

**Conference Call
Full-Year Results 2016
22 March 2017**

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Agenda

Overview 2016 and focus

Business performance & key figures in 2016

Guidance 2017 and mid-term targets for 2017 - 2021

2016: Substantial revenue and earnings growth

Guidance fully achieved

- Group revenue reached top end of target corridor
- EBT margin guidance met
- Profits in all business segments

Growth in future markets

- Market share gains in packaging, global market share increased in cardboard to 45%, in flexible packaging to 6%
- Successes in digital printing
- Gains in service business

Stronger key figures

- Significantly reduced risk profile
- Equity ratio improved
- Financial power strengthened
- Net profit of Koenig & Bauer AG enables dividend proposal of €0.50 per share

Focus on profitable growth

Focus 2014: restructuring and clean-up

- Termination or successful redesign of all loss-making businesses
- Comprehensive restructuring including heavy cost-cutting
- Introduction of strong corporate governance: accountable management, no cross-subsidies, zero tolerance for loss-makers

Focus 2015 - 2016: increased profitability

- Unprecedented margin targets set at the beginning of 2015, largely achieved or exceeded already in 2016
- Main strategic focus on packaging and industrial printing

Focus 2017 - 2021: growth in all businesses

- Based on this solid groundwork and after a decade of revenue decline, the company will now adopt growth in all business fields as the center pillar of its endeavours
- All businesses should contribute to the intended growth

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Good Group business performance

- Robust order intake despite challenging global economic situation
- 14% rise in revenue
- Strong growth in service business and packaging printing
- Order book still at a high level

Order intake

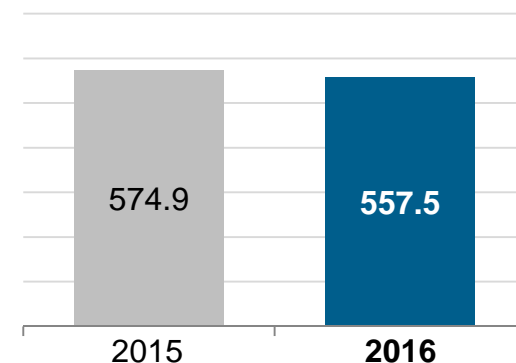
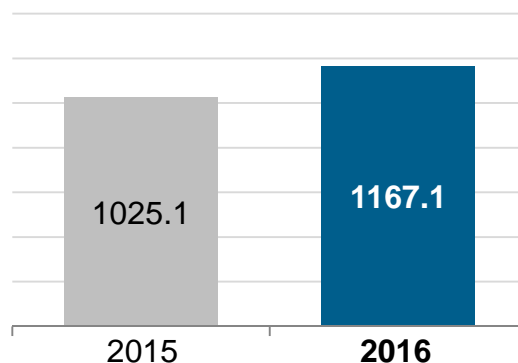
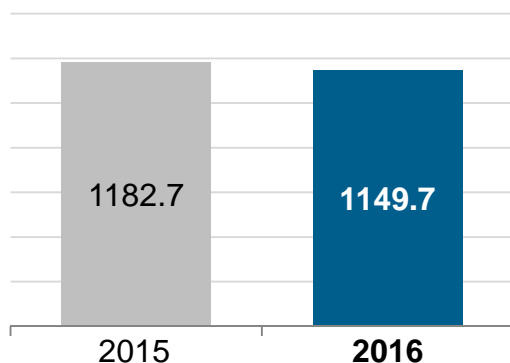
01.01. - 31.12.

Revenue

01.01. - 31.12.

Order backlog

31.12.15/31.12.16



	2015	2016
Q1:	306.7	266.3
Q2:	300.8	352.5
Q3:	252.1	251.0
Q4:	323.1	279.9

	2015	2016
Q1:	177.3	258.8
Q2:	249.6	295.1
Q3:	252.8	277.5
Q4:	345.4	335.7

	2015	2016
Q1:	546.7	582.4
Q2:	597.9	639.8
Q3:	597.3	613.3
Q4:	574.9	557.5

Group figures as per IFRS in €m

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Highest profit margin in the last 199 years

- Higher revenues with better margins, good utilisation and sustainably reduced cost level push EBIT to €62.9m (before special items)
- At 4.9% (before special items) EBT margin guidance of up to 5% achieved
- Non-recurring income from mandatory write-ups of assets (€22.4m) and other effects (€1.8m)
- Non-recurring tax income of €7.4m resulting from tax loss carry-forwards

	2014	2015	2016
Gross margin	27%	26.8%	29.7%
EBT	€5.5m	€29.7m	€81m
EPS	€0.03	€1.62	€4.98

Group income statement

in €m	2015	2016
Revenue	1,025.1	1,167.1
Cost of sales	-750.6	-820.5
Gross profit	274.5	346.6
Research and development costs	-57.2	-59.3
Distribution costs	-123.4	-144.1
Administrative expenses	-77.8	-80.4
Other operating income ./ expenses	19.8	24.3
Earnings before interest and taxes (EBIT)	35.9	87.1
Interest result	-6.2	-6.1
Earnings before taxes (EBT)	29.7	81.0
Income tax	-2.8	1.2
Net profit	26.9	82.2

Group figures as per IFRS

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Group cash flow statement

in €m	2015	2016
Earnings before taxes	29.7	81.0
Non-cash transactions	33.6	10.6
Gross cash flow	63.3	91.6
Changes in inventories, receivables, other assets	17.4	-35.1
Changes in provisions and payables	-96.0	-34.6
Cash flows from operating activities	-15.3	21.9
Cash flows from investing activities	-8.4	-19.6
Free cash flow	-23.7	2.3
Cash flows from financing activities	0.7	13.9
Change in funds	-23.0	16.2
Effect of changes in exchange rates	1.7	-0.5
Funds at beginning of period	207.6	186.3
Funds at end of period	186.3	202.0

Group figures as per IFRS

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Stronger balance sheet and financial power

High equity ratio and net liquidity

- Equity ratio of 31%
- Good cash flow pushes liquid assets
- Liquid assets of €202m, plus securities of €19.9m
- Net liquidity of €168m

New net working capital target range

- Net working capital ratio increased from 26.6% to 27.5%
- Optimisation of inventories under strong focus
- Net working capital target range of 20-25% of revenue

	31.12.2015	31.03.2016	30.06.2016	30.09.2016	31.12.2016
Net liquidity*	170.5	179.8	154.5	147.5	168.1

Group balance sheet

in €m

Assets

Non-current assets

	31.12.2015	31.12.2016
Intangible assets and property, plant and equipment	224.2	239.5
Investments/other financial receivables	15.7	15.9
Other assets	0.1	0.1
Deferred tax assets	31.1	64.9
	271.1	320.4

Current assets

Inventories	258.8	293.4
Trade receivables	193.5	209.0
Other financial receivables	17.6	14.2
Other assets	36.3	26.6
Securities	13.3	19.9
Cash and cash equivalents	186.3	202.0
	705.8	765.1

976.9 **1,085.5**

Equity and liabilities

Equity

	31.12.2015	31.12.2016
Share capital	43.0	43.0
Share premium	87.5	87.5
Reserves	127.3	206.8
Equity attrib. to non-controlling interests	0.6	0.5
	258.4	337.8

Non-current liabilities

Pension provisions	191.8	212.5
Other provisions	28.3	23.2
Bank loans/other financial payables	10.2	9.4
Other liabilities	1.4	1.0
Deferred tax liabilities	14.1	22.0
	245.8	268.1

Current liabilities

Other provisions	188.6	180.5
Trade payables	42.6	59.0
Bank loans/other financial payables	73.3	94.5
Other liabilities	168.2	145.6
	472.7	479.6

976.9 **1,085.5**

Group figures as per IFRS

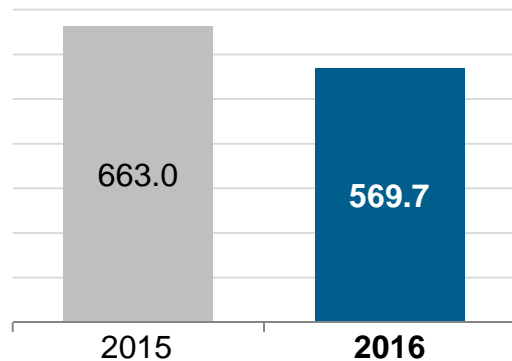
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Positive earnings momentum continuing for Sheetfed

- Good order intake after positive Q4 and slower post-Drupa business as expected
- Market share gains in sheetfed offset to 25 %, in large format to over 60%
- Revenue up 9.5%, order backlog of €238m
- Earnings increase based on higher revenues and margins despite Drupa/R&D costs

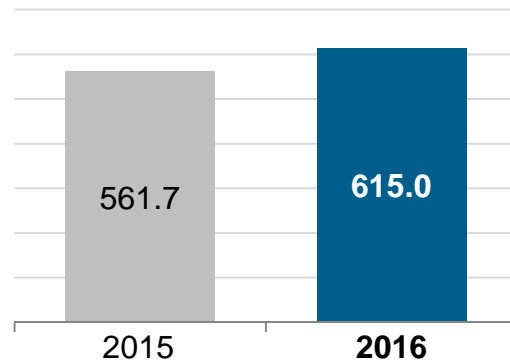
Order intake

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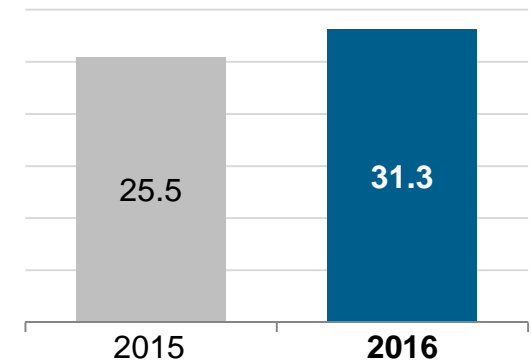
Revenue

01.01. - 31.12.



EBIT

01.01. - 31.12.



	2015	2016
Q1:	174.7	135.7
Q2:	193.4	155.1
Q3:	148.3	139.0
Q4:	146.6	139.9

	2015	2016
	109.8	154.6
	129.2	137.1
	138.8	152.1
	183.9	171.2

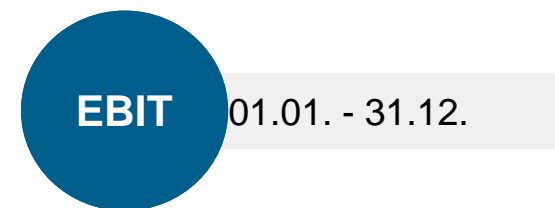
	2015	2016
	-2.7	5.7
	6.5	2.9
	6.3	8.7
	15.4	14.0

Group figures as per IFRS in €m

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Digital & Web growing in future markets

- 28% higher order intake due to more service business and new digital printing applications
- 59% rise in revenue
- Good order backlog of €65m
- In the black, EBIT influenced by development expenses and settlement of legal disputes



	2015	2016
Q1:	27.9	34.2
Q2:	41.3	31.8
Q3:	20.7	34.0
Q4:	27.9	50.8

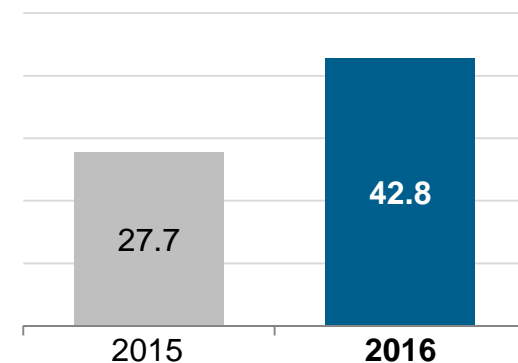
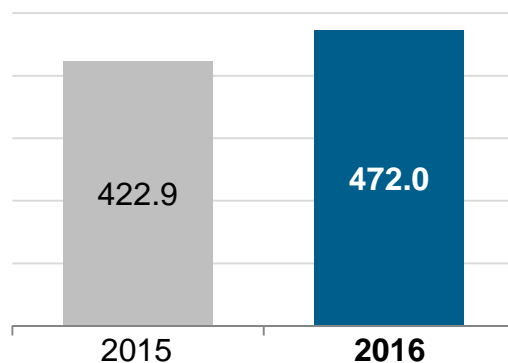
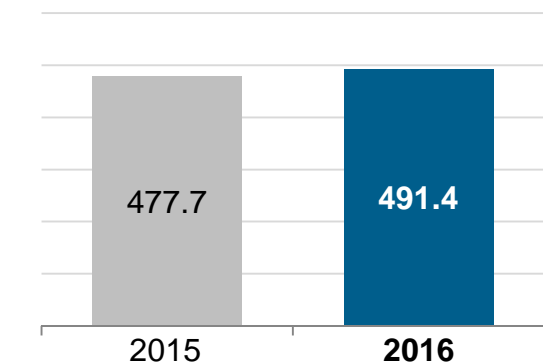
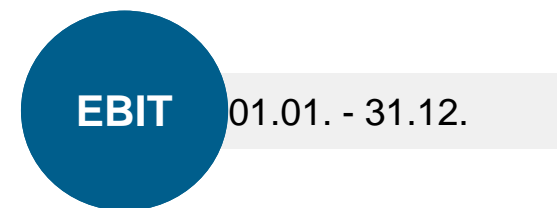
	2015	2016
	13.3	27.9
	23.4	36.6
	26.3	45.5
	35.4	46.5

	2015	2016
	-8.7	-1.8
	-0.2	0.9
	-3.3	1.5
	1.3	1.3

Group figures as per IFRS in €m

Order intake, revenue and profit up in Special

- Order intake rose by 3% yoy, gains in packaging markets
- Fundamentally solid project pipeline in security printing
- 12% higher revenue, order backlog up to €270m
- EBIT of €42.8m, cyclical banknote business with in part demanding project executions



	2015	2016
Q1:	117.4	115.1
Q2:	81.6	178.9
Q3:	96.9	90.3
Q4:	181.8	107.1

Group figures as per IFRS in €m

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Guidance and targets for 2017

- Organic growth of up to €1.25bn in Group revenue
- EBIT margin of around 6%
- Further revenue and market share gains in packaging and digital printing
- Next growth step in service business
- Start of external funding of pensions liabilities to reduce longevity risks
(≈ €65m over 5 years)

Targets for 2017 - 2021

Revenue:
target organic
growth rate
of $\approx 4\%$ p.a.

- New equipment in packaging printing expected to grow with $\emptyset 4\%$, 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
- Evaluation of strategic options in security printing to create growth, as equipment revenue increase is limited

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

- $\approx \text{€}70\text{m}$ profit increase by 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, margin base EBIT with almost no interest paid

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

**Disclaimer:**

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