



Koenig & Bauer AG
at 15th German Corporate Conference 2016
January 19, 2016, Frankfurt

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Agenda

Company overview

Strategy & growth drivers

Q3 2015 & 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
- Revenue share¹⁾ in packaging printing increased to 70%
- Media exposure¹⁾ reduced from 65% to around 10% of revenue in the last ten years

Founded in 1817

**Annual revenue
>1 billion EUR**

5,000+ employees

R&D ratio 5%

**CAPEX
≈ €20m in 2015,
≈ €30m in 2016**

1) New machine business

Successful 2015 in terms of reshaping initiatives

A dark blue circle containing the text 'Strategic agenda 2015' in white, bold, sans-serif font.

**Strategic
agenda
2015**

- Clear Corporate Governance, transparent reporting and new company structure implemented
- Clear strategic focus
- Cost base cut through restructuring of web business and production footprint
- Almost all key measures to eliminate loss-makers initiated
- Cash generation improved, financial power strengthened despite high restructuring costs

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Strategy

Growth in future markets

- Growth focus on packaging and industrial applications
- Improvement of existing market positions and steady portfolio expansion
- Systematic use and expansion of international sales and service network

High customer satisfaction as leading principle

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

Robust earnings development

- Profits in all Group units, further reduction of the break-even point as an ongoing task
- Incremental improvements in cash generation
- Service business with increasing revenue
- Independence from cyclical bank note business

Mid-term growth & growth drivers

**Global
packaging
volume
CAGR +4%**

- Packaging in all its diversity is a growth market, cardboard/corrugated and plastics dominate
- Global GDP +3%, world population +1.1% to +1.5%, (CAGR 2015-2017)
- Trend towards sophisticated packaging and increasing legal regulations as additional drivers

**Expand
sales and
service
network**

- Integrated management of sales and service network across all Group units
- Targeted expansion in growth markets Asia, Africa and Latin America, 80% of the growth expected comes from Asia
- Unlock service potential of growing installed machine base

**New
applications
and
markets**

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

Mid-term margin targets per segment

Comprehensive restructuring

+4%

Peaks in security printing business

+2%

+4-6%

Mid-term EBT target

Sheetfed Solutions

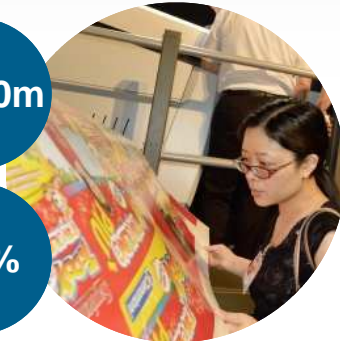
- Sheetfed offset presses, services, workflows, postpress equipment

Sales target

~€550m

EBT margin mid-term target

3-4%

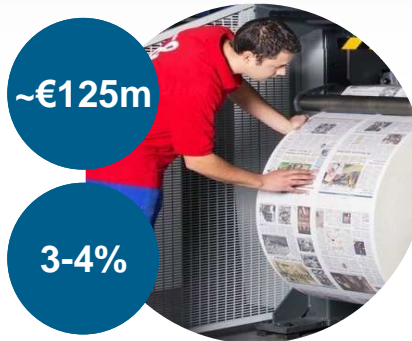


Digital & Web Solutions

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

~€125m

3-4%



Special Solutions

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

~€475m

5-6%



Agenda

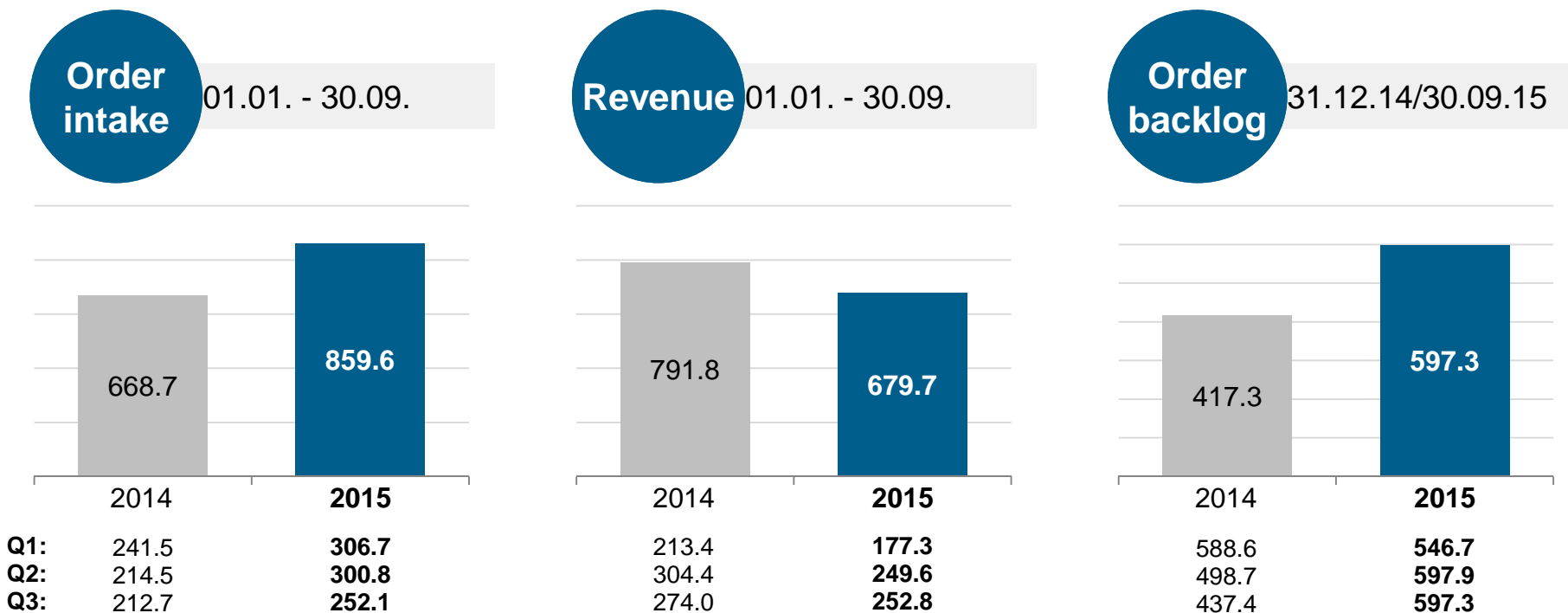
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KBA Group performance to 30 September 2015

- Good order intake even in the summer quarter, +29% in 9M y-o-y
- Revenue below prior year due to high deliveries in Q4, slight plus in sheetfed
- Strong order backlog of around €600m



Group figures as per IFRS in €m

Improved operating earnings, solid financial structure

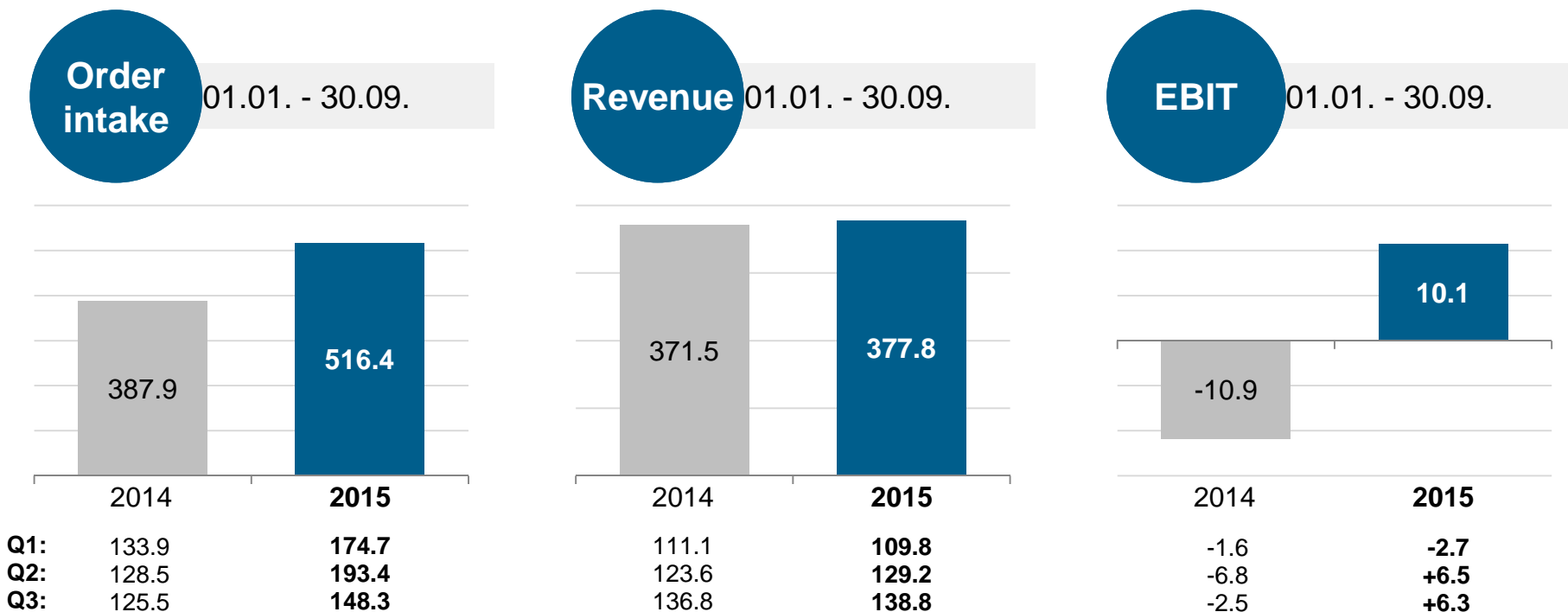
- 9M-EBT of €2.1m above prior year (€1.2m) due to cost cutting and despite lower revenue and profit share with security presses
- Sheetfed makes significant earnings contributions
- Working capital substantially cut in the last twelve months, higher inventories in Q3 for deliveries in Q4
- Good net liquidity despite €25m cash outflows for staff cuts

	2013	2014	9M 2014	9M 2015	Q3 2014	Q3 2015
Gross margin	14.4%	27%	27.7%	26.6%	28.6%	30.8%
EBT	-138.1	5.5	1.2	2.1	1.3	12.9

	30.09.2014	31.12.2014	31.03.2015	30.06.2015	30.09.2015
Net liquidity*	184.7	192.4	169.2	172.8	166.8

Sheetfed Solutions performance

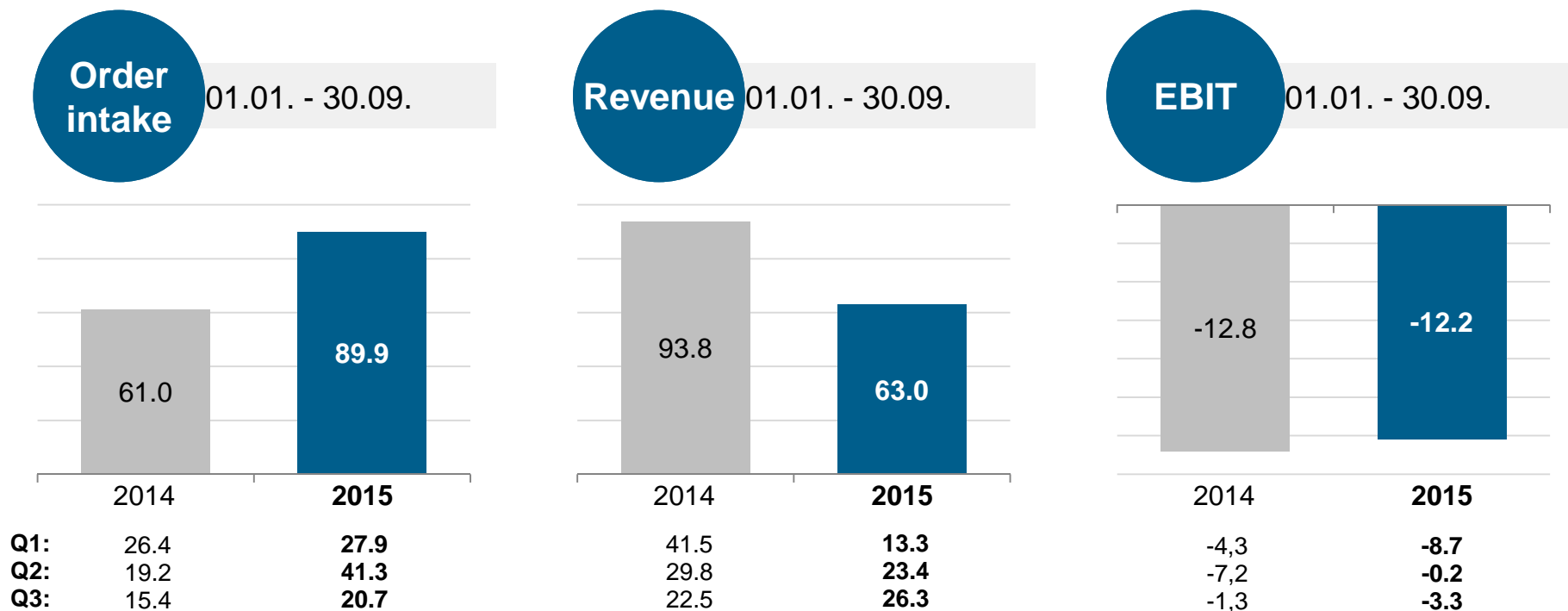
- Continued good order intake (+33% in 9M y-o-y), slight plus in revenue
- Q3 segment profit of +€6.3m, €8.8m above prior year (–€2.5m)
- Slightly lower margin in Q3 due to higher procurement costs given very high capacity utilisation and production not yet in full swing
- Incremental earnings improvement through progress with costs/prices



Group figures as per IFRS in €m

Digital & Web Solutions performance

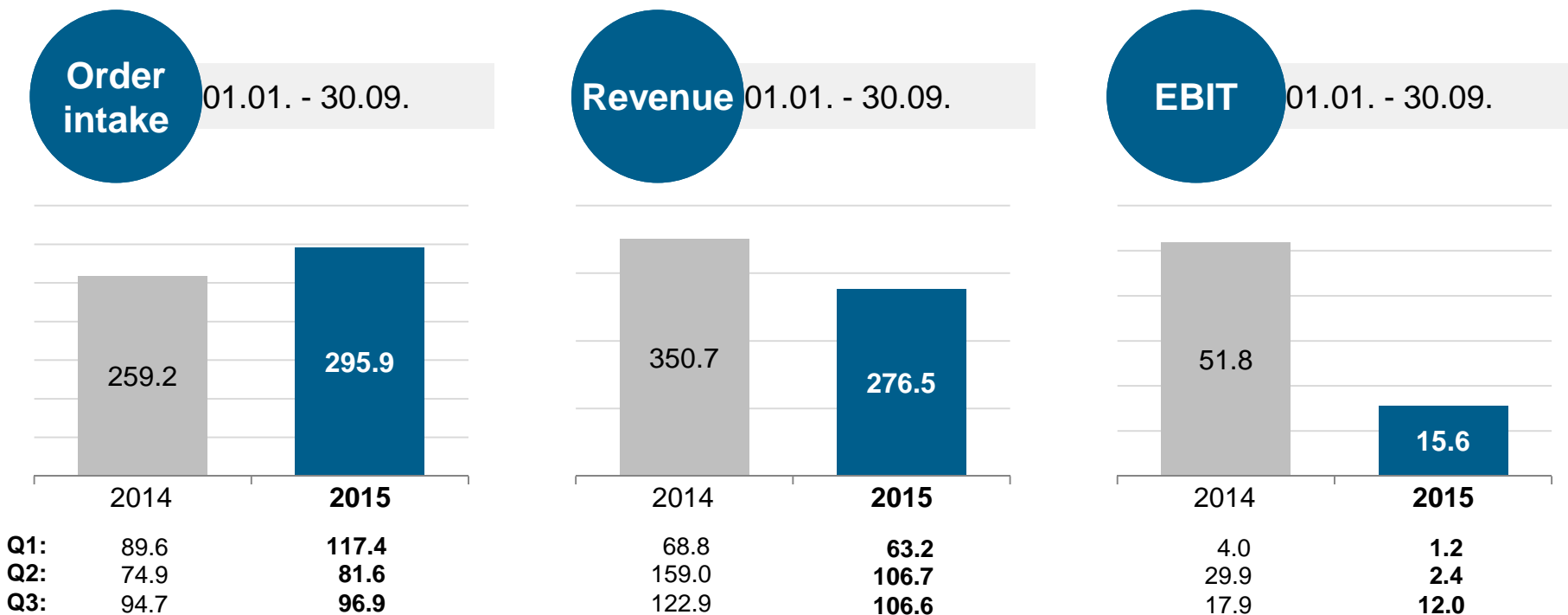
- Order intake better than planned, +47% in 9M y-o-y
- Revenue below previous year due to low order backlog at the start of the year
- Higher R&D costs for digital printing projects and lower service revenue in the summer quarter reduced EBIT in Q3 q-o-q
- Strong earnings improvement in Q4 through cost savings and higher sales expected



Group figures as per IFRS in €m

Special Solutions performance

- 14% more orders for special machines
- Gains especially in security printing and marking & coding
- Good project pipeline in security printing/metal decorating, often lengthy order processes
- Prior-year sales and earnings much higher due to large, high-margin security press orders



Group figures as per IFRS in €m

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Guidance for 2015 and 2016

2015

- Revenue > €1bn with up to 2% EBT
- Strong earnings contribution from Sheetfed
- Digital & Web quarterly turnaround in Q4 expected

2016

- Progress portfolio transformation into growth markets
- Sustained profits in all business fields
- Increase independence from security printing even further

24/03/2016

Annual report 2015

12/05/2016

Interim report on 1st quarter 2016

19/05/2016

AGM

11/08/2016

Interim report on 2nd quarter 2016

10/11/2016

Interim report on 3rd quarter 2016

**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. KBA therefore accepts no liability for transactions based upon these projections.