

**Koenig & Bauer AG
at Fifth German Corporate Conference
September 20, 2016, Munich**

Mathias Dähn, CFO



Agenda

Strategy & growth drivers

H1 2016

Outlook

KBA at a glance

- Leading supplier in packaging and bank note printing
- No 1 in cardboard printing, metal decorating and bank note printing
- Attractive position in glass decorating, flexible packaging, marking & coding
- Strong global presence with 85% international business, 40% in future growth markets

Founded in 1817

**Annual revenue
between €1.1bn/€1.2bn**

5,000+ employees

R&D ratio 5%

Focus on growth and profit after successful Group realignment



**Strategic
agenda
2016**

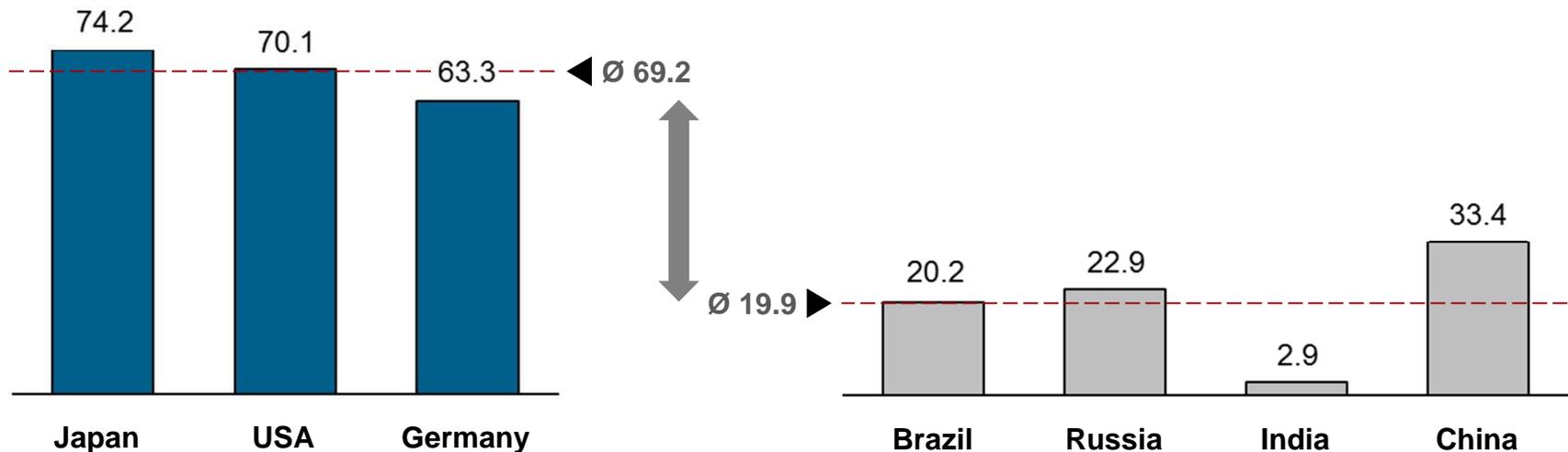
- Restructuring successfully completed, clear Corporate Governance and new company structure implemented
- Revenue share in packaging printing increased to 70%, media exposure declined to 10%
- Realignment unlocks good prospects for earnings-driven growth
- Growth with
 - existing and new products in packaging markets,
 - digital web printing for industrial applications and
 - service business expansion
- Robust earnings development in all Group units
- Strong cash flow, strengthen financial power

KBA is focusing on the growing packaging market

Global packaging volume CAGR +4%

- Global GDP +3%, world population +1.1% to +1.5%, (CAGR 2015-2017)
- Trend towards sophisticated packaging, booming online retail and increasing legal regulations as additional drivers
- 80% of growth expected from Asia

Annual packaging consumption per capita in kilo



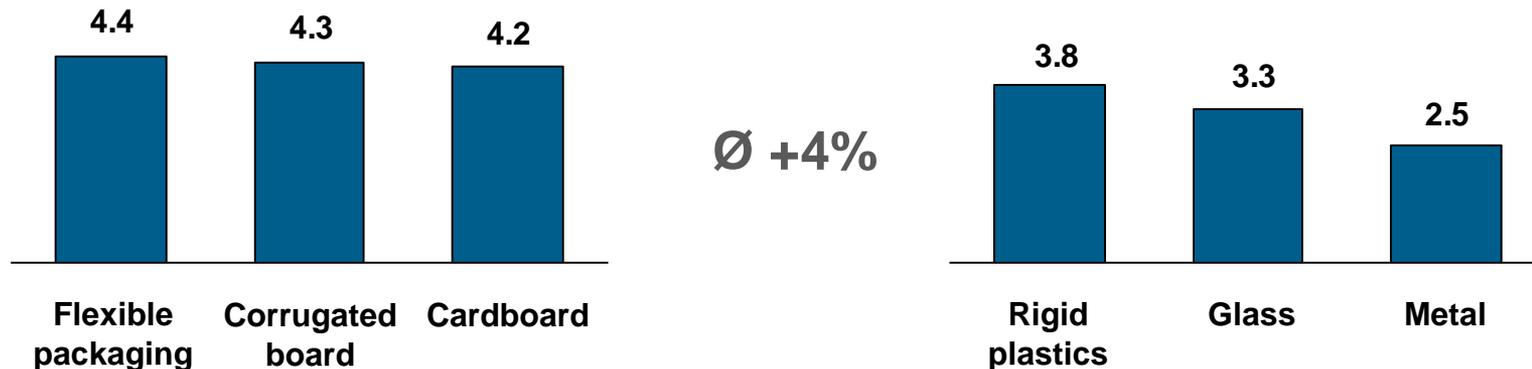
Source: Smithers Pira

Biggest potential in flexible packaging, corrugated and cardboard

Above-average growth on high market volumes

- Different growth rates in the various packaging markets
- Highest growth rates and market volume in flexible packaging, corrugated board and cardboard
- Attractive end-user industries (40% outer and transport packaging, 30% food, 10% drinks and 10% healthcare/cosmetics)

CAGR growth rates 2015-2017 in %



Source: Smithers Pira

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Expansion steps in cardboard and flexible packaging

Cardboard packaging

- International market and technology leader with highly complex, tailored sheetfed presses
- Global market share over 40%
- New industrial digital sheetfed press KBA VariJET 106 with Xerox inkjet technology targets folding carton market
- Combines inkjet printing strengths with traditional inline finishing

Flexible packaging

- Entry into the billion press market 2½ years ago by acquiring Flexotecnica
- Sophisticated technology for film printing (market volume ≈ €1bn p.a.)
- Global market share rose to 5% through more extensive use of KBA sales network
- 2015: 20% higher revenues y-o-y, strong rise in orders in H1 2016



Twin-track entry into the future market of corrugated board

Direct corrugated printing

- Re-entry into direct corrugated printing with flexo press KBA Corrugraph
- Analogue print processes dominate with a market share of over 95% (global corrugated press volume > €1bn p.a.)
- Prototype completed
- Talks with potential pilot users
- First delivery planned for mid-2017

Digital corrugated printing

- Successful alliance with HP for digital pre-prints of corrugated liners
- More flexibility in formats and run lengths
- First sales soon after the launch at an Open House 12/2015
- Seven presses already ordered
- Digital printing potential at 3-5% of corrugated press volume until 2020



Portfolio expansion in growth market of die-cutting

Rotary die-cutter for packaging printers

- Unlocks growth prospects in large label market
- Further development for increasingly thicker sheets
- Sets benchmark with high productivity with up to 15,000 sheets/h



Flatbed die-cutter for cardboard/corrugated

- Acquisition of Iberica AG completed
- Already good access to these customers with our sheetfed machines
- Integration in KBA sales network greatly improves Iberica's growth prospects
- Production synergies by using the group-wide network



Expansion of existing market positions/product offerings

Metal decorating

- Global leading supplier in metal decorating
- Printing, coating, drying and logistics of metal sheets for 3-part cans (for food, cosmetics), crown caps etc.
- High level of order intake increased further in H1



Glass/hollow container decoration

- Entry into glass direct decoration through acquiring Kammann in summer 2013
- International market leader for the direct decoration of premium glass containers for cosmetics, perfume, spirits
- Newly developed digital solutions bear fruit
- Good prospects in Asia, primarily in China



Growth focus also on industrial applications / service business

New applications and markets

- Investment in extended product portfolio for attractive markets and new applications
- Expand service offerings with customised solutions

Expand sales and service network

- Integrated management of sales/service network across all Group units
- Targeted expansion in growth markets Asia, Africa and Latin America
- Unlock service potential of growing installed machine base

High customer satisfaction as leading principle

- Strong customer competitiveness through tailor-made, innovative solutions with premium quality and convincing service
- Optimisation of all relevant internal processes
- Improved customer loyalty with sinking complexity costs

Transfer of our web printing technology and expertise in future markets

Own digital platform with our KBA RotaJET

- Primary focus on industrial applications such as digital decor printing of furniture, floors
- First inkjet web press at industrial decor printer in full swing
- Further presses sold
- Visible future prospects with huge potential, however depending on gravure printers propensity to switch process



Increase independence from volatile security printing

Global bank note production grows

- Bank note printing up to 155bn notes in 2015, +3.5% (CAGR 2006-2015) continues
- Growth drivers are
 - growing world population and prosperity
 - increasing security/quality demands (ATMs)
 - inflation and negative interest rates
 - smaller denominations
 - more and more countries print their own bank notes



Strong trust in bank notes continues

- High level of counterfeit protection through KBA investments in new security features (R&D ratio 10-15%)
- PIN/credit card fraud causes huge damages (2bn US\$ 2015)
- Cashless society is refused by large parts of the world's population
- 60% of world's population without a bank account



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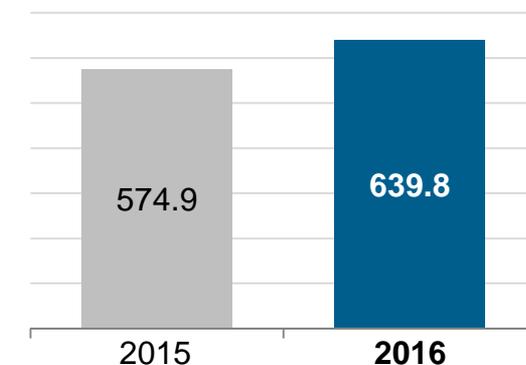
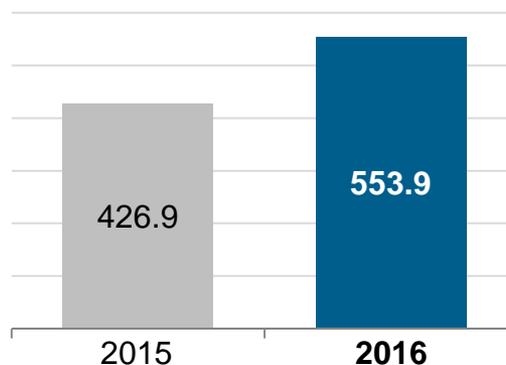
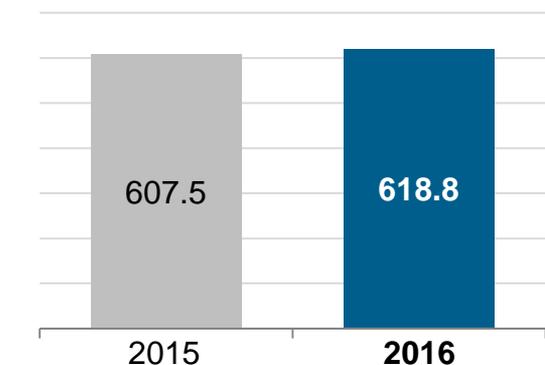
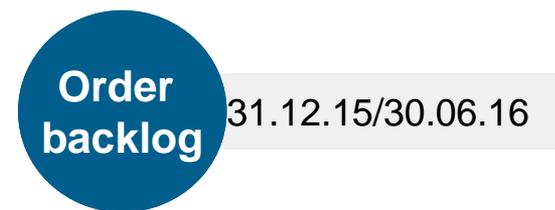
Strategy & growth drivers

H1 2016

Outlook

Good Group business performance

- Strong order intake in Q2 of €352.5m, +2% in H1 y-o-y
- Sheetfed Q2 orders surpass target, two thirds of Drupa orders to follow in H2
- 29.7% rise in revenue, strong gains in all segments
- Order backlog up to €640m



Q1: 306.7 266.3
 Q2: 300.8 352.5

Group figures as per IFRS in €m

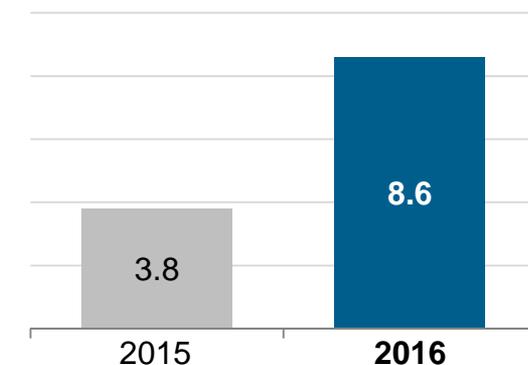
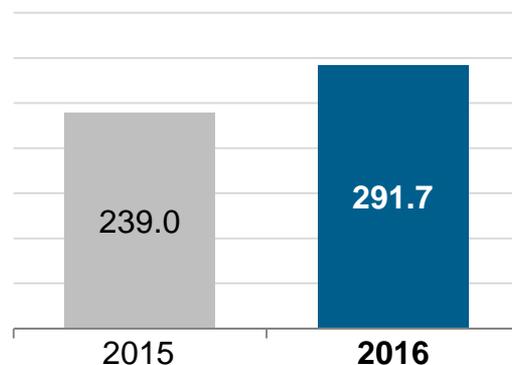
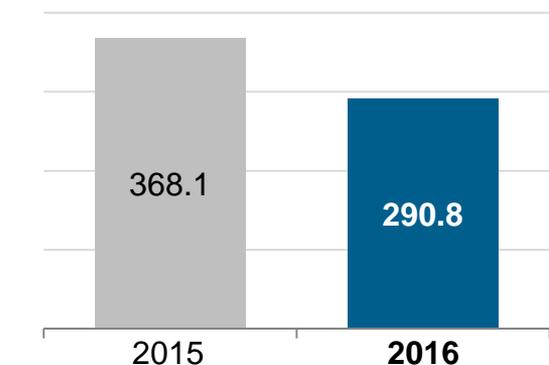
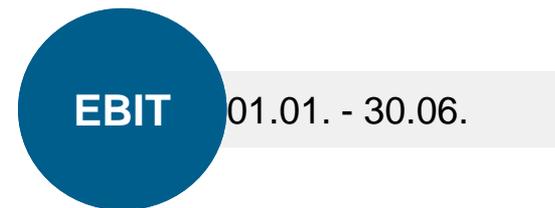
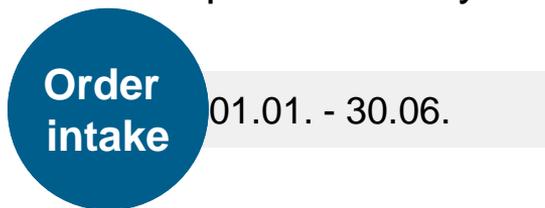
Strong Group earnings growth

- H1 EBT of €17.8m above prior year by €29m
- Increased revenues with better margins, good utilisation and more service business
- Solid earnings improvement in Sheetfed to €8.6m
- Good progress in Digital & Web with H1 EBIT of -€0.9m
- Strong earnings performance in Special, catch-up effect in security

	2014	2015	H1 2015	H1 2016
Gross profit margin	27%	26.8%	24.2%	30.7%
EBT	€5.5m	€29.7m	-€10.8m	€17.8m
EPS	€0.03	€1.62	-€0.55	€1.05

Gains in Sheetfed revenue and earnings

- Order intake of €291m exceeds plan, only one third of Drupa orders booked
- High order backlog of €282m
- Revenue 22% up y-o-y
- Clear earnings increase to €8.6m, all Drupa costs and development expenses for digital sheetfed press already booked



Q1: 174.7 135.7
 Q2: 193.4 155.1

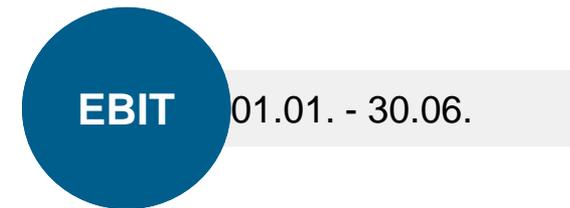
2015 2016
 109.8 154.6
 129.2 137.1

2015 2016
 -2.7 5.7
 6.5 2.9

Group figures as per IFRS in €m

Good further progress in Digital & Web

- New orders of €66m with large portion from service and digital web printing
- Order backlog of €72m
- 76% rise in revenue
- In Q2 in the black with €0.9m EBIT despite development expenses for corrugated and digital printing plus Drupa costs

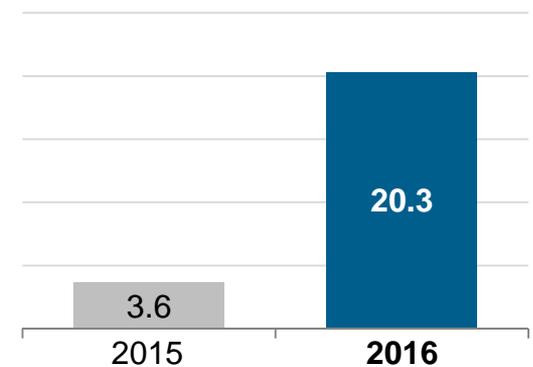
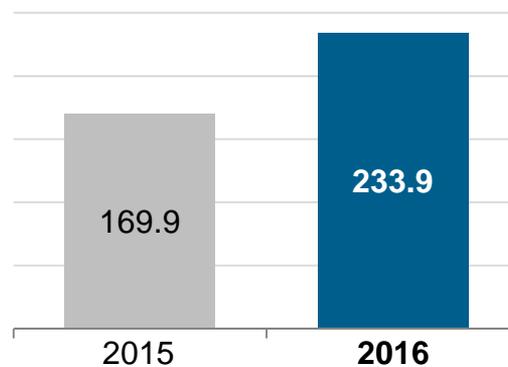
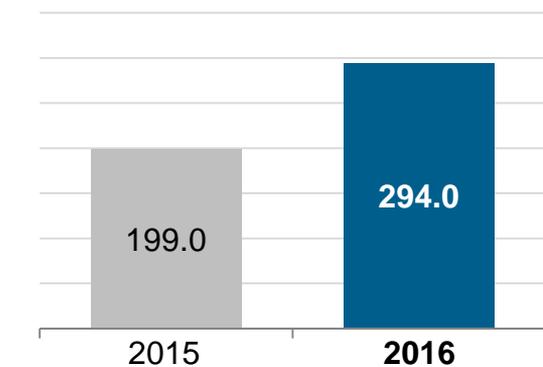
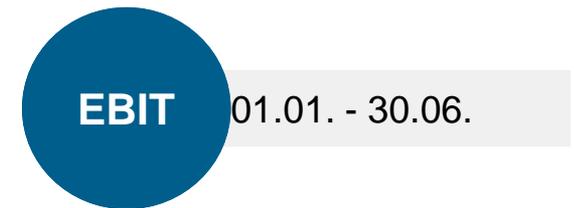


Group figures as per IFRS in €m

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Positive development in Special segment

- 48% more orders for special machines with good security press business
- 38% higher revenue, order backlog up to €310m
- Strong Q2 EBIT of €20.1m
- High earnings contribution from security printing due to a catch-up effect after completion of a large project



Q1: 117.4 115.1
 Q2: 81.6 178.9

Group figures as per IFRS in €m

Agenda

Strategy & growth drivers

H1 2016

Outlook

Guidance 2016 up despite existing global economic risks

Successful H1

- Positive book-to-bill ratio
- Substantial revenue and earnings growth
- Good capacity utilisation

Good prospects

- High order backlog of €640m
- Two thirds of Drupa Sheetfed orders to follow in H2
- Promising customer projects and growing service business

New targets for 2016

- Group revenue between €1.1bn and €1.2bn
- EBT margin of around 4%
- Profits in all business fields

Mid-term margin targets per segment

Comprehensive restructuring

+4%

Peaks in security printing business

+2%

+4-6%

Mid-term EBT target

Sheetfed

- Sheetfed offset presses, services, workflows, postpress equipment

Digital & Web

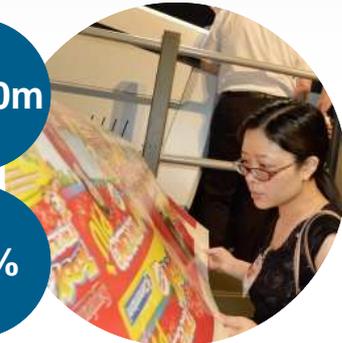
- Web offset presses, digital presses (own, cooperation with HP), services

Special

- Solutions for security printing, marking & coding, special packaging (metal, glass, film), services

Sales target

~€550m



~€125m



~€475m



EBT margin mid-term target

3-4%

3-4%

5-6%

22.09.2016

Roadshow in Frankfurt

10.11.2016

Interim report on 3rd quarter 2016

17.11.2016

LBBW German Company Day 2016 in London

17.01.2017

UniCredit and Kepler Cheuvreux 16th German Corporate Conference in Frankfurt

22.03.2017

Annual report 2016

09.05.2017

Interim report on 1st quarter 2017

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