

Presseinformation / Press Release

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First half-year report for Koenig & Bauer

**Well-filled order books – clear sales and earnings rise
expected in second half-year**

- **At €607.5m order intake up 33.2% y-o-y**
- **Sales of €426.9m still behind annual target of over €1bn**
- **Group pre-tax profit of €6.9m in Q2 improves EBT to –€10.8m**
- **Positive results in all business areas within reach**
- **Fit@All programme almost complete with cost savings**
- **Earnings outlook for 2015 unchanged with EBT margin of up to 2%**

Würzburg. In the second quarter of 2015 Koenig & Bauer (KBA) came significantly closer to achieving its target of positive results in all business segments. In the first six months the printing press manufacturer was able to greatly increase its order intake with a plus of 33.2% year-on-year to €607.5m. At €597.9m group order backlog on 30 June was around 43% higher than at the beginning of the year. In contrast, at €426.9m sales at the mid-year mark were below the previous year (€517.8m) and thus proportionally behind the group's annual target of over €1bn. The disproportionate distribution of sales to the second half-year was previously announced by the management board. Although KBA's cost base has been substantially reduced by Fit@All, the lag in sales impacted on earnings. President and CEO Claus Bolza-Schünemann: "Group profit before taxes of €6.9m in the second quarter led to an improvement in our EBT from –€17.7m after three months to –€10.8m mid-year. We are particularly pleased with the major improvements in earnings in Sheetfed and Digital & Web. Despite this half-time shortfall, with catching-up in mind we continue to target an EBT margin of up to 2% of sales for 2015."

After tax deductions, group results were –€9.3m (2014: –€3.4m). This corresponds to earnings per share of –€0.55 compared to –€0.20 in 2014.

High net liquidity offers strategic flexibility

Notwithstanding redundancy payments of over €15m as part of personnel adjustments, cash flows from operating activities increased from –€33.7m the previous year to –€28.9m. This was mainly due to reduced receivables (–€31m) and a rise in customer prepayments (+€24.8m). Although inventories rose in preparation for the upcoming sales catch-up in the third and fourth quarter, KBA was able to reduce working capital by around €100m in the last twelve months. The free cash flow improved greatly to –€25.2m following –€43m the year before. Funds at the end of June 2015 stood at €191.6m. Solid net liquidity of €172.8m after deducting limited bank loans of €18.8m offers the group's management board strategic flexibility in a shifting market. Equity of €226.5m represented 22.8% of the balance sheet total.

Positive segment development

The Sheetfed Solutions segment was particularly successful in the first half of 2015 with order intake up 40.3% on the previous year (€262.4m) to €368.1m. This was predominantly a result of strong demand from the packaging sector. Sales in KBA's sheetfed segment were up 1.8% to €239m year-on-year and are expected to increase more strongly in the second-half of this year. Order backlog mid-year came in at €310.6m, the highest figure since 2007. Progress made with regard to costs and prices led to a massive earnings improvement from a segment loss of €8.4m in 2014 to a profit of €3.8m. The KBA management board anticipates a further significant earnings increase in the course of the year.

New contracts for digital and newspaper presses drove order intake in the Digital & Web Solutions segment up from €45.6m in 2014 to €69.2m. Given low order backlog at the start of the year, at €36.7m revenue remained significantly below the previous year's figure of €71.3m. In contrast, order backlog of €834m at the end of the second quarter stood well above the corresponding figure from 2014 (€69.1m). The segment posted a loss of €8.9m for the first half-year (2014: –€11.5m). With a segment loss of €0.2m in the second quarter the turnaround was almost achieved due to the improved order situation

and capacity utilisation. Earnings are expected to improve gradually in the following quarters triggered by higher sales and more effective savings.

Along with growing success in the relatively young field of flexible packaging, more orders for metal-decorating, security printing and coding systems boosted the total volume of incoming orders in the Special Solutions segment by 21% to €199m. At €169.9m sales were distinctly lower than the previous year (2014: €227.8m) that benefitted from large security press orders. KBA anticipates a significant rise in revenue in the third and fourth quarter in particular. Order backlog stood at €224.5m (2014: €238.5m) at the mid-year mark. Given the lower margin product mix compared to the first half-year 2014, segment profit fell to €3.6m compared to the prior-year figure of €33.9m.

Export level rose to 84.9%

The export level climbed to 84.9% (2014: 83.4%) after six months. At 29.7% the proportion of deliveries to other parts of Europe was significantly down on last year's figure (2014: 40.4%). In contrast, business in North America which was up from 10% to 16.6% was boosted by market success with sheetfed offset and flexo presses. The proportion attributable to sales market Asia and the Pacific also rose from 24.3% to 29.3%. Latin America and Africa generated 9.3% (2014: 8.7%) of group sales.

Group payroll on schedule

At the end of June 2015 there were 5,266 employees on the KBA group payroll, 844 fewer than twelve months earlier. Excluding apprentices, trainees, employees exempted from their duties and staff on phased retirement schemes the group workforce sank to 4,599. As previously mentioned, this total is expected to fall to around 4,500 at the end of 2015. With a training rate of 6.3% securing the next generation of skilled workers remains a high priority.

Management board confirms spring outlook

The economic and political environment for the export-driven engineering industry remains volatile. Nevertheless, the KBA group kicks off the second half-year with considerably fuller order books and capacities than in 2014. Completing the raft of existing orders on time poses a substantial challenge. This is especially true of KBA's Sheetfed Solutions business

unit which is operating at a very high level of capacity utilisation and contributes to around half of group sales. As demand remains strong in this segment special measures have been introduced to increase production output.

In the first half-year capacities at KBA-Digital & Web in Würzburg have been sustainably adjusted to the severely shrunken web offset market. Higher order intake for digital and conventional web presses currently contributes to the segment's sound level of capacity utilisation. KBA expects the turnaround in quarterly results also for this segment in the course of the year.

The companies consolidated in the Special Solutions segment will have to considerably increase output in the second half-year in order to achieve their sales and earnings targets.

According to the group's CEO and president, greater transparency and market focus expected from the group realignment with the parent as a holding and new operating business units is already noticeable. He is therefore confident that KBA will be able to deploy the capital available in an even more targeted manner in future.

The product mix to be delivered in the second half-year will be more profitable than in the first. Overall, the management board continues to target an EBT margin of up to 2% of sales. The implementation of the Fit@All restructuring programme will be completed by the end of 2015. KBA management currently does not expect any impacts on earnings from upcoming measures beyond the provisions made.

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. KBA therefore accepts no liability for transactions based upon these projections.

The interim report can be downloaded as a PDF file from:

<http://www.kba.com/en/investor-relations/financial-reports/reports-2015/>

Koenig & Bauer-Group	30.06.2014 in €m	30.06.2015 in €m	Change
Revenue	517.8	426.9	- 17.6%
Sheetfed	234.7	239.0	+ 1.8%
Digital & Web	71.3	36.7	- 48.5%
Special	227.8	169.9	- 25.4%
Reconciliation	-16.0	-18.7	
Order intake	456.0	607.5	+ 33.2%
Sheetfed	262.4	368.1	+ 40.3%
Digital & Web	45.6	69.2	+ 51.8%
Special	164.5	199.0	+ 21.0%
Reconciliation	-16.5	-28.8	
Order backlog	498.7	597.9	+ 19.9%
Sheetfed	199.7	310.6	+ 55.5%
Digital & Web	69.1	83.4	+ 20.7%
Special	238.5	224.5	- 5.9%
Reconciliation	-8.6	-20.6	
EBIT	+3.8	-8.3	
Sheetfed	-8.4	+3.8	
Digital & Web	-11.5	-8.9	
Special	+33.9	+3.6	
Reconciliation	-10.2	-6.8	
Earnings before taxes (EBT)	-0.1	-10.8	
Net loss	-3.4	-9.3	
Earnings per share in €	-0.20	-0.55	
Payroll on 30.06. - thereof apprentices/trainees	6,110 355	5,266 334	

Photo 1:

More than 1,000 print experts from over 30 countries attended the UV open house at the KBA site in Radebeul in June. KBA-Sheetfed is once again the technological trailblazer in new drying processes, such as LED-UV

Photo 2:

A relatively young, but future-focused business field for KBA-Digital & Web is digital decorative printing with the up to 2.25m-wide RotaJET VL presses. The first has been in operation for some months at decor manufacturer Interprint in Arnsberg, Germany