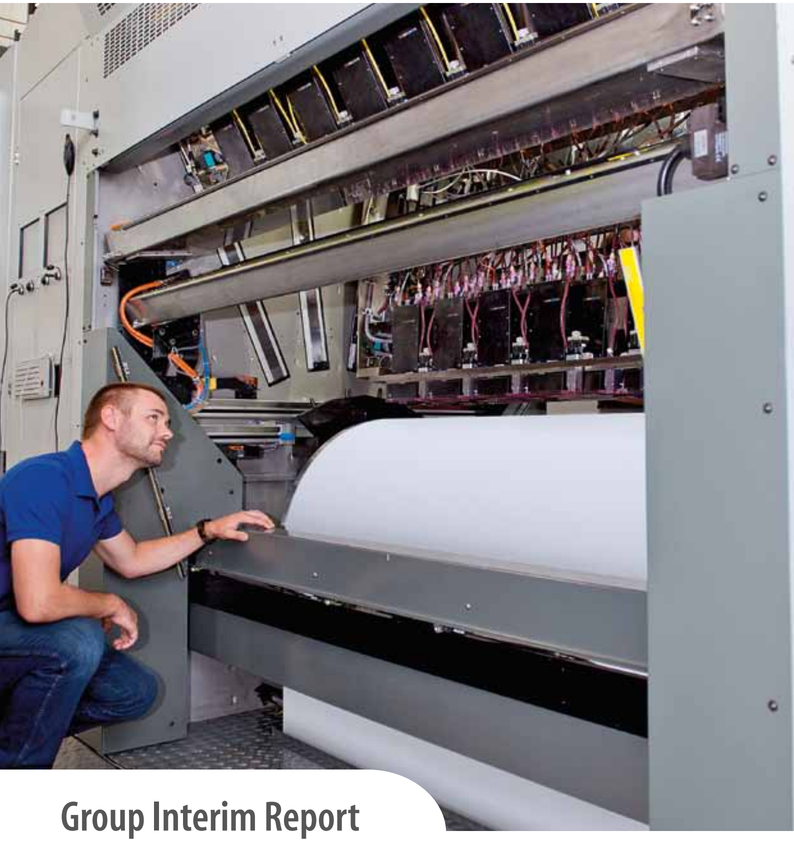


Group Interim Report
Third Quarter 2014

Koenig & Bauer Group

KBA Group in Figures

01.01. - 30.09. in €m	2013	**2014**
Order intake	709.6	**668.7**
Revenue	729.9	**791.8**
Order backlog at 30.09.	627.7	**437.4**
Export level in %	80.4	**85.3**
Operating profit/loss	−10.7	**7.0**
Earnings before taxes	−16.3	**1.2**
Net loss	−20.2	**−2.3**
Balance sheet total at 30.09. (prior year: 31.12.)	1,098.0	**1,044.9**
Equity at 30.09. (prior year: 31.12.)	277.9	**247.9**
Investment in intangible assets, property, plant and equipment	23.3	**15.4**
Depreciation on intangible assets, property, plant and equipment	21.9	**20.7**
Payroll at 30.09.	6,218	**5,930**
- thereof apprentices/trainees	444	**429**
Cash flows from operating activities	30.0	**32.9**
Earnings per share in €	−1.22	**−0.12**

Title photo
This quarter we delivered the first KBA RotaJET inkjet press
with a web width of over 1.60m for use in industrial printing

We made considerable progress over the summer months with the implementation of our Fit@All programme and towards achieving our sales and earnings targets for 2014. At €791.8m Group sales after nine months were 8.5% higher than the previous year and our pre-tax profit (EBT) of €1.2m was a significant improvement on the prior-year figure of –€16.3m. Both business divisions posted an operating profit and our operating cash flow which is important for our liquidity was also positive at €32.9m.

At the same time we cannot afford to relax. The economic situation in key threshold markets and in parts of Europe has worsened. The effects of the financial crisis have yet to be overcome. Military conflicts and concerns about Ebola result in dampened expectations for the future and act as brake on our business. We have felt the impacts of this on our order intake in recent months. While our sheetfed offset segment has done well with a minor reduction of 1.9% compared to 2013, new orders for web and special presses fell by 12.9% year-on-year. Commercial and newspaper printing remained far below our low expectations. Despite a raft of projects in banknote printing, a key market for KBA, orders have only been placed hesitantly. With regard to capacity utilisation in 2015 we are hoping for a swift upturn in investment activity.

The implementation of our restructuring programme is on schedule. Agreements have already been made with employee representatives at our production sites for the reduction of over 1,000 of up to 1,500 jobs planned in total. Many of these employees who have already left the company are listed on Group payroll at 30 September due to their periods of notice. Following successful negotiations at many facilities, in September we were able to find a solution for a substantial reduction in employees at our Frankenthal site which has posted severe losses.

Realigning capacities is expensive and painful for all involved. We already made provisions in the 2013 financial statements for upcoming measures and those carried out this year, and therefore we anticipate limited special expenses. These downsizing measures will improve our earnings in the coming years and will open up scope for new activities in growth markets. At the end of this quarter we announced a partnership with Hewlett Packard (HP) to develop and produce a digital press for corrugated packaging printing. Furthermore, we have expanded our portfolio for the increasingly more popular digital printing market with the very flexible KBA RotaJET L press platform and we recently delivered the first digital press with a web width of over 1,60m to a German industrial printer.

The relocation of production activities between our plants agreed as part of Fit@All is at an advanced stage, but has not yet been completed fully as it has to take place in parallel to day-to-day production. Additionally, we pushed ahead with the organisational preparations for a de-central company structure with autonomous operative business units and aim to finalise this new organisation with a resolution passed at the Annual General Meeting in May 2015.

KBA is currently undergoing many changes associated with securing the company's profitability in the long term. Nevertheless, from today's point of view we will achieve forecasted Group sales of over €1bn and at least balanced Group earnings before taxes (EBT) in 2014. Sales and earnings in the coming year will be predominantly determined by the global political and economic climate. We hope that the current turmoil does not escalate further and we will provide you with an initial outlook for 2015 in spring when the conditions for the German engineering industry and our business are somewhat more visible.

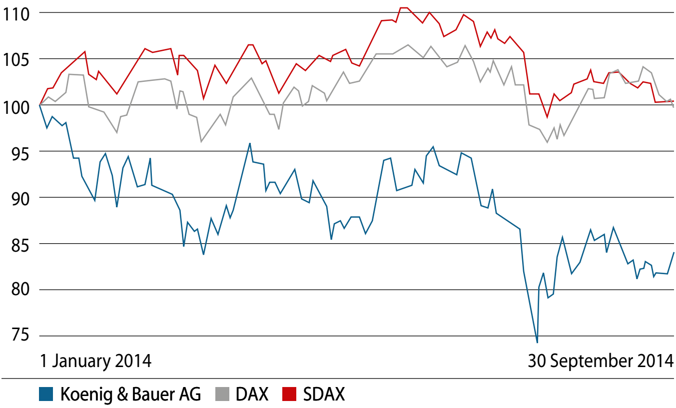
Claus Bolza-Schünemann
President and CEO of Koenig & Bauer AG

KBA Shares

Given the ECB's continuing expansive monetary policy German stock indexes picked up speed until the middle of the year despite a series of setbacks resulting from geopolitical conflicts. The DAX reached a new all-time high of 10,051 points on 20 June. However, Koenig & Bauer shares were not able to participate in this uptrend which comes as no surprise in light of the ongoing restructuring programme. Shares fluctuated between €11 and €13. The decline in share prices beginning in mid-July due to economic weakness and political crises had a strong impact on KBA shares with a comparatively low trading volume. On 4 August our share price hit a low for the first nine months of €9.80. Our predominantly positively assessed half-year figures led again to an increase in share price of up to €11.44 in mid-August. At €11.10 on 30 September KBA shares were 13.8% down on the previous year's closing figure, while the DAX (–0.8%) and SDAX (+0.9%) were roughly on par with the end of last year. Our company's shares again fell below the €10-mark in October triggered by the stock market slump.

Koenig & Bauer shares

in %



Group Management Report

Market and Industry Environment

Demand for German machinery temporarily slowed as a result of international conflicts, sanctions and regional economic and currency problems that curbed the global economy. According to recent statistics issued by the VDMA (German Machinery and Plant Manufacturer's Association) the export-orientated press technology industry has been heavily affected by investment reluctance. Threshold countries, such as Turkey, India, South Africa or Brazil, imported fewer machines and even the growth world champion China has lost some of its momentum. The euro countries Italy, Spain and France dashed hopes of a sustained economic recovery.

Business Performance

Nevertheless, thanks to the encouraging volume of orders placed for packaging printing and metal decorating systems, KBA bucked the industry trend in its sheetfed offset segment with incoming orders of €160.8m in the third quarter. This figure was significantly above the previous two quarters. However, at €449.9m bookings made over the entire nine months were 1.9% down on last year's figure of €458.5m. Along with ongoing reluctance to invest in web presses, delays in contract conclusions for numerous banknote printing projects dampened order intake for web and special presses. Despite our new subsidiaries KBA-Flexotecnica and KBA-Kammann, and a rise in orders for web press services and coding technology, at €218.8m order intake was 12.9% lower than the previous year (€251.1m). To sum up **Group order intake** of €668.7m was 5.8% less than in the first nine months of 2013 (€709.6m).

At the end of September **Group order backlog** came to €437.4m, a 30.3% decrease year-on-year (€627.7m). Whereas the backlog of orders in our sheetfed division rose slightly to €252.9m (2013: €250.3m), at €184.5m the total volume of web and special press orders shrank considerably compared to 2013 (€377.4m) due to a weaker inflow of orders and a high number of deliveries.

Earnings, Finances and Assets

Earnings

At 30 September **Group sales** were up 8.5% to €791.8m (2013: €729.9m). Sales of sheetfed offset presses increased by 6.5% to €406.3m compared to the prior-year figure of €381.4m. There was a rise in deliveries of medium- and large-format presses for KBA's traditional key market segment packaging in particular. In the web and special press division higher sales in banknote and special packaging printing led to a 10.6% climb in revenue to €385.5m compared to €348.5m in 2013.

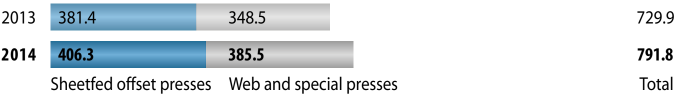
Domestic sales were almost 20% down on the previous year due to fewer web press deliveries and the export level rose from 80.4% to 85.3%. Deliveries to other parts of Europe soared by 54.2% to €283.6m (2013: €183.9m). Compared to 2013 (25.2%) this traditional KBA market gained ground again with 35.8% of Group sales. In North America a much higher volume of sheetfed press deliveries compensated for the region's significantly shrunken business with web presses to a large extent. Sales generated here eased down from €81.8m to €80m, or from 11.2% to 10.1% of the total. Given the economic slowdown in the People's Republic of China sales attributable to Asia and the Pacific of €191.3m remained below the prior-year figure (€211.4m), but at 24.2% its proportion to Group sales was still considerable. Mainly driven by an increase in special press shipments revenue in Africa and Latin America rose to €120.9m compared to €110m in 2013. At 15.2% the region's contribution was again above the long-term average.

Group order intake

in €m

Group sales

in €m



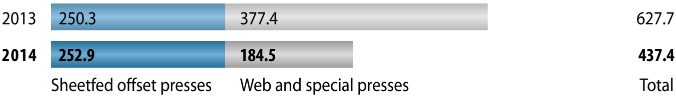
Higher sales, the expanded service business and cost savings achieved through past initiatives as well as the current Fit@All programme had a positive impact on **earnings** compared to 2013. This is in spite of special expenses for restructuring and idle-facility costs at our web press sites that hit our earnings. In the following quarters we expect a gradual reduction in costs triggered by capacity adjustments as part of Fit@All. Our **gross profit margin** widened from 25.3% to 27.7%. At €40.5m our R&D costs were slightly down on the prior-year figure of €41.4m. Higher sales commissions for the rise in deliveries contributed to a climb in distribution costs to €107.7m (2013: €93m). Administrative costs increased from €52.5m to €57.9m also driven by consulting expenses related to the Group realignment. Other operating income and expenses came to –€6.6m (2013: –€8.1m). To sum up at €7m our **operating profit** improved by approx. €18m compared to the previous year (–€10.7m).

Despite insufficient capacity utilisation at our web press facilities our web and special press division posted an operating profit of €4.2m, an improvement on last year's loss of €2.9m. This was a main result of higher contribution margins due to a rise in sales and an advantageous product mix. Increased sales and progress with regard to costs and prices led to an operating profit in our sheetfed segment of €2.8m (2013: –€7.8m).

Following a financial loss of €5.8m, we posted a **pre-tax profit** (EBT) of €1.2m compared to a loss of €16.3m in 2013. After tax deductions, **Group results** came to –€2.3m, a significant improvement on the prior-year figure (–€20.2m). This corresponds to **earnings per share** of –€0.12 (2013: –€1.22).

Group order backlog

in €m



Group net loss

in €m

Finances

Cash flows from operating activities were clearly positive at €32.9m (2013: €30m). Along with the improvement in earnings, a reduction in trade receivables from €228.2m to €162.6m was a decisive contributory factor. In light of a €31.7m drop in customer prepayments to €143.3m, lower trade payables as well as cash outflows for staff cuts, we see this as a result of our efforts to reduce working capital. After deducting funds for investing activities, at €21m the **free cash flow** exceeded the prior-year figure of €2.1m significantly. **Funds** soared accordingly to €204m (end of 2013: €185.4m). Less reduced bank loans of €19.3m, net liquidity stood at a comfortable €184.7m at the end of the quarter. In addition, there are ample credit lines available. Equity of €247.9m represented 23.7% of the balance sheet total.

Assets

The **Group balance sheet total** of €1,044.9m at 30 September 2014 was €53.1m down on last year's closing figure (€1,098m). Despite higher funds (+€18.6m) current assets dropped to €776.3m (2013: €825.9m) due to lower trade receivables (–€65.6m). €15.4m (2013: €23.3m) invested in intangible assets, property, plant and equipment stood below depreciation totalling €20.7m (previous year: €21.9m). Non-current assets fell to €268.6m compared to €272.1m at the end of 2013.

Research and Development

This quarter our engineers focused on the technological advancement of existing offset presses, but also on new products for growing markets, such as digital, label, packaging and industrial printing. With the RotaJET L KBA showcased a new press platform for digital inkjet web printing at trade shows in the USA and Netherlands. The

Geographical breakdown of revenue

in %	2013	2014
Germany	19.6	14.7
Rest of Europe	25.2	35.8
North America	11.2	10.1
Asia/Pacific	28.9	24.2
Africa/Latin America	15.1	15.2
	100.0	**100.0**

platform can be upgraded at a later date with web widths from 895 to 1,300mm to meet growing customer demands. Additionally, an agreement has been made to collaborate with HP to develop an inkjet press for the digital corrugated packaging market. KBA has once again underscored its role as innovator and trendsetter in sheetfed offset with the delivery of the first medium-format Rapida featuring the new energy- and time-saving LED-UV curing process.

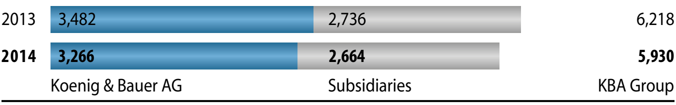
Human Resources

At the end of September 2014 there were 5,930 employees on the Group payroll, 288 fewer than twelve months earlier. This includes 429 young people who started their career in September with an apprenticeship or traineeship at KBA. Without taking into account apprentices and trainees, redundancies, temporary employees and staff on phased retirement schemes, and not including the newly consolidated companies KBA-Kammann and KBA-Flexotecnica the Group workforce sank by 445 to 4,907. This total will fall to below 4,500 by 2016 as part of the continued implementation of our Fit@All programme.

Risk Management

Despite growing economic and political uncertainties, and ongoing extensive Group restructuring activities in place since the beginning of the year, we perceive no risks that could pose an existential threat to the KBA Group. The implementation of our Fit@All programme, provisions for which were already made in the financial statements for 2013, is progressing well. Our product portfolio for the packaging market expanded with the acquisition of KBA-Flexotecnica and KBA-Kammann last year, our strong position in some special markets and our continued solid financial base despite numerous liquidity-intensive restructuring measures limit the potential for risks. A detailed

Payroll at 30 September



description of the Koenig & Bauer risk management system can be found on pages 52 onwards of the Group financial statements for 2013. The early warning system was extended to all sales and service companies in the first nine months of this year.

Outlook

The current market climate is characterised by uncertainty and nervousness given the numerous international conflicts, unstable situation on the financial, stock and currency markets, and deflationary trends in the euro zone. The majority of domestic and international growth forecasts for 2014 and 2015 have now been adjusted downwards, but they still remain positive. In general, risks have grown and making projections has become more difficult.

As previously announced, KBA will not expand in 2014. However, we assume that we will achieve Group sales between €1bn and €1.1bn announced at the beginning of the year. Web press orders and sales, which are significantly lower than our original expectations due to the market, are compensated to a great extent by our stable sheetfed offset business, good revenue in metal decorating as well as the newly consolidated subsidiaries KBA-Flexotecnica and KBA-Kammann active in the packaging segment. Overall, the Group's sales structure will shift for the benefit of our sheetfed press segment.

The implementation of numerous measures associated with our Fit@All programme is proceeding largely according to plan. On the basis of the significant improvement to our earnings in the third quarter the management board continues to target a Group operating profit for 2014. Following high provisions made in the financial statements for 2013 we expect only limited special expenses for Fit@All which impact on earnings. In contrast the cost savings from the restructuring measures implemented will become noticeable. To sum up, management considers at least a balanced pre-tax result for the Group (EBT) as attainable.

The capacity measures already carried out and those still to come as well as the further consequent implementation of our Fit@All programme will result in a much lower cost base and profit threshold. The management board is actively pursuing the goal of sustained long-term profitability with Group sales of approx. €1bn following the completion of the realignment.

Given the somewhat uncertain development of the economic and political climate at present we believe that it is too early to make a sales and earnings forecast for 2015. The financial statements for 2014 published in March 2015 will provide us with a better basis for making an outlook for the new financial year.

Group Balance Sheet

Assets

in €m	31.12.2013	**30.09.2014**
Non-current assets		
Intangible assets, property, plant and equipment	227.5	221.9
Investments and other financial receivables	16.7	16.7
Other assets	0.6	0.2
Deferred tax assets	27.3	29.8
	272.1	**268.6**
Current assets		
Inventories	357.2	358.2
Trade receivables	228.2	162.6
Other financial receivables	17.4	18.6
Other assets	34.8	27.0
Securities	0.9	5.9
Cash and cash equivalents	185.4	204.0
Assets held for sale	2.0	–
	825.9	**776.3**
Balance sheet total	**1,098.0**	**1,044.9**

Equity and liabilities

in €m	31.12.2013	**30.09.2014**
Equity		
Share capital	43.0	43.0
Share premium	87.5	87.5
Reserves	146.6	116.9
Equity attributable to owners of the Parent	277.1	247.4
Equity attributable to non-controlling interests	0.8	0.5
	277.9	**247.9**
Liabilities		
Non-current liabilities		
Pension provisions	142.5	170.8
Other provisions	92.4	59.2
Other financial payables	15.3	9.6
Other liabilities	5.3	2.0
Deferred tax liabilities	15.9	16.2
	271.4	**257.8**
Current liabilities		
Other provisions	204.5	227.0
Trade payables	72.2	67.8
Bank loans	21.5	19.3
Other financial payables	55.2	63.2
Other liabilities	195.3	161.9
	548.7	**539.2**
Balance sheet total	**1,098.0**	**1,044.9**

Group Income Statement

01.01. - 30.09. in €m	2013	2014
Revenue	729.9	791.8
Cost of sales	–545.6	–572.1
Gross profit	**184.3**	**219.7**
Research and development costs	–41.4	–40.5
Distribution costs	–93.0	–107.7
Administrative expenses	–52.5	–57.9
Other operating income and expenses	–8.1	–6.6
Operating profit/loss	**–10.7**	**7.0**
Financial result	–5.6	–5.8
Earnings before taxes	**–16.3**	**1.2**
Income tax	–3.9	–3.5
Net loss	**–20.2**	**–2.3**
- attributable to owners of the Parent	–20.2	–2.0
- attributable to non-controlling interests	–	–0.3
Earnings per share (in €, basic/dilutive)	**–1.22**	**–0.12**

01.07. - 30.09. in €m	2013	2014
Revenue	227.7	274.0
Cost of sales	–177.2	–195.7
Gross profit	**50.5**	**78.3**
Research and development costs	–13.8	–13.4
Distribution costs	–27.3	–41.2
Administrative expenses	–18.3	–21.5
Other operating income and expenses	3.1	1.0
Operating profit/loss	**–5.8**	**3.2**
Financial result	–1.7	–1.9
Earnings before taxes	**–7.5**	**1.3**
Income tax	–2.1	–0.2
Net profit/loss	**–9.6**	**1.1**
- attributable to owners of the Parent	–9.6	1.3
- attributable to non-controlling interests	–	–0.2
Earnings per share (in €, basic/dilutive)	**–0.58**	**0.08**

Statement of Changes in Group Equity

in €m	Share capital	Share premium
01.01.2013	**42.9**	**87.3**
Net loss	–	–
Losses recognised directly in equity	–	–
Total comprehensive income	**–**	**–**
Capital increase from authorised capital	–	0.2
Dividend	–	–
30.09.2013	**42.9**	**87.5**
01.01.2014	**43.0**	**87.5**
Net loss	–	–
Losses recognised directly in equity	–	–
Total comprehensive income	**–**	**–**
Other changes	–	–
30.09.2014	**43.0**	**87.5**

Statement of Comprehensive Group Income

01.01. - 30.09. in €m	2013	**2014**
Net loss	**–20.2**	**–2.3**
Items, which later will be reclassified to consolidated profit/loss		
Foreign currency translation	–1.9	–
Measurement of primary financial instruments	0.1	1.0
Measurement of derivatives	0.8	–0.8
Deferred taxes	–0.2	–
	–1.2	**0.2**
Items, which later will not be reclassified to consolidated profit/loss		
Defined benefit plans	–1.9	–28.1
Deferred taxes	0.5	0.2
	–1.4	**–27.9**
Losses recognised directly in equity	**–2.6**	**–27.7**
Total comprehensive income	**–22.8**	**–30.0**
- attributable to owners of the Parent	–22.8	–29.7
- attributable to non-controlling interests	–	–0.3

Reserves				
Recognised in equity	Other	**Equity attr. to owners of the Parent**	Equity attr. to non-controlling interests	**Total**
15.7	**295.4**	**441.3**	**–**	**441.3**
–	–20.2	–20.2	–	–20.2
–2.6	–	–2.6	–	–2.6
–2.6	**–20.2**	**–22.8**	**–**	**–22.8**
–	–	0.2	–	0.2
–	–6.6	–6.6	–	–6.6
13.1	**268.6**	**412.1**	**–**	**412.1**
11.5	**135.1**	**277.1**	**0.8**	**277.9**
–	–2.0	–2.0	–0.3	–2.3
–27.7	–	–27.7	–	–27.7
–27.7	**–2.0**	**–29.7**	**–0.3**	**–30.0**
–41.0	41.0	–	–	–
–57.2	**174.1**	**247.4**	**0.5**	**247.9**

Group Cash Flow Statement

01.01. - 30.09. in €m	2013	2014
Earnings before taxes	–16.3	1.2
Non-cash transactions	28.5	25.6
Gross cash flow	**12.2**	**26.8**
Changes in inventories, receivables and other assets	–30.4	71.3
Changes in provisions and payables	48.2	–65.2
Cash flows from operating activities	**30.0**	**32.9**
Cash flows from investing activities	**–27.9**	**–11.9**
Free cash flow	**2.1**	**21.0**
Cash flows from financing activities	**–23.2**	**–2.4**
Change in funds	**–21.1**	**18.6**
Effect of changes in exchange rates	–1.5	–
Funds at beginning of period	206.3	185.4
Funds at end of period	**183.7**	**204.0**

Notes to the Interim Accounts to 30 September 2014

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

There were no changes in our consolidated companies and 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	2013	**2014**	2013	**2014**
Revenue	348.5	385.5	381.4	406.3
Operating profit/loss	–2.9	4.2	–7.8	2.8
Capital investments	13.5	9.1	9.8	6.3

3.2 Geographical Breakdown of Revenue

01.01. - 30.09. in €m	2013	**2014**
Germany	142.8	116.0
Rest of Europe	183.9	283.6
North America	81.8	80.0
Asia/Pacific	211.4	191.3
Africa/Latin America	110.0	120.9
Revenue	**729.9**	**791.8**

4 Earnings per Share

01.01. - 30.09. in €	2013	**2014**
Earnings per share	–1.22	–0.12

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 (16,524,783 no-par shares, previous year: 16,500,090 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	88.2	49.1	39.1
Property, plant and equipment	658.5	470.1	188.4
Total at 31.12.2013	**746.7**	**519.2**	**227.5**
Intangible assets	86.4	48.4	38.0
Property, plant and equipment	656.8	472.9	183.9
Total at 30.09.2014	**743.2**	**521.3**	**221.9**

Investment in property, plant and equipment totalling €15.2m (third quarter 2013: €17.9m) primarily refers to assets under construction and additions of plant and machinery, factory and office equipment.

5.2 Inventories

in €m	31.12.2013	**30.09.2014**
Raw materials, consumables and supplies	68.1	64.9
Work in progress	259.5	261.0
Finished goods and products	29.6	32.3
	357.2	**358.2**

5.3 Liabilities

Current and non-current liabilities fell by €23.1m. This was due to €10.7m in other provisions, €4.4m in trade payables and customer prepayments of €31.7m. In contrast, pension provisions rose by €28.1m due to recognising actuarial losses from changes in interest rates directly in equity as specified in IAS 19R. Equity was reduced accordingly.

Key Financial Dates

Annual report 2014
20 March 2015

Interim report on 1st quarter 2015
12 May 2015

Koenig & Bauer Annual General Meeting
21 May 2015
Vogel Convention Center, Würzburg

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