

Presseinformation / Press Release

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Report on the first half of 2017

Koenig & Bauer growing in the service business and in the packaging and digital printing markets

- **Good order intake of €602m**
- **Revenue of €539m down slightly on the previous year due to more deliveries in H2**
- **High order backlog of €621m**
- **EBIT of €16.3m**
- **Favourable customer response to new and enhanced solutions**
- **Guidance for 2017 confirmed: revenue of up to €1.25bn and an EBIT margin of around 6%**

After a good start to the year in which Koenig & Bauer celebrates its 200th anniversary, the group is able to report favourable business performance in the second quarter of 2017. "The successful trade shows Print China in Beijing, interpack in Düsseldorf and METPACK in Essen contributed to a substantial year-on-year increase in order intake in packaging solutions for cardboard, metal decorating, marking and coding and glass and hollow container printing. Despite this growth and the expansion of service business, the order intake of €601.9m was slightly down on the previous year's figure of €618.8m, which had been spurred by major security press orders," explained CEO Claus Bolza-Schünemann. With group revenue dropping slightly to €538.9m compared with the previous year due to more deliveries in H2, the order backlog remained high at €620.5m.

EBIT came to €16.3m. "The previous year's figure of €20.7m had been influenced by a strong catch-up effect in Q2 (€4.9m) from the execution of a large security press project and

higher revenue,” said CFO Dr Mathias Dähn. The group net profit of €15.2m (2016: €17.2m) is equivalent to proportionate earnings per share of €0.93 (2016: €1.05).

“In addition to the continued expansion of service business, profitable growth will be particularly driven by our existing and new solutions for printing, finishing and postpress processing of packaging as well as our industrial digital printing applications,” explained Dr Mathias Dähn. Claus Bolza-Schünemann mentioned the strong customer interest in the newly developed CS MetalCan solution for printing two-piece beverage cans. Sales launch is to commence in 2018 following the completion of intensive field testing.

Group earnings boosted by the substantial increase in Sheetfed profit

Order intake in the Sheetfed segment grew by 12.2% to €326.3m thanks to increased service business and more orders for medium-format presses. The flatbed die-cutters for postprint processing of cardboard and corrugated also made a gratifying contribution to growth. Revenue rose by 5.5% from €291.7m in the previous year to €307.8m. The additional revenue with better margins and lower costs resulted in a substantial increase in segment profit to €12.1m (2016: €8.6m).

Solid order intake of €85.7m was achieved in the Digital & Web segment. With revenue declining to €68.3m (2016: €75.5m), the order backlog rose from €92.3m to €93.6m. The EBIT of –€ 2.8m (2016: –€2.7m) came under pressure from KBA-Flexotecnica, which contributed a figure of –€3.1m. Optimisation efforts at the Italian subsidiary target to speed up the growth course in the future market of flexible packaging. Without the flexo activities, Digital & Web posted a clear improvement in earnings.

Despite the growth in orders for packaging printing solutions, new business in the Special segment dropped to €216.3m, down from €269.5m in the previous year, in which major security press contracts had been received. At €189.2m, segment revenue fell short of the previous year (€222.9m) due to more deliveries in H2. EBIT came to €14.6m, translating into a gratifying margin of 7.7%. The previous year’s figure of €22.1m had been influenced by a high catch-up effect of €4.9m from a large security press project.

Increase in equity ratio to 32.6%

Despite the higher customer prepayments, cash flows from operating activities came to –€20m compared with the previous year's figure of –€10.6m. In addition to higher inventories for the planned revenue growth in the second half of the year this was due to the increased receivables resulting from an accumulation of deliveries shortly before the end of the first half. Aside from higher capital spending, the free cash flow of –€65.5m was burdened by the first payment instalments of €32.4m for the external funding of a part of the pension provisions. With its funds of €127.5m, securities of €14.7m that can be liquidated at any time as well as the high cash and guarantee facilities, Koenig & Bauer has a stable funding base. The equity ratio rose relative to the slightly increased balance sheet total to 32.6% (end of 2016: 31.1%).

The group workforce increased by 158 over the previous year to 5,359 employees as of 30 June. In addition to targeted recruiting in the service business and for new applications for the packaging and digital printing markets, 71 employees joined the group through the acquisition of KBA-Iberica Die Cutters for the growing die-cutter market.

Guidance for 2017 confirmed

The order backlog of €620.5m at the end of the first half, expanding service business, steady demand in the packaging markets and promising customer projects in security and digital printing, the management board expects revenue growth to accelerate with a positive effect on earnings in the further course of the year. In the absence of any material deterioration in global economic and political conditions impacting its international business, group management expects to achieve organic growth of up to €1.25bn in group revenue and an EBIT margin of around 6% in 2017.

The report on the first half of the year is available as a PDF file and can be downloaded at <https://www.kba.com/en/investor-relations/financial-reports/>

Photo 1:

Autonomous printing – made by Koenig & Bauer: KBA-Sheetfed is setting new benchmarks in sheetfed printing with AutoRun and the Rapida LiveApp

Photo 2:

The innovative CS MetalCan metal decorating press is revolutionising the printing of 2-piece beverage cans with unrivalled makeready times and ten inking units

Please note:

The projections contained in this press release 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. Koenig & Bauer therefore accepts no liability for transactions based upon these projections.

Koenig & Bauer Group	30.06.2016 in €m	30.06.2017 in €m	Change
Revenue	553.9	538.9	- 2.7%
Sheetfed	291.7	307.8	+ 5.5%
Digital & Web	75.5	68.3	- 9.5%
Special	222.9	189.2	- 15.1%
Reconciliation	-36.2	-26.4	
Order intake	618.8	601.9	- 2.7%
Sheetfed	290.8	326.3	+ 12.2%
Digital & Web	90.1	85.7	- 4.9%
Special	269.5	216.3	- 19.7%
Reconciliation	-31.6	-26.4	
Order backlog	639.8	620.5	- 3.0%
Sheetfed	281.9	256.1	- 9.2%
Digital & Web	92.3	93.6	+ 1.4%
Special	289.4	285.2	-1.5%
Reconciliation	-23.8	-14.4	
EBIT	20.7	16.3	
Sheetfed	8.6	12.1	
Digital & Web	-2.7	-2.8	
Special	22.1	14.6	
Reconciliation	-7.3	-7.6	
Earnings before taxes (EBT)	17.8	15.9	
Group profit	17.2	15.2	
Earnings per share in €	1.05	0.93	
Payroll at 30.06.	5,201	5,359	
- thereof apprentices/trainees	300	289	