Focus and targets for Koenig & Bauer

Focus 2014: restructuring and clean-up

- Termination or successful redesign of all loss-making businesses
- Comprehensive restructuring including heavy cost-cutting
- Introduction of strong corporate governance: accountable management, no cross-subsidies, zero tolerance for loss-makers

Focus 2015 - 2016: increased profitability

- Unprecedented margin targets set at the beginning of 2015, largely achieved or exceeded already in 2016
- 2016 with best profit margin in the past 199 years, with all segments profitable
- Main strategic focus on packaging and industrial printing

Focus 2017 - 2021: growth in all businesses

- Based on this solid groundwork and after a decade of revenue decline, the company will now adopt growth in all business fields as the center pillar of its endeavours
- All businesses should contribute to the intended growth

Targets for Koenig & Bauer, 2017 - 2021

Revenue:
target organic growth rate of ≈ 4% p.a.

- New equipment in packaging printing expected to grow with Ø 4%, 70% of revenues in packaging will give a base growth rate of Ø 2,8%
- Further growth to come from expanding service revenues in all divisions as well as from market share growth
- Evaluation of strategic options in security printing to create growth, as equipment revenue increase is limited

Profits:
target 4-9% EBIT margin on Group level

- ≈ €70m profit increase by the optimisation of security printing business and growth in service business (≈ €20m each) together with an integrated production network and strategic purchasing (≈ €15m each)
- Depending on global macro, end markets and growth-related spending, margin base EBIT with almost no interest paid

Resilience:
reduce volatility and risks

- Targeted service revenue share of 30% to support earnings stability
- >45% equity ratio, with dividend policy of 15-35% of Group net income
- Net working capital target range of 20-25 % of revenue

Preliminary figures for 2016

Guidance fully achieved

- Group revenue of €1,167m
- Group order intake of €1,150m
- EBT before positive special items of €57m
- Dividend proposal of €0.50 per share
- Profits in all business fields

Special items

- Mandatory write-ups of assets: ≈ €22m
- Tax loss carry-forwards (≈ €33m in total): recorded in equity as far as possible
- Reducing longevity risks by external funding of pension liabilities: ≈ €65m over 5 years

Settlement of legal proceedings

- Clean-up of legal disputes and proceedings : ≈ €39m
  - Self-reporting to Swiss authorities following potential past deficits in anti-bribery surveillance: ≈ €28m of skimmed profits referring to 4 legacy projects
  - Other legal disputes: ≈ €11m
- Significantly reduced risk profile