People & Print

Conference Call
Q1 Results 2017
9 May 2017

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KBA

Agenda

Highlights Q1 2017

Business performance Q1 2017

Guidance 2017 and mid-term targets for 2017 - 2021

Growth in service and packaging market progressing well

Service business expansion

- Service share of Group revenue increased from 24% to 26% in Q1 2017 (y-o-y)
- Driven by service initiative, launched at the beginning of 2016
- Customised solutions including networked printing factory (KBA 4.0)

Product innovations in metal decorating

- Metal decorating press CS MetalCan targeting previously non-addressed market of two-part beverage cans (CAGR of 3%)
- World's first digital printing press for migration-free metal decorating
- Innovations presented at trade fair METPACK last week

Good start for die-cutter business

- KBA Iberica's flatbed die-cutter business making good progress
- Order intake, revenue, EBIT in Q1 well above expectations
- Several rotary die-cutters already sold to packaging printers

Agenda

Highlights Q1 2017

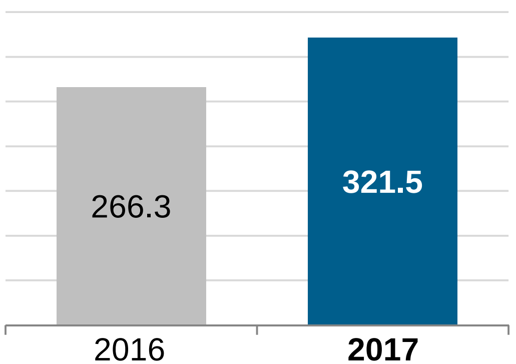
Business performance Q1 2017

Guidance 2017 and mid-term targets for 2017 - 2021

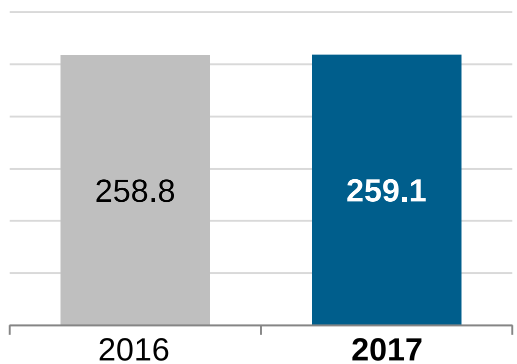
Strong Group order intake

- 21% more orders, service initiative bearing fruit
- Revenue at the previous year's level
- Order books filled much better
- Higher revenue in H2 expected with further gains in packaging, industrial and digital printing

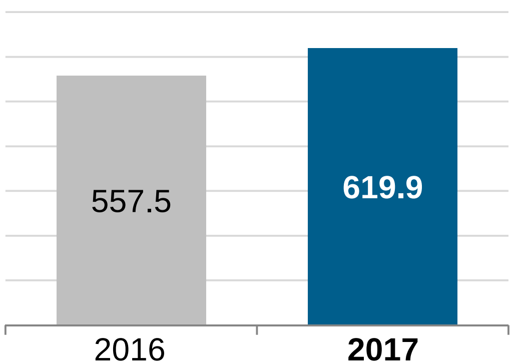
Order intake 01.01. - 31.03.



Revenue 01.01. - 31.03.



Order backlog 31.12.16/31.03.17



Group figures as per IFRS in €m

Increase in Q1 Group earnings

- Growing service business and better prices improve earnings
- Gross profit margin in Q1 2017 impacted by higher costs of materials
- Previous year's figure for other operating expenses and income negatively influenced by currency effects and long-standing legal disputes
- EBIT of €5m above prior year
- 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

	2015	2016	Q1 2016	Q1 2017
Gross profit margin	26.8%	29.7%	29.8%	28.4%
EBIT	€35.9m	€62.9m*	€2.1m	€5m
EPS	€1.62	€4.98	€0.11	€0.30

Group figures as per IFRS

* adjusted for the non-recurring income

Group income statement

in €m	Q1 2016	Q1 2017
Revenue	258.8	259.1
Cost of sales	-181.8	-185.6
Gross profit	**77.0**	**73.5**
Research and development costs	-12.8	-14.5
Distribution costs	-32.6	-31.4
Administrative expenses	-23.5	-23.4
Other operating expenses and income	-6.0	0.8
Earnings before interest and taxes (EBIT)	**2.1**	**5.0**
Interest income/expense	-1.5	-0.7
Earnings before taxes (EBT)	**0.6**	**4.3**
Income tax	1.0	0.4
Net profit	**1.6**	**4.7**

Group figures as per IFRS

Group cash flow statement

in €m	Q1 2016	Q1 2017
Earnings before taxes	0.6	4.3
Non-cash transations	12.8	7.3
Gross cash flow	**13.4**	**11.6**
Changes in inventories, receivables, other assets	-15.5	-33.9
Changes in provisions and payables	17.5	7.4
Cash flows from operating activities	**15.4**	**-14.9**
Cash flows from investing activities	**-4.1**	**-29.5**
Free cash flow	**11.3**	**-44.4**
Cash flows from financing activities	**-0.1**	**2.2**
Change in funds	**11.2**	**-42.2**
Effect of changes in exchange rates	-1.9	-0.3
Funds at beginning of period	186.3	202.0
Funds at end of period	**195.6**	**159.5**

Group figures as per IFRS

Group balance sheet

in €m

Assets	31.12.2016	**31.03.2017**
Non-current assets		
Intangible assets and property, plant and equipment	239.5	**240.9**
Investments/other financial receivables	15.9	**37.0**
Other assets	0.1	**0.1**
Deferred tax assets	64.9	**63.7**
	320.4	**341.7**
Current assets		
Inventories	293.4	**307.2**
Trade receivables	209.0	**219.5**
Other financial receivables	14.2	**13.8**
Other assets	26.6	**37.5**
Securities	19.9	**21.5**
Cash and cash equivalents	202.0	**159.5**
	765.1	**759.0**
	1,085.5	**1,100.7**

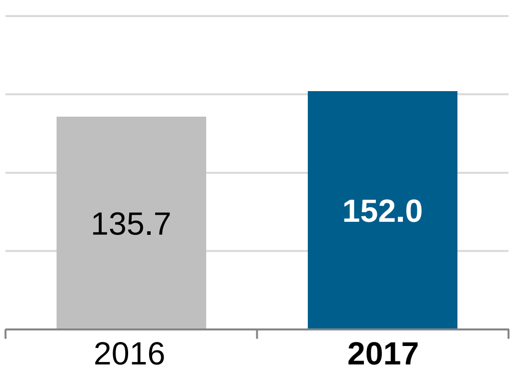
Equity and liabilities	31.12.2016	**31.03.2017**
Equity		
Share capital	43.0	**43.0**
Share premium	87.5	**87.5**
Reserves	206.8	**212.9**
Equity attrib. to non-controlling interests	0.5	**0.6**
	337.8	**344.0**
Non-current liabilities		
Pension provisions	212.5	**209.8**
Other provisions	23.2	**19.0**
Bank loans/other financial payables	9.4	**9.5**
Other liabilities	1.0	**1.5**
Deferred tax liabilities	22.0	**20.8**
	268.1	**260.6**
Current liabilities		
Other provisions	180.5	**174.8**
Trade payables	59.0	**46.0**
Bank loans/other financial payables	94.5	**102.2**
Other liabilities	145.6	**173.1**
	479.6	**496.1**
	1,085.5	**1,100.7**

Group figures as per IFRS

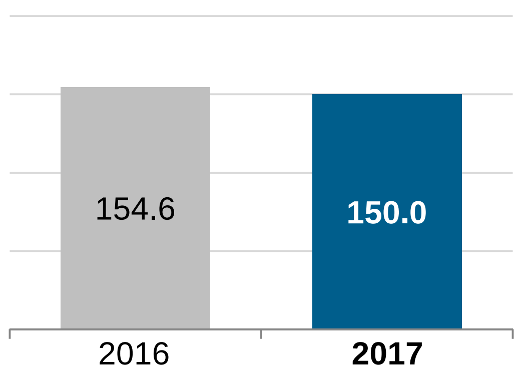
Good order intake in Sheetfed

- 12% increase in orders outperforms industry trend
- Order backlog of €240m at a high level
- 3% decline in revenue year-over-year
- In spite of better prices, lower revenue and development expenses impacted profit

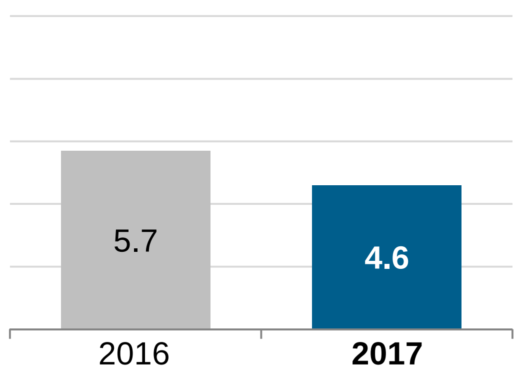
Order intake 01.01. - 31.03.



Revenue 01.01. - 31.03.



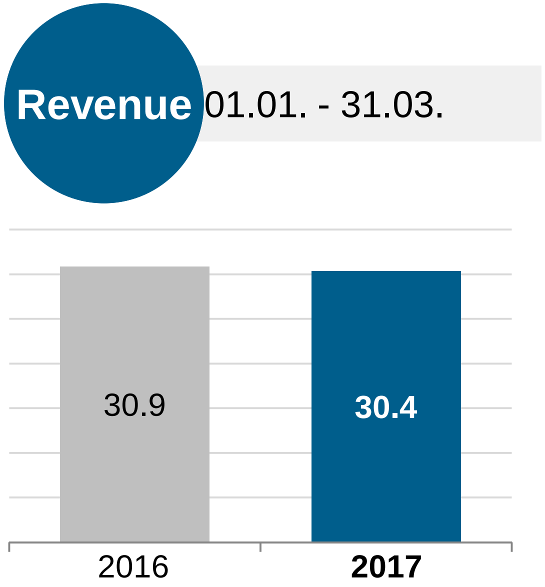
EBIT 01.01. - 31.03.

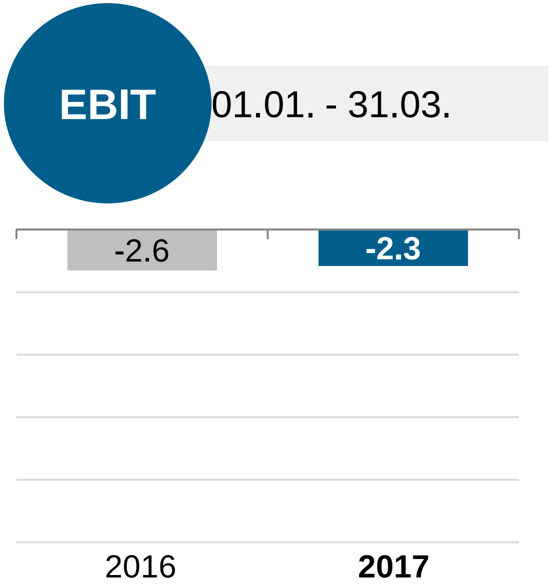


Group figures as per IFRS in €m

Digital & Web segment extended by flexo packaging printing

- 18% rise in orders
- Order backlog growth to €104m
- Low revenue in the first quarter 2017
- Quarterly earnings influenced by optimisation of KBA-Flexotecnica (-€1.8m), low revenue and R&D expenses



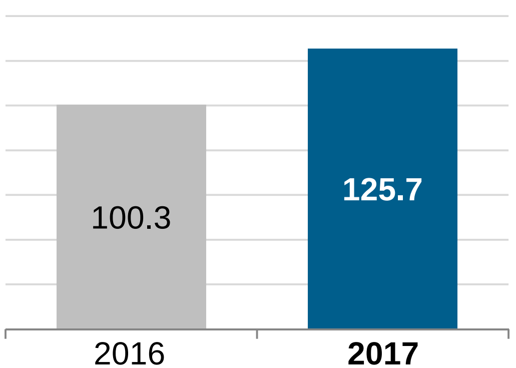


Group figures as per IFRS in €m

Order intake, revenue and profit up in Special

- 25% higher order intake, gains in security printing and glass decorating
- Revenue growth of 3%
- Order backlog up to €296m
- Q1 EBIT of €4.6m above prior year figure

Order intake 01.01. - 31.03.



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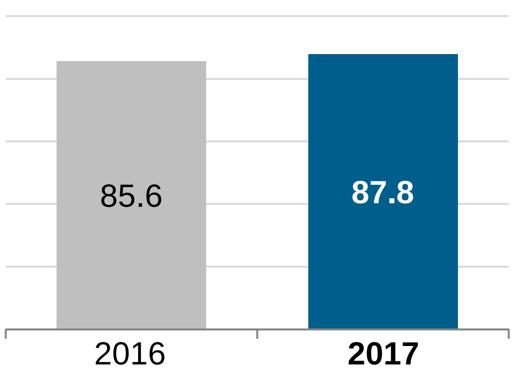
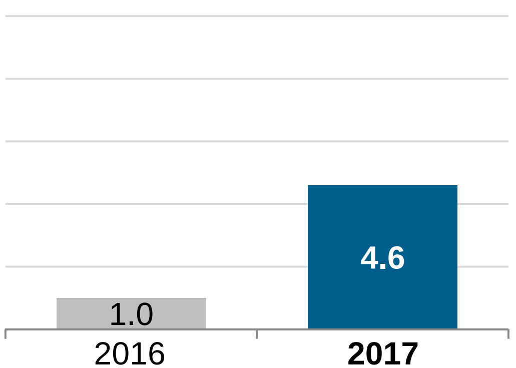


EBIT 01.01. - 31.03.



Group figures as per IFRS in €m

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Guidance 2017 and mid-term targets for 2017 - 2021

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, in Q1 2017: €21.3m)

Targets for 2017 - 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
- 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

- ≈ €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, 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:
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.

Koenig & Bauer AG

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