Press release

## More demanding market environment makes achievement of group targets 2019 significantly more challenging for Koenig & Bauer

Cost reduction, growth projects and working capital reduction in focus

* Strict price discipline in a challenging market environment adversely affects order intake in Q3
* Revenue slightly above prior year
* Earnings impacted by growth expenses and product mix with higher costs
* Cash flow temporarily burdened by special items
* 33.2% equity ratio

Würzburg, 7 November 2019   
As a result of significantly increased economic risks and greater price pressure from competitors, the market environment for Koenig & Bauer has become much more demanding. Due to strict price discipline, the sometimes massive concessions from the competition led to weaker order intake in the third quarter of 2019, particularly in the Sheetfed segment.

In the first three quarters of 2019, the Koenig & Bauer group achieved an order intake of €843m. The prior-year figure of €943.2m benefited from a major order in security printing which is not usual in this scope. With good proceeds of €292.2m in the third quarter, group revenue increased slightly as compared to the prior year (€788.8m) to €798.2m. Group EBIT of €5.2m (2018: €28.6m) was primarily impacted by expenses for the growth offensive 2023 which, cumulatively for 2019 until 2021 are about €50m with a heavier load in the first year. President and CEO Claus Bolza-Schünemann described further details: “In addition to a declining services business in newspaper printing, unexpected project expenses for a major order in security printing, unplanned quality costs and negative mixed effects burdened earnings. Also in view of the considerable increase in economic risks, we have been working intensively in recent months on specific cost reduction programs. The optimisation of the group-wide production and assembly footprint is a focus in this regard.” CFO Mathias Dähn added: “In addition to the active and fast cost structuring, we are pushing our work on innovative products which enable customers to realise tangible added value. Reduction of working capital is also a particular focus.”

### 6.7% rise in orders in Sheetfed

In addition to the strong services business, more orders for medium-format presses led to growth in order intake in the Sheetfed segment of 6.7% to €460m (2018: €431.3m). Revenue of €407.4m was at the level of the prior year (€409.4m). The good order backlog of €242.5m (2018: €253.6m) ensures continued high capacity utilisation. Due to the product mix and temporarily higher associated quality costs, EBIT of –€2.2m was below the figure from the prior year (€14m).

### Slight revenue increase in Digital & Web

At Digital & Web, order intake of €108m was 3.9% below the prior-year figure of €112.4m. More press sales in newspaper and digital decor printing could not compensate for declining services business in newspaper printing and lower press orders in flexible packaging printing. While revenue increased slightly from €102.8m to €105.4m, order backlog was up significantly from €72.1m to €88.4m. EBIT, burdened by high market-entry and growth-related expenses, was –€15.7m as compared to –€10.8m in the prior year.

### 3.9% higher revenue in Special

In the Special segment, order intake of €305.3m was below the prior-year figure of €428.3m, which was impacted by a major order in security printing. In a highly-competitive environment, we were not able to succeed in all security printing tender awards. Nevertheless, press orders were in line with planning. Following strong metal decorating orders for large-scale machine lines for 3-piece can decorating in recent years, the dynamic demand has calmed recently. By contrast, we were able to achieve significant order growth in glass and hollow container decorating. Revenue was up from €299m to €310.7m. EBIT was at €13.1m after €25.3m in the prior year as a result of the product mix and the unexpected project expenses for the major order in security printing. At €339.1m, order backlog and capacity utilisation are at a high level (2018: €460.3m).

### Equity ratio of 33.2%

Despite lower trade receivables as well as increased customer payments, higher inventories and contract assets plus high investments for construction and IT projects significantly burdened cash flow. CFO Mathias Dähn adds: “There was also a substantial one-off effect in addition to high investment payments. Following completion of the self-disclosure proceedings in connection with shortcomings in corruption prevention at the Swiss subsidiary KBA-NotaSys SA, there was an additional burden on cash flow in the first nine months of 2019 due to the CHF30m payment made to the Swiss Office of the Attorney General for the agreed skimming of profits. An additional significant capital lockup resulted from the major Egypt order in banknote printing through the contract assets realised less prepayments. At the end of September 2019, the resulting cash burden amounted to €31.7m. We anticipate a liquidity relief following completion of the project in the third quarter of 2020.“

### 2019 group targets

President and CEO Claus Bolza-Schünemann: “The achievement of our annual targets 2019 – organic revenue growth in the Group of around 4% and an EBIT margin of around 6% – has become significantly more challenging in this demanding market environment with weaker order intake in the third quarter. With the currently high capacity utilisation, target achievement is subject to the scheduled order processing, the booking of expected orders and the timely effect of the cost reduction measures that have been initiated.“

#### Photo 1:

At the prestigious pilot customer Klingele in Delmenhorst near Bremen, the production start of the CorruCUT for corrugated board printing and processing is in mid-November

#### Photo 2:

For its growth offensive 2023, Koenig & Bauer is relying on innovative products such as the CI flexo printing press Evo XC which provides the customer with a measurable added value

#### Photo 3:

With the future-oriented APL-Robotman technology from group subsidiary Koenig & Bauer Coding, labels can be printed and, with a collaborative robot arm, applied to places not previously reachable in an automated process

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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 over €1.2bn and 5,800 employees. The group is the global market and technology leader in security printing and in growing packaging printing markets. Throughout its 201-year history, it has been driven by innovation and technological progress. Systematically oriented to meeting customer requirements, its high-tech printing presses and systems permit highly efficient printing, finishing and postpress processing. Its services cover a wide range of customer-oriented offerings including networked printing.

For more information, visit [www.koenig-bauer.com](http://www.koenig-bauer.com)

Disclaimer:  
The projections contained in this press release are 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 on these projections.

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| Koenig & Bauer group | 30.09.2018 in €m | 30.09.2019 in €m | Change |
| Revenue **Sheetfed Digital & Web** Special Reconciliation | **788.8 409.4 102.8 299.0 -22.4** | **798.2** 407.4 105.4 310.7 -25.3 | **+ 1.2%** - 0.5% + 2.5% + 3.9% |
| Order intake **Sheetfed Digital & Web** Special Reconciliation | **943.2** 431.3 112.4 428.3 -28.8 | **843.0** 460.0 108.0 305.3 -30.3 | **- 10.6%** + 6.7% - 3.9% - 28.7% |
| Order backlog **Sheetfed Digital & Web** Special Reconciliation | **769.3** 253.6 72.1 460.3 -16.7 | **655.7** 242.5 88.4 339.1 -14.3 | **- 14.8%** - 4.4% + 22.6% - 26.3% |
| EBIT **Sheetfed Digital & Web** Special Reconciliation | **28.6** 14.0 -10.8 25.3 0.1 | **5.2** -2.2 -15.7 13.1 10.0 |  |
| Earnings before taxes (EBT) | **25.4** | **1.2** |  |
| Net profit | **20.4** | **1.0** |  |
| Earnings per share in € | **1.23** | **0.05** |  |
| Cash flows from operating activities | **50.5** | **-124.2** |  |
| Balance sheet total  (prior year: 31.12.) | **1,178.3** | **1,246.7** |  |
| Equity (prior year: 31.12.) | **453.4** | **413.3** |  |
| Employees on 30 September thereof apprentices/students | **5,698** 341 | **5,816** 344 |  |