



## KBA financial press conference

9 December 2011 in Frankfurt am Main



- **Opening address**

Claus Bolza-Schünemann, president & CEO, Koenig & Bauer AG

- **Current market situation and perspectives**

Claus Bolza-Schünemann

- **KBA's business activities and outlook**

Dr Axel Kaufmann, CFO, Koenig & Bauer AG

- **KBA's strategies**

Claus Bolza-Schünemann



## Current market situation and perspectives

Claus Bolza-Schünemann, president & CEO



# Developments in print markets

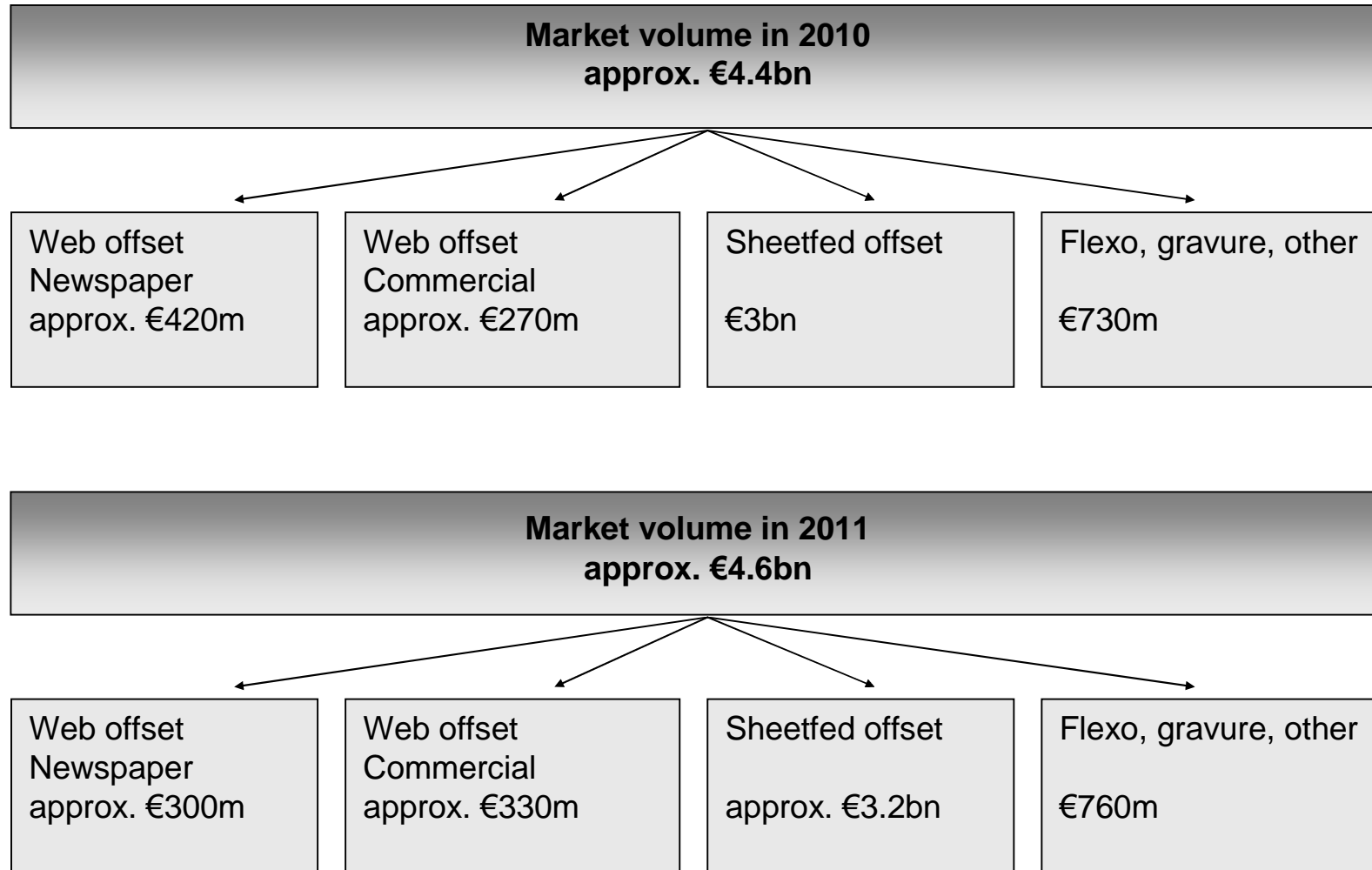
- Industrialised countries: stagnation or decline in classic print media following growth of online market
- Threshold countries: rising levels of literacy and prosperity are driving demand for print (China, India, Brazil etc.)
- Packaging, label and film printing are classic growth markets at GDP level
- Print growth depends heavily on advertising and the economy
- Digital print is expanding disproportionately fast at the expense of conventional offset and screen printing
- Digital print is hitting sheetfed (especially small format) harder than web offset
- Online media are hitting web (especially newspaper and catalogue printing) harder than sheetfed offset
- The global print volume is expanding by 3 to 5% p.a.



# Global press market\* is stagnating



Normal pre-crisis level approx. €9bn p.a.

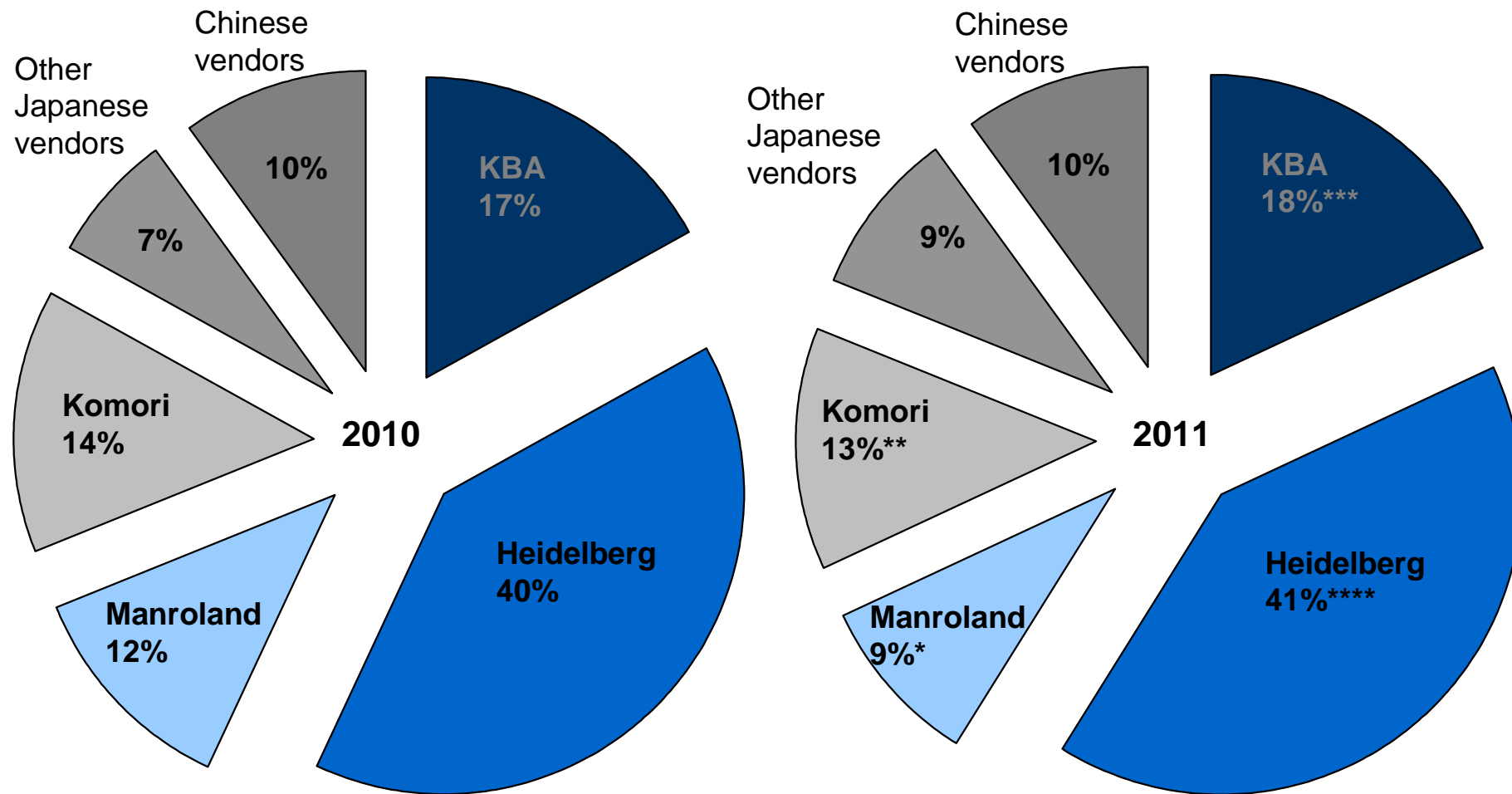


## Situation in the sheetfed offset press market

- The sovereign debt crisis is hampering investment and financing in Europe (especially in southern Europe)
- More restrictive monetary policies are slowing demand in dynamic markets like China, though there are recent indications of an upturn
- US printers are investing more again, but less than before the crisis
- Conflicts are affecting demand in the Mediterranean
- Growth is being driven by Asia, Latin America, eastern Europe and Turkey
- Solvent packaging printers are boosting demand
- Credit bottlenecks, bankruptcies and regional capacity overhangs are hindering investment in commercial presses

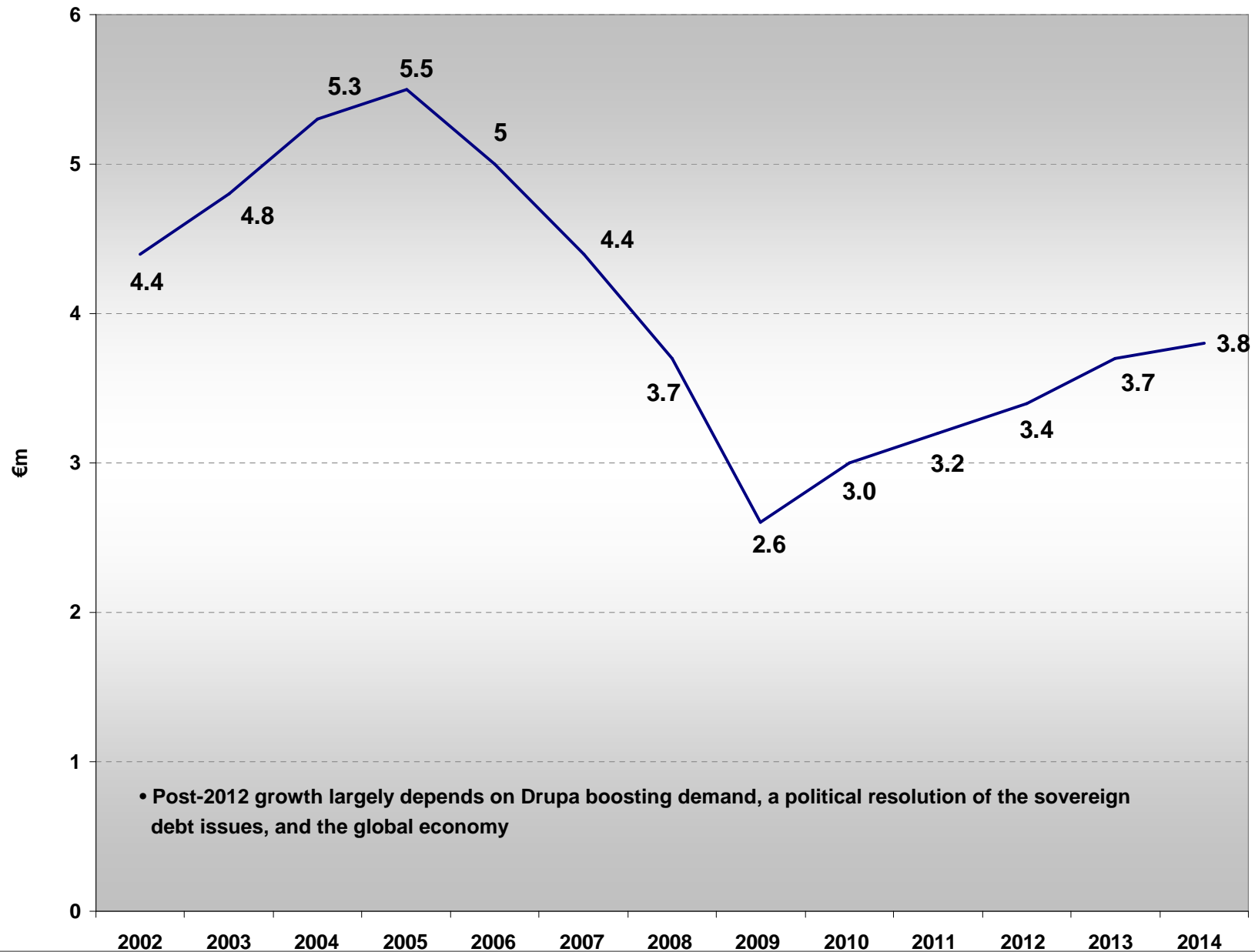


# Global market shares – sheetfed presses



- \* Loss of market share is contributing to manroland's problems
- \*\* The strong yen is causing Komori to lose market share
- \*\*\* KBA profits from its strong position in the high-growth packaging market
- \*\*\*\* Heidelberg is defending its strong market position in sheetfed

# Market forecast – sheetfed offset presses to 2014





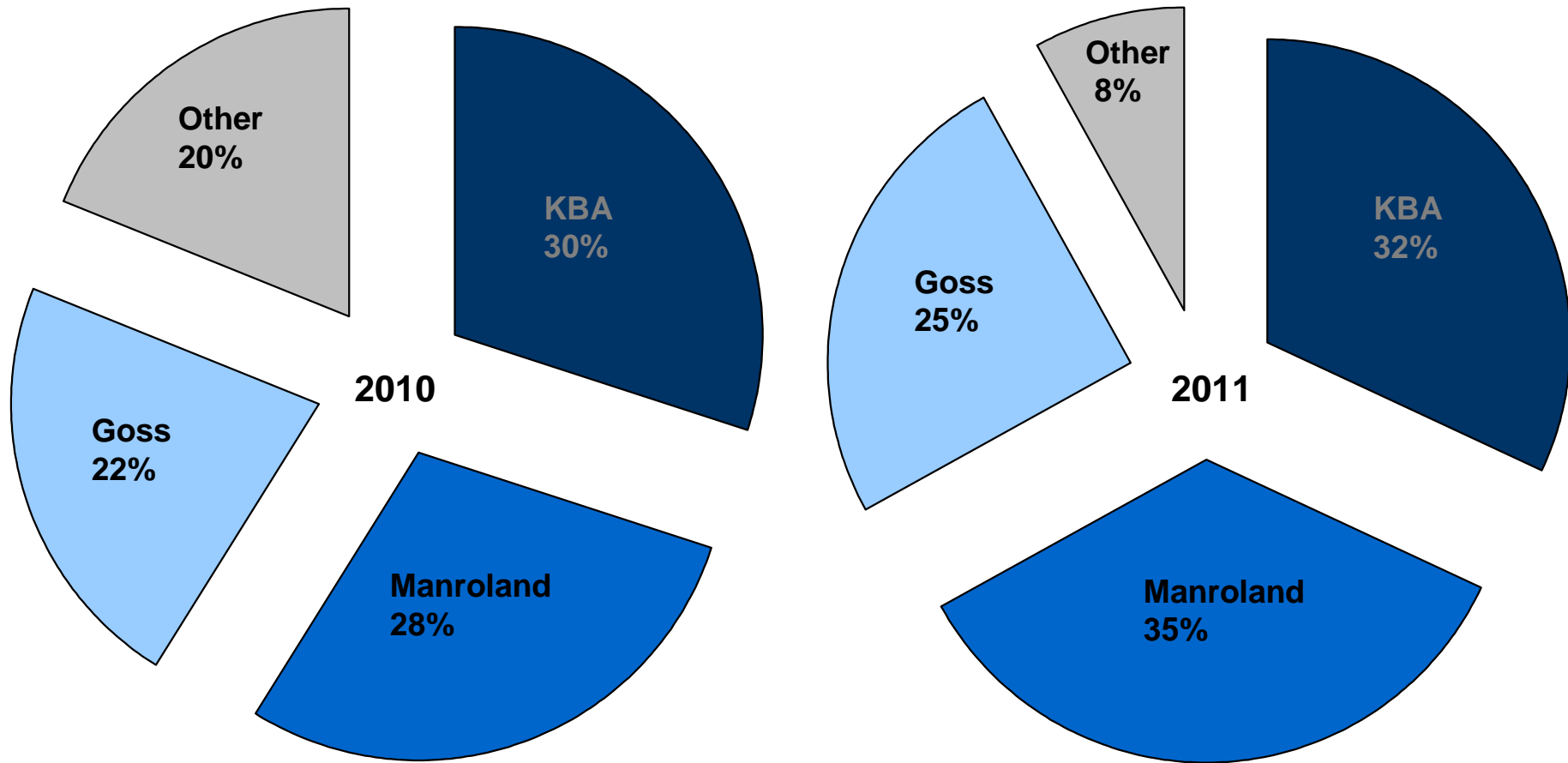
## Situation in the web offset press market\*



- Global orders for newspaper presses in 2011 are over one-third down on 2010
- Demand for commercial presses is marginally higher than in 2010
- The web offset market in 2010 was over 60% smaller than before the financial crisis, and just one-fifth the size of the sheetfed market
- Recovery in major markets (southern Europe) will boost growth to no more than €750 - €800m p.a.
- The internet has transformed the newspaper sector (example: USA)
- Shared printing plants and outsourcing are trimming the press base
- Consolidation among commercial printers is in full swing

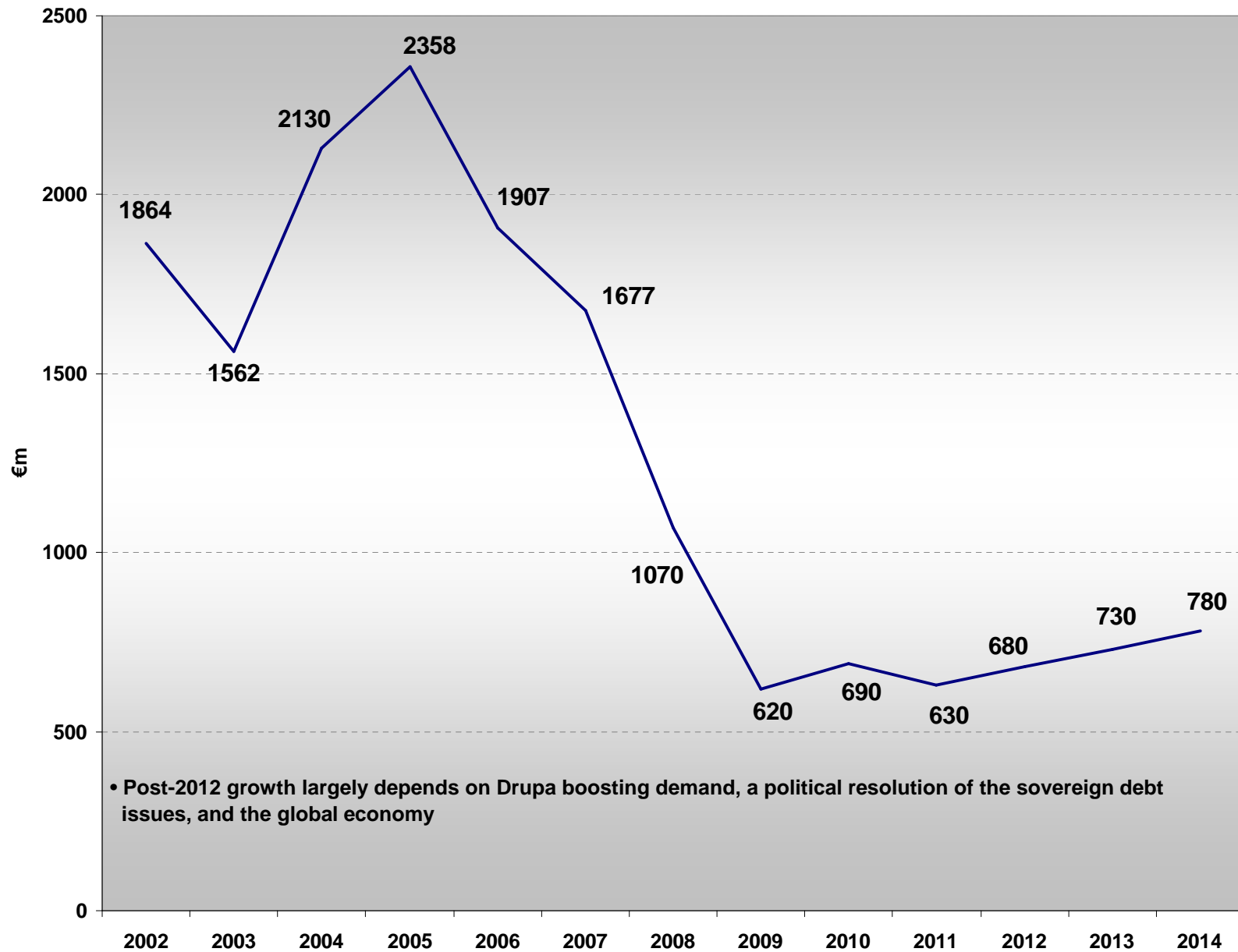


# Market share – web offset presses\*



KBA's and manroland's shares of the newspaper and commercial web offset market are roughly equal.  
KBA has been the no. 1 vendor of newspaper presses for some years, manroland is the no. 1 for commercial presses  
Web offset represents a much smaller proportion of KBA's total sales, so it is less dependent on this sector

# Market forecast – web presses to 2014\*



## Situation in the special press market

- KBA's strong standing in less volatile sectors such as security printing, metal decorating and coding devices distinguishes it from its main rivals
- High-growth, profitable niche activities help to stabilise sales and profits at KBA and enabled the group to realign its operations using its own resources
- Niche business is expected to be brisk in 2012 and beyond
- New niche products are in the pipeline



**Metal decorating**



**Marking and coding**

# Security printing

- Technology and market leader
- Specialised printing presses (steel-plate engraving, intaglio etc.) for printing banknotes
- Specialised security technology and systems for pre-press, quality inspection, finishing
- Banknote design service



# Metal decorating

- Systems provider for printing, coating and drying metal sheets, complete with logistics systems
- Air-purification systems
- Main applications are for food, cosmetics (Nivea tins) and cigar packaging etc.
- Global leader in premium-grade printing and coating systems



# Marking and coding

Technology includes

- inkjet
- laser
- hot stamping
- thermal transfer

on diverse substrates  
such as synthetics,  
plastic film, glass,  
ceramics, board etc.





## KBA's business activities and outlook

Dr. Axel Kaufmann, CFO





## Key data for third quarter 2011



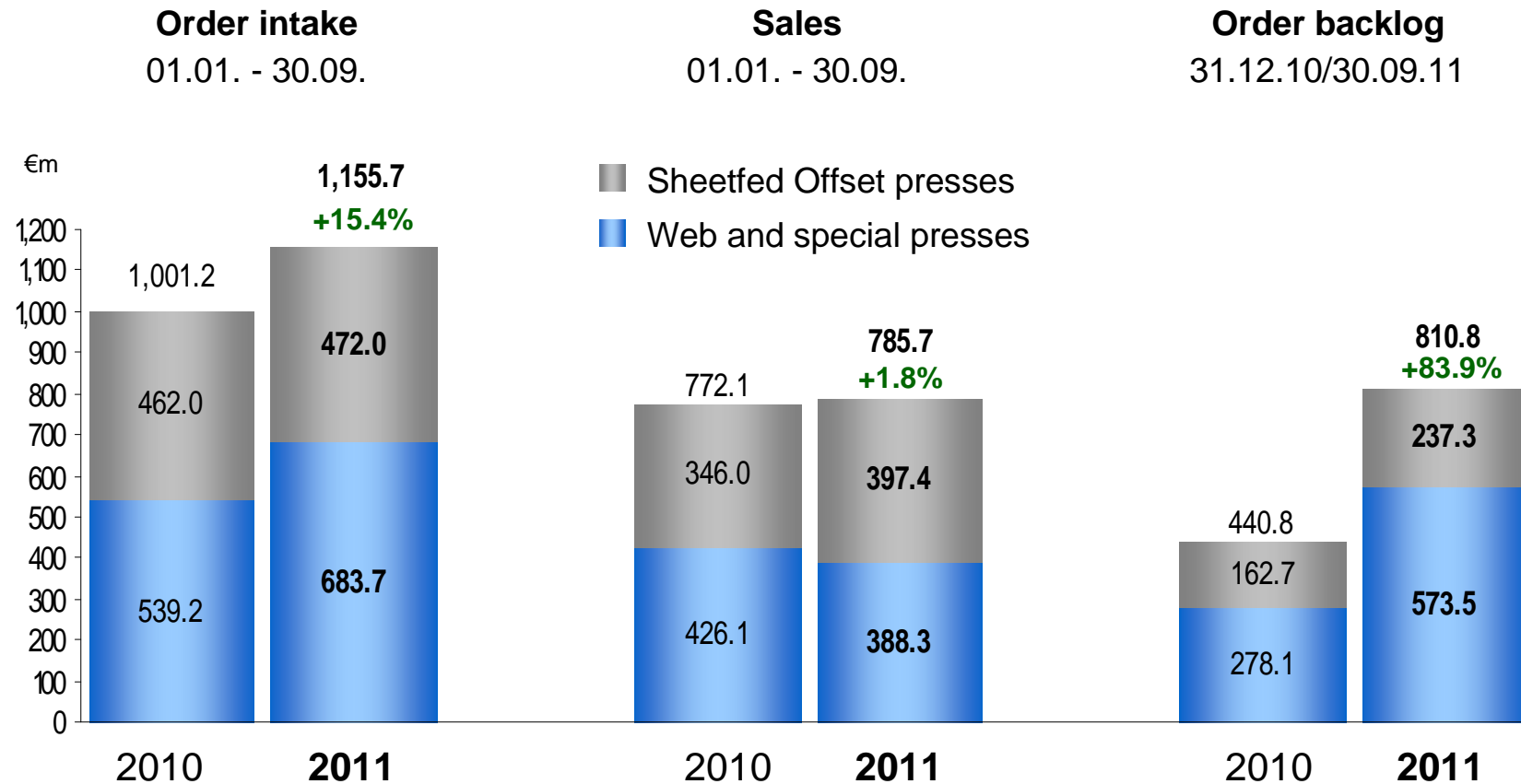
€m

	Q3 2010	Q3 2011	Change
<b>Order intake</b>	321.9	472.8	+46.8%
<b>Sales</b>	298.9	276.0	-8.3%
<b>Book-to-bill ratio</b>	1.08	1.71	+58.3%
<b>EBT</b>	15.3	-15.6	-€30.9m
<b>Free cash flow</b>	0.4	40.7	+€40.3m

# Nine-month figures for the KBA Group 2011



- New orders up 15.4%
- Sales up on prior year
- Order backlog above €800m for the first time since mid-2008



## Q3 had detrimental impact on nine-month figures



- Personnel provisions, up-front outlay for Drupa, project delays
- By the end of September we had only achieved around 60% of our annual sales target

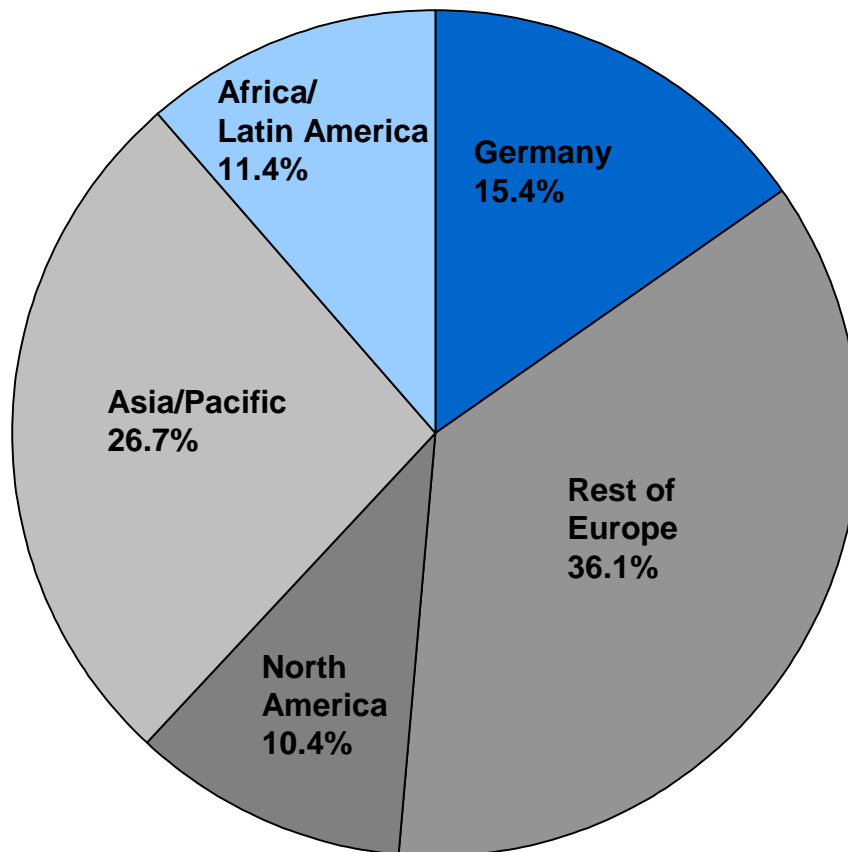
	Q1 - Q3 2010	Q1 - Q3 2011
<b>Gross profit margin</b>	27.1%	22.5%
<b>Operating loss</b>	-€2.0m	-€20.4m
<b>Earnings before taxes</b>	-€6.7m	-€26.6m
<b>Net loss</b>	-€9.2m	-€32.5m
<b>Earnings per share</b>	-€0.56	-€1.97

# Emerging markets dominate order intake



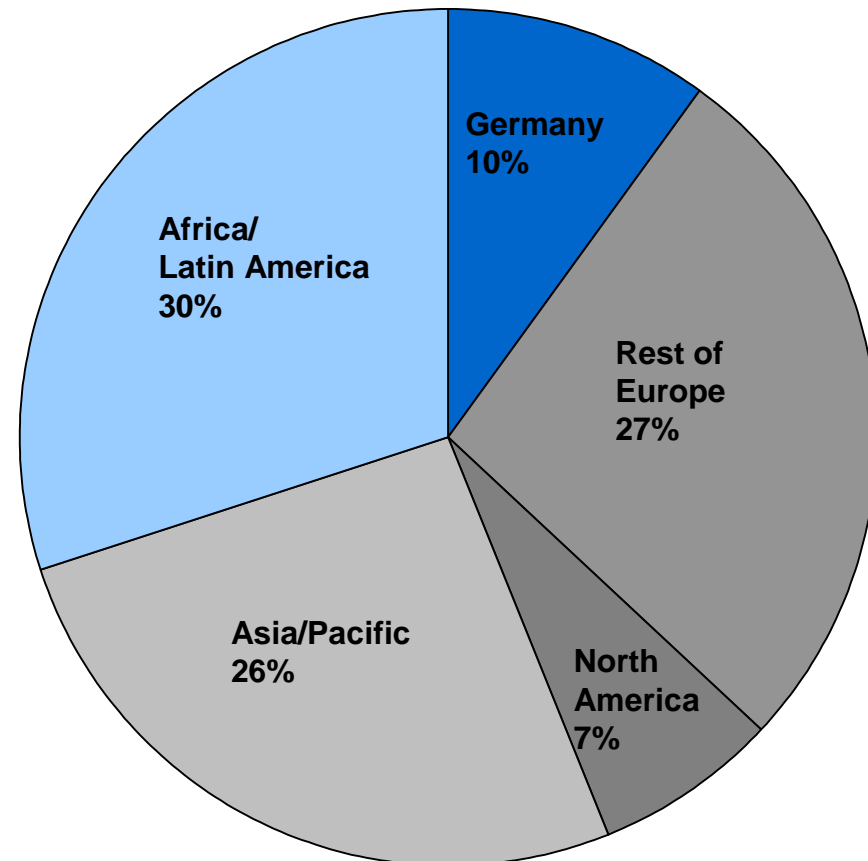
Regional breakdown of **sales**

30.09.2011









**Order intake** by region

30.09.2011

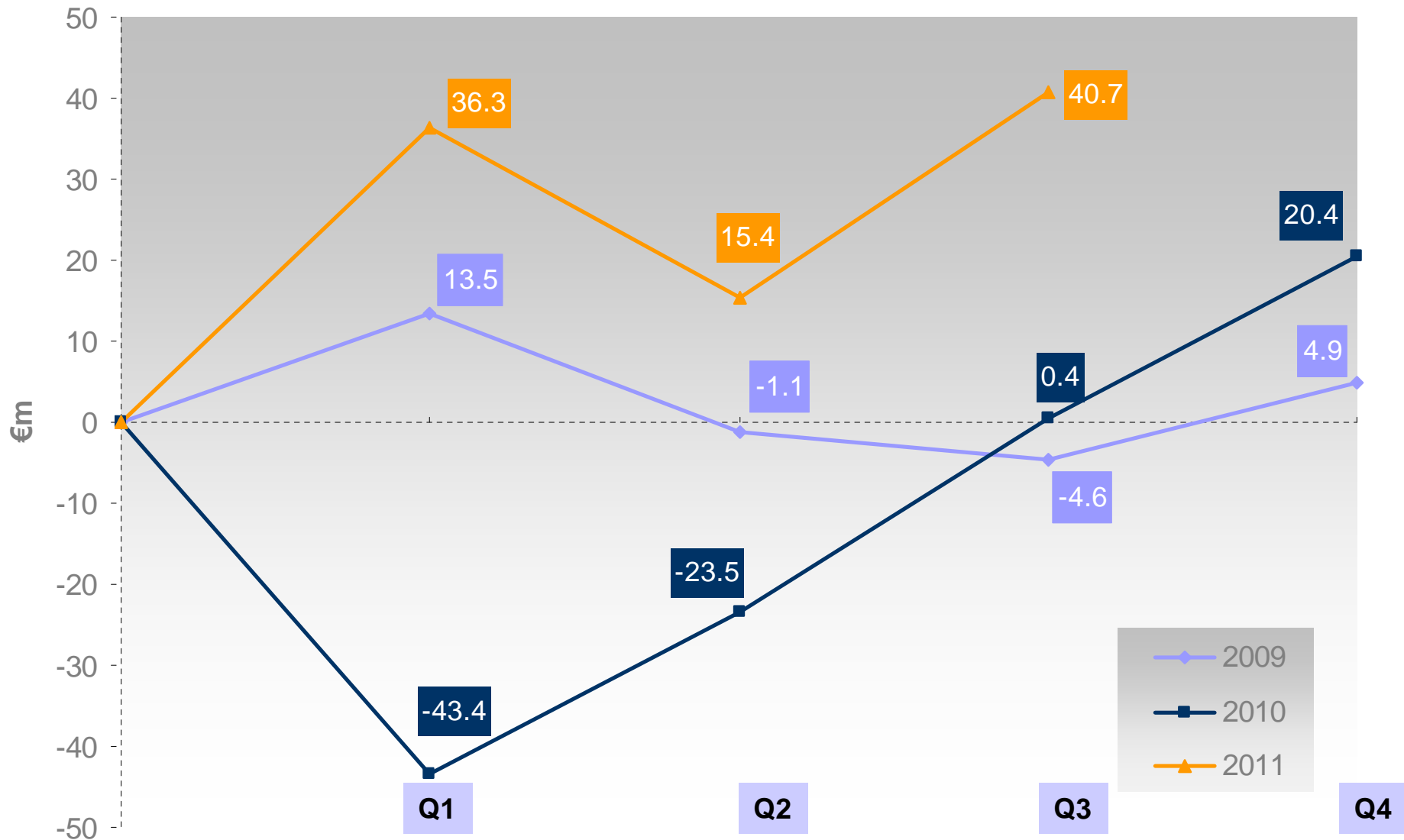


## KBA Group maintains a strong financial profile



	31.12.2010	30.09.2011	Change	
<b>Above-average equity ratio</b>	39.6%	36.7%	-2.9%	
<b>Bank debts reduced</b>	€43.1m	€36.2m	-16%	
<b>Liquid assets substantially higher</b>	€91m	€128.1m	+40.8%	
<b>Comfortable net liquid balance</b>	+€47.9m	+€91.9m	+91.9%	
<b>Free cash flow doubled</b>	€20.4m	€40.7m	+99.5%	
<b>Adequate cash credit lines</b>	€100m	€100m	--	

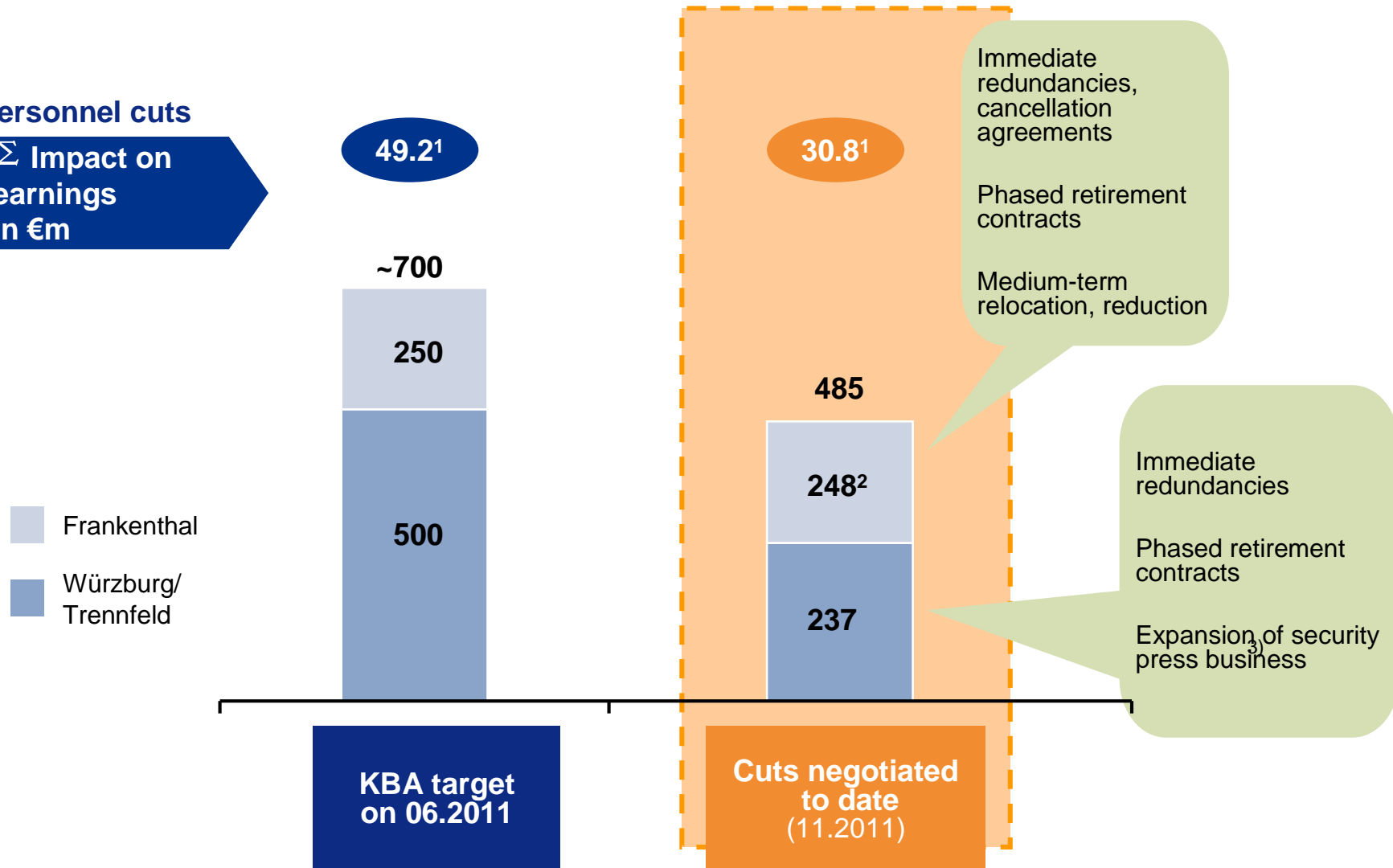
# Excellent free cash flow (FCF) performance



# Restructuring programme on schedule (current status)

## Personnel cuts

Σ Impact on earnings in €m



<sup>1</sup>Full-year impact

<sup>2</sup>Further redundancies expected early 2012, appeals under § 613 plus qualification

<sup>3</sup>Further transfers (approx. 50) planned in 2012

- **Strong fourth quarter** in sales and income expected, lost ground will be regained, particularly in our project business
- Moderate lift in **Group sales** compared to prior year is realistic
- Sales in volume markets are below target, but **niche markets** are making a substantial contribution
- For 2011 we are targeting a **Group pre-tax profit** (EBT) for the third year running
- Sales and earnings projections exclude **risks** associated with exports and asset valuations
- Current issue: the timely approval of **financing** in China

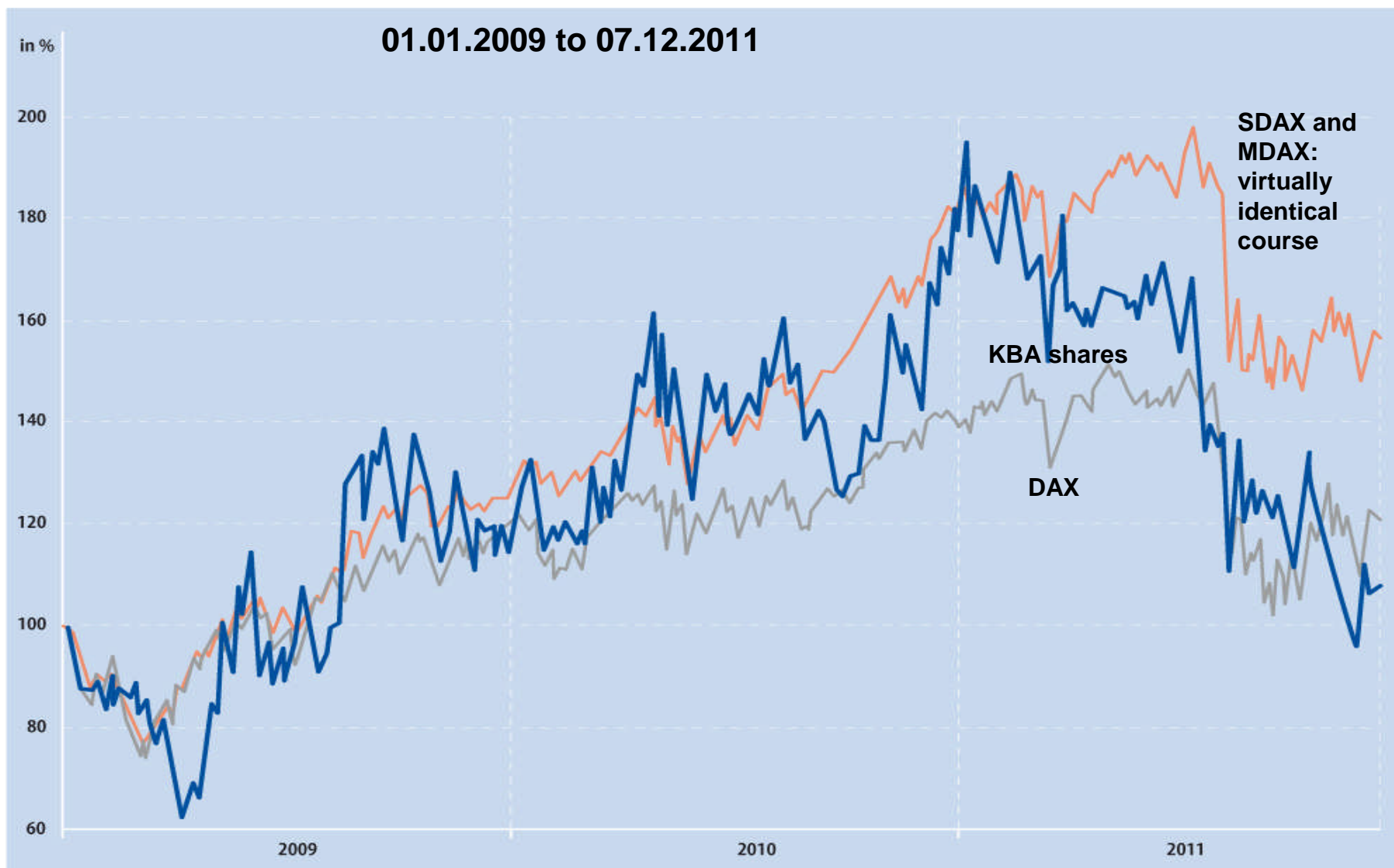


## KBA: strong position among press manufacturers



2010 or 2010/11 business year	Earnings per share	Earnings before taxes	Free cash flow	Equity ratio	Net financial position
KBA	€0.76	1,3%	€20.4m	39,6%	+€47.9m
HEIDELBERG	-€0.83	-5,4%	€75m	32,9%	-€247m
KOMORI	-€0.80	-7,4%	-€58m	77,0%	+€343m
technotrans	€0.24	2,2%	€6.3m	50,0%	-€5.9m
DÜRR	€0.37	1,0%	€22.9m	26,3%	+€23.6m
KRONES	€1.68	3,3%	€2.7m	40,2%	+€147m
GILDEMEISTER	€0.09	0,5%	€45.2m	30,4%	-€208m
KUKA	-€0.28	-0,4%	-€37.3m	20,1%	-€60m

# KBA share performance, SDAX, MDAX and DAX



- Moderate organic growth in volumes and orders with a book-to-bill ratio of  $>1$
- Modest lift in revenue, notwithstanding pricing pressures and restructuring costs
- Our short- and medium-term view of revenue is based on a profitable product mix and the positive impact on opex of capacity adjustments and cost-cutting initiatives (COGS)



This outlook contains no significant portfolio effects or influence arising from legal and regulatory issues. It is also subject to ongoing revenue growth and disregards disruptive transient market shifts.

## 1Q

- One-on-one discussions with investors
- February: preliminary figures for 2011
- 30 March: publication of 2011 financial statements

## 2Q

- 15 May: first-quarter report 2012
- 15 May: press conference for analysts at Drupa
- 14 June: AGM

## 2nd half-year

- 14 August: half-yearly report 2012
- 15 November: third-quarter report 2012

Note: we are also considering taking part in diverse investor and financial market conferences





## KBA's strategies

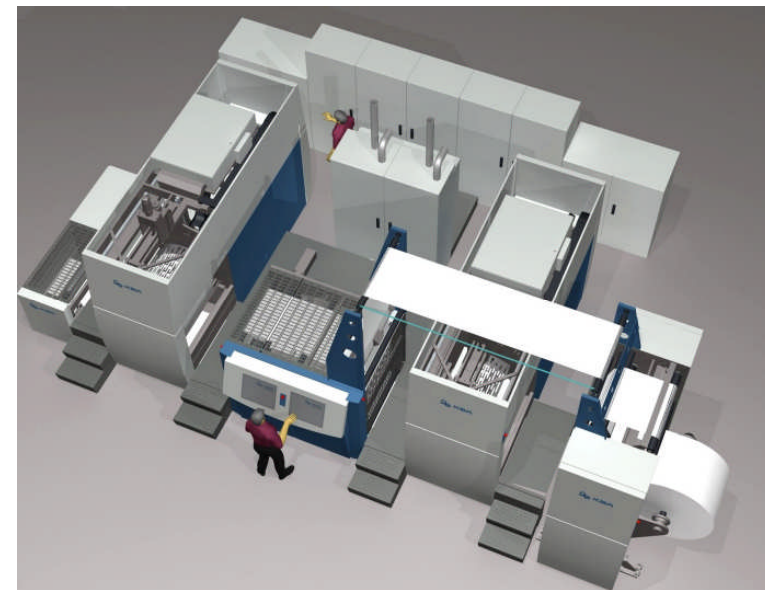
Claus Bolza-Schünemann, president & CEO



## KBA: premier innovator in press engineering



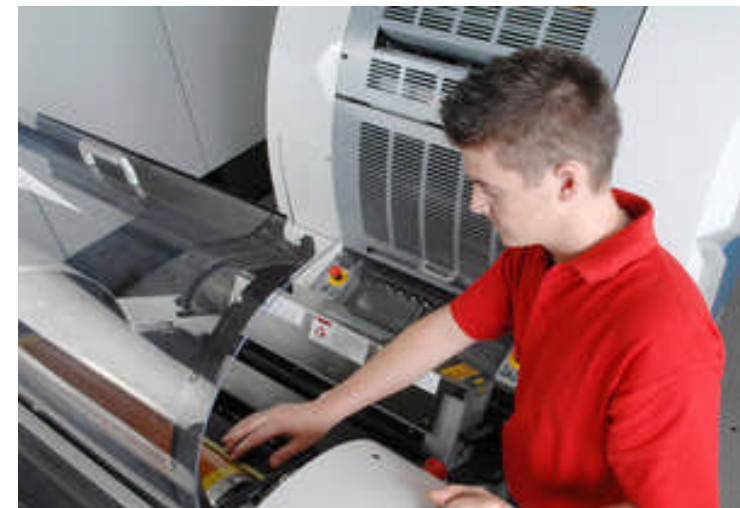
- The latest Industry Scorecard issued by the US Patent Board™ for Heavy Industrial Equipment was published in the *Wall Street Journal* on 9 September
- Of the 119 plant manufacturers in the USA that were listed, KBA ranked 21st
- The highest ranking of all press vendors
- KBA's innovative capabilities were the reason the world's biggest print group, RR Donnelley, gave for entering a joint project with KBA to develop and build a new digital inkjet web press



## Group realignment is progressing well



- Spreading risk by diversifying into volume and niche markets has paid off
- KBA was the only German press manufacturer to weather the crisis with no state aid or external funding
- Innovative products and a skilled workforce ease entry into new lines of business (digital print)
- Insourcing and distributed production within the group offer further potential for minimising costs and optimising plant utilisation
- Personnel adjustments are largely completed, albeit not yet evident in the figures
- Following realignment the group payroll will fall below 6,000, excluding apprentices



## New business lines: high-performance digital presses



- Under the agreement with RR Donnelley we shall develop, manufacture and distribute our own brand of digital presses
- The aim is to integrate offset and digital systems more closely
- Primary targets: midsize and larger printing plants
- Focus on book, commercial, packaging and security printing
- The first KBA digital web press with inkjet technology will be launched at Drupa 2012





- Consolidation among press vendors worldwide has failed to eliminate excess capacity in offset
- The overhang in web press capacity is larger than in sheetfed because demand has declined more sharply
- Not all vendors have downsized sufficiently
- KBA has taken steps to boost plant utilisation by trimming capacity, spinning off plants, targeting more niche markets and moving into digital print
- Co-operation with other vendors whose plants are under-utilised would not resolve capacity issues and would merely exacerbate KBA's own problems
- State aid for bankrupt competitors would endanger jobs at KBA



## Diversification into new business lines

- After careful scrutiny we have discarded two business lines – water conditioning and solar technology – which we had previously contemplated
- Another, digital printing technology, was adopted in March
- Manufacturing presses for printing packaging has long been a successful core activity
- Expanding our technical competence into the upstream and downstream processes associated with packaging production is therefore a logical move
- We are considering acquisitions in the packaging technology sector as a means of augmenting our own development activities, expertise and market presence



## KBA's strategy in China



- Strong position in two premium markets – packaging and book printing – with our powerful medium- and large-format Rapidas
- Presence in high-performance commercial sector with new Rapida 105 and Rapida 75E
- 2010: acquisition of Mabeg Shanghai, a manufacturer of press components
- Medium-term objective: domestic production of standard sheetfed presses
- Protracted negotiations with Chinese press manufacturers have so far failed to produce an agreement



## Service and consumables still offer potential for growth



- There is still plenty of untapped sales and earnings potential in after-sales service and consumables
- Our programme for exploiting this potential includes:
  - Retrofits, upgrades, maintenance and service contracts
  - Online facility for ordering spare parts (WebShop)
  - KBA PressConsum: a range of optimised consumables (ink, fount solution, washes etc.) for KBA sheetfed presses
- Marketing campaign scheduled for Drupa 2012



## KBA at Drupa 2012 from 3 to 16 May in Düsseldorf



- 3,400m<sup>2</sup> stand, as in 2008
- New sheetfed offset presses in all formats
- Hybrid offset/digital systems
- New commercial and newspaper web presses
- Launch of the inkjet web press developed in association with RR Donnelley
- We shall be the only classic press vendor showing a digital press of our own manufacture
- New workflows for quality management and personalised digital printing
- KBA PressConsum: launch of a new consumables range and service packages





Koenig & Bauer AG

[www.kba.com](http://www.kba.com)

