

Conference Call
Q1 Results 2015
12 May 2015

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Mathias Dähn, CFO



Agenda

Highlights Q1 2015

Business performance Q1 2015

Outlook and strategy

New segment reporting supports Corporate Governance

A dark blue circle containing the text 'Core principles anchored' in white, bold, sans-serif font.

**Core principles
anchored**

- Zero tolerance for loss-makers
- No cross-subsidies
- Capital deployment in line with ambitious strategic targets and expected returns

A dark blue circle containing the text 'New segment break down from Q1 2015' in white, bold, sans-serif font.

**New
segment
break down
from Q1 2015**

- Newly formed segments sheetfed offset presses (Sheetfed Solutions), digital and offset web presses (Digital & Web Solutions) and special presses (Special Solutions)
- High operational transparency ensures implementation of core principles

New company structure prepared for AGM approval on 21 May

Concept

- Spin-off of KBA-Sheetfed Solutions, KBA-Digital & Web Solutions, KBA-Industrial Solutions (group-wide production) and KBA-NotaSys (security press activities in Würzburg) as AG & Co. KGs
- Koenig & Bauer AG as a holding

Targets

- Clear and strict management responsibility
- Enhanced transparency
- More strategic flexibility

Implementation

- New company structure to be implemented retrospectively from 1 January 2015 upon approval by Shareholders
- Holding with 3 management board members, others will become managing directors of spun-off companies
- Internal organisational structure already in place for one year

Restructuring project almost complete



Done

- Cut of 1,500 jobs largely finalised
- ≈ €100m in personnel expenses cut, full effect kicking in by 2016
- Former dependency on new web machine orders successfully cut
- Production footprint restructured and redundancies terminated

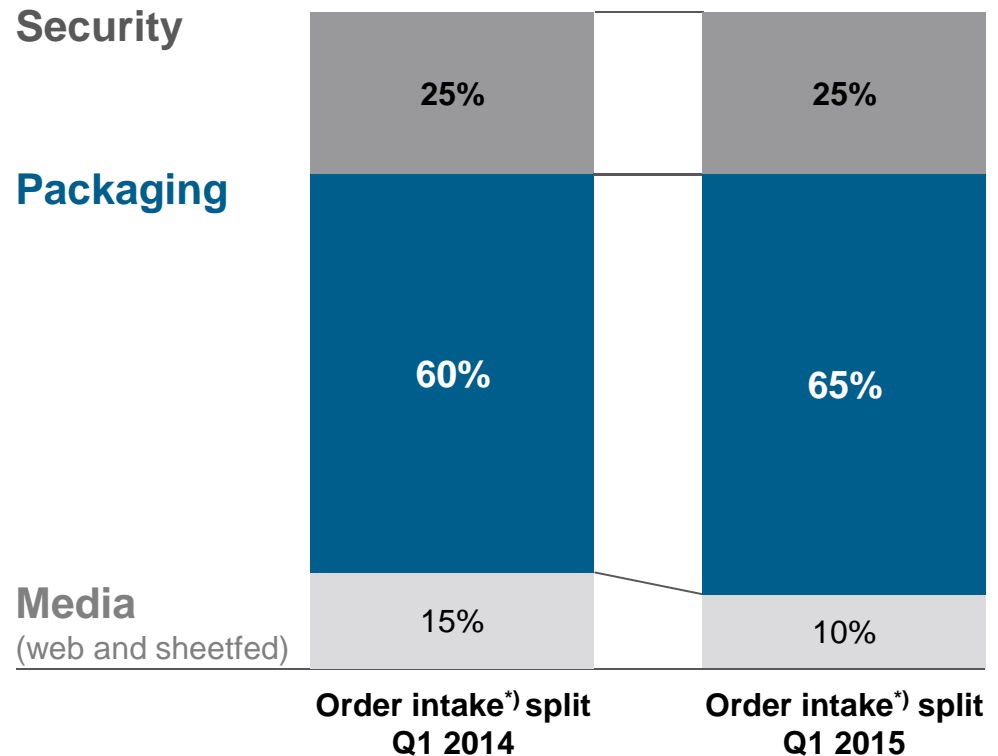


In progress

- Terminating capacity underutilisation in Digital & Web in H1
- New digital applications have to make a larger sales contribution from H2
- Fine-tuning in Industrial Solutions (group-wide production)

Portfolio transformation into growth markets advances further



- Gains in core packaging markets, such as board, metal, coding
- Solid order intake in growth market for flexible packaging
- Inkjet web press for corrugated packaging co-developed with HP to be unveiled in Q4 2015



*) New machine business

Expansion of profitable service business

- Service managed as stand-alone business
- Increasing potential due to ageing press structure (especially in web business)
- Extended service strategy to be deployed in 2015

	2013		2014		Q1 2014		Q1 2015
Service revenue (in €m)	221.9		257.8		49.8		54.5
in % of Group revenue	20.2		23.4		23.3		30.7

Group figures as per IFRS

Agenda

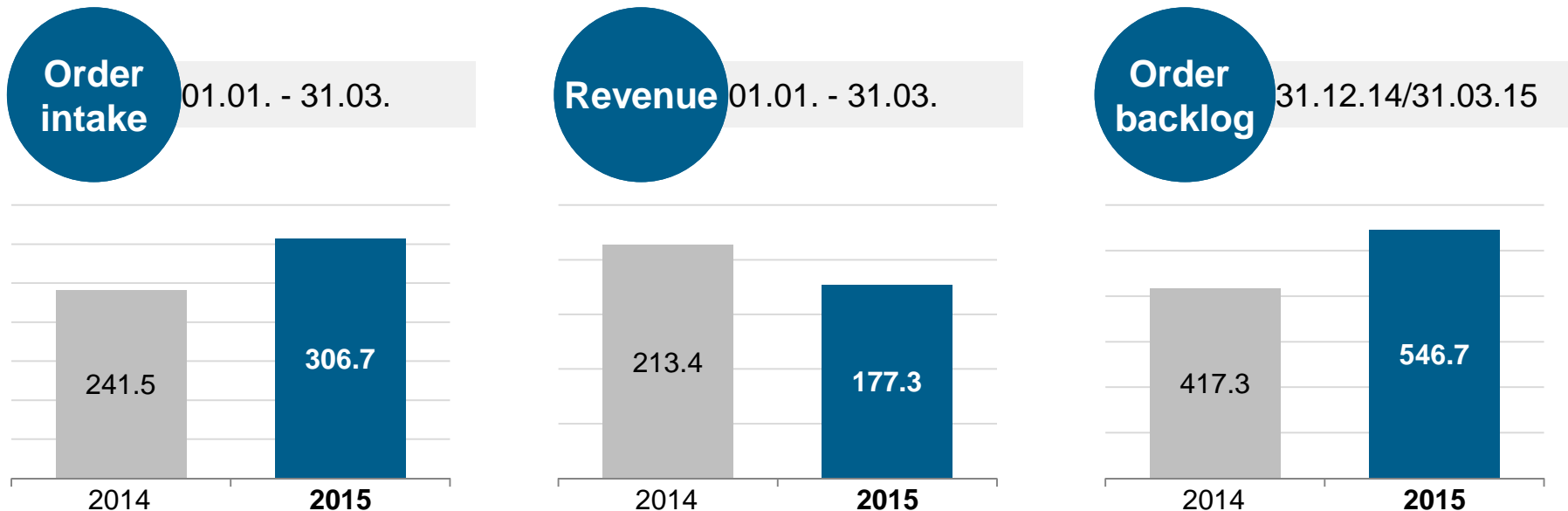
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KBA Group performance

- 27% rise in orders outperforms industry trend significantly, solid order intake in all segments
- Q1 sales below prior year due to more deliveries in Q3 and Q4 in particular
- Order backlog around €130m higher than at beginning of quarter



Group figures as per IFRS in €m

Earnings in KBA Group

- Lower Q1 earnings y-o-y due to delivery schedule and capacity underutilisation especially in Digital & Web
- Continue to strongly push forward reorientation of Digital & Web segment
- Scheduled press deliveries lead to increase in revenue in H2
- Incremental cost savings from restructuring
- Delivery of larger security orders planned in Q4

	2013	2014	Q1 2014	Q1 2015
Gross profit margin	14.4%	27%	25.4%	20.6%
EBT	-€138.1m	€5.5m	-€12.1m	-€17.7m
EPS	-€9.31	€0.03	-€0.85	-€1.01

Group figures as per IFRS

Group income statement

in €m	Q1 2014	Q1 2015
Revenue	213.4	177.3
Cost of sales	-159.3	-140.8
Gross profit	54.1	36.5
Research and development costs	-14.2	-13.4
Distribution costs	-28.4	-27.9
Administrative expenses	-19.0	-21.6
Other operating income ./ expenses	-2.7	10.2
Earnings before interest and taxes (EBIT)	-10.2	-16.2
Interest income/expense	-1.9	-1.5
Earnings before taxes (EBT)	-12.1	-17.7
Income tax	-1.9	0.8
Net loss	-14.0	-16.9

Group figures as per IFRS

Visible results of active working capital management

- Inventories and receivables cut by around €100m year-on-year
- Customer prepayments up €32m thanks to rise in orders in Q1
- Improvement to operating and free cash flow despite €9m in outflows for staff cuts
- High liquid assets of €186m and solid net liquidity

in €m

Net liquidity

	31.03.2014	30.06.2014	30.09.2014	31.12.2014	31.03.2015
Net liquidity	108.9	120.1	184.7	192.4	169.2

Group figures as per IFRS

Group cash flow statement

in €m	Q1 2014	Q1 2015
Earnings before taxes	-12.1	-17.7
Non-cash transactions	8.0	9.4
Gross cash flow	-4.1	-8.3
Changes in inventories, receivables, other assets	-2.9	-27.2
Changes in provisions and payables	-44.3	6.2
Cash flows from operating activities	-51.3	-29.3
Cash flows from investing activities	-3.1	-1.8
Free cash flow	-54.4	-31.1
Cash flows from financing activities	0.8	1.3
Change in funds	-53.6	-29.8
Effect of changes in exchange rates	-0.6	8.2
Funds at beginning of period	185.4	207.6
Funds at end of period	131.2	186.0

Group figures as per IFRS

Group balance sheet

in €m

Assets

Non-current assets

	31.12.2014	31.03.2015
Intangible assets and property, plant and equipment	228.7	226.7
Investments/other financial receivables	14.8	14.8
Other assets	0.1	0.2
Deferred tax assets	35.2	38.0
	278.8	279.7

Current assets

Inventories	279.3	309.6
Trade receivables	198.8	186.4
Other financial receivables	15.4	17.7
Other assets/current tax assets	24.7	30.3
Securities	9.6	10.7
Cash and cash equivalents	207.6	186.0
Assets held for sale	0.5	2.7
	735.9	743.4

1,014.7 **1,023.1**

Equity and liabilities

Equity

	31.12.2014	31.03.2015
Share capital	43.0	43.0
Share premium	87.5	87.5
Reserves	96.2	53.7
Equity attrib. to non-controlling interests	0.5	0.3
	227.2	184.5

Non-current liabilities

Pension provisions	195.0	216.2
Other provisions	55.7	56.3
Other financial payables	10.1	13.1
Other liabilities	2.0	2.1
Deferred tax liabilities	19.5	19.8
	282.3	307.5

Current liabilities

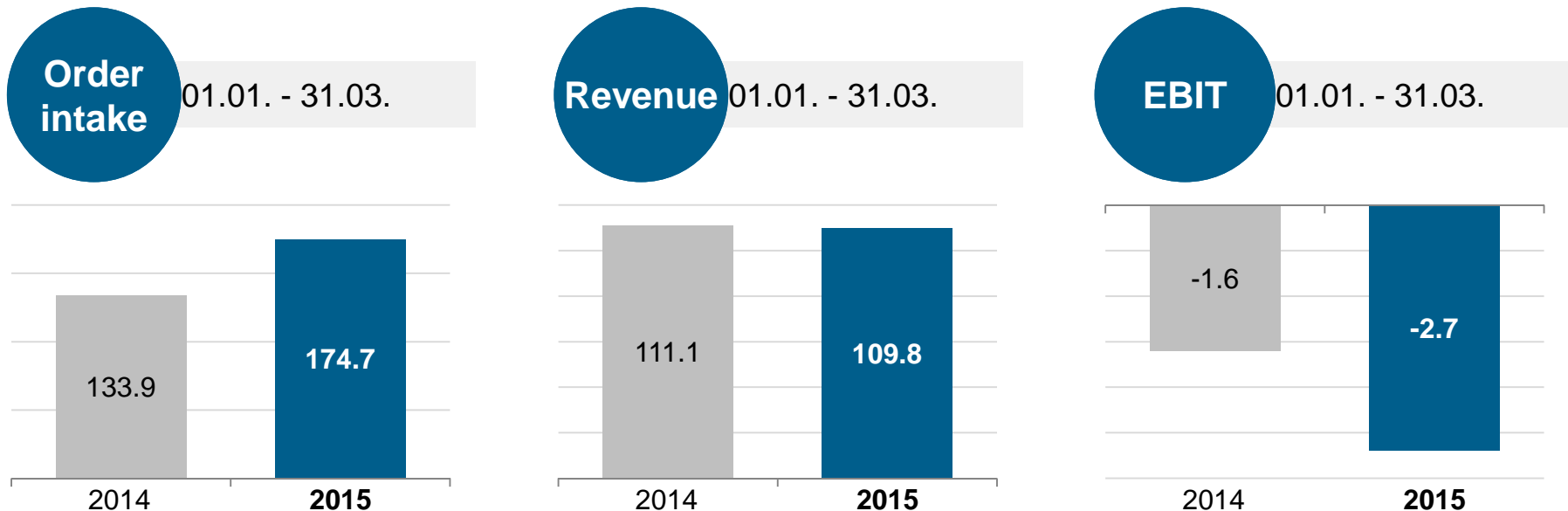
Other provisions	203.5	202.9
Trade payables	57.1	50.7
Bank loans/other financial payables	78.6	96.1
Other liabilities	166.0	181.4
	505.2	531.1

1,014.7 **1,023.1**

Group figures as per IFRS

Sheetfed Solutions performance

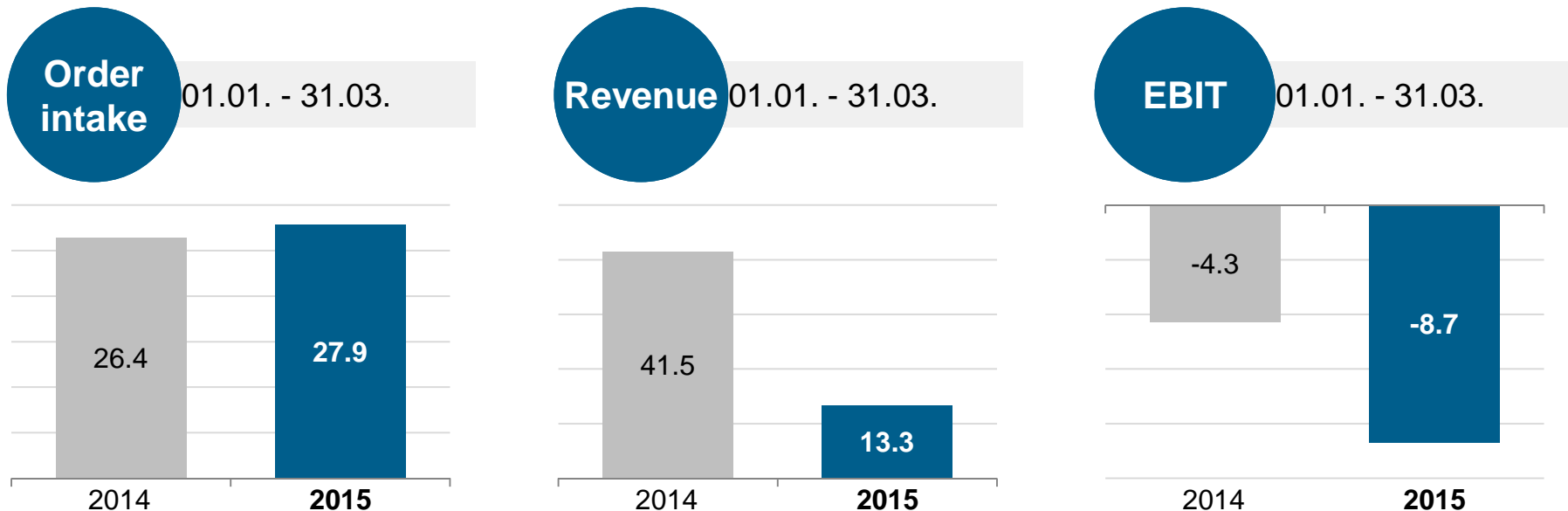
- Strong order intake (+30.5%) through very good demand in packaging area
- Sales slightly below previous year given delivery structure
- Incremental improvements to earnings from second quarter



Group figures as per IFRS in €m

Digital & Web Solutions performance

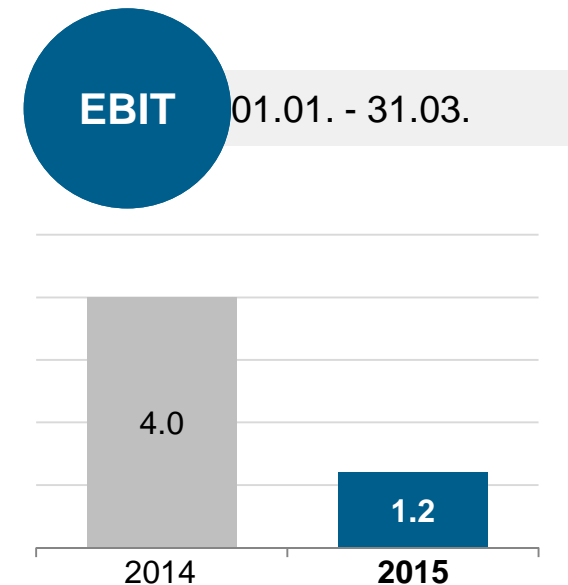
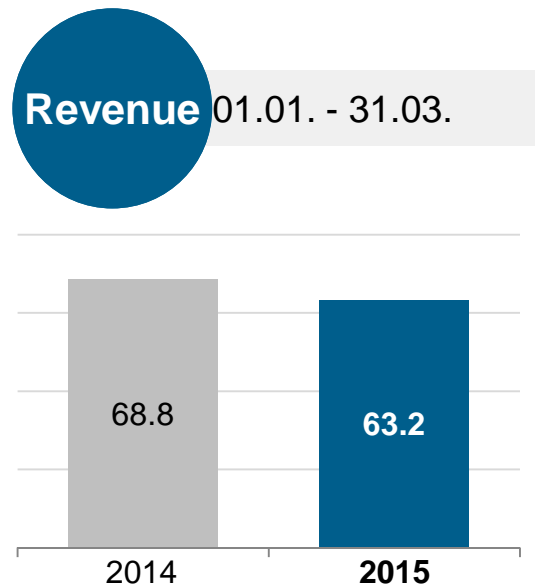
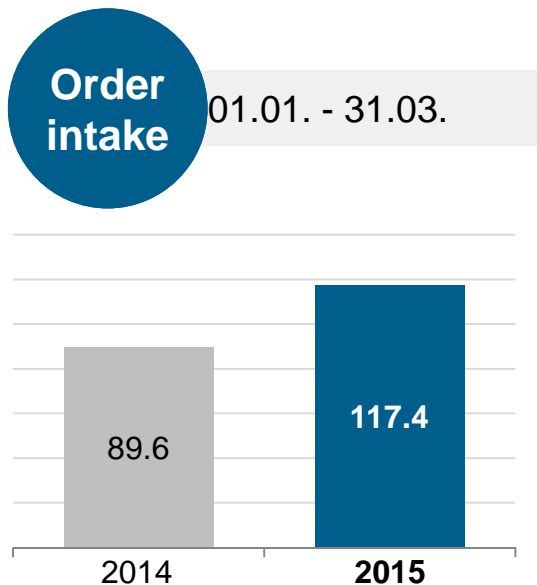
- Extensive capacity adjustment with business expansion of digital web printing
- Strong reduction in sales due to realignment, with corresponding decline in earnings
- Gradual improvements to earnings from Q2 2015 through cost savings and higher number of deliveries



Group figures as per IFRS in €m

Special Solutions performance

- 31% more orders for special machines with solid security press business
- Delivery structure influences H1, strong H2 expected
- Security press business: large deliveries in Q4 planned



Group figures as per IFRS in €m

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_____ Highlights Q1 2015

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_____ **Outlook and strategy**

Guidance for 2015 confirmed despite sales-related weak Q1 and Q2

2015

- Annual Group sales > €1bn, thereof significantly more than 50% in H2
- Incremental benefits from restructuring with direct impact on earnings
- EBT margin of up to 2% of sales

2016

- Implementation of restructuring finished
- Further progress in portfolio transformation
- Sustained earnings in all business fields

This 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.

Strategy

Short term

- Finalising restructuring
- Strengthen financial power by sustainable working capital management
 - Structure of receivables under strong focus
 - Further upside for inventories
- Legal structure to be aligned after approval by AGM 2015

Mid term

- Accelerate portfolio transformation into growth markets
- Long-term increase of service sales share to 30%
- Targeted expansion into selected international markets
- Achieve robust margin level
- Secure market position in security and packaging printing

Mid-term strategy per segment: achieve robust margin level

Comprehensive restructuring



Peaks in security printing business



Mid-term EBT target

Sheetfed Solutions

- Sheetfed offset presses, services, workflows, postpress equipment

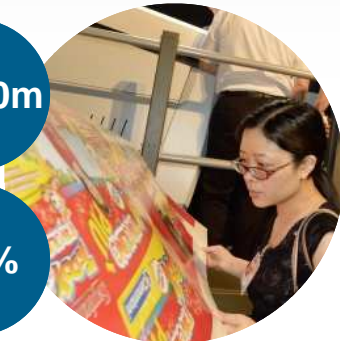
Digital & Web Solutions

- Web offset presses, digital presses (own, cooperation with HP), services

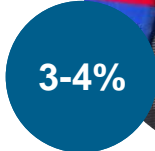
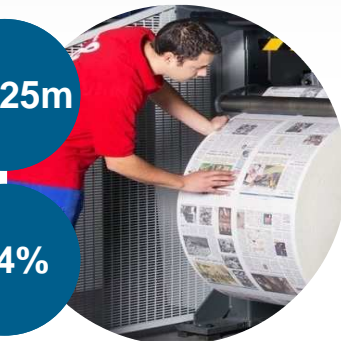
Special Solutions

- Solutions for security printing, marking & coding, special packaging (metal, glass, film), services

Sales target



EBT margin mid-term target



21/05/2015

AGM in Würzburg

11/08/2015

Interim report on 2nd quarter 2015

10/11/2015

Interim report on 3rd quarter 2015

