

KOENIG & BAUER

Conference Call
H1 Results 2018
1 August 2018

Claus Bolza-Schünemann, CEO
Mathias Dähn, CFO

we're on it.

Agenda

Highlights in H1 2018

Business performance & key figures in H1 2018

Guidance for 2018 and mid-term targets until 2021

Activities in focused packaging markets progressing well

- World premiere: Ipress 106 K PRO flatbed die-cutter with proven feeder of Rapida presses
- Significant order growth in flexible packaging
- First CorruCUT for analogue direct printing on corrugated board, ordered by renowned pilot customer Klingele, is set up for test operation
- Following expected customer acceptance, delivery of digital CorruJET sheetfed press to well-known corrugated printer
- Field testing at two customer installations of newly developed CS MetalCan with unique features before sales launch



Ipress 106 K PRO flatbed die-cutter



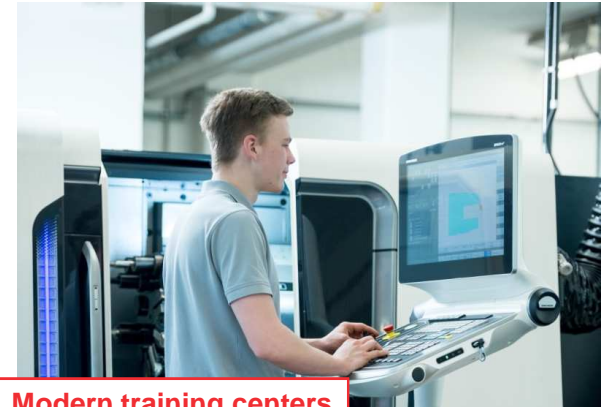
EVO XD for flexible packaging

150th anniversary of on-site vocational school in Würzburg

- World's first vocational school is the cradle of dual vocational training
- Company's modern "talent factory"
- "Learning factory" of Internet of Things for tomorrow's skilled workers
- Close connection between theory and practice enables lean transition from training to production and assembly



Ceremony in early July



Modern training centers

Agenda

Highlights in H1 2018

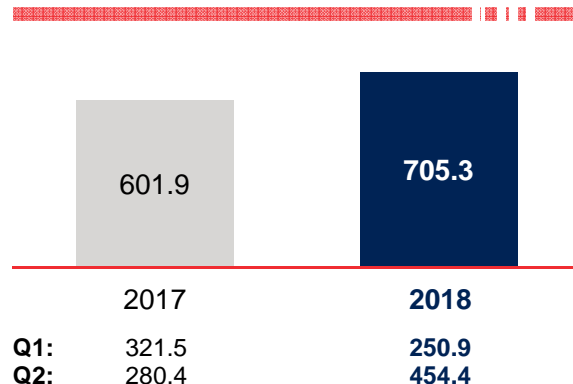
Business performance & key figures in H1 2018

Guidance for 2018 and mid-term targets until 2021

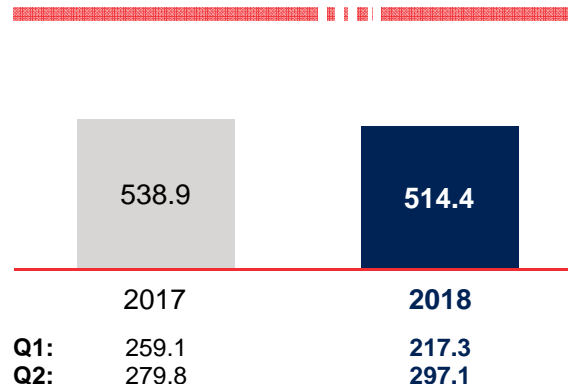
Strong order intake of €454.4m in Q2

- 17.2 % rise in orders in H1 due to strong security press business and order gains in packaging printing
- Increasing revenue momentum with good Q2 figure of €297.1m
- Greater accumulation of deliveries in H2 and particularly in Q4 than in the previous year
- With book-to-bill ratio of 1.37 order backlog grows to €805.8m

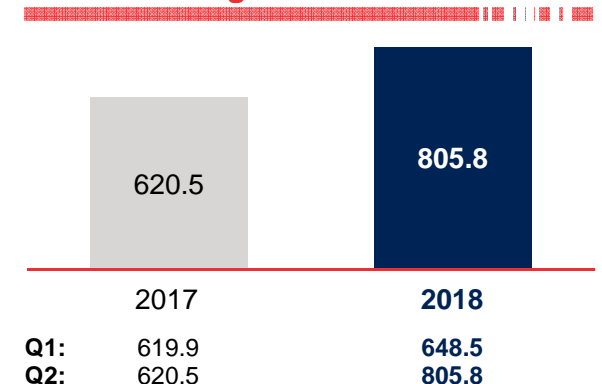
Order intake 01.01. - 30.06.



Revenue 01.01. - 30.06.



Order backlog 30.06.17/30.06.18



Group figures as per IFRS in €m

Earnings impacted by lower revenue due to delivery schedules

- Good gross margin of 29.6%
- EBIT of €10.6m below prior year due to delivery-related lower revenue and market-entry costs particularly for corrugated and flexible packaging
- Positive earnings momentum with rising revenue in the following quarters
- Further profit increase through ongoing projects in service, security printing, purchasing and production network

	2016	2017	H1 2017	H1 2018
Gross margin	29.7%	29.2%	29.6%	29.6%
EBIT	€62.9m ¹⁾	€81.4m	€16.3m	€10.6m
EPS	€4.98	€4.91	€0.93	€0.39

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

Group income statement

in €m	H1 2017	H1 2018
Revenue	538.9	514.4
Cost of sales	-379.5	-362.1
Gross profit	159.4	152.3
Research and development costs	-24.5	-23.6
Distribution costs	-67.9	-67.3
Administrative expenses	-46.0	-49.4
Other operating income ./ expenses	-4.7	-1.4
Earnings before interest and taxes (EBIT)	16.3	10.6
Interest result	-0.4	-2.1
Earnings before taxes (EBT)	15.9	8.5
Income tax	-0.7	-1.8
Net profit	15.2	6.7

Group figures as per IFRS

Group cash flow statement

in €m	H1 2017	H1 2018
Earnings before taxes	15.9	8.5
Non-cash transactions	17.8	16.6
Gross cash flow	33.7	25.1
Changes in inventories, receivables, other assets	-53.8	-6.5
Changes in provisions and payables	0.1	-1.2
Cash flows from operating activities	-20.0	17.4
Cash flows from investing activities	-45.5	-57.1
Free cash flow	-65.5	-39.7
Cash flows from financing activities	-7.3	1.6
Change in funds	-72.8	-38.1
Effect of changes in exchange rates/consolidated companies	-1.7	3.0
Funds at beginning of period	202.0	142.4
Funds at end of period	127.5	107.3

Group figures as per IFRS

Group balance sheet

Assets in €m	31.12.2017	30.06.2018
Non-current assets		
Intangible assets and property, plant and equipment	256.3	262.5
Investments/other financial receivables	50.5	25.3
Other assets	1.6	1.6
Deferred tax assets	80.7	87.2
	389.1	376.6
Current assets		
Inventories	254.9	308.7
Trade receivables	308.3	267.8
Other financial receivables	14.2	9.3
Other assets	33.4	47.5
Securities	21.6	14.6
Cash and cash equivalents	142.4	107.3
	774.8	755.2
	1,163.9	1,131.8

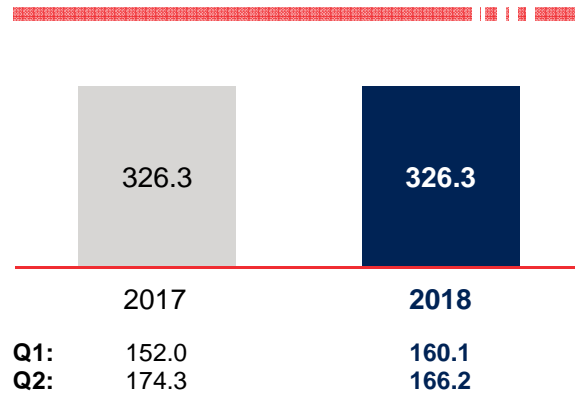
Equity and liabilities in €m	31.12.2017	30.06.2018
Equity		
Share capital	43.0	43.0
Share premium	87.5	87.5
Reserves	293.5	271.6
Equity attrib. to non-controlling interests	-	0.7
	424.0	402.8
Non-current liabilities		
Pension provisions	198.4	148.6
Other provisions	27.1	16.7
Bank loans/other financial payables	8.6	7.4
Other liabilities	1.2	1.3
Deferred tax liabilities	26.2	28.8
	261.5	202.8
Current liabilities		
Other provisions	144.6	137.7
Trade payables	72.1	55.2
Bank loans/other financial payables	100.9	133.9
Other liabilities	160.8	199.4
	478.4	526.2
	1,163.9	1,131.8

Group figures as per IFRS

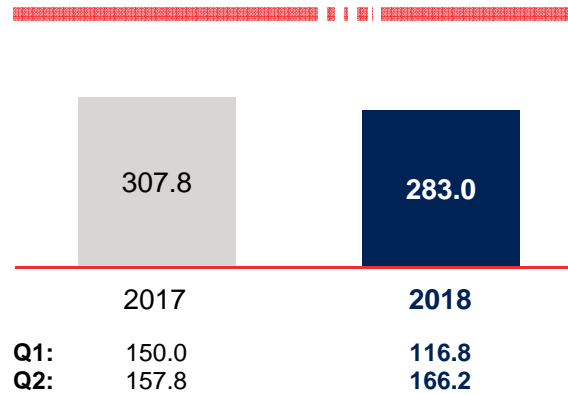
Sheetfed expands market leadership in large-format

- Order intake exactly matching the previous year's figure which was influenced by Print China fair
- Substantial growth in large-format folding carton printing
- EBIT below prior year due to delivery-related lower revenue
- High order backlog of €276.8m

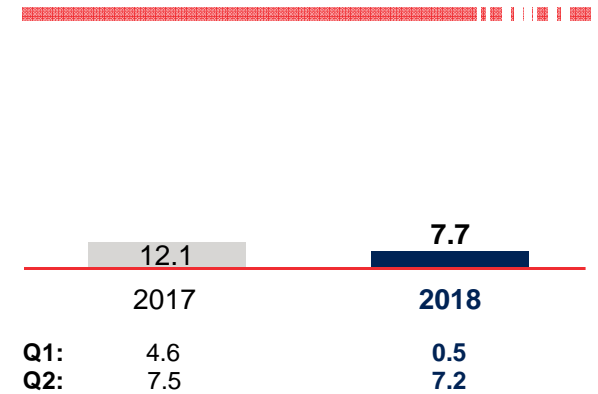
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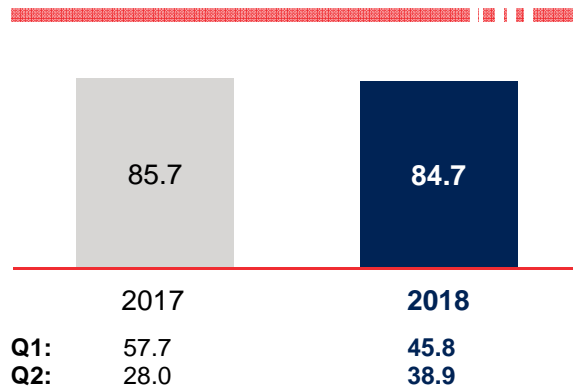
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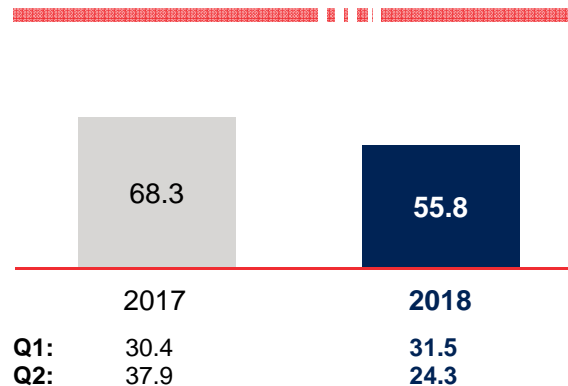
Digital & Web accelerates entry into future markets

- Order gains in flexible packaging
- H1 orders slightly below prior year due to fewer orders for newspaper web presses and services
- Lower revenue due to subdued digital press business/fewer newspaper press installations
- EBIT burdened by lower revenue and market-entry costs for corrugated and flexible packaging
- Good order backlog of €90.4m is basis for revenue and earnings improvement in H2

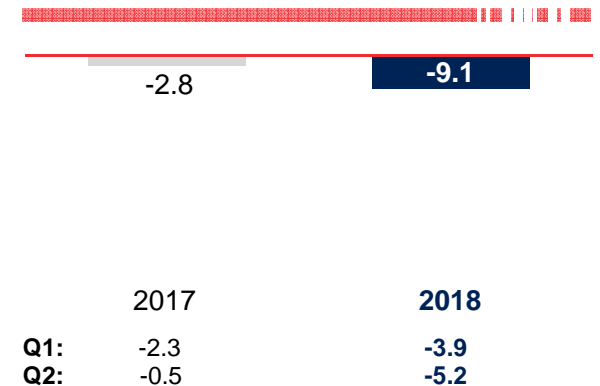
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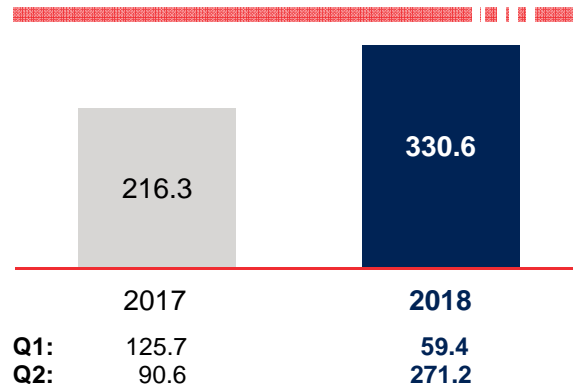
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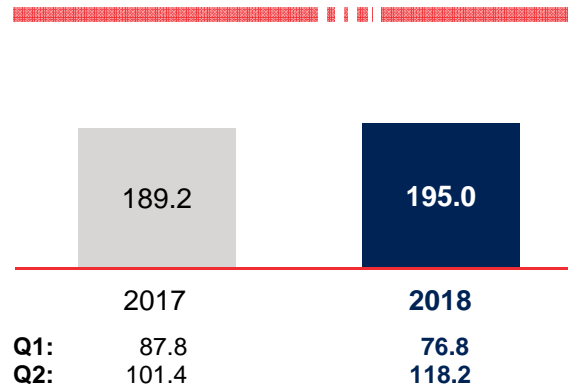
Special with high order momentum

- Strong order intake in security printing and order gains in marking and coding
- H1 order intake up 52.8% y-o-y
- Slightly higher revenue of €195m
- EBIT of €14.4m at the prior year's level
- Extraordinarily high order backlog of €468.3m compared to €285.2m in the previous year

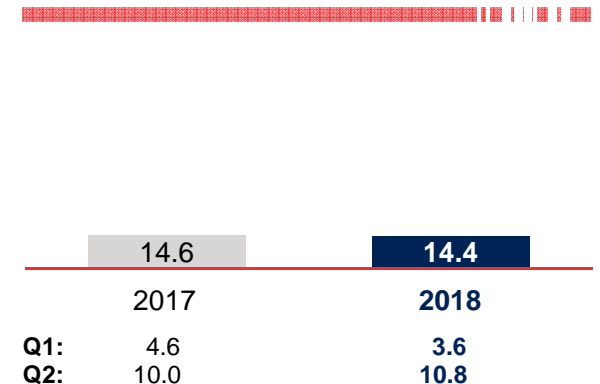
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Guidance for 2018 and mid-term targets until 2021

Guidance and targets for 2018

- Around 4% organic growth in Group revenue
- EBIT margin of around 7%
- Strong management focus on
 - execution of orders on time in H2
 - growth opportunities offered by the market in new press business
- Further progress on the projects to achieve the €70m EBIT increase by 2021 (compared to 2016)

Targets until 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 $\emptyset 4\%$, 70% of revenues in packaging will give a base growth rate of $\emptyset 2,8\%$
- Further growth to come from expanding service revenues in all divisions as well as from market share growth
- $\approx \text{€}70\text{m}$ 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.

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