjusted.

2.

Figures H1 2021.

Group balance sheet.

Assets in €m	**31.12.2020**	**30.06.2021**
Non-current assets		
1. Intangible assets and property, plant and equipment	392.3	384.2
Investments/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**
	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 attrib. to non-controlling interests	1.4	1.3	
	342.2	**354.1**	2.
Non-current liabilities 3.			
Pension provisions	165.6	148.1	4.
Other provisions	40.3	41.0	
Bank loans/other financial payables.	169.6	149.1	
Other liabilities	9.9	10.1	
Deferred tax liabilities	68.6	63.0	
	454.0	**411.3**	
Current liabilities 3.			
Other provisions	124.8	95.4	
Trade payables	59.2	70.4	
Bank loans/other financial payables	111.3	93.0	
Other liabilities	229.6	243.9	
	524.9	**502.7**	
	1,321.1	**1,268.1**	

1. In the reporting quarter, €12.1m (June 30, 2020: €19.4m) was **invested in property, plant and equipment and intangible assets** for construction and IT projects. The investment volume includes capitalized development costs of €3.4 million (June 30, 2020: €5.9m). Capital expenditure was offset by depreciation and amortization of €18.2m, which was on a par with the previous year.
2. The half-year profit contributed significantly to the increase in **equity** from €342.2m as of Dec. 31, 2020, to €354.1m. The **equity ratio** rose to 27.9% (Dec. 31, 2020: 25.9%).
3. In total, **current and non-current liabilities** decreased by € 64.9m in H1 2021, to which the repayment of the syndicated loan of € 56.0m contributed significantly. Pension provisions decreased by €17.5 m. The decrease in other provisions by €28.7m, in particular due to the partial adjustment of the restructuring provision for P24x by around €20m, was largely offset by an increase in other financial obligations.
4. **Pension provisions** decreased due to the increase in the discount rate for domestic pensions from 0.9% as of Dec 31, 2020 to 1.5% as of June 30, 2021 (March 31, 2021: 1.5%).

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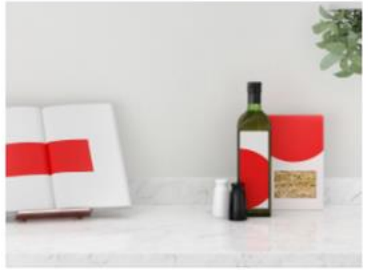
3. Segmentreport.

Sheetfed.

in €m	H1 2020[1]	in %[2]	H1 2021	in %[2]	Δ in %
Order backlog	285.7		413.5		*+44.7*
Order intake	288.0		374.7		*+30.1*
Revenue	**295.4**		**293.3**		***-0.7***
Earnings before interest and taxes (EBIT)	**-1.0**	***-0.3***	**7.0**	***2.4***	***+27.9***



- **Order backlog** up 44.7% on the previous year - provides an excellent starting point for the second half of 2021. Corresponds to a book-to-bill ratio of 1.28.
- Strong **order intake** - thanks to growth e.g. in large format and parts of the postpress family. The vast majority of orders are attributable to the fast-growing and more pandemic-resistant packaging printing market (folding cartons and labels). The increase of 30.1 % is thus in line with the positive industry trend according to the VDMA.
- **Sales** almost at previous year's level.
- **EBIT** improved to €7.0m as of June 30, 2021 (previous year: -€1.0m). Accordingly, the **EBIT margin** was 2.4% (previous year: -0.3%). The adjustment of the restructuring provision for P24x positively impacted EBIT by €7.2m.

[1] Prior-year figures adjusted.
[2] In % to sales revenue.

3. Segmentreport.

Digital & Webfed.

in €m	H1 2020[1]	*in %*[2]	H1 2021	*in %*[2]	*Δ in %*
Order backlog	85.5		45.5		*-46.8*
Order intake	56.7		42.0		*-25.9*
Revenue	**58.7**		**64.1**		***+9.2***
Earnings before interest and taxes (EBIT)	**-12.3**	***-21.0***	**-11.0**	***-17.2***	***+10.6***



- **Order backlog** decreased by 46.8% from €85.5m in the previous year to €45.5m.
- Decline in **order intake** to €42.0m due to Covid-19 impact. Growth in flexo presses for flexible packaging could not offset lower orders for web offset presses. The pandemic-related reluctance to invest in digital decor and corrugated printing also led to a 25.9% decline.
- In the first half of 2021, **sales** increased by 9.2% to €64.1m (previous year: €58.7m).
- **EBIT** increased accordingly from -€12.3m to -€11.0m. The **EBIT margin** improved and was -17.2%, compared with -21.0% in the previous year. The adjustment of the restructuring provision for P24x negatively impacted EBIT by €1.5m.

[1] Prior-year figures adjusted.
[2] In % to sales revenue.

3. Segmentreport.

Special.

in €m	H1 2020[1]	*in %*[2]	H1 2021	*in %*[2]	*Δ in %*
Order backlog	285.0		307.5		*+7.9*
Order intake	150.7		218.7		*+45.1*
Revenue	**174.3**		**148.6**		***-14.7***
Earnings before interest and taxes (EBIT)	**-6.2**	***-3.6***	**6.9**	***+4.6***	***+13.1 €m***



- The **order backlog** increased by 7.9% to €307.5m as of June 30, 2021 (previous year: €285.0m). At €218.7m, incoming orders as of June 30, 2021 were up 45.1% on the previous year's figure of €150.7m.

- **Order intake** increased year-on-year 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, after a difficult first HY.

- **Sales** in H1 2021 decreased by €25.7m to €148.6m (previous year: €174.3m).

- **EBIT** improved from -€6.2m to € 6.9m as of June 30, 2021, and the **EBIT margin** increased accordingly to 4.6% from -3.6% in the previous year. The adjustment of the restructuring provision for P24x positively impacted EBIT by €16.0m. Adjusted for the non-recurring income of €4.2m resulting from the successful outcome of a legal dispute, EBIT in the prior year was -€10.4m.

[1] Prior-year figures adjusted.
[2] In % to sales revenue.

4. Efficiency program P24x.

Further improvement in the second quarter of 2021.

- The already adopted efficiency programme P24 was expanded in Q3 2020 also due to the covid-pandemic, hence P24x.
  One-off costs of €58m expensed in Q3 2020 through creation of a provision.

- Annual cost savings increasing to over €100m by 2024:
- ~60% of measures will be installed in 2021, with full-year effect in 2022.
- ~30% of measures will be installed in 2022, with full-year effect in 2023

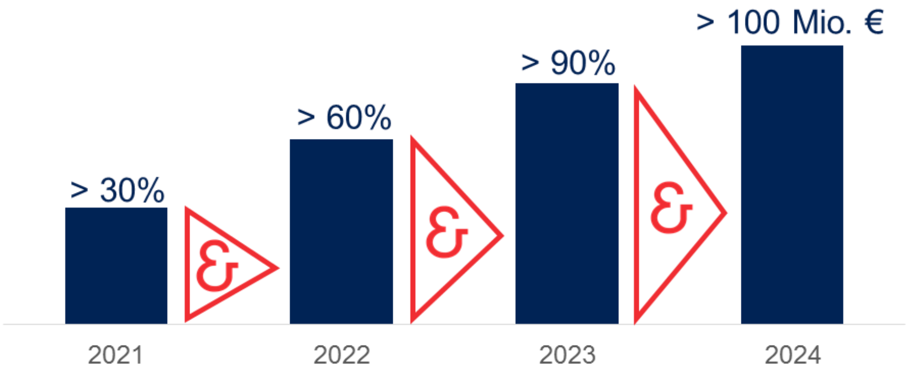
- The efficiency programme aims at savings in purchasing, productivity increases, cost
- optimisation of administration, sales and service as well as location concepts.

- In Q2 2021, the status of achievement of the personnel targets also made it possible to reduce the originally planned one-time costs for personnel measures by around €20m. In addition, due to the status of achieving the personnel targets at the German sites, there will be no compulsory redundancies in 2021 and 2022. Koenig & Bauer has thus demonstrated that it can peacefully implement major staff reduction programs through socially acceptable measures, which are necessitated by global economic and negative changes as well as permanent changes in customer needs.

- The savings effects from P24x and reduced functional costs had a positive impact of approx. €21m on the Group's earnings performance in the second half of 2021.

- We succeeded in replacing the savings effects from the use of short-time working in the previous year with long-term, sustainable measures under P24x.

P24x Impact



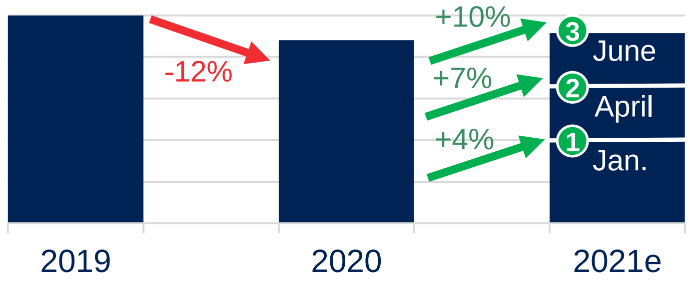
Gross savings ramp-up

5. Market outlook & forecast.

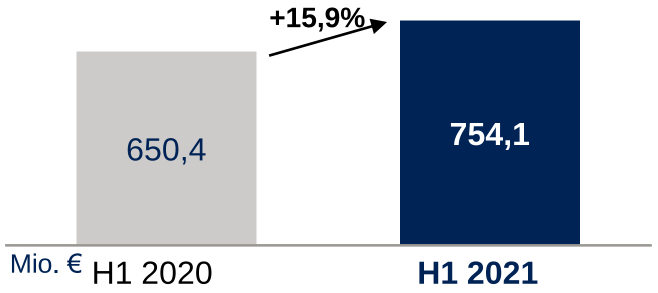
Forecast for 2021 – medium-term targets confirmed.

VDMA forecast

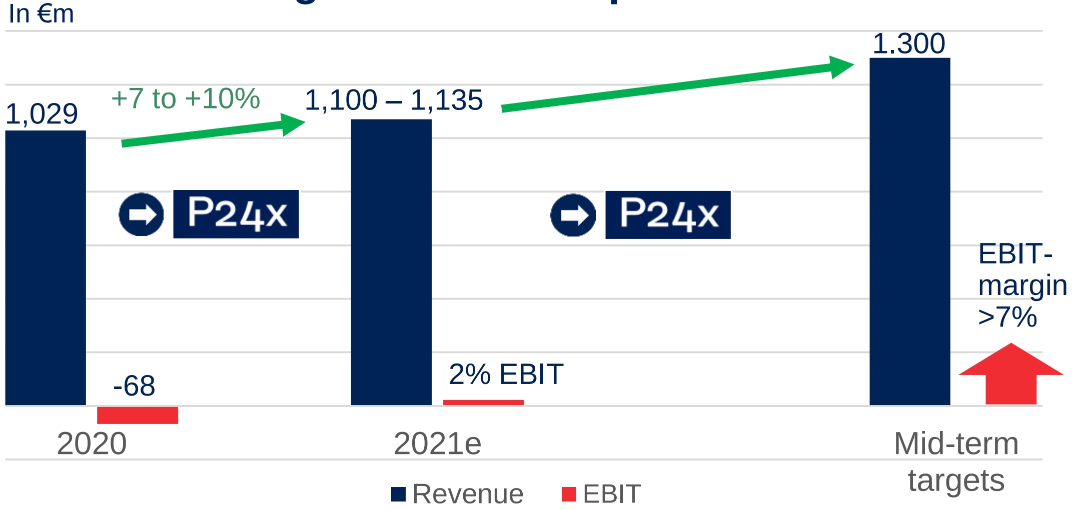
Production in mechanical and plant engineering



Order backlog - solid basis



Koenig & Bauer Group: Forecast



- This guidance is based on the assumption that progress in vaccines, including Covid 19 virus mutations, will lead to the lifting of Covid 19 restrictions. The strong order intake and backlog are considered a solid starting point for the fiscal year under current conditions. Supply bottlenecks and the associated increase in material prices continue to be a burden.
- The one-time income of around €20 million resulting from the more efficient implementation of the personnel measures will have a corresponding impact on net income and free cash flow and was not included in the forecast for 2021. Medium-term targets of €1.3 billion sales with EBIT margin of at least 7% confirmed.

[1] Prior-year figures adjusted.

Our path to greater sustainability.

- Our sustainability concept consists of 5 pillars and was developed on the basis of the UN's 2030 Agenda, whose 17 global goals are designed to ensure sustainable development at the economic, social and environmental levels.

- Successful cooperation with partners in the printing industry in the Preferred Supplier program, especially for cradle-to-cradle certified printing inks, coatings and substrates.

- Possibility of offsetting the amount of CO_2 produced during the manufacture of a printing press via a climate protection project run by ClimatePartner.

- Koenig & Bauer is an official member of the HolyGrail 2.0 initiative - "Digital watermarks for intelligent packaging recycling in the EU".

- Koenig & Bauer becomes a partner of the VDMA's Blue Competence sustainability initiative.

- Since July 2020 member of the "Healthy printing!" network as the first printing press manufacturer in Germany.

Koenig & Bauer – Key Investment Highlights.

- Fundamentally intact end markets with varying growth opportunities; the growing market for packaging in particular is proving very stable in the Covid pandemic.
- Koenig & Bauer can offer its customers the best possible solution for their needs in each case, irrespective of the substrate to be printed - paper, cardboard, glass, sheet metal - and the printing technology used - digital, analog, laser.
- Unbroken trend towards sustainability both among our customers and among "brand owners" which Koenig & Bauer can serve thanks to its broad portfolio.
- Covid pandemic partly as an accelerator of trends in the growing market for packaging printing: e-commerce, increase in household packaging.
- Financially well positioned: Group equity ratio of around 28% and more than €250 million in unrestricted cash; Active net working capital management.
- P24x well on track with focus on increasing operating profitability by improving efficiency and scaling the Group.

Disclaimer:
This presentation contains forward-looking statements about the business, financial performance and earnings of the Koenig & Bauer Group. These statements are based on assumptions and projections resting on currently available information and present estimates. They are subject to a multitude of uncertainties and risks. While management believes them to be accurate, the impact of external factors beyond its control, such as changes in the economy, exchange rates and in our industry, may give rise to a different outcome from that projected. In particular, the outlook does not include meaningful portfolio effects and influences related to legal and regulatory matters. It also depends on ongoing earnings growth and the absence of disruptive temporary market changes. The actual course of business may therefore deviate substantially from the expected development. Koenig & Bauer therefore accepts no liability for transactions based on these forecasts, nor does it undertake any obligation to update forward-looking statements beyond that required by law.

Koenig & Bauer AG

www.koenig-bauer.com

we're on it.

Koenig & Bauer – Financial calendar

28 Oct. 2021 Interim report on 3rd quarter 2021

KOENIG & BAUER

Backup.

3. Segmentreport.
Reconciliation Group.

in €m	H1 2020[1]	in %[2]	H1 2021	in %[2]	∆ in %
Order backlog	-5.8		-12.4		*-113.8*
Order intake	-15.2		-20.1		*-32.2*
Revenue	**-12.7**		**-12.8**		***-0.8***
Earnings before interest and taxes (EBIT)	**-0.3**		**3.5**		*+3.8 €m*

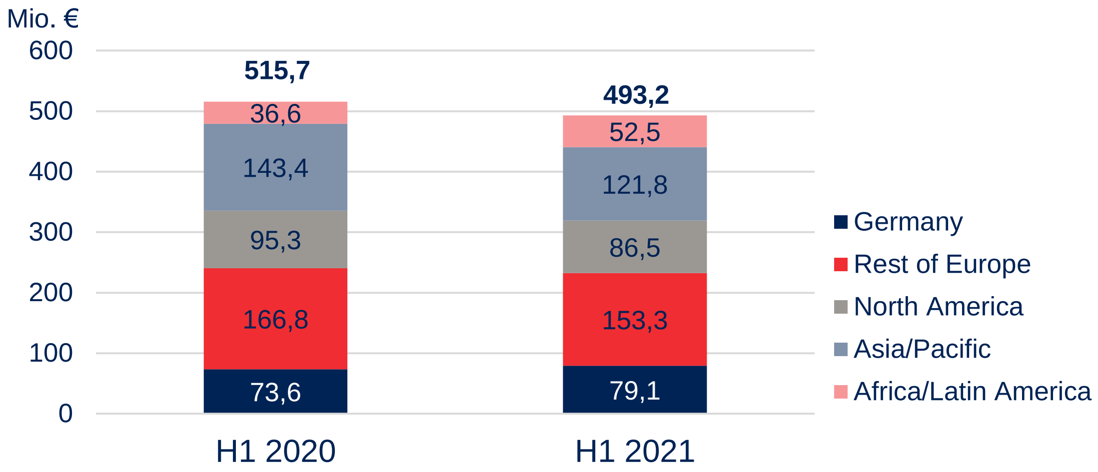
- The adjustment of the restructuring provision for P24x had a negative impact of €0.4m on EBIT.

[1] Prior-year figures adjusted.
[2] In % to sales revenue.

3. Regional Report.

Group.

Sales by region 01.01. - 30.06.



- The **Group export ratio** decreased slightly from 85.7% to 84.0%,
- With **Latin America and Africa's** share rising significantly to **10.7%** (previous year: 7.1%) and **Germany's** share increasing to **16.0%** (previous year: 14.3%).
- The shares of sales in the **Rest of** Europe 31.1%, **North America 17.5%** and the **Asia/Pacific** region **24.7%** were down on the **previous year's figures of 32.3%, 18.5% and 27.8% respectively.**

[1] Prior-year figures adjusted.