

## Presseinformation / Press Release

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### Half-year report for Koenig & Bauer (KBA)

#### **€10m pre-tax profit in second quarter**

- **Substantially more sheetfed orders in second quarter**
- **Sluggish demand in web and special presses**
- **Sales shortfall from first quarter nearly halved**
- **Significant earnings improvement after six months**
- **Continuing good liquidity and solid balance sheet**
- **Progress with strategic developments**
- **Outlook for 2013: EBT similar to last year attainable**

Würzburg. Compared to the end of March earnings at the Koenig & Bauer Group (KBA) have improved considerably after six months. The world's number two in press manufacturing generated a pre-tax profit of €10m in the second quarter thanks to higher sales, a profitable product mix and cost savings. After the first three months the pre-tax loss stood at –€18.8m resulting from the insufficient sales volume. A pre-tax loss of –€8.8m (2012: +€6.7m) was reported due to the shortfall in sales still noticeable after six months. Group net loss came to –€10.6m (2012: +€3.6m) and corresponds to earnings per share of –€0.64. Management expects earnings to continue to improve in the second half of the year and to achieve positive pre-tax earnings similar to 2012 despite ongoing restructuring measures.

#### **Media shift and economy strain order intake**

KBA's strong position in packaging printing and successful trade fairs in China and Turkey pushed new sheetfed orders to €161m in the second quarter. However, over the full six months orders in this division were down by 19.3% to €293.8m compared to last year's high figure boosted by the

global trade fair Drupa. Despite several orders from Germany, France and the Middle East, KBA has felt the reluctance of newspaper and commercial printers to invest in web presses. This reservation has been driven by media shifts and intensified by a weak economy in some markets. After the extraordinary high in 2011, the order volume for special presses has fallen back to the average level, even though significant restraint is currently noticeable and new project conclusions are delayed. Thus the volume of new orders in the web and special press division stood at €150.8m, 30% lower than the previous year. To sum up after six months group order intake of €444.6m was 23.3% down on last year's figure. At 30 June group order backlog came to €590.4m.

### **Significantly higher quarterly sales**

With above-average revenue of €311.5m generated in the second quarter the gap to last year has become considerably smaller. However, after six months group sales of €502.2m were 15% lower than twelve months ago (€590.5m). Sales of €255.4m generated by the web and special press division fell over 26% short of last year's figure due to deliveries postponed to the second half of the year. In contrast, sheetfed sales were up 1.6% to €246.8m.

### **Earnings up in sheetfed division**

Advances made in various cost-cutting measures have contributed to halving last year's operating loss of –€18m in the sheetfed division to –€9.4m. From April to June results in this division improved from –€5.9m in the first quarter to –€3.5m. Postponed shipments to the second half of the year, market-related insufficient capacity utilisation at our web press facilities and development expenses associated with our new business field digital printing reduced operating profit in our web and special press division from €30.5m in 2012 to €4.5m.

### **Positive operating cash flow and comfortable net liquidity**

Positive cash flows from operating activities of €12.1m were mainly due to higher customer prepayments, even though inventories for upcoming deliveries have swelled. The free cash flow was almost balanced at –€1.1m and funds of €188.9m will continue to be supplemented by ample credit

lines. After deducting reduced bank loans of €23m, net liquidity was a comfortable €165.9m. Equity of €426.8m represented 34.8% of the balance sheet total.

### **Future markets gain in importance**

Domestic sales were up €38.1m on 2012 to €98.9m and KBA's export ratio was below average at 80.3% accordingly. Economic weakness saw shipments to the rest of Europe fall to €129.8m compared to €168.6m the previous year. At 25.8% the proportion of sales generated in this region in the first-half year 2013 stood at only half of the historical average of over 50%. In contrast, given the lift in sheetfed sales and some web press deliveries the regional proportion of North America was up to 12.6%. At €210.4m the future markets Asia-Pacific, Latin America and Africa contributed 41.9% to group sales.

### **Further consolidation in web press business**

At the end of June group workforce totalled 6,158, down 94 from the same time the previous year. Excluding apprentices, student trainees, temporary employees and staff on phased retirement schemes, the number of group employees was down to 5,431. Given market trends in the web press sector, KBA CEO Claus Bolza-Schünemann believes that further consolidation is indispensable. Management is considering alternative business models intensively to combat the sharply declined sales volume in the web press business. Potential reductions in workforce still have to be negotiated with employee representatives.

### **Outlook for 2013**

Given the slowdown in the global economy and the unstable situation in the Middle East and Latin America, KBA's management is aware of some risks facing the export business. CEO Claus Bolza-Schünemann: "The volume of orders obtained in the next three months is crucial to just how close group sales in 2013 will come to last year's figure of nearly €1.3bn. Taking into account the current economic climate, we cannot rule out a single-digit percentage decline in sales compared to 2012."

KBA expects improved operating results in the course of the year as it pushes forward with turn-around programmes in its traditional web and sheetfed business. Projects to harmonise processes and align group-wide purchasing are well on target. As part of this KBA is also investing in ensuring its competitiveness in the future. Despite the risks and expenses mentioned, management is targeting a group pre-tax profit (EBT) similar to last year (€6.1m). CFO Dr Axel Kaufmann: “Our annual earnings guidance anticipates a similar product mix as last year and takes into account the possibility of a slight decline in sales. It also covers our investment strategy for growth and process harmonising or potential expenses resulting from capacity adjustments at our web facilities.”

In the half-year report, CEO Claus Bolza-Schünemann also pointed to advances in the continuing strategic development of KBA. An important milestone was reached in setting up the new product field high-performance digital printing with the first order for the KBA RotaJET inkjet press. Further digital projects will soon be finalised. The final closing of the acquisition of Italian press manufacturer Flexotecnica is planned for September. Flexotecnica is active in the flexible packaging market. A further diversification step in another prospering packaging niche is the recently announced majority takeover of Kammann Maschinenbau. Kammann is the market leader in screen printing presses for directly decorating premium-quality hollow glass containers for the cosmetics and spirituous beverage industry. In the mid-term KBA aims to compensate as much as possible for the slump in traditional web offset sales with the entry into growing and profitable market segments and to improve group earnings.

The half-year financial statements can be downloaded as a PDF file from <http://www.kba.com/en/investor-relations/financial-reports/reports-2013/>

<b>Koenig &amp; Bauer Group</b>	<b>30.06.2012 in €m</b>	<b>30.06.2013 in €m</b>	<b>Change in %</b>
<b>Sales</b>	<b>590.5</b>	<b>502.2</b>	<b>- 15.0</b>
Sheetfed offset presses	243.0	246.8	+ 1.6
Web and special presses	347.5	255.4	- 26.5
<b>Order intake</b>	<b>579.3</b>	<b>444.6</b>	<b>- 23.3</b>
Sheetfed offset presses	364.0	293.8	- 19.3
Web and special presses	215.3	150.8	- 30.0
<b>Order backlog</b>	<b>814.5</b>	<b>590.4</b>	<b>- 27.5</b>
Sheetfed offset presses	270.0	220.2	- 18.4
Web and special presses	544.5	370.2	- 32.0
<b>Operating profit/loss</b>	<b>12.5</b>	<b>-4.9</b>	<b>-</b>
<b>Earnings before taxes (EBT)</b>	<b>6.7</b>	<b>-8.8</b>	<b>-</b>
<b>Net profit/loss</b>	<b>3.6</b>	<b>-10.6</b>	<b>-</b>
<b>Earnings per share in € (IAS 33)</b>	<b>0.22</b>	<b>-0.64</b>	<b>-</b>
<b>Payroll on 30.06.</b>	<b>6,252</b>	<b>6,158</b>	<b>-</b>

**Disclaimer**

*The projections contained in this press release were founded on data available at the time of issue. While management believes them to be accurate, the impact of external factors beyond its control, such as changes in the economy, exchange rates and the print media industry, may give rise to a different outcome from that projected. Koenig & Bauer therefore accepts no liability for transactions based upon these projections.*

Photo 1:

KBA launched the new large-format Rapida 164 press series at a large open house event at its sheetfed facility in Radebeul in June. The new press targets primarily packaging, point of sale and book printers

Photo 2:

Along with a strong position in offset printing for board and metal packaging, KBA is diversifying in the growing packaging market with a focus on the print segments flexible packaging and directly decorating glass (photo)