

**Blocking period until the beginning of the speech!**

**Speech at the Annual General Meeting of  
Heidelberger Druckmaschinen AG**

**Friday, July 23, 2021**

**Wiesloch-Walldorf**

**Rainer Hundsdörfer  
CEO**

**The spoken word applies!**

## **Title page: Welcome**

Dear Shareholders,

Dear employees,

Dear Members of the Supervisory Board,

Ladies and Gentlemen,

Welcome to our Annual General Meeting, which is unfortunately once again only virtual. I would like to welcome you from our Group headquarters in Wiesloch-Walldorf and appreciate your interest in Heidelberg, wherever you are watching from.

## **Chart 2: China print**

After more than 15 Corona-influenced months, I am very relieved to be able to present you with many positive, hopeful topics today. Still very fresh are the almost overwhelming impressions from the China Print industry trade show in Beijing, which ended a few days ago. The tens of thousands of visitors and a total of 8,000 registered participants at the presentations of our solutions and products literally overran our stands. In addition, we digitally reached a total audience of 400,000 in China over the five consecutive days, and likewise underpinned our leading digital expertise here.

Order intake and demand far exceeded our own expectations. This was particularly true of the world premiere of our new Speedmaster CX 104 sheetfed offset press, a real highlight of the trade show. After just a few weeks, we already have orders for more than 500 printing units, the majority of them from China.

On the one hand, this underlines our market-leading position in China, the world's most important growth engine, but also our unique innovative strength. We have maintained our research and development performance at a high level even during the crisis. This is the only way to achieve pioneering product innovations such as the Speedmaster CX 104. And our success proves us right. Accordingly, we will also systematically expand our capacities in China for China, but also for the surrounding Asian markets. More on the Middle Kingdom later, when I present our growth prospects and strategy.

### **Chart 3: Financial year 20/21:**

"Heidelberg is back", Ladies and Gentlemen. What some of you and many capital market participants did not think possible, our traditional company has a perspective again and even a really promising one with sustainable profitability and structural growth.

Thanks to a real show of strength with numerous improvement measures, in the past fiscal year we succeeded in defying the Corona pandemic and thus the biggest economic crisis in more than 70 years and initiated strategic course-setting measures that allow us to look forward with confidence to the coming quarters.

Thanks to a strong spurt at the end of the year and a cyclical recovery in demand, we closed 2020/21 with sales slightly above expectations, a noticeable increase in orders received and an EBITDA margin well above forecasts.

Our transformation program was and is successful. As a result, Heidelberg has massively reduced the break-even point - in two years at the latest, it should be around € 1.9 billion! And we are back on solid financial footing.

Free cash flow was positive and we continued to keep net financial debt at a low level.

Thanks also to systematic portfolio streamlining and structural improvements, we are succeeding in mobilizing our unique technology expertise for future growth in our profitable core businesses and in new areas of business.

One highlight that has also been very positively perceived by the public is certainly our booming e-mobility business, which has already doubled in the past year and promises further enormous growth potential.

### **Charts 4: Share price**

The stock market has already rewarded our approach to date and our positioning in future markets. Since the last Annual General Meeting exactly 12 months ago, the share price has climbed by over 200 percent!

This is very positive, but by no means a reason to pat each other on the back or rest on our laurels. My colleague on the Management Board, Marcus Wassenberg, and I want to and will make Heidelberg a more valuable and value-creating company. And there is still a lot to do here. To achieve this, we must and will deliver what we promise!

### **Chart 5: Key figures 20/21**

Let's briefly take a closer look at the key financial indicators for the past fiscal year.

We delivered, and did so in extremely difficult times.

As expected, sales were significantly lower than in the previous year, mainly due to the pandemic. We responded systematically to this:

with short-term measures (e.g. working time measures and short-time working, budget cuts and a freeze on investment)

and with sustainable structural measures such as job cuts, a focus on core business, company disposals and the renegotiation of the company pension plan.

We thus succeeded in significantly improving EBITDA margin in the crisis year 2020/21 compared with the prior year and our forecast. In terms of earnings after taxes, we also benefited from the significant improvement in net interest expense from the early repayment of a high-yield bond.

Thanks to extensive focusing measures, but above all to improved net working capital management, we surprised our analysts and investors with positive free cash flow.

In addition, debt was kept at a low level.

### **Chart 6: Transformation cost savings**

As I mentioned earlier, our transformation program, which we launched before the Corona crisis began, is having an impact. This is also because we accelerated it in the course of the year to counteract the pandemic.

A decisive factor here was to get the cost side under control. In the past fiscal year, for example, we were already able to save €85 million, more than planned, mainly by reorganizing our structures and focusing our portfolio. And the vast majority of future savings potential totaling around €170 million by 2022/23 has already been secured. In this financial year, we already anticipate efficiency gains of around € 140 million.

In the future, Heidelberg aims to achieve significantly improved profitability thanks to a significantly lower break-even point, the further development of new business areas, and an optimized financing structure. Some additional details on this later as well.

### **Chart 7: Order intake**

We now look ahead and the promising prospects for the new fiscal year 2021/22.

Last year's investment backlog is gradually disappearing. The general conditions in the mechanical engineering sector are brightening considerably. Our industry association VDMA is also very confident, particularly with regard to the important markets in Asia, Europe and North America.

This is also reflected in our order intake. These already picked up significantly in the final quarter of the previous year. At the beginning of the new fiscal year, the positive trend stabilized and even strengthened. In all reporting months we were significantly ahead of the weak prior-year period due to Corona. Order intake climbed to well over €600 million in the first three months of fiscal 2021/22 by the end of June. By comparison, in Q1-2020/21 we reported a figure of only €346 million.

### **Chart 8: Highlights 1st quarter 2021/22**

We will publish our Q1 report on August 4, i.e. in just under two weeks. However, I can already give you some hopeful indications and trend statements that confirm our path back to positive operating profitability.

Heidelberg is experiencing a broad market recovery in almost all regions of the world, as shown by our noticeably higher incoming order figures. This upturn in momentum is also reflected in a significant increase in sales over the comparable figures for the previous year.

In terms of earnings, we have to take two issues into account. The 1st quarter of the prior year was strongly influenced by positive nonrecurring effects. For example, we recorded non-recurring income of more than €70 million from the reorganization of the company pension scheme alone. In addition, there were positive effects from the extensive use of short-time working and working time accounts. Of course, we no longer have these major nonrecurring items in fiscal 2021/22. Accordingly, the earnings figures reported then are not comparable.

However, as we have succeeded in offsetting large parts of these special items through operational improvements, we will report a very respectable positive EBITDA in the first quarter of 2021/22. In comparable terms, i.e. purely operationally, we have thus improved on the prior-year quarter.

Our rising order backlog also provides a good basis for achieving our full-year targets.

### **Chart 9: Outlook for full year 2021/22**

Ladies and Gentlemen,

As you can see, we are entering this fiscal year with a good tailwind. Thanks to the positive trend in the 1st quarter, we are very confident of achieving our full-year targets, assuming the global economy continues to recover.

This chart shows exactly what these targets are:

In terms of sales, we expect an increase to at least €2 billion. We will be helped in particular by our strategic initiatives, which together with the market recovery apparent in our order intake form a solid foundation.

We have also set our sights on tangible improvements in profitability. Namely operational improvements. From now on, we will no longer report a restructuring result, as subsequent expenses from the transformation program are no longer expected to be significant.

The challenge in the current year will be to compensate for the significant extraordinary income from the previous year, for example from the reorganization of pensions, significantly lower utilization of short-time working, and the absence of non-recurring income from the disposal of subsidiaries, with actual operating improvements.

Rising sales revenues and a further reduction in the cost base as a result of our transformation program are helping us to achieve this objective, although extraordinary income is also expected in the current year from asset management projects already initiated to focus on the core business. This is mainly income from land sales, such as the one already announced in the United Kingdom. However, compared with the non-recurring income from the previous year, these are of a smaller volume. We will therefore show a significantly improved earnings quality in the current year.

Overall, we expect a further significant increase in the EBITDA margin from 5% in the previous year to a range of 6-7% (including the restructuring result), despite the challenges that remain visible.

Despite all our confidence, however, we must not ignore the ongoing challenges that Heidelberg will continue to face in 2021/22. In addition to the consequences of the pandemic, which continue to be felt, this relates above all to the availability of electronic components that are critical to success and the cost of materials, which will rise again significantly if the economy picks up. We must succeed in passing on the majority of these burdens to our customers by adjusting prices or achieving additional efficiency improvements.

Despite these negative factors, we continue to believe that we will again be able to report a small after-tax profit for the current fiscal year.

More important for us, however, is to look even further ahead: the transformation program is designed to last three years, one of which is behind us. In the next fiscal year, we will be able to realize the full savings from the program. Here we have set ourselves the goal of improving our profitability to such an extent that we can once again achieve significant annual net profits and significantly positive free cash flows.

#### **Chart: 10: Strategy intro chart**

We have the cost side under control as described.

Now we need to make a gradual transition from a restructuring story to a growth story - and a profitable one at that.

We are being helped in this by the spirit of optimism that can be felt everywhere and that is increasingly being experienced in our company - and not just since the incidence figures began to fall.

Heidelberg has finally changed! And I am happy to repeat this word, because in the past, for various reasons, we have not succeeded in tying the knot to real change and leading Heidelberg to real prospects.

We are not only confident about the current financial year, but also increasingly optimistic about subsequent years. Subject to solid economic development, we see good potential for a continuation of the profitable upward trend.

The basis for this, following the successful implementation of the realignment measures, is above all the consistent use of our market and technology leadership:

In addition to focusing on our profitable core business, which is already well advanced, the strategy we have developed for the future is based above all on expanding growth areas and regions.

Heidelberg sees clear potential for sustainable growth and value increases in the future, particularly in packaging printing, in the world's largest single market: China, in digital business models, and with new technology applications, for example in e-mobility.

Ladies and gentlemen, we are developing from a printing press supplier into a technology company.

We do not want to leave it at mere general statements, but will be measured specifically against growth and sales targets in the four growth areas mentioned.

### **Chart 11: Packaging**

I'll start with our potential in packaging printing.

Here, we are already the world market leader in sheetfed offset presses for folding carton and label printing, with a market share of almost 50%.

We are the only supplier to offer the entire value chain. Accordingly, we want to grow faster than the market, which is expected to grow by around 2% per annum for folding cartons, for example.

To achieve this, we will on the one hand push the end-to-end automation, touchpoint reduction, further integration and OEE increase of our processes, e.g. also from the reel to the finished packaging.

On the other hand, we will significantly expand our data-driven service offering. Here, too, we are significantly further ahead than our competitors thanks to our large and growing installed base.

And: we are significantly expanding our portfolio to include customized offerings specifically for the growing Asian market.

Our subsidiary Gallus is also part of the growth plan. Label printing is growing and Gallus gives us a technological and therefore competitive advantage in the value chain.

All of this should help us to increase our sales in packaging printing from around € 860 million today to over € 1 billion by the 2026 financial year.

## **Chart 12: China**

I already reported on our successes in China at the beginning of my presentation. Here, in response to the good demand, we will score points in the world's number one growth region with targeted investments in the expansion of our capacities and our innovations specially adapted for the region.

In China, we are the clear number one with a 50 percent market share for the most important sheetfed offset presses. Here, our strong local presence at the long-established plant near Shanghai helps us.

On the one hand, this enables us to cover the largest single market with a 15% share of the world market, but also to serve the Asian growth countries. Almost 20% of the machines produced in Shanghai are already exported there.

What are our specific plans for China? First, to further expand our site; second, to increase the share of parts produced locally in China to over 85%... And we will also increasingly rely in China on the lifecycle business already successfully established in the rest of the world. There is already promising demand there.

As a consequence of these measures, we expect to increase our China sales from around €300 million to over €360 million by 2026.

## **Chart 13: Digital business models**

Now to our potential in digital business models.

Crucial to our success in this regard is our unique positioning in the industry for cloud and data-based software and the corresponding range of different products and services tailored to our customers.

Ideally, our services cover the entire life cycle of a press: modular for consumables and service or extended to include the Prinect software offering. In addition, more than 70 customers are already using the full subscription model including the press, where payment is no longer made for the individual components but based on the number of sheets printed, depending on performance - which guarantees Heidelberg steady, plannable revenue streams over a longer period and greater profitability for us and our customers.

Overall, we have already been able to increase our share of total sales with digital business models from 5% to 11% since 2018.

And Heidelberg already generates 26% of lifecycle sales with contract business.

In doing so, we can draw on our unique data expertise. As the global market leader, Heidelberg has connected more than 13,000 presses to the Heidelberg Cloud, and around 25,000 Heidelberg SW-Prinect modules also provide valuable data.

It should also be emphasized that half of Prinect's sales are already recurring!



We are bundling our digital customer interfaces under the central Heidelberg Plus customer platform.

In addition, under the name Zaikio, we are the first provider to develop a central, open industry platform for automated supplier and customer management based on modern cloud technologies.

Against this backdrop, we will greatly expand the usage-based contract models in the coming years, completely convert our Prinect offering to cloud-based contract models, expand Zaikio to include further applications, and serve the Chinese market with specific SaaS offerings.

This should help us to expand our sales from contract offerings from around €200 million to over €450 million in the next five years

### **Chart 14: E-mobility**

Extremely exciting, and we have recently documented this with several press releases, is our very successful commitment to e-mobility.

Without making a big fuss about it, we have become the leading provider of charging infrastructure in just a few years. We are now reaping the rewards of our efforts.

In 2020/21, we more than doubled our revenue from various offerings to over €20 million, with wallbox revenue even quadrupling. And we are already profitable with our activities!

Heidelberg has increased its market share of private charging systems in Germany to 20% at present. And we want to at least maintain this!

We also excel in terms of technology. For example, the ADAC and ÖATMC named us Eco-Test winner with our Wallbox Home.

We are consistently developing our business further: The spin-off of the business into a GmbH (limited liability company) has already taken place, which offers us further options for expansion. We will push ahead strongly with our portfolio of offerings as well as with Europe-wide sales. And we are aiming for strategic partnerships in the areas of charging systems, billing and operations. Here, too, we hope to be able to communicate details to you by the end of 2021.

### **Chart 15: E-mobility - 3rd production line**

And demand for our charging stations continues to grow dynamically.

Our production capacities here in Wiesloch are growing accordingly. Having already doubled our capacities by the beginning of 2021, we will add another 100% by the end of the year.

The just started 3rd production line, which can be seen here, is already fully utilized. We produce in 3 shifts on 5 days a week. And the 4th line is already in planning.

The prospects for e-mobility make me almost euphoric. Sales are expected to increase annually by a mid-double-digit percentage.

And this field of activity serves as a blueprint for us to bring further innovative technologies to market and series maturity. One example is printed electronics.

### **Chart 16: Prospects - Conclusion**

Ladies and Gentlemen

I hope that I have been able to convey to you the new spirit, the new momentum, and above all the new prospects of Heidelberg.

I would therefore like to conclude my remarks with a clear commitment: We want to and will do everything in our power to create added value for our customers, our shareholders, and our employees. And we will do so sustainably!

To conclude, I would like to briefly reiterate the key statements and promises made in my presentation today, which you should ideally take away from this Annual General Meeting.

Heidelberg is close to achieving its financial turnaround. Thanks to significant improvements in results and the ability to generate substantial cash flows, we are confident that we will soon be able to announce the completion of the turnaround. Moreover, this is a very good basis for the planned future growth.

Thanks to the successfully completed homework and the focusing of our business, Heidelberg will become more profitable in the future. The basis for this is a significantly lower break-even point, which is continuing to fall, and our ability to profit more strongly from the recovering markets.

We will grow profitably in our core markets in the future, particularly in packaging printing, China, and digital business models.

In addition, we are only at the beginning of an enormous growth spurt from new innovative offerings, for example in e-mobility, and will expand more outside our core activities in the future.

Heidelberg's well-known technological excellence will also be a strong driver of growth in the megatrends of automation and the platform economy.

In the future, we will increasingly focus on interesting growth markets and are confident that we can be successful here with our technological excellence, similar to e-mobility.

In this fiscal year and beyond, we will increasingly focus on the topic of sustainability, i.e. ESG, and thus on the criteria: Environment, Social and Governance. Accordingly, we will significantly adjust our sustainability strategy and define clear, comprehensible targets against which we will also be measured. Ecology and economy are not contradictory, but rather interdependent.

Heidelberg is back, and it is not only you, our shareholders, who should benefit from this, but also our great employees, to whom I would like to express my sincere thanks for their fantastic commitment, especially in the recent times of crisis that have been special for all of us.

I look forward to leading our company with you and for you into a successful future.

Thank you very much for your trust, we will now be happy to answer your questions!

**Important note:**

This declaration contains forward-looking statements based on assumptions and estimates made by the management of Heidelberger Druckmaschinen Aktiengesellschaft. Although management believes that these assumptions and estimates are reasonable, many factors could cause actual future developments and results to differ materially from these assumptions and estimates. These factors may include, for example, changes in macroeconomic conditions, exchange rates and interest rates, as well as changes within the graphic arts industry. Heidelberger Druckmaschinen Aktiengesellschaft does not warrant or assume any liability that future developments and actual future results will be consistent with the assumptions and estimates expressed in this press release.