
# Group Interim Report
## Third Quarter 2012

KBA
Koenig & Bauer Group

## KBA Group in Figures

| 01.01. - 30.09. in €m | 2011 | **2012** |
|---|---|---|
| Order intake | 1,155.7 | **826.0** |
| Sales | 785.7 | **916.2** |
| Order backlog at 30.09. | 810.8 | **735.5** |
| Export level in % | 84.6 | **89.5** |
| Operating profit/loss | –20.4 | **20.5** |
| Earnings before taxes | –26.6 | **12.5** |
| Net profit/loss | –32.5 | **5.9** |
| Balance sheet total at 30.09. (prior year: 31.12.) | 1,222.8 | **1,265.2** |
| Equity at 30.09. (prior year: 31.12.) | 466.6 | **475.8** |
| Investment in intangible assets, property, plant and equipment | 29.8 | **16.5** |
| Depreciation on intangible assets, property, plant and equipment | 26.9 | **27.9** |
| Payroll at 30.09. | 6,446 | **6,312** |
| Cash flows from operating activities | 64.6 | **66.1** |
| Earnings per share in € | –1.97 | **0.36** |

**Title photo**
The new, large-format Rapida 145 has been very successful since its launch at Drupa, with 30 of these presses installed at packaging and internet printers worldwide this year alone

In our half-year report three months ago, we were fortunate to report on the great success of the Drupa trade fair with a raft of new orders and pleasing Group earnings. In our opinion, the figures for the first nine months are also impressive and we are on target as far as the whole year is concerned.

In the meantime we are also feeling the effects of recessive trends in the South and other parts of Europe that affect the entire engineering industry, as well as the economic slowdown in important overseas markets. Recent business surveys indicate that we will also have to face dampened demand over the next few months.

The interim high in order intake of serial presses, triggered by Drupa in May, lasted until July. Since August, investment has significantly weakened in many sectors. Nevertheless, in the first nine months the volume of incoming orders in our sheetfed division climbed by nearly 10% on the corresponding figure of the previous year. Our web and special press division benefited less from the short-term effects of the trade fair and saw a drop in the volume of major contracts booked compared to last year's record level. Although we have promising projects for the fourth quarter, order intake in this division is unlikely to reach 2011's extraordinarily high volume. Order backlog at the end of the third quarter declined to €735m, but is still €171m higher than in 2010.

We are pleased with the sales increase of over 16% to €916m compared to 2011. This means we are on our way to reach our 2012 target of over €1.2bn. Group pre-tax earnings (EBT) significantly improved to €12.5m compared to the half-year figure of €7.9m and also the prior-year loss of €26.6m. We expect this positive trend to continue in the fourth quarter. Despite expenses associated with the ongoing restructuring of the core business, costs associated with Drupa and the launch of a raft of new products we are confident that we will achieve our goal of a pre-tax profit higher than the current figure after nine months.

Compared to other major, international printing press manufacturers, our figures are much better. However, the returns generated remain unsatisfactory. This is especially true for the traditional sheetfed and web press business which is under enormous pricing and margin pressure, but less so for the numerous special markets, which KBA is also successfully active in.

Our restructuring measures in place since 2009 that have reduced the head count by about 2,000 employees and the entry into growth markets, such as digital printing, are not enough to tackle the enormous challenges the printing market faces. Management have therefore launched a comprehensive scheme at the Parent's main locations to continually increase efficiency and to trim costs further. We hope to have a notably positive bottom-line figure by 2014. The scheme does not include further large-scale changes to the number of employees. We first aim to reduce general and administrative costs further, to divide the workload between the Group's locations more efficiently, optimise Group purchasing plus the introduction of more flexible employee working times without extra costs.

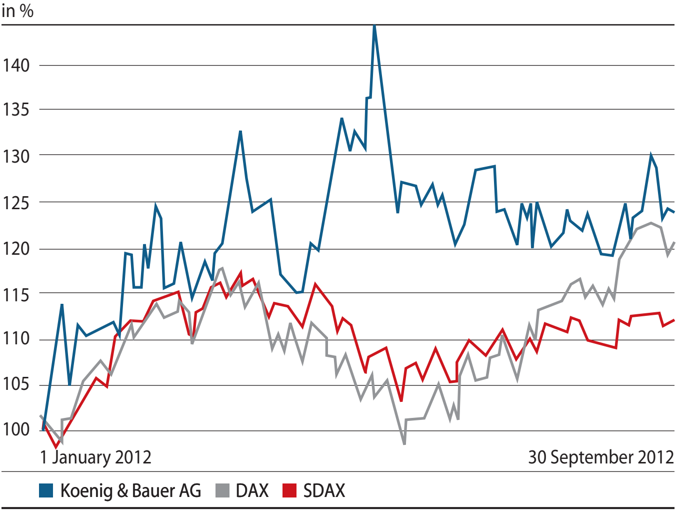
We have a considerable end-of-year sprint ahead of us before we can achieve our sales and earnings goals for 2012 and necessary order backlog for 2013. We hope that the economic conditions will not negatively affect our export-reliant business and we can sustain the positive development in sales and earnings in 2013. On 25 October the Bavarian prime minister awarded Koenig & Bauer with the Print Media Honorary Prize 2012 in recognition of its technological and business initiatives in a currently difficult industry environment and the admiral 195-year contribution by the company and its employees to the world of print. This award signifies management and staff commitment to the future success of KBA.

Claus Bolza-Schünemann
President and CEO of Koenig & Bauer AG

# KBA Shares

After starting the year at €10.33, with the usual volatility in a nervous stockmarket environment Koenig & Bauer shares followed an upward trajectory driven by predominantly positive Group figures and good news from the trade fair Drupa. Following a temporary high of €13.76 on 28 March our share price climbed to €14.99 on 25 May, this year's high to date. In the following months shares fell to under €13 spurred on by negatively assessed news from our industry and the print media environment. Subsequently it fluctuated between €12.28 and €13.41 until the end of September. The quarterly closing figure of €12.83 was a 28.6% improvement on the year-end figure for 2011. The SDAX and DAX climbed by 13.2% and 22.3% in this nine-month period. After the end of the quarter KBA shares once again followed the positive trend in the stockmarket and climbed temporarily to well over €14.

**Koenig & Bauer shares**



# Management Report

## Market and Industry Environment

The ongoing global economic slowdown became more pronounced in the third quarter. In the meantime the economic consequences of the euro crisis have also put a dampener on economic dynamism in growth markets such as China, India and Brazil. The USA economy remains fragile and political turmoil in the Middle East and North Africa plagues investors. This can be clearly seen in the deterioration of business prospects in many business surveys. The first nine months of 2012 saw a 5% drop in the intake of new orders for German machinery and plant manufacturers compared to 2011.

Following the flourish of investment spurred on by the industry's leading trade fair, Drupa, German printing press manufacturers noticed weaker demand in the summer months. By contrast, the engineering industry appeared more robust than many other industries, in terms of sales. This sector has always reacted with delay to economic fluctuations. Given a continued higher order backlog, the VDMA (German Machinery and Plant Manufacturers' Association) predicts a further slight increase in sales in 2012 and 2013. It remains to be seen whether this optimistic forecast will come true.

With a real decline in orders of 7% compared to 2011, after nine months the printing and paper technology sector moved to one of the middle positions among the 30 sectors ranked by the VDMA. Whereas the individual market segments have developed very differently. This is also true inside KBA's extensive product portfolio.

Despite weaker demand in August and September, a boost in sheetfed orders stimulated by Drupa saw a rise of nearly 10% in **order intake** to €517.8m in the first nine months, compared to €472m in 2011. KBA has profited from its strong position in the growing packaging market. Sheetfed presses for carton printing served by our plant in Radebeul and the metal-decorating presses supplied by KBA MetalPrint came to 60% of the total order volume. In comparison, a weak economy in many countries hindered commercial and advertising printing. Investment in book printing was decelerated by technological shifts in production (growing share in digital printing) and the change in reading habits (tablet PCs, eBooks).

The volume of new orders in our web and special press division stood at €308.2m, reaching 45% of last year's extraordinary high of €683.7m boosted by a number of major orders. The growing importance of online media enforced economy-related reluctance to invest, which has hit web offset sales. Nonetheless, Group order intake at 30 September came to €826m, thus falling 28.5% short of last year's record high of €1,155.7m.

Accordingly, at the end of the third quarter **order backlog** fell to €735.5m compared to €810.8m in the previous year. The volume of unfulfilled orders for sheetfed offset presses stood at €271.4m (2011: €237.3m) and for web and special presses at €464.1m (2011: €573.5m) at the end of September.

## Earnings, Finances and Assets

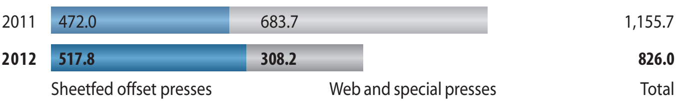
### Earnings

**Group sales** to 30 September rose by 16.6% to €916.2m (2011: €785.7m). Along with digital and analogue marking and coding systems for diverse industry sectors, web and special presses mainly for commercial, securities and newspaper printing contributed to sales of €520.8m, a growth rate of 34.1% (2011: €388.3m). After nine months sales in our sheetfed division came to €395.4m, close to the prior year's figure of €397.4m. The positive effect of Drupa on sales will be noticeable in the fourth quarter. KBA was able to win many new customers thanks to its technological poll position in the growing packaging market.

Domestic sales slumped to €96.3m, raising the export level to a high of 89.5% (2011: 84.6%). Fewer web press installations led to

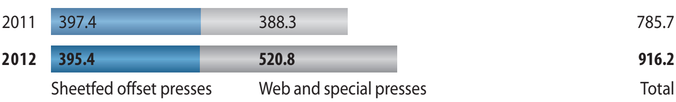
**Group order intake**

in €m




**Group sales**

in €m



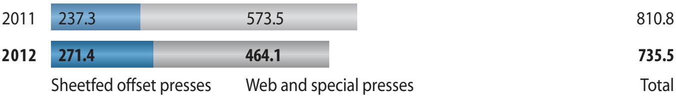
a modest decline in sales to the rest of Europe at €271.8m (2011: €283.6m), despite growth in the sheetfed division. The proportion of Group sales generated in this region sank from 36.1% to 29.7%, due to the economic downturn in key countries. Driven by the largest market, China, the volume of sales in the Asia-Pacific region rose to €223.9m (2011: €209.8m) or 24.4% of Group sales. The corresponding figures of €232m and 25.3% for Latin America and Africa were well above average. Business in North America with 10.1% of group sales remained below the long-term average despite a surge from €81.8m in 2011 to €92.2m. In spite of the investment backlog, we do not see any clear signs of a sustained upswing in the USA. Slack demand is continuing in the American newspaper industry, whereas we have received an order from Canada.

A double-digit increase in sales, a healthy product mix and the cost reductions achieved had a positive impact on **earnings**. Our **gross profit margin** soared from 22.5% the previous year to 28.2%. Given higher commission for our sales partners and expenses associated with trade fairs, distribution costs rose from €102.2m to €124.2m. A wage increase was a contributory factor in propelling administrative expenses to €56.7m (2011: €47.7m). High development and launch costs of new press generations caused the negative balance between other operating income and expenses to widen to –€57.4m compared to the prior year's figure of –€47.4m. We transformed an operating loss of €20.4m in 2011 into an **operating profit** of €20.5m, an improvement of over €40m.

Our web and special press division posted an improved profit of €41.9m compared to last year (2011: €1.7m). Profitability of

**Group order backlog**

in €m




**Group net profit/loss**

in €m

web presses remains insufficient given weak demand and often unsatisfactory margins caused by competition. In addition, expenses incurred for the development of the new RotaJET 76 digital press have not yet been outweighed by sales. An increase in earnings resulted from higher contribution margins assisted by a 34.1% rise in the segment's sales, the growing service business as well as continued brisk demand for our security and industrial coding systems.

High start-up costs associated with the launch of new generations of presses in all formats, continuing pricing pressures and below-target sales after the first nine months caused the sheetfed offset division to post a €21.4m loss compared to a €22.1m loss the previous year. We however are expecting a significant reduction in costs once the usual learning curve in assembly and commissioning of the new presses has run its course. Moreover, management has launched a comprehensive scheme to improve profitability in the very competitive business with sheetfed and web offset presses. An important part of this scheme is the introduction of a division-based organisation. Both product divisions will be put in the remit of members of the management board resulting in fewer interfaces and shorter decision-making channels. The respective board members for the sheetfed and web divisions responsibilities are for development, marketing and sales, from assembly on-site and commissioning to after-sales service.

Following a modest financial loss of €8m we made a **pre-tax profit** (EBT) of €12.5m compared to a prior year loss of €26.6m. After tax deductions, **Group net profit** came to €5.9m (2011: €32.5m loss) and a proportionate **earnings per share** of €0.36 (2011: –€1.97).

**Geographical breakdown of sales**

| in % | 2011 | **2012** |
|---|---|---|
| Germany | 15.4 | 10.5 |
| Rest of Europe | 36.1 | 29.7 |
| North America | 10.4 | 10.1 |
| Asia/Pacific | 26.7 | 24.4 |
| Africa/Latin America | 11.4 | 25.3 |

**Finances**

Inventories have swelled in preparation for a larger volume of sheetfed sales in the fourth quarter. However, **cash flows from operating activities** increased slightly to €66.1m compared to the previous year (€64.6m), due to a jump in earnings, a drop in trade receivables and higher provisions. After deducting cash outflows for investing activities the **free cash flow** rose from €40.7m to €49.9m. Accordingly, **funds** jumped to €193.4m (end of 2011: €145.6m). At the end of the third quarter net liquidity was a comfortable €162.7m, after deducting reduced bank loans of €30.7m (31.12.2011: €35.9m). High liquidity, promoted by active cash management, as well as an impressively high equity of €475.8m underscores our strong financial position. Our equity ratio of 37.6% remains above average in our industry and there are also ample credit lines.

**Assets**

We invested €16.5m (2011: €29.8m) in intangible assets, property, plant and equipment, with the focus mainly on upgrading and streamlining production facilities. Depreciation totalled €27.9m (2011: €26.9m) with intangible assets, property, plant and equipment falling slightly to €273.1m (31.12.2011: €275m). Notwithstanding lower trade receivables (–€58m), current assets climbed primarily due to an increase in inventories (+€60.3m) and an increase in funds (+€47.8m) to €924m (end of 2011: €877.9m). The **Group balance sheet total** of €1,265.2m was €42.4m higher than at the end of last year.

## Research and Development

This quarter, a raft of new presses showcased at Drupa went into operation. Our engineers actively accompany the process of launching the products onto the market and implement user insights in future product development. The highly automated, large-format Rapida 145 sheetfed offset press series quickly secured a considerable market share predominantly in the packaging and internet printing sectors. By the end of the year we will have delivered over 30 of these presses to customers across the world. Most are equipped with automation options for fast job change, some of which only KBA as the market and technology leader in this format can offer. Sidelay-free infeed, dedicated drives for simultaneous printing plate and coating forme changing, plus quick and easy to change anilox roller sleeves in the coater as examples. In September KBA in Switzerland started installing the world’s longest medium-format press so far with 19 printing, coating and drying units. Among other things this Rapida 106, delivered to an international packaging printer, features a new suction cylinder with an overhead inert dryer for migration-free

UV production. This new development offers extensive application options in the growing market for high-quality packaging.

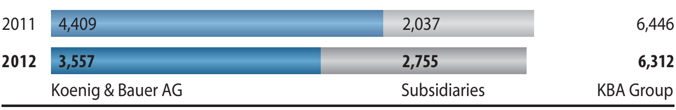
In the web press sector the modular automated KBA Commander CL newspaper press, launched in October 2011, is by far the most successful press in its class with six orders going to Germany, the USA and China. Together with the high-end Commander CT and Cortina which are highly valued on the market, the Commander CL also in part ensures that KBA remains number one in the shrinking newspaper market. The RotaJET 76 developed jointly with our American partner RR Donnelley and built at our main factory in Würzburg, had an equally successful launch at Drupa 2012. Through this partnership, KBA has gained additional know-how which can be applied not just to a future market, but also to other product areas.

The first press in the successful Super Orlof Intaglio series, which targets the challenging bank note market segment, has left the plant in Würzburg. It is proof of our technological advantage in this sensitive sector. Targeting the digital coding sector our subsidiary KBA-Metronic launched the alphaJET mondo at the FachPack trade fair in Nuremberg. This new product featuring continuous inkjet (CIJ) technology also has good international sales prospects.

## Human Resources

At the end of September 2012 there were 6,312 employees on the Group payroll, including 411 apprentices. This was 134 fewer than twelve months earlier. Excluding our staff at our newly consolidated Swiss subsidiary, Print Assist AG, the number of employees fell by 149. The total will fall below 6,000 in the near future with existing phased retirement schemes and other measures continuing to come into effect. To maintain the necessary level of qualified staff the parent company took on 70 apprentices, who started either a technical or commercial apprenticeship in autumn.

**Payroll at 30 September**



## Risk Management

The Parent's risk management system is described on pages 41 to 42 of the Group financial statements for 2011, and there have since been no significant changes in the risk profile detailed there and on pages 45 to 48. Despite the current global uncertainties and debt crises we can discern no risks that could pose an existential threat to Group activities. Our solid capital resources and liquidity, and our strong position in less cyclical niche markets help constrain our risk potential.

## Outlook

Despite the trend of a decline in order backlog over the past ten months, in October 2012 the VDMA forecasted a 2% sales increase for German machinery and plant manufacturers for this and the upcoming year. The prediction encompasses considerable insecurities and is not equally true for all sectors. Despite the political decision in October to set up a permanent European stability mechanism (ESM) to help stabilise financial markets, further negative effects of sovereign debt and the euro crisis on the global economy are possible. In addition there are unpredictable political influences, such as the change of the Chinese head of state. Growth in expanding markets, such as China, India and Brazil has slumped recently. These dynamic emerging markets had significantly compensated for the weak demand in Europe, North America and other industrial regions during the financial crisis and remain crucial to the global economy in 2013 and beyond.

Many suppliers of the printing industry, among them KBA, will see a growth in sales in 2012 triggered by the industry's leading trade fair Drupa. The influx of orders guarantees a boost to KBA sheetfed sales in the fourth quarter. When planning for 2013, we have to face a rather more stagnant demand with fluctuations in the different market segments given the recent revisions made to economic forecasts. Along with economic aspects, shifts in the media market as well as the continuing structural and technological changes in the printing industry have had a decisive influence on our business.

In media-related and advertising-orientated sectors, such as newspaper and commercial printing, we do not expect an upturn in the relatively low investment activity experienced this year. The situation is different in the growing digital print market, which KBA has recently entered. Here our new RotaJET 76 produced at our Würzburg plant is attracting notable interest. Following the launch of this inkjet web press at Drupa, we are confident that we will receive the first orders shortly with deliveries in the coming year. With the RotaJET we are currently addressing the book, direct mail and advertising market segments that are suitable for digital printing. As a second step we aim to target newspaper and packaging printers with upcoming products. The KBA RotaJET is an answer to the fast shifts in the print market and should partly compensate for the slump in web offset sales in the medium term.

Demand for sheetfed offset presses for commercial printing depends strongly on economic and advertising developments and the banks financing support. Packaging printing, in which we with our medium- and large-format Rapidas are well-positioned, is less influenced by these factors. We assume that given the new presses launched at Drupa and advanced processes, we will be able to successfully market our technological lead in the packaging sector also in 2013.

We do not see any major growth potential in sheetfed in our classic European, North American and Asian core markets for 2013. We hope that the trade show China Print in Beijing in May 2013 will boost sales in China which is our largest single market. We also recognise additional sales potential for KBA in Latin America, Africa and Asia. We have set up own service offices and trading partners in some of these markets that KBA had not yet entered or was poorly positioned. Initial success has already been achieved with numerous orders coming from Korea, Japan and Mexico among others.

KBA is predominantly known to the general public as a manufacturer of sheetfed and newspaper presses. Less well-known are the special printing technology, systems and services mainly provided by our subsidiaries, which deliver to markets less in focus. These range from producing bank notes, metal decorating, digital and analogue coding technology for various industries, UV printing of smart cards up to thermal air-purification systems. Its proportion has in the meantime become higher than the contribution of the web presses, which are suffering from changes in the media environment.

The broad product mix has contributed in no small part to KBA overcoming the enormous changes in the printing market since the financial crisis, better than other manufacturers. Along with positive pre-tax earnings over the past three years, the company reported a continued stable balance sheet, strong equity ratio and mastered the industry crisis without incurring additional debt. We are widely recognised as a financially stable partner by many customers which helps when facing tough competition. Nevertheless management continues to work under intense pressure with external support to adjust processes and structures to achieve a lasting improvement in profitability. As well as entering into the digital print market an expansion into other new fields of activity remains on our agenda. Among the many intensively scrutinised options, print-related segments in the broad field of packaging production are emerging which are interesting and suited to KBA. Management will report more as soon as any definite decisions have been made.

With only a few weeks to go before the end of the fiscal year, management is confident that our targets for 2012 can be achieved, considering the deliveries scheduled for the rest of the year. Along with the increase in Group sales to over €1.2bn, a significant improvement in pre-tax earnings (EBT) from €3.3m in 2011 to a double-digit figure above the current figure of €12.5m, remains realistic. In view of current market uncertainty, management feel it would be wise to publish more details on 2012 and our expectations for 2013 in February next year together with our preliminary figures.

## Group Balance Sheet

**Assets**

| in €m | 31.12.2011 | **30.09.2012** |
|---|---|---|
| **Non-current assets** | | |
| Intangible assets, property, plant and equipment | 275.0 | 273.1 |
| Investments and other financial receivables | 22.1 | 18.1 |
| Other assets | 0.2 | 0.2 |
| Deferred tax assets | 47.6 | 49.8 |
| | **344.9** | **341.2** |
| **Current assets** | | |
| Inventories | 328.1 | 388.4 |
| Trade receivables | 310.4 | 252.4 |
| Other financial receivables | 24.3 | 17.3 |
| Other assets | 40.8 | 42.4 |
| Securities | 28.7 | 30.1 |
| Cash and cash equivalents | 145.6 | 193.4 |
| | **877.9** | **924.0** |
| **Balance sheet total** | **1,222.8** | **1,265.2** |

**Equity and liabilities**

| in €m | 31.12.2011 | **30.09.2012** |
|---|---|---|
| **Equity** | | |
| Share capital | 42.9 | 42.9 |
| Share premium | 87.3 | 87.3 |
| Reserves | 336.4 | 345.6 |
| | **466.6** | **475.8** |
| **Liabilities** | | |
| **Non-current liabilities** | | |
| Pension provisions | 106.6 | 108.6 |
| Other provisions | 65.9 | 68.1 |
| Bank loans | 8.0 | 0.1 |
| Other financial payables | 12.8 | 17.2 |
| Other liabilities | 0.1 | 3.0 |
| Deferred tax liabilities | 27.8 | 28.8 |
| | **221.2** | **225.8** |
| **Current liabilities** | | |
| Other provisions | 137.4 | 165.3 |
| Trade payables | 64.2 | 59.0 |
| Bank loans | 27.9 | 30.6 |
| Other financial payables | 73.3 | 80.3 |
| Other liabilities | 232.2 | 228.4 |
| | **535.0** | **563.6** |
| **Balance sheet total** | **1,222.8** | **1,265.2** |

## Group Income Statement

| 01.01. - 30.09.<br>in €m | 2011 | **2012** |
|---|---|---|
| Sales | 785.7 | 916.2 |
| Cost of sales | –608.8 | –657.4 |
| **Gross profit** | **176.9** | **258.8** |
| Distribution costs | –102.2 | –124.2 |
| Administrative expenses | –47.7 | –56.7 |
| Other operating income and expenses | –47.4 | –57.4 |
| **Operating profit/loss** | **–20.4** | **20.5** |
| Financial result | –6.2 | –8.0 |
| **Earnings before taxes** | **–26.6** | **12.5** |
| Income tax | –5.9 | –6.6 |
| **Net profit/loss** | **–32.5** | **5.9** |

| 01.07. - 30.09.<br>in €m | 2011 | **2012** |
|---|---|---|
| Sales | 276.0 | 325.7 |
| Cost of sales | –214.9 | –238.1 |
| **Gross profit** | **61.1** | **87.6** |
| Distribution costs | –35.8 | –42.0 |
| Administrative expenses | –15.9 | –18.7 |
| Other operating income and expenses | –22.5 | –20.0 |
| **Operating profit/loss** | **–13.1** | **6.9** |
| Financial result | –2.5 | –2.3 |
| **Earnings before taxes** | **–15.6** | **4.6** |
| Income tax | –2.2 | –3.2 |
| **Net profit/loss** | **–17.8** | **1.4** |

## Statement of Changes in Group Equity

| in €m | Share capital | Share premium |
|---|---|---|
| **01.01.2011** | **42.8** | **87.1** |
| Net loss | – | – |
| Gains recognised directly in equity | – | – |
| **Total comprehensive income** | **–** | **–** |
| Capital increase from authorised capital | 0.1 | 0.3 |
| Dividend | – | – |
| Other changes | – | – |
| **30.09.2011** | **42.9** | **87.4** |
| | | |
| **01.01.2012** | **42.9** | **87.3** |
| Net profit | – | – |
| Gains recognised directly in equity | – | – |
| **Total comprehensive income** | **–** | **–** |
| Other changes | – | – |
| **30.09.2012** | **42.9** | **87.3** |

## Statement of Comprehensive Group Income

**01.01. - 30.09.**

| in €m | 2011 | **2012** |
|---|---|---|
| **Net profit/loss** | **–32.5** | **5.9** |
| Foreign currency translation | 9.9 | 1.2 |
| Measurement of primary financial instruments | 0.1 | 1.5 |
| Measurement of derivatives | –2.7 | 2.1 |
| Deferred taxes | 0.6 | –0.8 |
| **Gains recognised directly in equity** | **7.9** | **4.0** |
| **Total comprehensive income** | **–24.6** | **9.9** |

| Reserves | | |
|---|---|---|
| Recognised in equity | Other | **Total** |
| | | |
| **34.3** | **297.1** | **461.3** |
| – | –32.5 | –32.5 |
| 7.9 | – | 7.9 |
| **7.9** | **–32.5** | **–24.6** |
| – | – | 0.4 |
| – | –4.9 | –4.9 |
| – | 2.1 | 2.1 |
| **42.2** | **261.8** | **434.3** |
| | | |
| **42.6** | **293.8** | **466.6** |
| – | 5.9 | 5.9 |
| 4.0 | – | 4.0 |
| **4.0** | **5.9** | **9.9** |
| – | –0.7 | –0.7 |
| **46.6** | **299.0** | **475.8** |

## Group Cash Flow Statement

| 01.01. - 30.09.<br>in €m | 2011 | **2012** |
|---|---|---|
| Earnings before taxes | –26.6 | 12.5 |
| Non-cash transactions | 30.8 | 35.2 |
| **Gross cash flow** | **4.2** | **47.7** |
| Changes in inventories, receivables and other assets | 46.6 | 9.6 |
| Changes in provisions and payables | 13.8 | 8.8 |
| **Cash flows from operating activities** | **64.6** | **66.1** |
| **Cash flows from investing activities** | **–23.9** | **–16.2** |
| **Cash flows from financing activities** | **–11.6** | **–5.2** |
| **Change in funds** | **29.1** | **44.7** |
| Effect of changes in exchange rates and consolidated companies | 8.0 | 3.1 |
| Funds at beginning of period | 91.0 | 145.6 |
| **Funds at end of period** | **128.1** | **193.4** |

## Notes to the Interim Statement to 30 September 2012

### 1 Accounting Policies

This interim report for the Koenig & Bauer Group is based on international financial reporting standards (IFRS). The consolidated financial statements were prepared in accordance with the standards valid on that date, as issued by the International Accounting Standards Board (IASB), London, and all binding interpretations by the International Financial Reporting Interpretation Committee (IFRIC), with due regard for EU directives.

The interim accounts conform to IAS 34. Taxes on income were disclosed at the average national tax rate applicable.

Individual items in the balance sheet and the income statement were aggregated to clarify presentation. Figures represent million euros (€m), unless stated otherwise.

### 2 Consolidated Companies and Consolidation Principles

One subsidiary – Print Assist AG in Höri, Switzerland – was consolidated in the Group accounts for the first time on 1 January 2012. Domestic sheetfed offset sales activities were spun off from Koenig & Bauer AG into a new subsidiary, KBA Deutschland GmbH.

There were no changes in our consolidation principles.

The financial statements of foreign entities were translated at the closing rate or at an average exchange rate for the period, as specified in IAS 21.

## 3 Segment Information

### 3.1 Business segments

| **01.01. - 30.09.** | **Web and special presses** | | **Sheetfed offset presses** | |
|---|---|---|---|---|
| in €m | 2011 | **2012** | 2011 | **2012** |
| Sales | 388.3 | 520.8 | 397.4 | 395.4 |
| Operating profit/loss | 1.7 | 41.9 | –22.1 | –21.4 |
| Capital investments | 16.4 | 9.3 | 13.4 | 7.2 |

### 3.2 Geographical breakdown of sales

| **01.01. - 30.09.** in €m | 2011 | **2012** |
|---|---|---|
| Germany | 121.0 | 96.3 |
| Rest of Europe | 283.6 | 271.8 |
| North America | 81.8 | 92.2 |
| Asia/Pacific | 209.8 | 223.9 |
| Africa/Latin America | 89.5 | 232.0 |
| **Sales** | **785.7** | **916.2** |

## 4 Earnings per share

| **01.01. - 30.09.** in € | 2011 | **2012** |
|---|---|---|
| Earnings per share | –1.97 | 0.36 |

Basic earnings per share were calculated in accordance with IAS 33 by dividing the net income attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period (16,485,953 no-par shares, previous year: 16,464,927 no-par shares).

## 5 Balance Sheet

### 5.1 Intangible assets, property, plant and equipment

| in €m | Purchase or manufacturing cost | Accumulated depreciation | Carrying amount |
|---|---|---|---|
| Intangible assets | 71.4 | 45.0 | 26.4 |
| Property, plant and equipment | 648.0 | 399.4 | 248.6 |
| **Total at 31.12.2011** | **719.4** | **444.4** | **275.0** |
| | | | |
| Intangible assets | 72.0 | 46.0 | 26.0 |
| Property, plant and equipment | 673.0 | 425.9 | 247.1 |
| **Total at 30.09.2012** | **745.0** | **471.9** | **273.1** |

Investment in property, plant and equipment totalling €15.8m (third quarter 2011: €28.1m) primarily refers to assets under construction and additions of plant and machinery, factory and office equipment. The reduction in investments resulted primarily from the completion in 2011 of the major renovation of the foundry in Würzburg.

### 5.2 Inventories

| in €m | 31.12.2011 | **30.09.2012** |
|---|---|---|
| Raw materials, consumables and supplies | 62.2 | 69.0 |
| Work in progress | 221.8 | 287.2 |
| Finished goods and products | 44.1 | 32.2 |
| | **328.1** | **388.4** |

### 5.3 Liabilities

**Current and non-current liabilities** rose by €33.2m. This was largely due to an increase in provisions mainly resulting from deferred expenses for sales.

## Key Financial Dates

Annual report 2012
22 March 2013

Interim report on 1st quarter 2013
14 May 2013

Koenig & Bauer Annual General Meeting
13 June 2013
Vogel Convention Center, Würzburg

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