

**Conference Call
KBA Full-Year Results 2014
20 March 2015**

Claus Bolza-Schünemann, CEO
Mathias Dähn, CFO



Agenda

Overview & highlights 2014

KBA Group 2014: business performance & key figures

Strategy & growth drivers and outlook

Restructuring project almost complete

Cost base cut

- Cut of 1,500 jobs largely finalised
- Fine-tuning in sheetfed offset on the home straight
- ≈ €100m in personnel expenses cut, full effect kicking in by 2016

Web business restructured

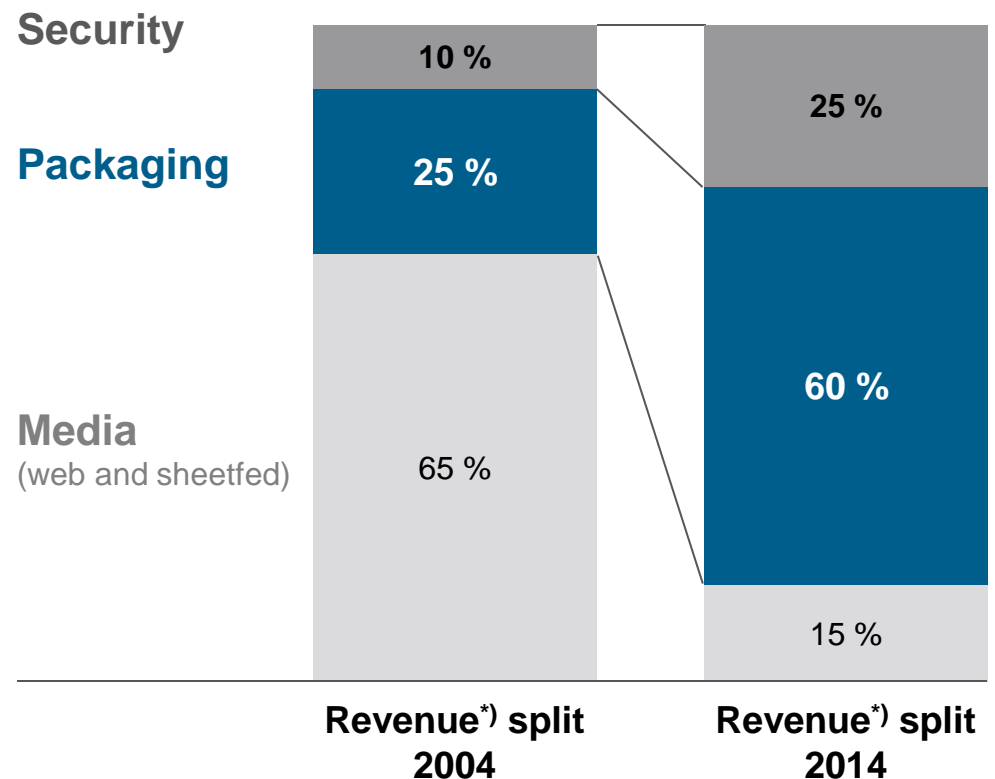
- Restructured web business without major downside risk
- Former dependency on new web machine orders successfully cut
- Promising digital web options as upside

Production footprint restructured

- Production restructured incl. relocation of over 50 machines
- Over €20m invested in highly productive systems
- Redundancies between facilities terminated
- Specialised, well-positioned and -utilised sites

Portfolio transformation into growth markets advances

- Gains in core packaging markets, such as board, metal and coding
- Delivery of first inkjet web press in expanding digital decorative printing
- Partnership with HP in corrugated digital printing opens up further segment
- Opportunities for growth in large segment for flexible packaging with new subsidiary KBA-Flexotecnica
- KBA-Kammann addresses promising market of premium direct decoration of glass/hollow containers



*) New machine business

Visible first results of active working capital management

A dark blue circle containing the text 'Financial profile strengthened' in white, bold, sans-serif font.

**Financial
profile
strengthened**

- Over €100m cash released by focusing on inventories/receivables
- Cash outflows for staff cuts and reduced customer prepayments overcompensated
- Strong cash flow pushes liquid assets to over €200m

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**Incremental
cash
improvements
in next
quarters**

- Further upside for inventories through implementation of pull-principle in production and assembly
- Structure of receivables under strong focus
- Reduction of working capital as continuous effort with clear target levels

Corporate Governance strengthened in all areas

- Shift from a functional to a divisional organisational structure
- Accountable management across all divisions
- Clear targets and transparent reporting:
new segments sheetfed, digital & web and special machines by 2015
- Zero tolerance for loss-makers
- No cross-subsidies
- Capital deployment in line with ambitious strategic targets and expected returns

New company structure prepared

- Business units sheetfed, digital & web and production under Koenig & Bauer AG as holding
- KBA-NotaSys, responsible for security printing systems, will be adapted in accordance with the added-value chain
- Clear responsibility for market and earnings of each business unit
- Larger operational transparency internally and externally
- Adaption of company structure upon approval by AGM in 2015

Agenda

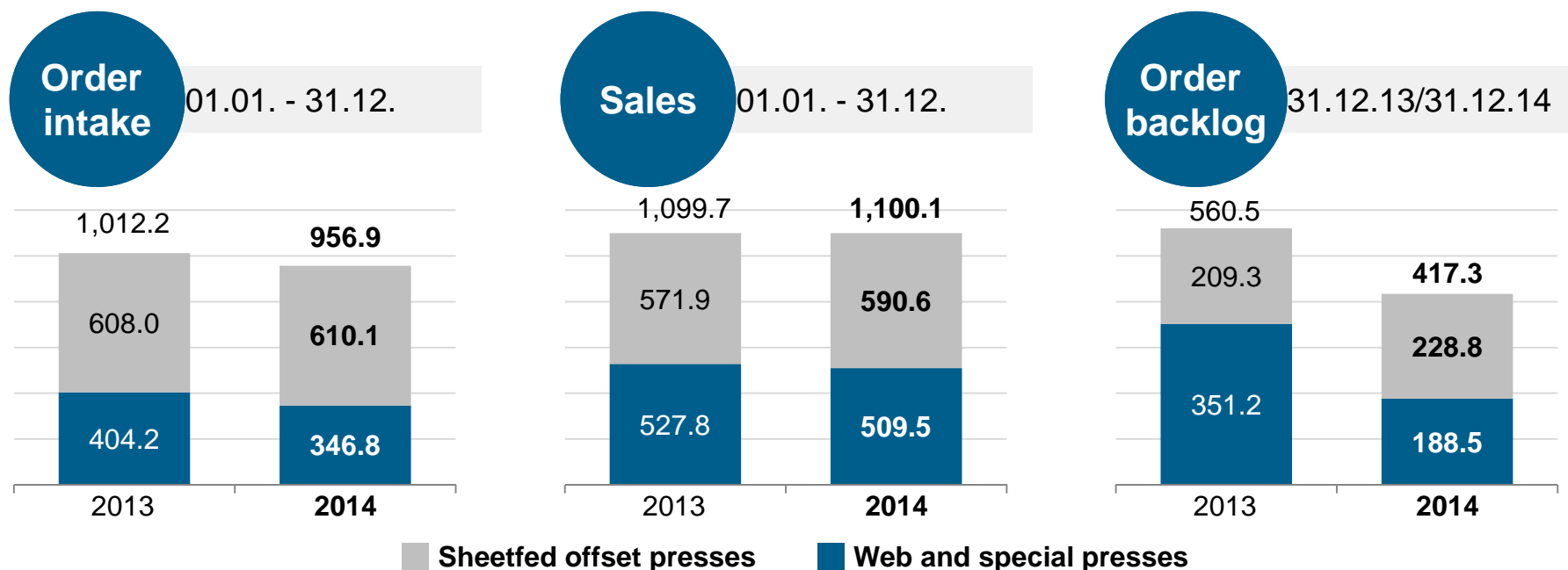
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Stabilisation of sales, more orders from packaging sector

- Group sales of €1.1bn at the top end of forecast
- Rise in orders and sales in KBA's sheetfed segment exceed industry trend
- Delayed customer decisions in banknote sector, new web orders low as expected



Group figures as per IFRS in €m

Group income statement 2014

in €m	2013	2014
Revenue	1,099.7	1,100.1
Cost of sales	-941.1	-802.9
Gross profit	158.6	297.2
Research and development costs	-64.2	-54.8
Distribution costs	-134.2	-134.5
Administrative expenses	-78.9	-80.8
Other operating income ./ expenses	-12.0	-13.0
Operating profit/loss	-130.7	14.1
Financial result	-7.4	-8.6
Earnings before taxes	-138.1	5.5
Income tax expense	-15.6	-5.2
Group net profit/loss	-153.7	0.3

Group figures as per IFRS

First positive impacts on earnings from restructuring

- Gross profit margin on track thanks to restructuring
- Clear improvement in earnings in sheetfed division
- Progress in costs and prices, higher service contribution
- Underemployment in web press business strains earnings
- Capacities and cost base significantly reduced

	2012	→	2013	→	2014
Gross profit margin	25.2%		14.4%		27.0%
Operating result sheetfed segment	-€38.6m		-€77.6m		€11.5m
Operating result web/special presses	€52.3m		-€53.1m		€2.6m
EBT	€3.7m		-€138.1m		€5.5m
EPS	€0.03		-€9.31		€0.03
Special items	-€27.1m		-€155.2m		-€10m

Group figures as per IFRS

Group cash flow statement 2014

in €m	2013	2014
Earnings before taxes	-138.1	5.5
Non-cash transactions	70.0	40.6
Gross cash flow	-68.1	46.1
Changes in inventories, receivables, other assets	22.1	105.5
Changes in provisions and payables	80.1	-108.4
Cash flows from operating activities	34.1	43.2
Cash flows from investing activities	-30.9	-14.5
Free cash flow	3.2	28.7
Cash flows from financing activities	-22.4	-6.5
Change in funds	-19.2	22.2
Effect of changes in exchange rates	-1.7	
Funds at beginning of period	206.3	185.4
Funds at end of period	185.4	207.6

Group figures as per IFRS

Strong cash generation boosts financial power

- Strong noticeable effects from reducing inventories and receivables
- Operating cash flow of €43.2m despite outflows for staff cuts and reduced customer prepayments
- Bank loans reduced by €6.3m from free cash flow of €28.7m
- Liquid assets soared to €207.6m
- Solid net liquidity of €192.4m

in €m

	31.12.2013	31.03.2014	30.06.2014	30.09.2014	31.12.2014
Net liquidity	163.9	108.9	120.1	184.7	192.4

Group figures as per IFRS

Group balance sheet

in €m

Assets

Non-current assets

	31.12.2013	31.12.2014
Intangible assets	39.1	37.8
Property, plant and equipment	188.4	190.9
Investments/other financial receivables	16.7	14.8
Other assets	0.6	0.1
Deferred tax assets	27.3	35.2
	272.1	278.8

Current assets

Inventories	357.2	279.3
Trade receivables	228.2	198.8
Other financial receivables	17.4	15.4
Other assets/current tax assets	34.8	24.7
Securities	0.9	9.6
Cash and cash equivalents	185.4	207.6
Assets held for sale	2.0	0.5
	825.9	735.9

1,098.0 **1,014.7**

Equity and liabilities

Equity

	31.12.2013	31.12.2014
Share capital	43.0	43.0
Share premium	87.5	87.5
Reserves	146.6	96.2
Equity attrib. to non-controlling interests	0.8	0.5
	277.9	227.2

Non-current liabilities

Pension provisions	142.5	195.0
Other provisions	92.4	55.7
Bank loans/other financial payables	15.3	10.1
Other liabilities	5.3	2.0
Deferred tax liabilities	15.9	19.5
	271.4	282.3

Current liabilities

Other provisions	204.5	203.5
Trade payables	72.2	57.1
Bank loans/other financial payables	76.7	78.6
Other liabilities	195.3	166.0
	548.7	505.2

1,098.0 **1,014.7**

Group figures as per IFRS

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Strategy

Short term

- Finalising restructuring
- Strengthen financial power by sustainable working capital management
- Legal structure to be aligned after AGM 2015

Mid term

- Accelerate portfolio transformation into growth markets
- Unlock potential of installed base
- Targeted expansion into selected international markets
- Achieve robust margin level
- Secure market position in security and packaging printing

Expansion of portfolio into growth and attractive niche markets

- Consequent use of growth opportunities in packaging and digital printing
- Expand presence in special markets, where KBA is already well-positioned
- New applications in packaging, coding, security and digital printing
- Good prospects for KBA-Kammann in China with industrial decoration of premium glass containers
- Synergies between KBA-MePrint and KBA-Kammann with new label printing system

Security

CAGR
2014-18
±1 %

Packaging

CAGR
2014-18
+4-6 %

Media

(web and sheetfed)

CAGR 2014-18
-3-5 %

Growth rates*)

*) Source: Smithers PIRA, own research

Accelerate portfolio transformation into growth markets: digital web printing

Own KBA RotaJET platform

- Digital printing product range extended with modular RotaJET 89-130 platform
- Focus on applications with challenging materials and large substrate widths, e.g. decorative printing
- Joint development with HP completes own digital portfolio

Alliance with Hewlett Packard

- HP and KBA collaborate on new digital inkjet press for the colour corrugated packaging market
- After joint development, prototype of the HP T1100 Simplex Color Inkjet Web Press to be built in 2015



Accelerate portfolio transformation into growth markets: packaging and decoration

Flexible packaging

- Large growth potential in flexible packaging by boosting KBA-Flexotecnica's resources
- Pushing ahead with integration of its technologically first-class presses in KBA's global sales and service network



Label, laminate and tube printing

- New Varius LX-TX web press from KBA-MePrint for printing and finishing of high-quality labels and laminates
- Accessing new packaging markets, such as direct decoration of plastic tubes with technology from KBA-MePrint



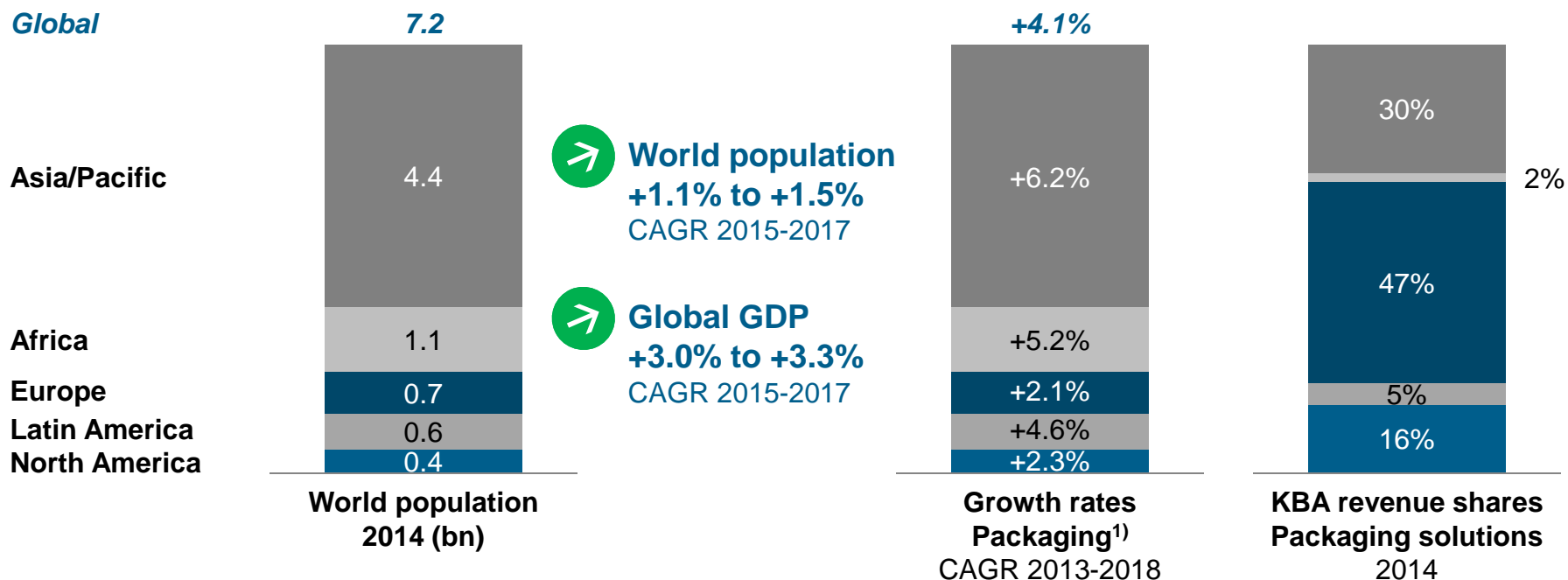
Unlock potential of installed base

- Expansion of profitable service business with new offerings
- Service managed as stand-alone business
- Increasing potential due to ageing press structure, especially in web business
- Common service strategy and approach to be deployed starting 2015
- Long-term target: 30% sales share

	2012		2013		2014
Service revenue (in €m)	192.1	➔	221.9	➔	257.8
in % of Group revenue	14.8		20.2		23.4

Targeted expansion into selected international markets

- Global packaging volume grows with CAGR +4% from 2013 to 2018
- 80% of growth expected comes from Asia
- Unlock large potential in packaging segments in Asia and Latin America



1) Source: Smithers PIRA, 2013

Mid-term strategy per segment: achieve robust margin level

Comprehensive restructuring

+4%

Peaks in security printing business

+2%

+4-6%

Mid-term EBT target

Sheetfed

- Sheetfed offset presses, services, workflows, postpress equipment

Digital & Web

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

Special machines

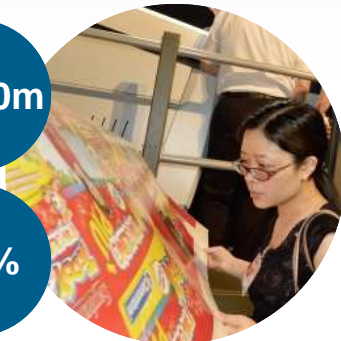
- Solutions for security printing, marking & coding, special packaging (metal, glass, film), services

Sales target

~€550m

EBT margin mid-term target

3-4%



~€125m

3-4%



~€475m

5-6%



Outlook for KBA Group

2015

- Annual Group sales > €1bn
- 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.

Financial calendar

12/05/2015

Interim report on 1st quarter 2015

21/05/2015

AGM in Würzburg

11/08/2015

Interim report on 2nd quarter 2015

10/11/2015

Interim report on 3rd quarter 2015



Koenig & Bauer AG
www.kba.com

