KOENIG & BAUER

Conference Call
Q1 Results 2018
3 May 2018

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we're on it.

Agenda

Highlights Q1 2018

Business performance Q1 2018

Guidance for 2018 and mid-term targets until 2021

Gains in service and packaging printing markets

Service business expansion

- Service revenue climbed from €67.4m the previous year to €71.8m in the first quarter 2018
- Proactive service offerings such as analyses for optimising processes and boosting efficiency of customer installations

Growth in packaging printing markets

- Rise in orders for cardboard printing, flexible packaging, metal decorating, marking and coding
- Market leadership in large-format sheetfed offset expanded in Q1 2018

Product innovations progressing well

Direct printing on corrugated board

- Unique features of sheetfed flexo presses CorruFLEX/CorruCUT (with integrated die-cutter) shorten make-ready times and increase operating convenience
- Important milestone with first CorruCUT order from the renowned pilot customer Klingele, installation in early 2019
- Digital CorruJET sheetfed press in test mode before delivery to well-known customer at the end of 2018

2-piece can decorating

- CS MetalCan offers users decisive advantages
- Two customer contracts signed at the end of last year
- Intensive field-testing commencing with the target of sales launch at the end of 2018

Agenda

Highlights Q1 2018

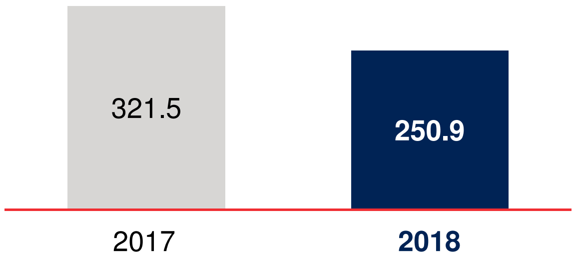
Business performance Q1 2018

Guidance for 2018 and mid-term targets until 2021

First quarter of 2018 in line with expectations

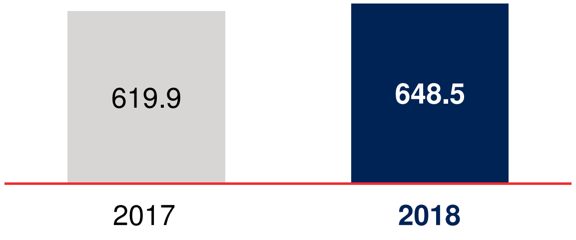
- Order intake lower due to previous year's substantial security press project
- Order gains in packaging printing
- Well filled project pipeline in all business fields
- Revenue below prior year due to stronger concentration of deliveries in H2, service revenue up
- With book-to-bill ratio of 1.15 order backlog grows to €648.5m

Order intake 01.01. - 31.03.



Revenue 01.01. - 31.03.

Order backlog 31.03.



Group figures as per IFRS in €m

Earnings impacted by low revenue due to delivery schedules

- Driven by good service business, gross profit margin increased from 28.4% to 30.7%
- EBIT of -€1.9m below prior year due to delivery-related lower revenue
- Positive earnings momentum with rising revenue in the following quarters
- Further profit increase through ongoing projects in service, security printing, strategic purchasing and production network

	2016	2017	Q1 2017	Q1 2018
Gross profit margin	29.7%	29.2%	28.4%	30.7%
EBIT	€62.9m [1)]	€81.4m	€5m	-€1.9m
EPS	€4.98	€4.91	€0.30	-€0.15

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

Group income statement

in €m	Q1 2017	Q1 2018
Revenue	259.1	217.3
Cost of sales	-185.6	-150.6
Gross profit	**73.5**	**66.7**
Research and development costs	-14.5	-12.1
Distribution costs	-31.4	-30.9
Administrative expenses	-23.4	-26.2
Other operating income ./. expenses	0.8	0.6
Earnings before interest and taxes (EBIT)	**5.0**	**-1.9**
Interest result	-0.7	-1.0
Earnings before taxes (EBT)	**4.3**	**-2.9**
Income tax	0.4	0.6
Net profit/loss	**4.7**	**-2.3**

Group figures as per IFRS

Group cash flow statement

in €m	Q1 2017	Q1 2018
Earnings before taxes	4.3	-2.9
Non-cash transactions	7.3	6.5
Gross cash flow	**11.6**	**3.6**
Changes in inventories, receivables, other assets	-33.9	11.1
Changes in provisions and payables	7.4	5.6
Cash flows from operating activities	**-14.9**	**20.3**
Cash flows from investing activities	**-29.5**	**-40.7**
Free cash flow	**-44.4**	**-20.4**
Cash flows from financing activities	**2.2**	**-29.1**
Change in funds	**-42.2**	**-49.5**
Effect of changes in exchange rates/consolidated companies	-0.3	2.0
Funds at beginning of period	202.0	142.4
Funds at end of period	**159.5**	**94.9**

Group figures as per IFRS

Group balance sheet

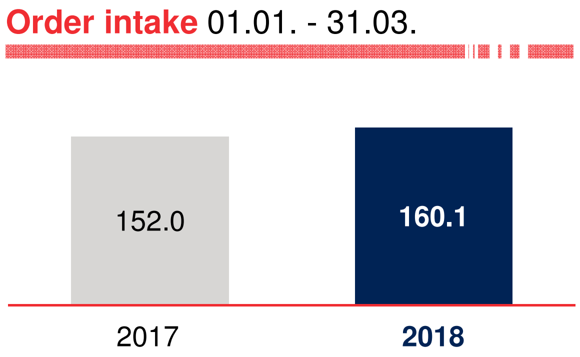
Assets in €m	31.12.2017	31.03.2018
Non-current assets		
Intangible assets and property, plant and equipment	256.3	255.5
Investments/other financial receivables	50.5	25.2
Other assets	1.6	1.6
Deferred tax assets	80.7	85.9
	389.1	**368.2**
Current assets		
Inventories	254.9	311.0
Trade receivables	308.3	236.2
Other financial receivables	14.2	13.7
Other assets	33.4	42.7
Securities	21.6	22.6
Cash and cash equivalents	142.4	94.9
	774.8	**721.1**
	1,163.9	**1,089.3**

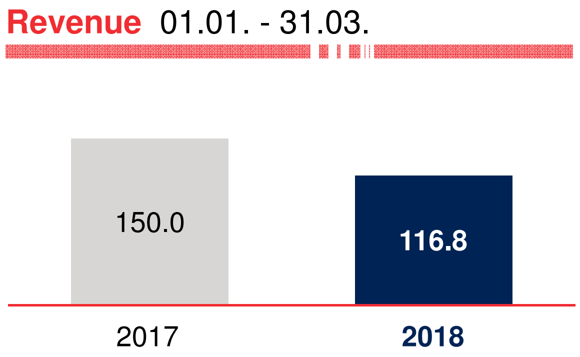
Equity and liabilities in €m	31.12.2017	31.03.2018
Equity		
Share capital	43.0	43.0
Share premium	87.5	87.5
Reserves	293.5	281.4
Equity attrib. to non-controlling interests	-	0.5
	424.0	**412.4**
Non-current liabilities		
Pension provisions	198.4	149.5
Other provisions	27.1	18.7
Bank loans/other financial payables	8.6	8.1
Other liabilities	1.2	1.0
Deferred tax liabilities	26.2	25.4
	261.5	**202.7**
Current liabilities		
Other provisions	144.6	143.8
Trade payables	72.1	53.4
Bank loans/other financial payables	100.9	84.3
Other liabilities	160.8	192.7
	478.4	**474.2**
	1,163.9	**1,089.3**

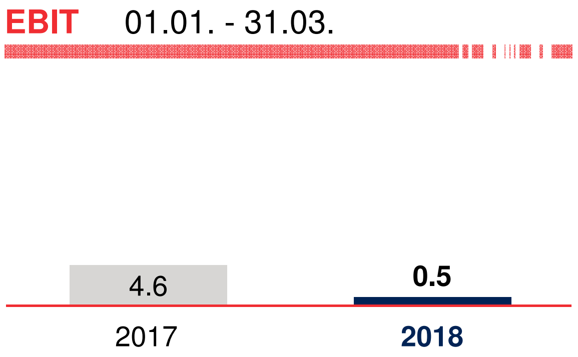
Group figures as per IFRS

Good order momentum in Sheetfed

- 5.3% rise in orders
- Strong increase in large-format orders
- EBIT below prior year due to delivery-related lower revenue
- With book-to-bill ratio of 1.37 order backlog grows from €239.5m to €276.8m



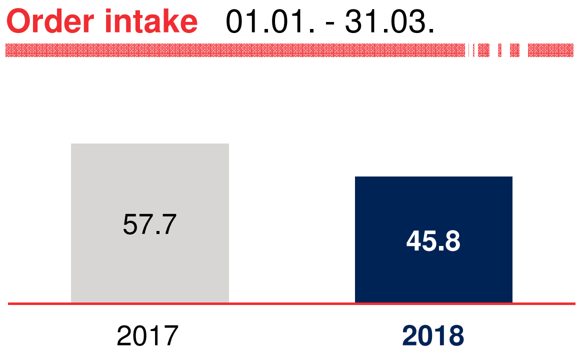


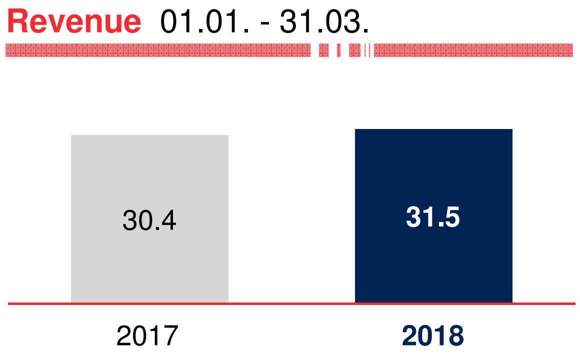


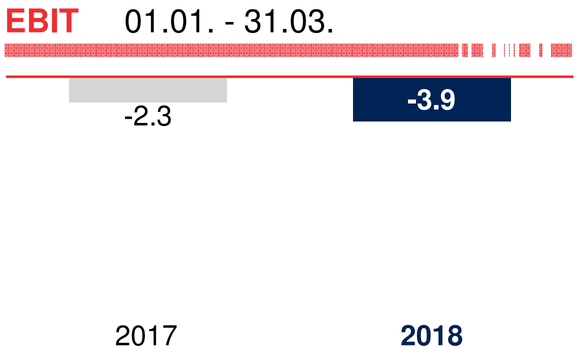
Group figures as per IFRS in €m

Digital & Web investing in future markets

- Order intake below prior year due to subdued digital press business and fewer orders for newspaper web presses as expected
- Gains in flexible packaging, first CorruCut order is important milestone in large and significantly growing market for analogue direct printing on corrugated board
- Good order backlog of €75.8m
- EBIT impacted by low revenue level, R&D and growth expenses





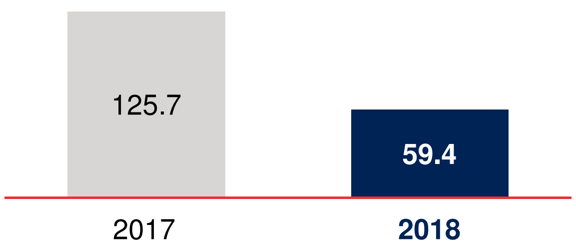


Group figures as per IFRS in €m

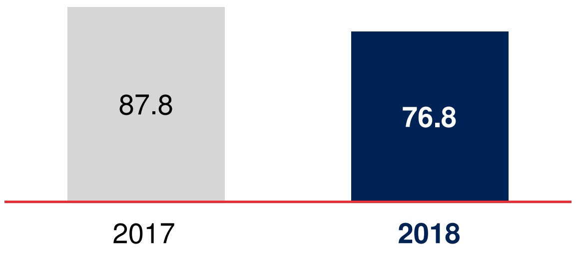
Good prospects in Special segment

- Clear order growth in metal decorating, marking and coding
- Segment order intake below prior year marked by a large security press order
- Good project pipeline in security printing, booking of usually large orders not spread evenly over the individual quarters
- EBIT below prior year due to delivery-related lower revenue

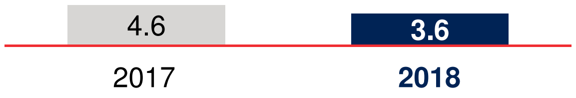
Order intake 01.01. - 31.03.



Revenue 01.01. - 31.03.



EBIT 01.01. - 31.03.



Group figures as per IFRS in €m

Agenda

Highlights in Q1 2018

Business performance & key figures in Q1 2018

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%
- Next growth step in service business
- Further market share gains across all business fields
- 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 ≈ 4% p.a.

- New equipment in packaging printing expected to grow at 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

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

- ≈ €70m profit increase through 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

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

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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. Koenig & Bauer AG therefore accepts no liability for transactions based upon these projections.

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