People & Print

89th Koenig & Bauer AG Annual General Meeting 28.05.2014 in Würzburg

Claus Bolza-Schünemann, President and CEO

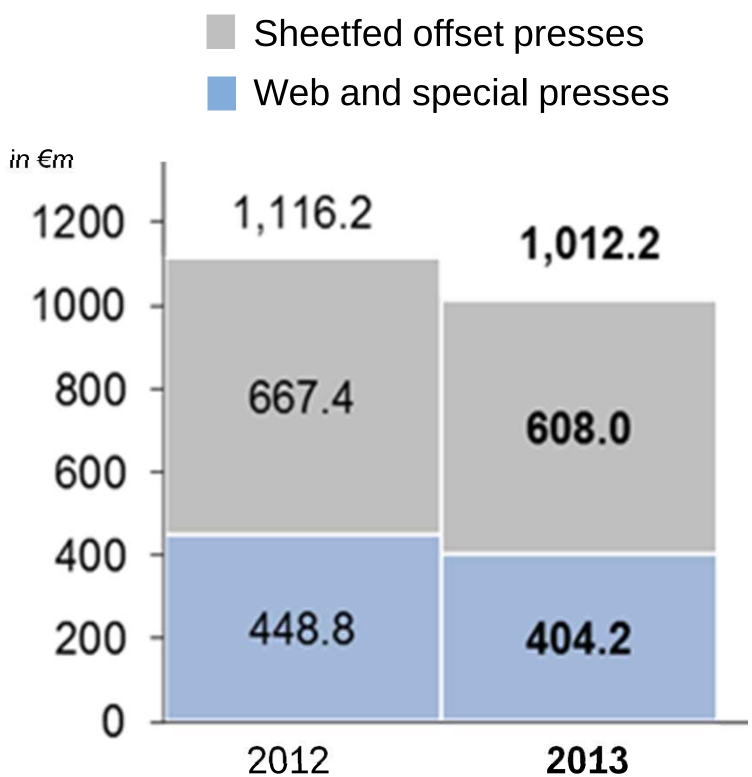
KBA

KBA's current situation and goals

- 2014 began more successfully for us than twelve months earlier
- Our Fit@All programme will fundamentally realign the Group
- Fit@All is making progress, agreements for 700 jobs have already been settled
- Stronger focus on growth markets packaging and digital printing
- Integration of KBA-Kammann and KBA-Flexotecnica is well underway
- Goal 2014: Similar sales to 2013, positive operating result before special effects
- Goal 2015. Significant increase in earnings parallel to implementation of Fit@All
- Goal 2016: Sustained earnings already at €1bn sales

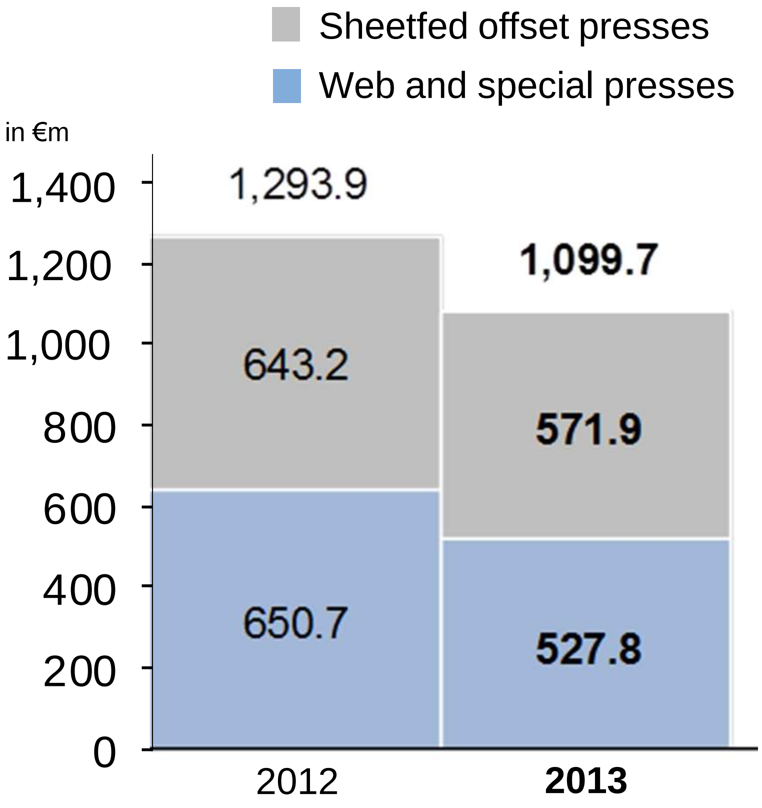
Order intake in 2013

- At €1,012.2m order intake was 9.3% below prior Drupa-year
- Packaging printers dominated new orders for sheetfed presses
- Subdued demand for web and special presses



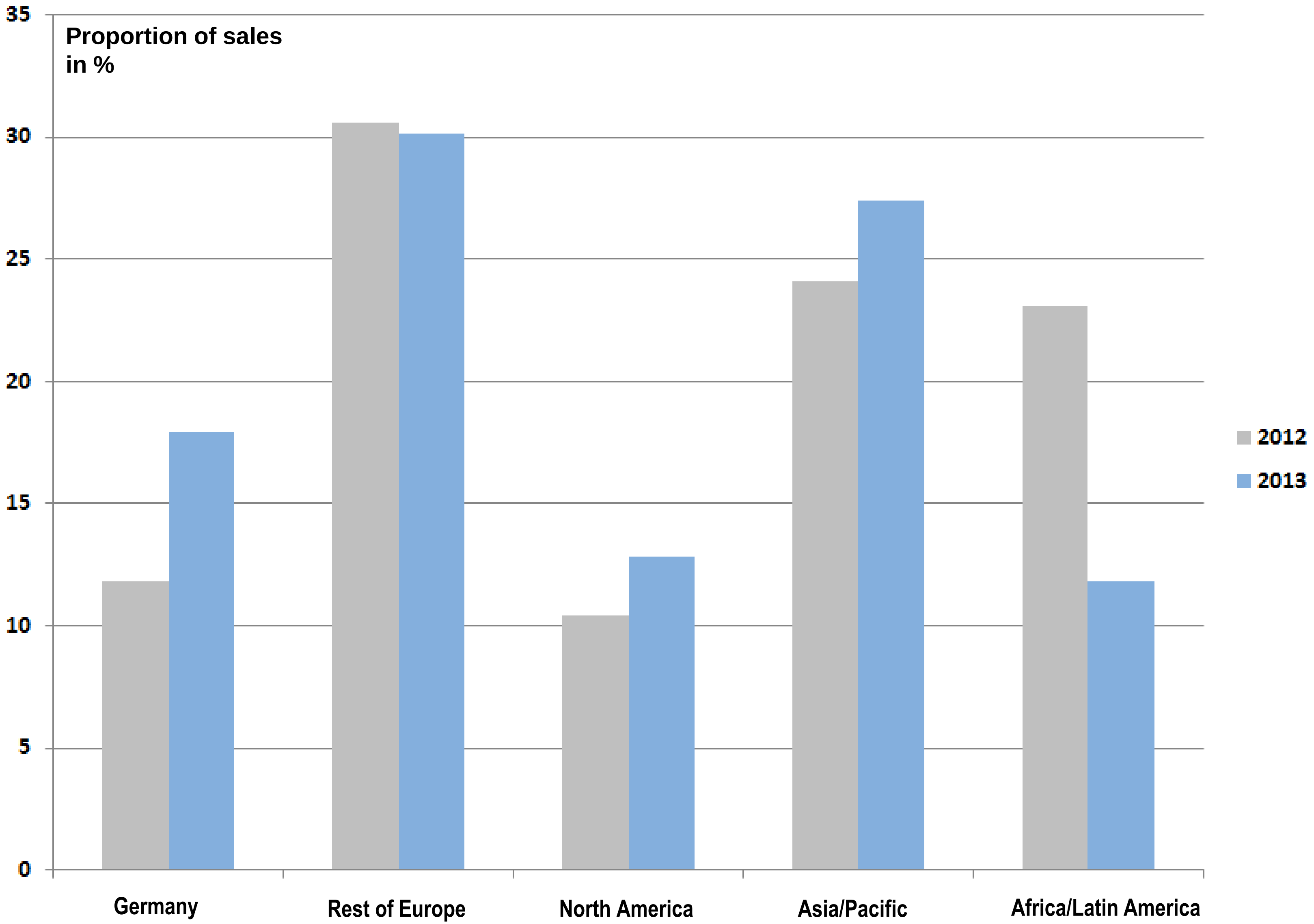
Sales in 2013

- Group sales fell by 15% to €1,099.7m
- Drupa stimulus was lacking in 2013 for sheetfed business
- Significantly smaller business volume with web and special presses



Group figures as per IFRS

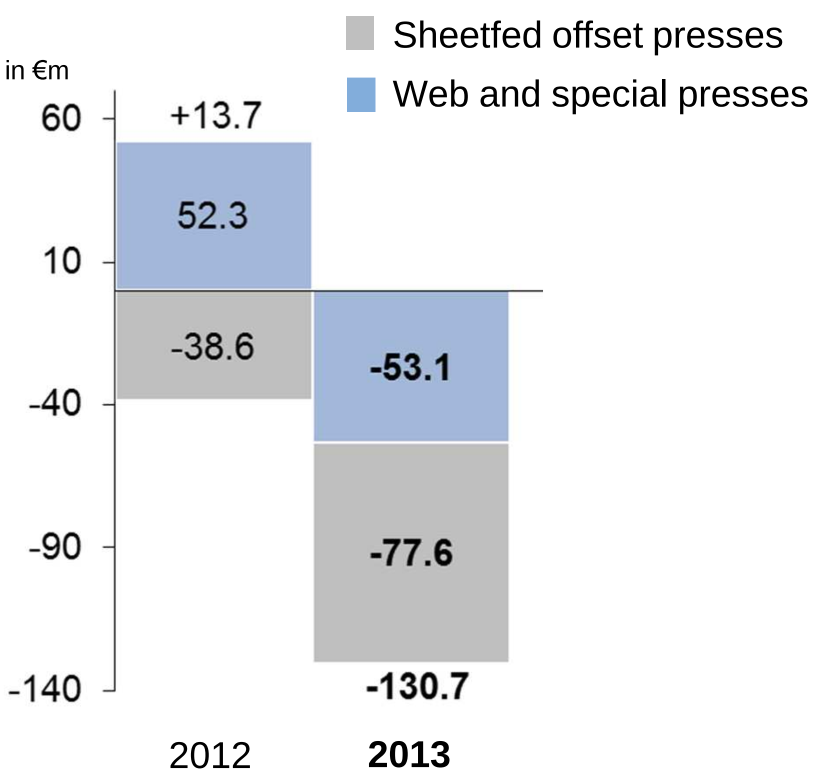
Revenue by region in 2013



Group figures as per IFRS

Operating result 2013

- Operating profit of €24.5m displaced by special items
- €155.2m special expenses for Fit@All programme
- Operating loss of €130.7m due to special items, segments hit accordingly



Group figures as per IFRS

Investments and acquisitions financed from cash flow

	31.12.2012	31.12.2013
Equity ratio reduced by restructuring	38.3%	**25.3%**
Fewer **bank debts**	€31.6m	**€21.5m**
Liquid assets at a high level	€206.3m	**€185.4m**
Comfortable **net liquidity**	+€174.7m	**+€163.9m**
Positive **free cash flow**	€61.2m	**€3.2m**
Adequate **credit lines**	approx. €200m	**approx. €200m**

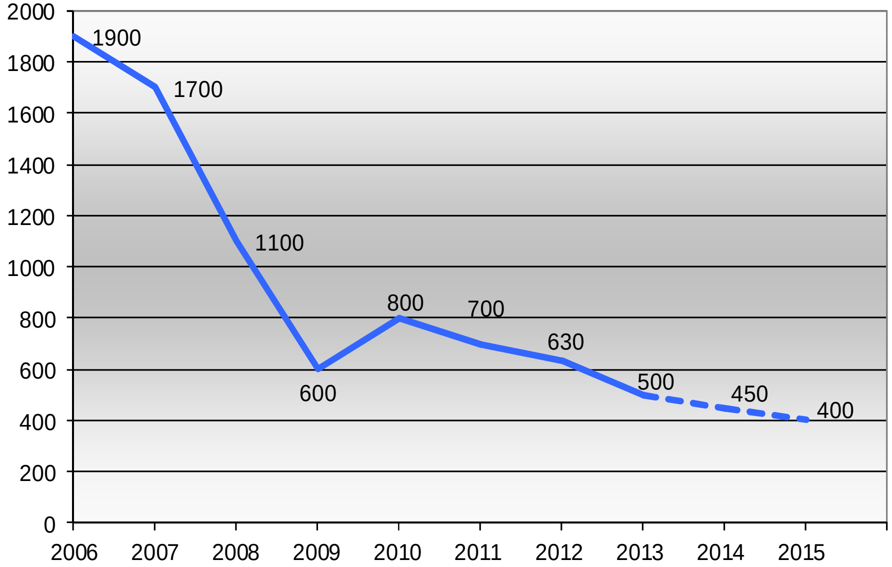
Personnel developments

- Significantly less personnel in core business
- More staff in growth fields
- 266 new employees at Kammann and Flexotecnica
- Group payroll totalled 6,409 at end of 2013
- Fit@All to cut 1,100 to 1,500 jobs
- Arrangements agreed for some 700 employees
- Progress in reducing workforce, expected to finish at end of 2015
- KBA continues to invest in young talent
- Training rate rose from 6.9% to 7.2%
- Employee share scheme continued in 2013

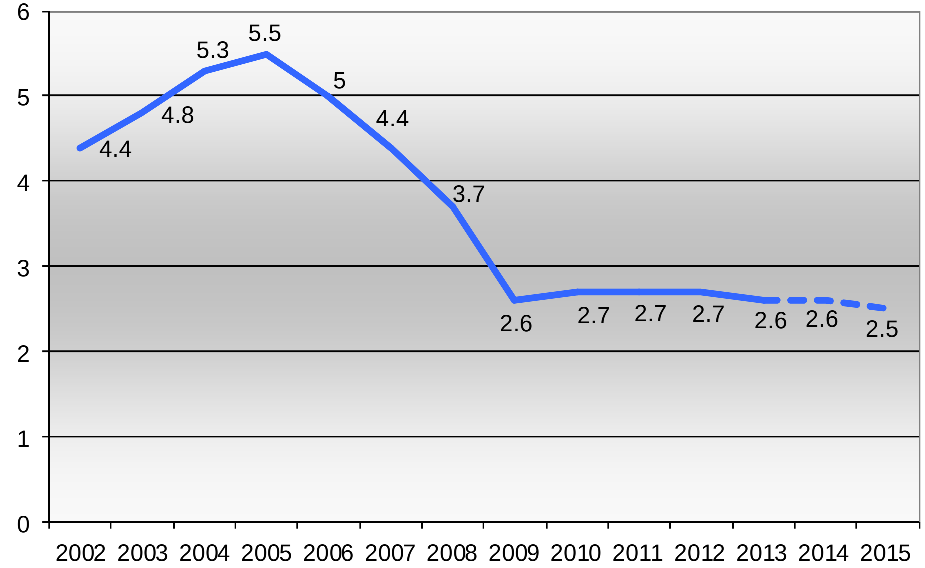
Strategic Realignment with Fit@All

Market development of web and sheetfed offset presses

New web offset presses in €m



New sheetfed offset presses in €bn



- Expectations of a sustained web offset market recovery were not fulfilled
- Volume of new investments has shrunk, retrofits and concentration dominate
- Mid-term slide to approx. €400m p.a. expected due to media shift

- The sheetfed offset market has been stagnant at an approx. 50% lower level since 2011
- Outlook for packaging printing better than for commercial, book and magazine printing
- No sustained growth. Market developments depend on dynamics of structural changes

Fit@All: Key aspects of the realignment

Restructuring of web press business

Group reorganisation to autonomous business units

New site concept, personnel adjustments of 1,100 to 1,500 jobs

Fit@All

Long-term strengthening of profitability and competitiveness

Reinforcing presence in growth and special markets

Restructuring of sheetfed offset business

Fit@All: Capacity and structural measures

- New site concept for Würzburg, Radebeul, Mödling, Frankenthal, Dobruška
- High quality and flexibility when manufacturing core components in-house
- Reliable supply of time-critical parts
- Outsourcing of parts and services, where appropriate

Adjusting capacity and optimising productive resources at the main sites

Group-wide production unit with own responsibility for earnings

Bundling, optimising and if necessary outsourcing of value-added activities

Closure/sale of sites which are no longer needed

Fit@All: Organisational restructuring

- **Reorganisation of Group and management structure**
- **Establishment of clear areas of responsibility**
- **More transparency and strategic flexibility**

Autonomous units for sheetfed, web, production and special machines

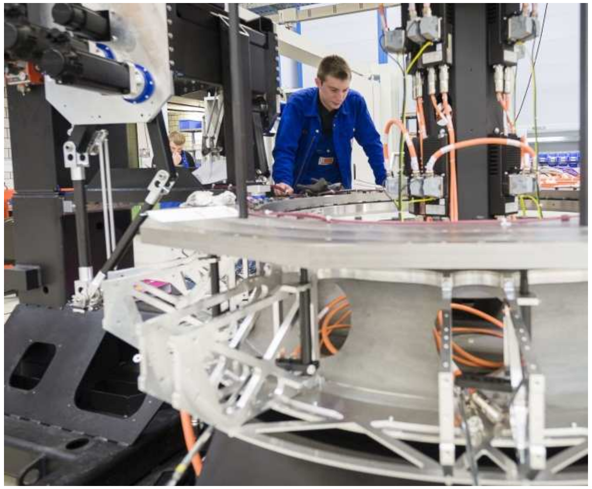
Operative units with own management and clear responsibility for earnings

Holding company with central functions (finance, controlling, IT, IR, legal department)

Allocation of subsidiaries depending on market orientation

Fit@All: Expansion of growth areas

- Takeover of Flexotecnica paved the way for KBA to enter the growth market for flexible packaging
- Integration of KBA-Flexotecnica into the KBA Group's global sales and service network
- Synergy effects with other packaging activities
- Entry into the direct decoration of glass packaging and hollow containers with new subsidiary KBA-Kammann
- Own development KBA RotaJET and follow-up products for the expanding market segment digital printing



Fit@All: Supplementary package of measures

Areas	Key measures
Overhead costs	Reduction in administrative costs through personnel adjustments, process optimisation and outsourcing of auxiliary functions
Working capital	Reduction in tied assets, also non-current assets
Locations	Solution to some under-performing locations
Segment reporting	Changes in segment reporting should occur after the implementation of a new Group structure in 2015
Professional implementation of Fit@All	Implementation with internal and external experts as well as the monitoring of restructuring progress by new CRO
Strengthening of growth areas	Strategic development and organisational bundling of our manifold activities in promising special markets

Fit@All: Current status of implementation

Goal

Decentrally organised, flexible and profitable KBA Group, able to serve customers with innovative products in volume and special markets reliably and on an economically sound basis

Personnel adjustments
Agreed to a large extent for Mödling, Würzburg and Radebeul, other locations are still in negotiation

New site concept for Group
Drawn up and in implementation phase

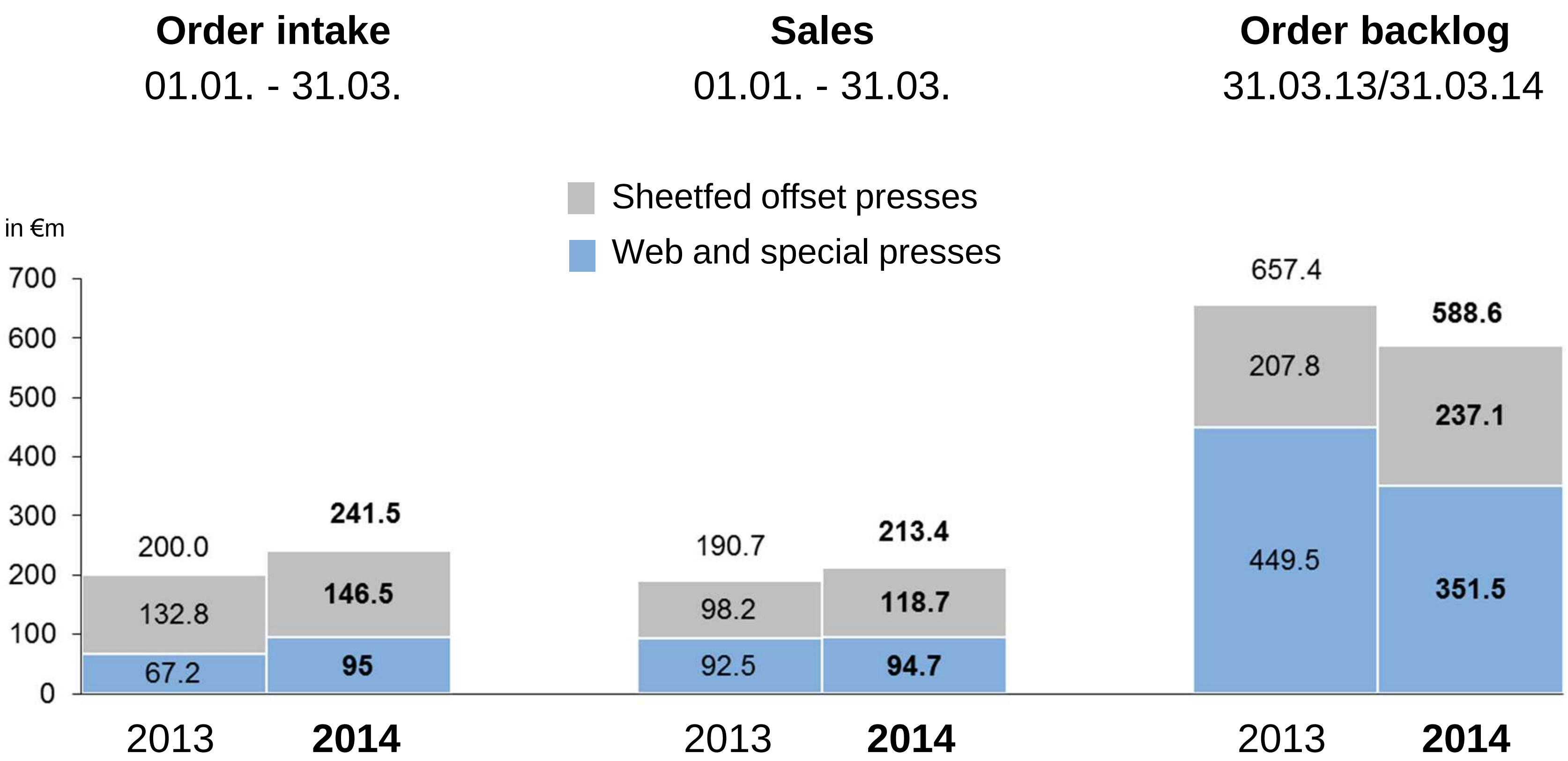
Autonomous business units
Defined structure. Implementation in preparation according to legal/tax guidelines

Outsourcing
A few options under review, talks with potential partners

Current fiscal year 2014

Group performance in the first quarter 2014

- 20.8% more new orders, sales up 11.9%
- More orders for sheetfed and special presses
- Demand for web offset presses remains subdued



Earnings in 1st quarter 2014

- Clear improvement to earnings compared to 2013
- Operating profit in sheetfed segment
- Earnings of web and special presses segment hit by postponements of deliveries

	Q1 2013	Q1 2014
Gross profit margin	21.3%	**25.4%**
Operating profit/loss Sheetfed offset presses Web and special presses	-€16.9m -€5.9m -€11m	**-€10.2m** **+€1.2m** **-€11.4m**
Earnings before taxes	-€18.8m	**-€12.1m**
Net loss	-€18.5m	**-€14m**
Earnings per share	-€1.12	**-€0.85**

Outlook for KBA Group

2014

- Annual Group sales of €1bn to €1.1bn
- Positive operating result before special items
- Much fewer expenses for Fit@All
- EBT expected to be negative once again

2015

- Fit@All will come more strongly into effect
- Clear improvement to operating and pre-tax earnings (EBT) compared to 2014

2016

- Implementation of Fit@All finished
- KBA is expected to return to sustained profitability

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