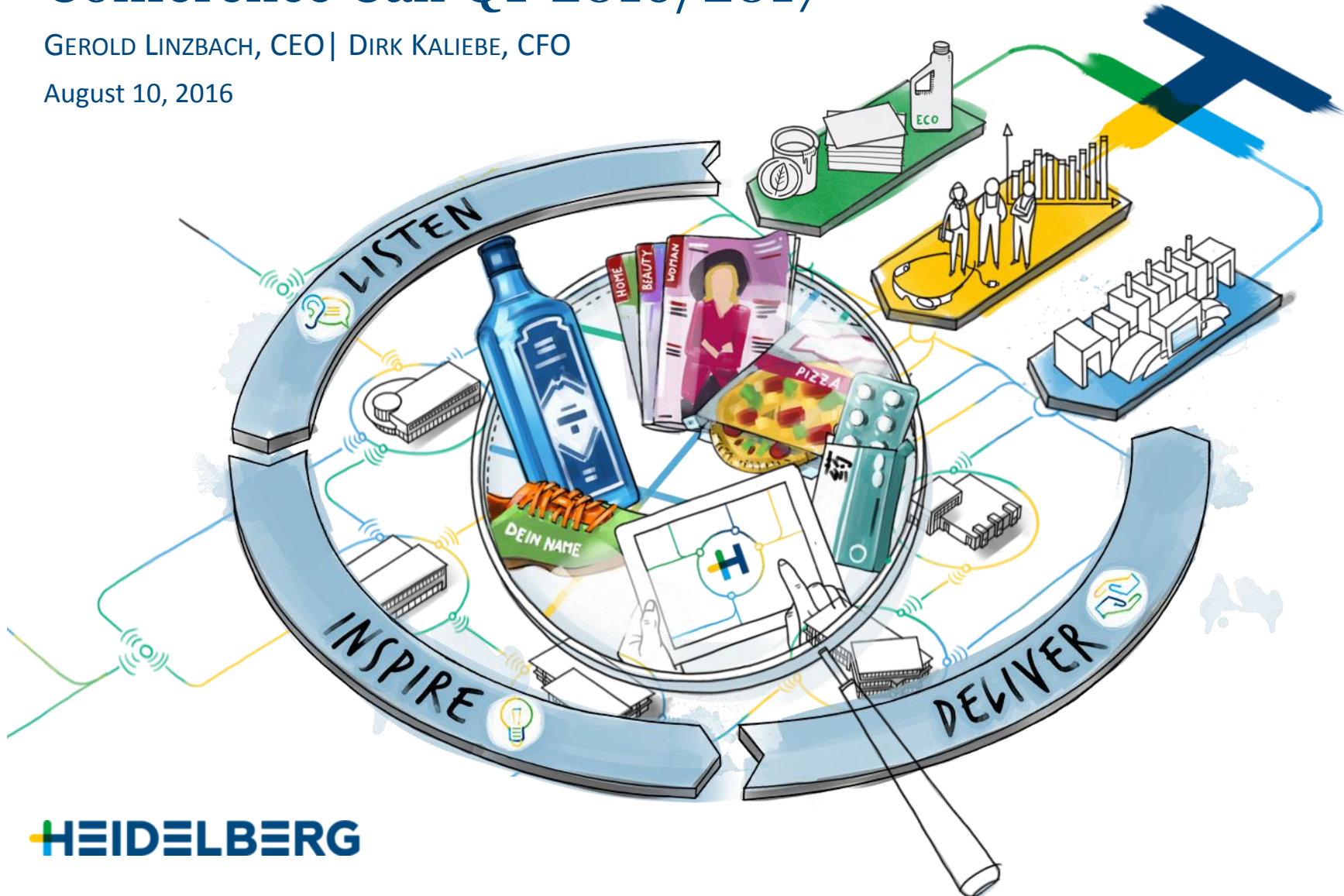




# Conference Call Q1-2016/2017

GEROLD LINZBACH, CEO | DIRK KALIEBE, CFO

August 10, 2016



# Highlights Q1-2016/2017 : Successful strategic realignment reflected in strong incoming orders at drupa



Heidelberg presented itself at drupa 2016 in Düsseldorf with a successful repositioning under the motto "Simply Smart" and is pressing ahead with the digitization of the industry:

- **Leader in digitization:** Customers invest in industrial print production and digitization; Heidelberg is shaping the future of industrial print production with its "Push to Stop" philosophy and autonomous printing
- **Recognized provider in digital printing:** Successful global premiere for industrial digital printing in packaging & labels
- **Launch of cloud-based services:** Preventive and performance-oriented services, based on unique database

**Successful strategic realignment: Order backlog increases strongly in drupa-quarter by 67 percent against previous quarter and forms a solid basis for achieving the targets, i.e. further profitable growth**

# Key figures 3m 2016/17



	in € million	Q1 15/16	Q1 16/17	$\Delta$ pY
Order intake		703	804	+14%
<b>Sales</b>		<b>563</b>	<b>486</b>	-14%
<b>EBITDA</b>		<b>46</b>	<b>1</b>	-45
<b>EBIT before Special items</b>		<b>28</b>	<b>-16</b>	-44
Special items		-15	-3	
Financial result		-14	-16	-2
Net result before taxes		-1	-35	-34
<b>Net result after taxes</b>		<b>-4</b>	<b>-37</b>	-33
<b>Free cash flow</b>		<b>-35</b>	<b>6</b>	+41
		<b>03/31/16</b>	<b>06/30/16</b>	
<b>Equity</b>		<b>287</b>	<b>167</b>	
<b>Net debt</b>		<b>281</b>	<b>263</b>	
<b>Leverage</b>		<b>1.2</b>	<b>1.8</b>	

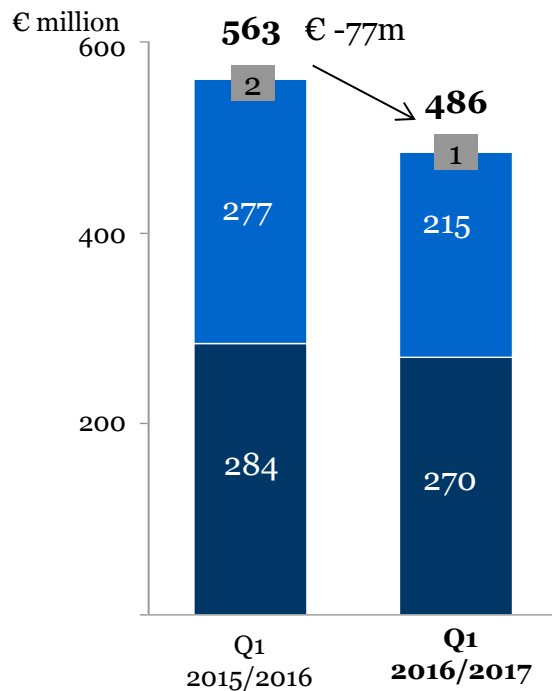
## Comments

- **Order intake** clearly outperforms last years Q1 (incl. China trade show) **due to drupa**; solid **order backlog** of € 768m (+67% vs FYE)
- Usual restrained investment activity ahead of drupa esp. in Western Europe and ongoing muted business in China lead to weaker **sales** ; but in line with expectations
- Lower sales, drupa costs (approx. € 10m) and higher personnel costs burden **EBITDA** (PY includes € 19m positive one-time effect from PSG acquisition)
- Positive **free cash flow** despite higher inventories and payments for portfolio optimization of € 8m
- Lower discount rate to value pension obligations reduces **equity ratio** to 8%
- **Net debt** stable on low level; **Leverage** below target level of <2x

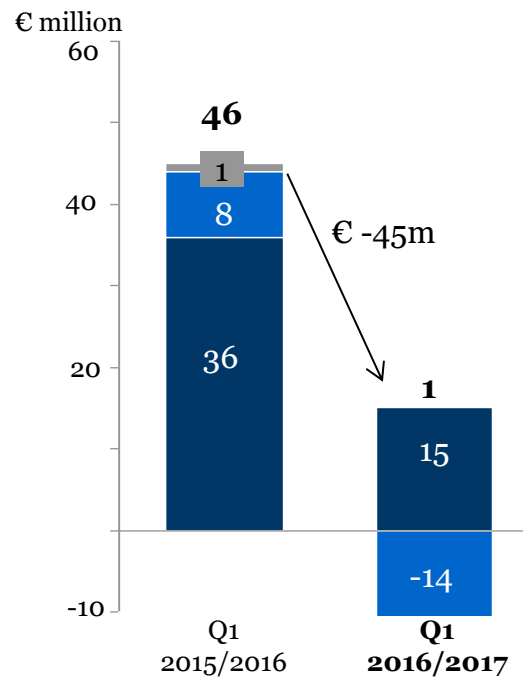
# drupa shapes business development in FY2016/17

- Substantial sales increase in HY2 expected (drupa deliveries)
- Full-year EBITDA-margin target: HDE 4-6%, HDS 9-11%
- Strongly increased backlog after successful trade show

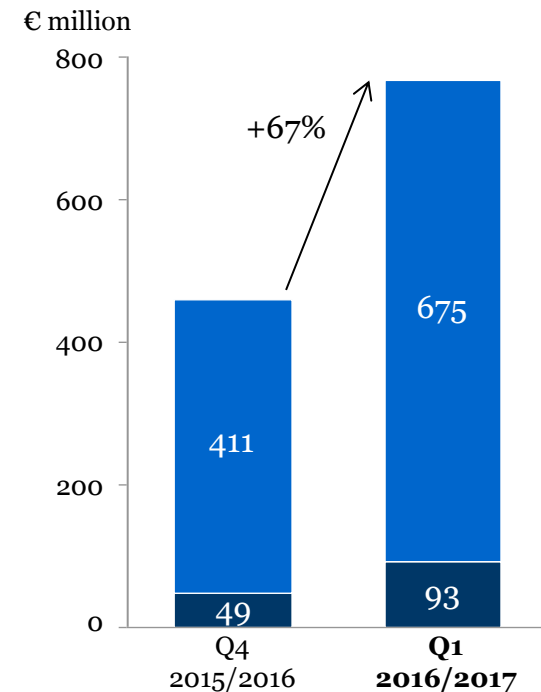
## Sales by segment



## EBITDA by segment



## Order backlog



■ HD Equipment ■ HD Services ■ HD Financial Services

	FY 2015/16	Outlook FY 2016/17	Mid-term target
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**Sales**  
(fx-adjusted)

€ 2,512m  
(€ 2,426m)

up to 4%  
increase

up to 4 % p.a./  
target ~ € 3bn

**EBITDA-Margin**  
(fx-adjusted sales)

7.8 %

on previous year's level

Bandwidth  
7% - 10%

*HDE ~ 5%*  
*HDS ~ 11%*

*HDE 4-6%*  
*HDS 9-11%*

**Net result**

€ 28m

moderate increase

further increase

**Leverage**

1.5

below 2

below 2



## Summary: Financial Highlights Q1-2016/2017

- Order intake in Q1 at € 804m; order backlog increases by 67 percent against previous quarter to € 768m
- Sales in Q1 at € 486m; EBITDA before special items slightly positive at € 1m; Net result after taxes at € –37m
- Positive free cash flow of € 6m; Net debt (€ 263m) still at low level and financed until CY 2022, Leverage below target level of 2
- Optimization of financial result on track: High Yield Bond 2011 (coupon 9.25%) called ahead of maturity
- Firmly on course for annual and medium-term targets



# BACKUP

# Balance sheet



Figures in € thousands			Figures in € thousands		
	31-Mar-2016	30-Jun-2016		31-Mar-2016	30-Jun-2016
<b>Non-current assets</b>			<b>Equity</b>		
Intangible assets	221.637	226.297	Issued capital	658.676	658.676
Property, plant and equipment	478.119	477.654	Capital reserves, retained earnings and other reserves	-400.270	-454.815
Investment property	11.202	11.043	Net result after taxes	28.134	-36.897
Financial assets	12.584	13.294		<b>286.540</b>	<b>166.964</b>
Receivables from sales financing	34.489	33.172			
Other receivables and other assets	17.824	13.558	<b>Non-current liabilities</b>		
Deferred tax assets	85.409	91.813	Provisions for pensions and similar obligations *	534.353	624.571
	<b>861.264</b>	<b>866.831</b>	Other provisions	162.016	157.140
<b>Current assets</b>			Financial liabilities	453.011	385.177
Inventories	606.872	691.119	Other liabilities	34.228	39.203
Receivables from sales financing	30.110	28.223	Deferred tax liabilities	2.535	2.463
Trade receivables	360.959	274.476		<b>1.186.143</b>	<b>1.208.554</b>
Other receivables and other assets	113.950	102.711	<b>Current liabilities</b>		
Income tax assets	7.662	7.154	Other provisions	234.111	202.231
Cash and cash equivalents	215.472	156.692	Financial liabilities	43.275	34.765
	<b>1.335.025</b>	<b>1.260.375</b>	Trade payables	179.397	197.417
<b>Assets held for sale</b>	<b>5.705</b>	<b>947</b>	Income tax liabilities	2.031	1.485
			Other liabilities	270.497	316.737
				<b>729.311</b>	<b>752.635</b>
<b>Total assets</b>	<b>2.201.994</b>	<b>2.128.153</b>	<b>Total equity and liabilities</b>	<b>2.201.994</b>	<b>2.128.153</b>

\* As of June 30, 2016 a discount rate of 2.0 percent (Mar 31, 2016: 2.4 percent) was used to determine actuarial gains and losses for domestic entities



# Interim consolidated income statement - April 1, 2016 to June 30, 2016



Figures in € thousands	1-Apr-2015 to 30-Jun-2015	1-Apr-2016 to 30-Jun-2016
Net sales	563.103	485.850
Change in inventories	35.359	88.638
Other own work capitalized	3.932	15.544
<b>Total operating performance</b>	<b>602.394</b>	<b>590.032</b>
Other operating income	36.098	18.508
Cost of materials	287.110	288.386
Staff costs	196.455	218.543
Depreciation and amortization	17.898	16.911
Other operating expenses	108.854	100.774
Special items	15.341	2.885
<b>Result of operating activities</b>	<b>12.834</b>	<b>-18.959</b>
Financial income	2.948	2.819
Financial expenses	17.187	19.134
<b>Financial result</b>	<b>-14.239</b>	<b>-16.315</b>
<b>Net result before taxes</b>	<b>-1.405</b>	<b>-35.274</b>
Taxes on income	2.717	1.623
<b>Net result after taxes</b>	<b>-4.122</b>	<b>-36.897</b>
<b>Basic earnings per share*</b>	-0,02	-0,14
<b>Diluted earnings per share*</b>	-0,02	-0,14
*according to IAS 33 (in € per share)		

# Interim consolidated statement of cash flows - April 1, 2016 to June 30, 2016



Figures in € thousands	1-Apr-2015 to 30-Jun-2015	1-Apr-2016 to 30-Jun-2016
Net result after taxes	-4.122	-36.897
Depreciation, amortization, write-downs and write-ups <sup>1)</sup>	18.599	19.468
Change in pension provisions	1.908	2.491
Change in deferred tax assets / deferred tax liabilities / tax provisions	-2.668	-1.930
Result from disposals	240	-262
<b>Cash flow</b>	<b>13.957</b>	<b>-17.130</b>
Change in inventories	-30.272	-81.993
Change in sales financing	4.261	3.555
Change in trade receivables / payables	60.304	108.226
Change in other provisions	-41.661	-38.068
Change in other items of the statement of financial position	-24.763	37.376
<b>Other operating changes</b>	<b>-32.131</b>	<b>29.096</b>
<b>Cash used in/ generated by operating activities</b>	<b>-18.174</b>	<b>11.966</b>
Intangible assets / property, plant and equipment / investment property		
Investments	-11.011	-24.359
Income from disposals	1.943	3.961
Financial assets/ company acquisitions		
Investments	-7.571	-107
Income from disposals	125	0
<b>Cash used in investing activities before cash investment</b>	<b>-16.514</b>	<b>-20.505</b>
Cash investment	0	15.000
<b>Cash used in investing activities</b>	<b>-16.514</b>	<b>-5.505</b>
Change in financial liabilities	-48.653	-65.975
<b>Cash used in financing activities</b>	<b>-48.653</b>	<b>-65.975</b>
<b>Net change in cash and cash equivalents</b>	<b>-83.341</b>	<b>-59.514</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>285.961</b>	<b>215.472</b>
Changes in the scope of consolidation	1.001	0
Currency adjustments	-3.684	734
Net change in cash and cash equivalents	-83.341	-59.514
<b>Cash and cash equivalents at the end of the year</b>	<b>199.937</b>	<b>156.692</b>
Cash used in/ generated by operating activities	-18.174	11.966
Cash used in investing activities	-16.514	-5.505
<b>Free cash flow</b>	<b>-34.688</b>	<b>6.461</b>

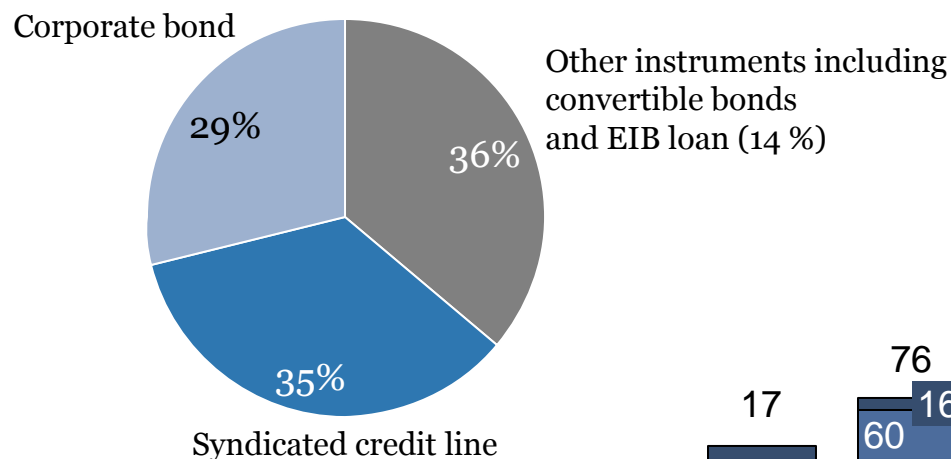
1) Relates to intangible assets , property, plant and equipment, investment property and financial assets

# Financial framework



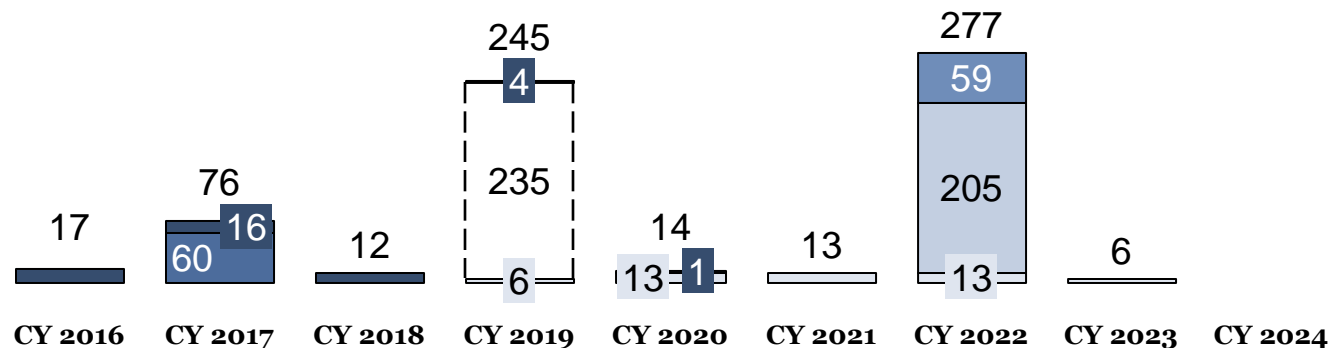
## Financial framework

Total framework  
of around € 700m



## Maturity profile

- Other instruments | amortizing
- Convertible bond (July 2017)
- Convertible bond (March 2022)\*
- Syndicated credit line (June 2019)\*\*
- Corporate bond (May 2022)
- EIB loan | amortizing



\* CB Put Option in 2020

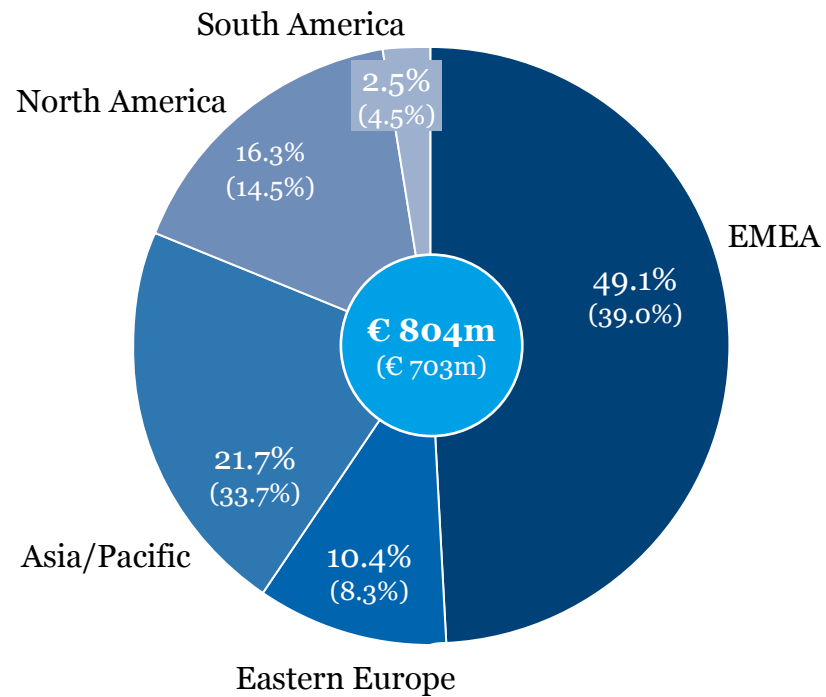
\*\*Initial volume € 250m, amortizing to € 235m in 2019

Note: As of June 2016. Excluding other financial liabilities and finance leases

# Order intake – regional split



Order intake Q1 2016/17 (Q1 2015/16)





	Date
Release of the figures for the second quarter 2016/2017	November 9, 2016
Release of the figures for the third quarter 2016/2017	February 9, 2017
Final Figures FY2016/2017	June 8, 2017
AGM FY 2016/2017	July 27, 2017

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