Press release

# Koenig & Bauer looking to the future with confidence and in a strong position after a good first six months in 2021 with improved earnings despite lower revenue – second-half revenue expected to be higher due to double-digit growth in order intake

* Roughly 28% increase in order intake, particularly underpinned by double-digit growth in the Special and Sheetfed segments
* Koenig & Bauer’s strategy paying off: in addition to trade fair success in China, successful entry into the corrugated board production market
* P24x efficiency programme spurring earnings, €26.2m improvement in EBIT to €6.4m despite pandemic-induced revenue decline
* Increase of €103.3m in free cash flow to €14.3m, taking Koenig & Bauer back to its pre-pandemic net financial position
* Forecast for 2021: 2% EBIT margin on revenue of €1,100 – 1,135m; medium-term targets confirmed

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Würzburg, 29.07.2021
The first half of 2021 went well for the Koenig & Bauer Group (“Koenig & Bauer”) in several respects. Customer orders were up roughly 28% on the same period in 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, Group subsidiary MetalPrint recorded one of the best order intakes in its 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 achieved in 2020 after the substantial increase in market share was particularly gratifying.

### Koenig & Bauer’s strategy paying off: in addition to a record order for the company at China Print in Beijing, five CorruCUT presses were successfully marketed in July – further progress being made with the sustainability initiative

Koenig & Bauer also celebrated a number of successes in China – at this year’s China Print in Beijing at the end of June a new record was set 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. The large-format Rapida 145 and Rapida 164 sheetfed offset presses were also in high demand, reflecting the particular need for high-quality packaging, particularly for mobile telephones and consumer electronics. All told, this shows that 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. As Dr Andreas Pleßke, the CEO of Koenig & Bauer AG, explains: “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.” Pleßke adds: “In addition, sustainability is gaining momentum as a cross-cutting issue for both customers and the Company. This is why we are very proud to be the first press manufacturer to join the “Healthy Printing Initiative” and to be confirmed as a member of the “Holy Grail 2.0” project, thus further expanding our commitment to sustainable corporate development.” You can find out more about Koenig & Bauer’s sustainability initiative in the report on the first half of 2021.

### P24x efficiency programme spurring earnings despite pandemic-induced decline in revenue

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. Despite the lower Group revenue, EBIT came to €6.4m (previous year: -€19.8m). The improvement of around €26.2m 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 extraordinary 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).

### Significant improvement in cash flow due also to reduction in net working capital and lower net financial position against the backdrop of Covid-19

Both cash flow from operating activities and free cash flow increased significantly in the first half of 2021. Cash flow from operating activities improved from -€68.6m in the previous year to €26.5m the period under review. Free cash flow also increased to €14.3m (previous year: -€89.0m) due to the reduction in net working capital. Moreover, net financial debt was lowered significantly to -€36.7m (30 June 2020: -€97.1m) despite the protracted global Covid-19 pandemic. With freely available funds of more than €250m and a consolidated equity ratio of 27.9%, the Group is financially well positioned.

### Strong performance in the segments – Special and Sheetfed with double-digit growth in order intake

The individual segments were affected to differing degrees by the fallout from the Covid-19 pandemic in the first half of 2021.

In the Sheetfed segment, order intake in particular was very favourable in the first half of 2021 thanks to growth in the orders for large-format sheetfed offset presses and parts of the post-press range, for example, rising by 30.1% 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 very swiftly. Revenue came to €293.3m, thus matching the previous year (€295.4m). The order backlog grew by 44.7% to €413.5m. EBIT improved to €7.0m (previous year: -€1.0m), translating into an EBIT margin of 2.4% (previous year: -0.3%). The adjustment of the restructuring provisions for P24x had a positive impact of €7.2m on EBIT.

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 in order intake to €42.0m. The order backlog contracted from €85.5m to €45.5m. However, revenue climbed by 9.2% to €64.1m. EBIT came to -€11.0m, compared with -€12.3m in the same period in the previous year, translating into an EBIT margin of -17.2%, compared with -21.0% in the previous year. The adjustment of the restructuring provisions for P24x had a negative impact of €1.5m on EBIT.

At €218.7m, order intake in the Special segment exceeded the previous year’s figure 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. Order backlog increased by 7.9% to €307.5m as of 30 June 2021. Revenue fell by €25.7m to €148.6m. EBIT improved from €-6.2m to €6.9m. Accordingly, the EBIT margin came to 4.6%, compared with -3.6% in the previous year. The adjustment of the restructuring provisions for P24x had a positive impact of €16.0m on EBIT. In the previous year, EBIT adjusted for the extraordinary income from the successful outcome of a legal dispute (€4.2m), had stood at -€10.4m.

### Slight organic revenue growth of 7 - 10% with an EBIT margin of 2% now expected for 2021 – medium-term targets confirmed

As already mentioned, Koenig & Bauer was able to successfully implement further measures under its P24x efficiency programme in the first half of 2021. In this connection, the Management Board announced on 23 June 2021 its decision 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. As Dr Andreas Pleßke, the CEO of Koenig & Bauer AG, explains: “We have thus demonstrated that we 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 reversed through profit and loss in 2020. The resultant extraordinary income of around €20m will boost Group earnings and free cash flow and was not yet included in the forecast for 2021.

Dr Stephen Kimmich, the CFO of Koenig & Bauer AG: “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. After the completion of the four-year efficiency programme, we hope to achieve revenue of €1.3bn and an EBIT margin of at least 7% and to reduce net working capital to a maximum of 25% of annual revenue. In the first half of 2021, we came a further step closer to achieving this goal through active net working capital management.”

#### Photo 1:

At this year's China Print in Beijing at the end of June Koenig & Bauer posted a new record in new orders

#### Photo 2:

In July, five machines of the CorruCUT family were successfully marketed

#### Photo 3:

Further progress made in the sustainability offensive

#### Contact person for the press

Koenig & Bauer AG
Investor Relations
Lena Landenberger
T +49 931 909-4085
M lena.landenberger@koenig-bauer.com

#### About Koenig & Bauer

Koenig & Bauer is the world’s oldest printing press manufacturer with the widest product range in the sector. For over 200 years, the company has been supporting printers by offering innovative technology, custom-fit processes and a wide range of services. The range encompasses printing solutions for banknotes and cardboard, foil, tin and glass packaging, books, displays, labelling, decors, magazines, advertising and newspaper. With sheetfed and web offset and flexo printing, waterless offset, steel engraving, simultaneous and screen printing or digital inkjet printing, Koenig & Bauer is at home and often a leader in almost all printing processes. In 2020, the 5,593 highly qualified employees worldwide generated annual revenue of €1,029bn.

Further information can be found at [www.koenig-bauer.com](http://www.koenig-bauer.com)