

Press Release

Koenig & Bauer achieves or exceeds targets for 2017

On track towards achieving medium-term goals and additional growth

- New orders up 10.1%
- 4.3% increase in revenue
- Book-to-bill ratio of 1.04
- 8.7% increase in order backlog
- EBIT margin of 6.7%
- Equity ratio of 36.4%
- Net liquidity including securities of €121m
- Dividend of €0.90 per share proposed
- Group targets for 2018: revenue growth of around 4% and an EBIT margin of around 7%

Würzburg, 22 March 2018

Driven by strong revenue and earnings in the fourth quarter, Koenig & Bauer fully achieved or exceeded its guidance for 2017. The printing press manufacturer's consolidated figures show that with the increase in revenue, earnings and order intake achieved last year it is well on track towards achieving its medium-term targets by 2021.

Growth in the packaging markets and service business, further market share gains

With security business remaining strong, Koenig & Bauer achieved growth in the packaging markets for cardboard printing, metal, glass and hollow container decorating and coding as well as with new products such as rotary and flatbed die-cutters. Market share was widened in all business fields. CEO Claus Bolza-Schünemann: "In addition to the market success of the rotary die-cutter, the sharp rise in new contracts for flatbed die-cutters over the previous year exceeded our expectations substantially." Moreover, the group's revenue and earnings growth was particularly underpinned by expansion in service business. Thus, the proportion of group revenue generated by service business widened from 23.5% in the previous year to 25.6%. CFO Mathias Dähn: "This shows that the group-wide service initiative launched at the beginning of 2016, with which we want to widen the share of service business in group revenue step by step to 30% by 2021 in the interests of greater earnings potential and stability, is now beginning to bear fruit. We want to create satisfied and loyal customers by offering excellent service. At the same time, rising service revenue is an important measure of customer satisfaction for us."

Progress made in projects for additional profitable growth

Koenig & Bauer is working intensively on further applications in packaging, digital and industrial printing to achieve additional profitable growth beyond its medium-term targets. One key aspect is corrugated board printing, which is flourishing at above-average rates thanks to long-term trends such as home-shopping as well as more sophisticated and colourful outer packaging. CEO Claus Bolza-

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Schünemann: "We have already started marketing the sheetfed flexo presses CorruFLEX and CorruCUT (with an integrated rotary die-cutter), both of which have been developed with a number of unique features. In early 2019 we will be installing a CorruCUT system at the pilot customer Klingele." A further target market is 2-piece can printing. Explains CFO Mathias Dähn: "As a globally leading supplier of presses for 3-piece can printing, we want to expand our profile by entering the 2-piece can market. Presented in May 2017 with a number of important advantages for users, the newly developed CS MetalCan press for 2-piece can decorating met with strong customer interest. Following two contract signings, we are now able to commence intensive field-testing with the target of sales launch at the end of 2018." In digital printing, Koenig & Bauer sees an additional growth option as digitisation no longer poses any substitution risks in the markets addressed by the company.

Good group business performance in 2017

At €1,217.6m, group revenue reached the target corridor of up to €1.25bn defined in the guidance. With revenue up 4.3% over the previous year (€1,167.1m), Koenig & Bauer fully achieved its mid-term organic revenue growth rate of around 4% p.a., thus more than making up for the further decline of €25m in revenue from newspaper and commercial web presses. The group's new orders rose substantially by 10.1% over 2016 (€1,149.7m) to €1,266.3m. With orders up 29.7% over the previous year, the fourth quarter was particularly strong. The book-to-bill ratio came to 1.04, while order backlog stood at €606.2m, up 8.7% on the previous year.

EBIT margin of 6.7% exceeded guidance of around 6% for 2017

The increased revenue in tandem with more service business across the Group caused the profit rise. In addition to expenses for portfolio additions, new products and IT systems, earnings came under strain from production service provider KBA-Industrial Solutions and the measures to optimise flexible packaging printing. Adjusted for the non-recurring income in the previous year, EBIT climbed from €62.9m to €81.4m. Driven by the positive earnings development and outlook for the group, a tax income of €12.7m arose again from the recognition of deferred tax assets. At €81.1m, group net profit (previous year: €82.2m) translates into earnings per share of €4.91 in 2017 (2016: €4.98).

Dividend of €0.90 per share proposed

"Thanks to the positive earnings performance and the retained profit generated by the holding company Koenig & Bauer AG, we are able to continue our dividend policy with a distribution rate of between 15% and 35% of the group's net profit," said CEO Claus Bolza-Schünemann. Accordingly, the Management Board and the Supervisory Board will be asking the shareholders to approve a dividend of €0.90 per share at the annual general meeting on 9 May 2018. This is equivalent to a dividend ratio of 18.4% of Group net profit.

Order and earnings momentum continuing for Sheetfed

Driven by innovative, bespoke solutions for folding carton and commercial printing as well as a broader sales and service footprint in the markets of the future, order intake in the Sheetfed segment, which as the largest segment is dominated by packaging printing, rose by 15.2% over the previous year (€569.7m) to €656.2m. Revenue climbed by 7.3% over 2016 (€615m) to €660.2m. EBIT increased from €31.3m in the previous year to €37.5m, with the EBIT margin widening from 5.1% to 5.7%.

Digital & Web investing in the markets of the future

Digital & Web order intake and revenue fell short of the previous year primarily as a result of the expected further decline in orders for newspaper and commercial web presses. Segment earnings came under strain from optimisation efforts for flexible packaging printing as well as R&D expenses, result-

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ing in an EBIT of –€4.3m, down on the previous year's figure of €0.5m. CFO Mathias Dähn: "With the measures taken in flexible packaging printing, a turnaround is apparent, although it will be important to continue to take the right actions to close the gap between our company and the successful leaders of this attractive market."

Order intake, revenues and profit up in the Special segment

Growth in orders for security printing, metal and glass/hollow container decorating as well as coding boosted order intake by 16.1% to €533.7m (2016: €459.7m). Revenue grew by 5.3% from €444.3m in the previous year to €467.9m. Following a segment profit of €44.3m in the previous year, EBIT of €53.7m was recorded in 2017.

Stronger balance sheet and financial power

Cash flows from operating activities increased slightly from €21.9m in the previous year to €23.8m despite the higher net working capital. Following the successful efforts to reduce working capital in large parts of the group, the measures already taken to optimise receivables and inventories in security printing will not have short-term effects. The free cash flow of –€59.6m (2016: €2.3m) was burdened by high investments (€48.5m) and payment instalments (€36.8m) made for the external funding of a part of the pension provisions. As well as the internal liquidity generated by operating business, the group has access to credit facilities provided by a syndicate of renowned banks. In addition to a guarantee facility of €200m, the syndicated finance includes a revolving cash credit facility of €150m with an option to increase it by €50m. The facilities have a term of five years plus two one-year renewal options up until December 2024. The solid balance-sheet structure was additionally improved with the increase in the equity ratio from 31.1% to 36.4%.

Group targets for 2018: revenue growth of around 4% and an EBIT margin of around 7%

In the absence of any material deterioration in global economic and political conditions for our international business, Management Board expects to achieve organic growth of around 4% in group revenue and an EBIT margin of around 7% in 2018.

CFO Mathias Dähn: "In addition to the favourable global economy and the outlook for the consistently growing packaging and industrial printing industry, our forecast is based on the 10.1% increase in order intake and the further gains in market share achieved in all business fields. A strong basis is also provided by the 8.7% rise in the order backlog to €606.2m and the progress made in the €70m EBIT increase projects by 2021. The incremental growth in the revenue share of service business to 30% and the performance improvement project in security printing should each contribute around €20m and the integrated production network and strategic purchasing each around €15m to earnings growth. At the same time, we will be raising the prices of our entire product range by 3.7% effective 1 April 2018 in response to rising costs. Even so, the targeted growth investments are leaving traces on our cost position. Our guidance for 2018 put us on track to achieving our EBIT margin target of 9% and an organic revenue growth rate of around 4% p.a. by 2021. We would expect to reach the lower edge of our EBIT guidance of between 4% and 9% in the event of more adverse conditions in the global economy and the end markets, particularly as a result of volatile security printing business."

In the first quarter of 2018, Koenig & Bauer will be completing the partial external funding of its pension provisions commenced in 2017 and initially planned for a period of five years. The final payment will be in the same amount as all the previous payments made in 2017. At the time of transfer of the claims to the beneficiaries, the reinsurance claims recognised within financial receivables will be net-

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ted against pension provisions. This reduction in the balance sheet will additionally improve the equity ratio and will bring it closer to the target of over 45%.

Photo 1:

Koenig & Bauer has developed the sheetfed flexo presses CorruFLEX and CorruCUT (with an integrated rotary die-cutter) for the large and fast-growing market of analogue direct printing on corrugated board. In early 2019 a CorruCUT system will be installed at the pilot customer Klingele

Photo 2:

Following two contract signings for the CS MetalCan 2-price can decorating system with its many unique features, intensive field-testing is commencing with the target of sales launch at the end of 2018

Photo 3:

Order intake, revenue and earnings were particularly gratifying in flatbed die-cutter business in 2017

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About Koenig & Bauer

The Koenig & Bauer Group is a customer-centric partner to the international printing industry with annual revenue of €1.2bn and 5,600 employees. We are the global market and technology leader in security printing and in important packaging printing markets. Throughout its 200-year history, it has been driven by innovation and technological progress. Systematically oriented to meeting customer requirements, our high-tech printing presses and systems permit highly efficient printing, refining and processing. Our services cover a wide range of customer-oriented offerings including networked printing under the "Koenig & Bauer 4.0" label. With its solid balance sheet and high financial strength together with its focus on packaging, digital and industrial printing, Koenig & Bauer is on a profitable growth trajectory.

For more information, visit www.koenig-bauer.com

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Koenig & Bauer Group	31.12.2016 in €m	31.12.2017 in €m	Change
Revenue	1,167.1	1,217.6	+ 4.3%
Sheetfed	615.0	660.2	+ 7.3%
Digital & Web	183.6	154.2	- 16.0%
Special	444.3	467.9	+ 5.3%
Reconciliation	-75.8	-64.7	
Order intake	1,149.7	1,266.3	+ 10.1%
Sheetfed	569.7	656.2	+ 15.2%
Digital & Web	182.0	139.6	- 23.3%
Special	459.7	533.7	+ 16.1%
Reconciliation	-61.7	-63.2	
Order backlog	557.5	606.2	+ 8.7%
Sheetfed	237.5	233.5	- 1.7%
Digital & Web	76.1	61.5	- 19.2%
Special	258.2	324.0	+ 25.5%
Reconciliation	-14.3	-12.8	
EBIT	87.1	81.4	
Sheetfed	31.3	37.5	
Digital & Web	0.5	-4.3	
Special	44.3	53.7	
Reconciliation	11.0	11.1	
Earnings before taxes (EBT)	81.0	78.5	
Group profit	82.2	81.1	
Earnings per share in €	4.98	4.91	
Cash flows from operating activities	21.9	23.8	
Balance sheet total	1,085.5	1,163.9	
Equity	337.8	424.0	
Employees (31 December)	5,318	5,589	
thereof apprentices/students	363	358	

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Disclaimer:

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.