

KOENIG & BAUER

Conference Call
Q3 Results 2017
8 November 2017

Claus Bolza-Schünemann, CEO
Mathias Dähn, CFO

we're on it.

Agenda

Highlights Q3 2017

Business performance 9M 2017

Guidance for 2017 and mid-term targets for 2017 - 2021

Celebration of our 200th anniversary in September

- Festive event with many customers and business associates from all around the world
- Start into the 3rd century with a new face to the market
- Koenig & Bauer brand (instead of KBA) has become a strong joint roof for all Group activities
- Modern look for our premium brand supporting our growth trajectory



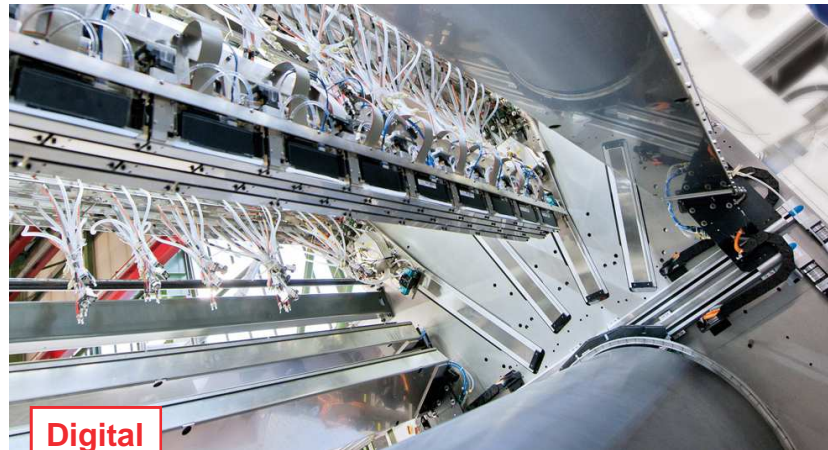
Festive event with world of media/packaging/security



New product design

Activities in growing corrugated market progressing well

- First order for newly developed digital CorruJET sheetfed press
- Great customer interest at trade event FEFCO in October in Vienna
- Go-ahead for sheetfed flexo presses CorruCut und CorruFlex, developed for analogue direct corrugated printing
- Successful alliance with HP in the area of digital pre-prints of corrugated liners



Agenda

Highlights Q3 2017

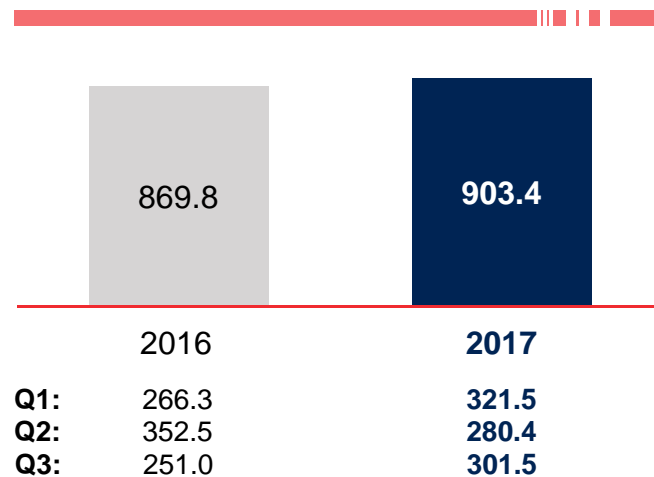
Business performance 9M 2017

Guidance for 2017 and mid-term targets for 2017 - 2021

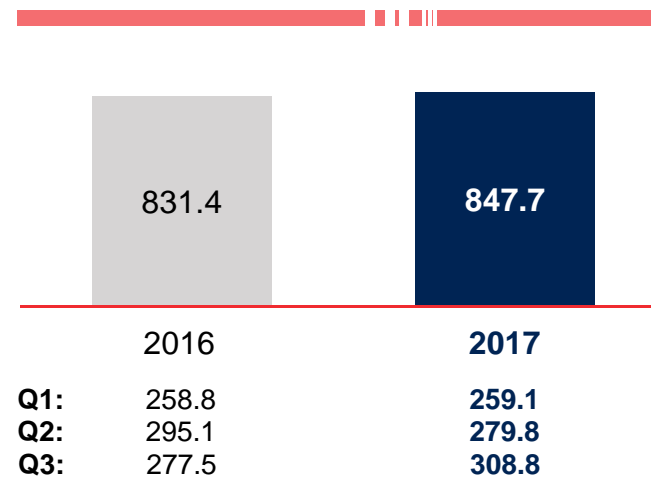
Good Group business performance

- 4% rise in orders to €903m
- Gains in service and the growth fields of packaging and digital printing
- 2% increase in revenue to €848m
- With a book-to-bill ratio of 1.07, order backlog of €613m remains at the previous year's high level

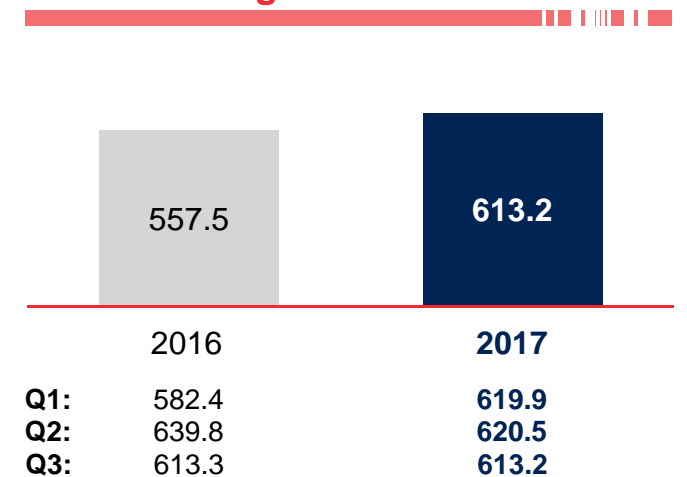
Order intake 01.01. - 30.09.



Revenue 01.01. - 30.09.



Order backlog 31.12.16/30.09.17



Group earnings on track

- Gross profit margin of 29.1% at a high level
- EBIT of €20m and a margin of 6.5% in Q3
- 9M EBIT of €36m below prior-year figure of €39m, which was influenced by a catch-up effect (€5m) from security printing
- Strong revenue and earnings momentum in Q4 expected

	2015	2016	9M 2016	9M 2017
Gross profit margin	26.8%	29.7%	30.4%	29.1%
EBIT	€35.9m	€62.9m ¹⁾	€39.2m	€36.4m
EPS	€1.62	€4.98	€1.98	€1.79

1) Adjusted for the non-recurring income
Group figures as per IFRS

Group income statement

in €m	9M 2016	9M 2017
Revenue	831.4	847.7
Cost of sales	-578.6	-601.1
Gross profit	252.8	246.6
Research and development costs	-41.4	-35.9
Distribution costs	-111.2	-103.8
Administrative expenses	-58.2	-66.7
Other operating income ./ expenses	-2.8	-3.8
Earnings before interest and taxes (EBIT)	39.2	36.4
Interest result	-4.3	-1.4
Earnings before taxes (EBT)	34.9	35.0
Income tax	-2.4	-5.5
Net profit	32.5	29.5

Group figures as per IFRS

Group cash flow statement

in €m	9M 2016	9M 2017
Earnings before taxes	34.9	35.0
Non-cash transactions	30.2	28.1
Gross cash flow	65.1	63.1
Changes in inventories, receivables, other assets	-64.8	-104.4
Changes in provisions and payables	-5.3	16.7
Cash flows from operating activities	-5.0	-24.6
Cash flows from investing activities	-12.0	-63.2
Free cash flow	-17.0	-87.8
Cash flows from financing activities	-8.7	3.3
Change in funds	-25.7	-84.5
Effect of changes in exchange rates/consolidated companies	-1.7	-0.4
Funds at beginning of period	186.3	202.0
Funds at end of period	158.9	117.1

Group figures as per IFRS

Group balance sheet

Assets in €m	31.12.2016	30.09.2017
Non-current assets		
Intangible assets and property, plant and equipment	239.5	246.4
Investments/other financial receivables	15.9	52.6
Other assets	0.1	0.1
Deferred tax assets	64.9	60.6
	320.4	359.7
Current assets		
Inventories	293.4	318.3
Trade receivables	209.0	265.0
Other financial receivables	14.2	16.8
Other assets	26.6	45.8
Securities	19.9	16.9
Cash and cash equivalents	202.0	117.1
	765.1	779.9
	1,085.5	1,139.6

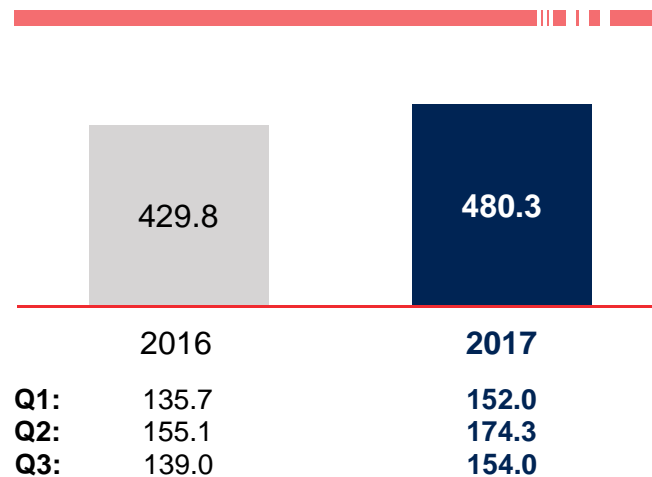
Equity and liabilities in €m	31.12.2016	30.09.2017
Equity		
Share capital	43.0	43.0
Share premium	87.5	87.5
Reserves	206.8	239.0
Equity attrib. to non-controlling interests	0.5	-
	337.8	369.5
Non-current liabilities		
Pension provisions	212.5	204.5
Other provisions	23.2	19.9
Bank loans/other financial payables	9.4	9.3
Other liabilities	1.0	1.2
Deferred tax liabilities	22.0	23.5
	268.1	258.4
Current liabilities		
Other provisions	180.5	169.1
Trade payables	59.0	57.9
Bank loans/other financial payables	94.5	118.6
Other liabilities	145.6	166.1
	479.6	511.7
	1,085.5	1,139.6

Group figures as per IFRS

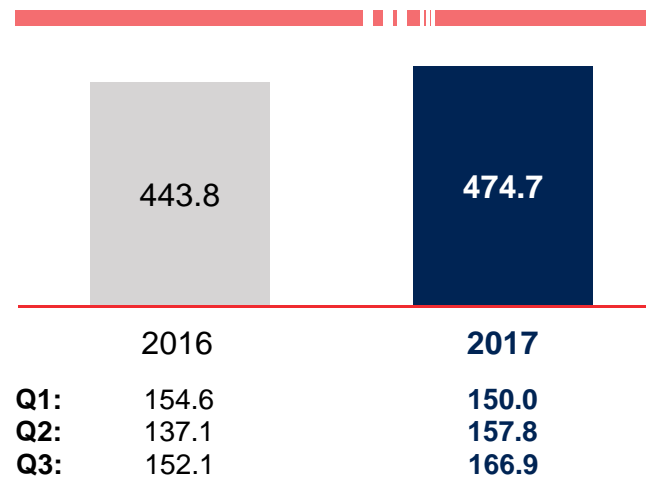
Order intake, revenue and profit up in Sheetfed

- 12% rise in orders, clear increase in service orders, high demand from packaging sector, good momentum in orders for flatbed die-cutters
- 7% more sales y-o-y, order backlog of €243m
- Profit increase to €20m due to higher revenue with strong service business and lower costs

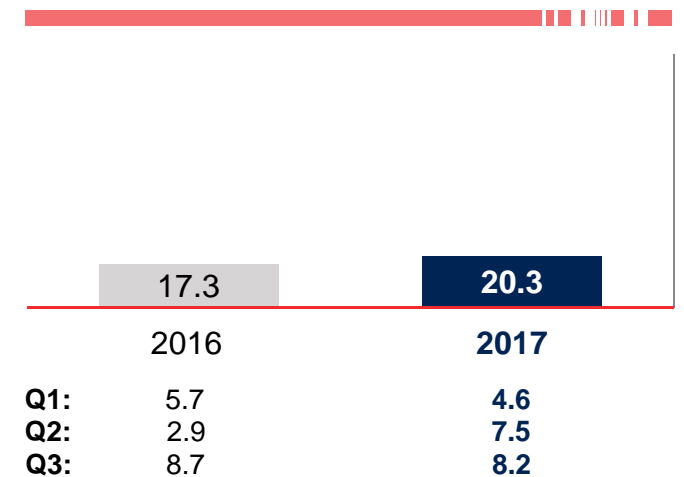
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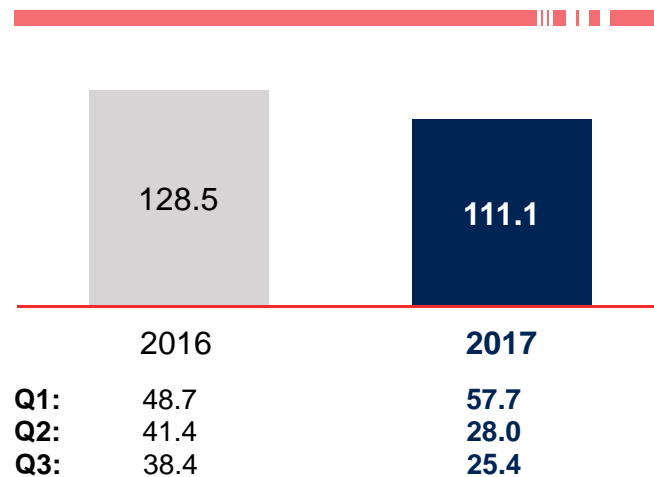
EBIT 01.01. - 30.09.



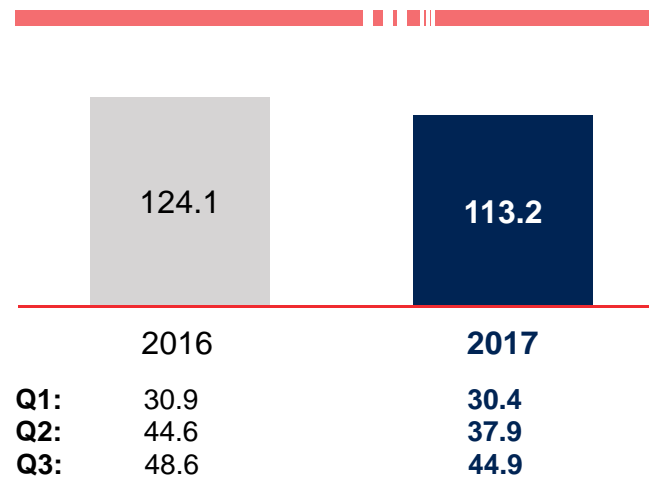
Digital & Web grows in service and digital printing business

- Order intake and revenue below prior year due to expected decline in orders for newspaper and commercial web presses
- Order backlog of €74m
- Positive earnings trend in web offset and digital printing business influenced by optimisation efforts at KBA-Flexotecnica

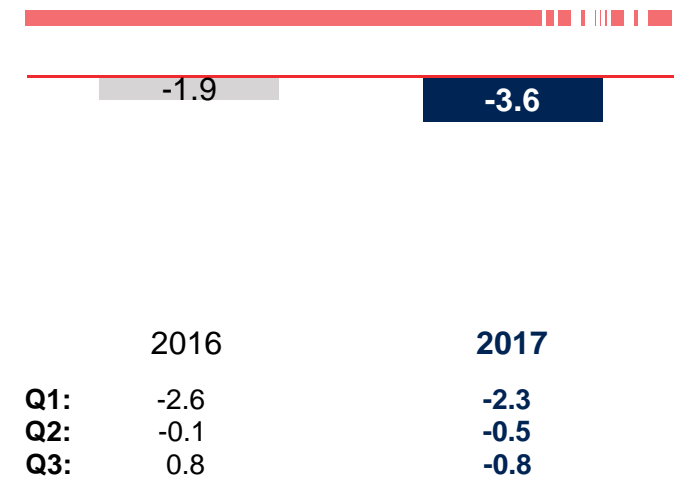
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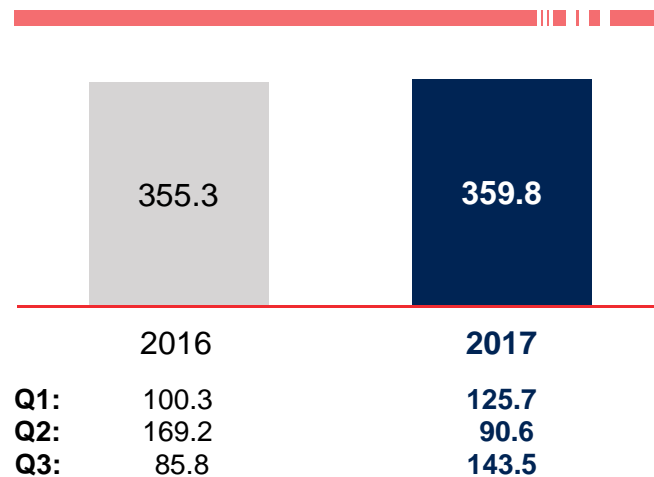
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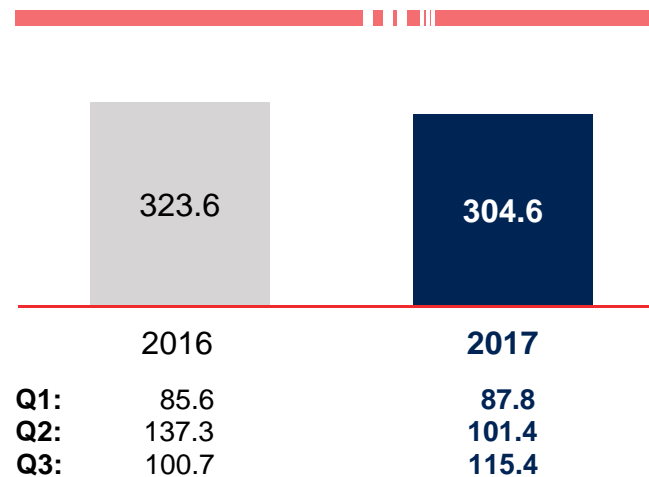
Good EBIT margin of 8.4% in Special

- Gains in orders for metal, glass/hollow container decorating and coding systems
- Security orders slightly below previous year's high figure, good project pipeline
- Revenue still 6% behind last year's figure, substantial growth of order backlog to €313m
- EBIT of €26m, prior-year EBIT with catch-up effect of €5m from security printing

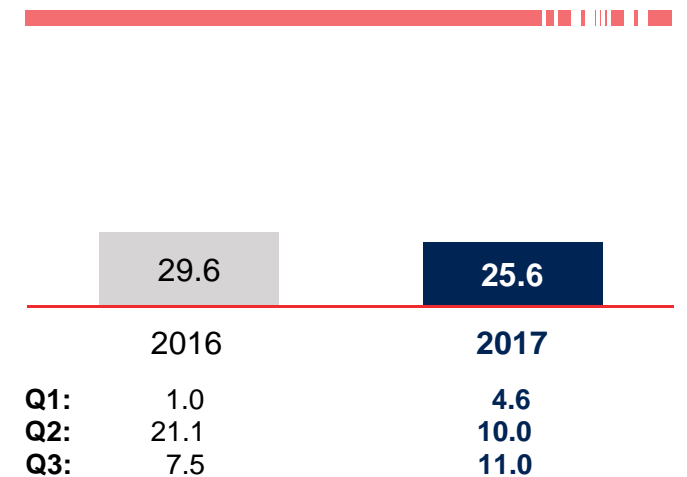
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Guidance for 2017 and mid-term targets for 2017 - 2021

Guidance and targets for 2017

- Organic growth of up to €1.25bn in Group revenue
- EBIT margin of around 6%
- Further revenue and market share gains in packaging and digital printing
- Next growth step in service business
- Start of external funding of pensions liabilities to reduce longevity risks
(≈ €65m over 5 years, in 9M 2017: €37m)
- As part of our tax planning, reviewing the recognition of deferred tax assets
- Positive one-off effect on net income possible

Targets for 2017 - 2021

Revenue:
target organic growth rate
of $\approx 4\%$ p.a.

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

Resilience:
reduce volatility and risks

- New equipment in packaging printing expected to grow at $\approx 4\%$, 70% of revenues in packaging will give a base growth rate of $\approx 2,8\%$
- 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
- $\approx \text{€}70\text{m}$ profit increase through the optimisation of security printing business and growth in service business ($\approx \text{€}20\text{m}$ each) together with an integrated production network and strategic purchasing ($\approx \text{€}15\text{m}$ each)
- Depending on global macro, end markets and growth-related spending
- 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

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Disclaimer:

The projections contained in this presentation were founded on data available at the time of issue. 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. The outlook contains no meaningful portfolio effects and influences relating to legal and official matters. It also depends on ongoing earnings growth and the absence of disruptive temporary market changes. KBA therefore accepts no liability for transactions based upon these projections.

Koenig & Bauer AG

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