Realignment of Heidelberg
Profitability – Competitiveness – Future-proofing

Investor Relations, March 18, 2020
Heidelberger Druckmaschinen AG
1. Starting Point

2. Goals

3. Strategy

4. Implementation

5. Outlook
At a glance.

Stabilization – Focus – Implementation.

Stabilization through debt reduction.

Focus on the profitable core business.

Consistent implementation to increase profitability.
Starting Point.

Overall performance makes action necessary.

<table>
<thead>
<tr>
<th>Unprofitable products</th>
<th>Inefficiencies and cost structure</th>
<th>Insufficient implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Activities below desired profitability levels, loss making products in the portfolio</td>
<td>• Insufficient performance of operational business</td>
<td>• Programs to increase performance could not completely close EBITDA gap so far</td>
</tr>
<tr>
<td>• Demand for new products significantly below expectations</td>
<td>• Management structure not yet adjusted to size of business, inefficient decision making structures</td>
<td>• Lack of a holistic approach for numerous activities</td>
</tr>
<tr>
<td>• Particularly relevant for Primefire 106 and large format machines</td>
<td>• Headcount in support functions too large</td>
<td></td>
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</table>

We must act now!
Starting Point.
Heidelberg has a strong core business.

Big data & new business models – success on the global market thanks to data-driven solutions and innovative contract models.
Goals.

Action package for future-proofing.

**Goals**

- Financial resilience
- Sustainable profitability
- Technology leadership in core business with emphasis on digitalization

**Measures**

- **Stabilization:** Debt reduction and improving liquidity.
- **Focus:** On core business and competitive cost structure.
- **Implementation:** Consistent implementation of measures. Focus on profitability and digitalization.

Focus on the profitable core business and systematic streamlining of the cost base are geared to delivering a €100 million improvement in EBITDA.
Heidelberg eliminates net debt almost completely.

- Repayment of debt through repurchase of high-yield bond and repayment of other liabilities
- Reduction of risk from economic downturns or negative market developments
- Increased resilience and ability to react through increased financial independence

Financing instruments

<table>
<thead>
<tr>
<th></th>
<th>€m</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other</td>
<td>35</td>
<td>6%</td>
</tr>
<tr>
<td>RCF</td>
<td>267</td>
<td>45%</td>
</tr>
<tr>
<td>REL</td>
<td>49</td>
<td>8%</td>
</tr>
<tr>
<td>EIB</td>
<td>69</td>
<td>12%</td>
</tr>
<tr>
<td>HYB</td>
<td>150</td>
<td>26%</td>
</tr>
<tr>
<td>CB</td>
<td>17</td>
<td>3%</td>
</tr>
</tbody>
</table>

Early repurchase of HYB

Remarks:
- Pro Forma figures as of 03/31/2020.
- ‘REL’ includes loans for infrastructure projects (e.g. Hall 10, WLC und PMA).

Maturity per year

- HYB (May-2022)
- CB (March-2022)

Heidelberg eliminates net debt almost completely.
Stabilization.
Debt reduction and financing of realignment.

Trust assets from Heidelberg Pension-Trust e. V. (March 2020)
approximately €390 million

Return transfer to HDM
~ €375 million
For debt reduction and realignment of the company

Remaining assets
~ €15 million
Safeguarding pension entitlements not covered by PSVaG and as a buffer in case of delays

✓ Increased financial stability of Heidelberg – more stable basis to cover pension entitlements from current income through a substantial reduction in cash interest

✓ Reduction of assets held in trust to the extent required beyond the legal safeguarding of pension claims
Stabilization.
Increased liquidity and safeguarding financial stability.

- **€375 million** from liquidity reserves at Heidelberg Pension-Trust e.V. are available to increase liquidity and safeguard financial stability.

- Net debt to be almost completely eliminated, avoidance of substantial interest payments compensates missing revenues from pension assets.

- Reduction of assets held in trust to the extent required beyond the legal safeguarding of pension claims. Sufficient funds remain in the trust for that purpose.

- The measure consequently has no negative impact on existing and future pension entitlements.

- Consistent implementation of the idea of a split coverage of entitlements that are not covered by the statutory pension plan.
Focus.

Stabilization of our profitable core business.

- Consistent focus on the strong, profitable core business
- Strengthening of strong market position in these areas by reducing debt and adjusting portfolio and headcount
  - Increased resilience of the operational business

- Growing market expected with stable long-term printing volumes of more than €400 billion worldwide
- Core business with an average EBITDA margin of over 8%
Focus.
Discontinuation of unprofitable business areas.

→ Production of unprofitable products to be discontinued.

Primefire 106
• Initial losses due to slow market development
• Costly research and development efforts continue to be necessary
• Volumes for the industrial digital packaging market continue to be low
• High cost for consumables

Very-large format printing
• Increasingly becoming a niche market with high price sensitivity
• Long-term loss situation also due to high development costs, negative contribution margin
• Packaging printing mainly via core product XL106

Avoidance of some €50m loss a year
Focus.

Sustainable adjustment of production and structural costs.

- Realignment of Heidelberg accompanied by sustained adjustment of production and structural costs.

- Following the reduction of the Management Board to two members, further adjustments are planned also in the senior and middle management in all areas. A total of up to 2,000 jobs worldwide will be affected – implementation will be made in the most socially responsible way possible.

- Subject to the negotiations with the employee representatives, necessary one-off expenses and impairments in the financial year 2019/2020 will amount to around €300 million.

Sustainable cost reduction of some €50m envisaged
Focus.
Financial effects of realignment.

- **Ceasing unprofitable products**
  - €50 million

- **Significant reduction of costs for production and structural costs**
  - €50 million

- **Improvement in operating profit (EBITDA)**
  - €100 million
Implementation.

Consistent implementation of measures.

Focus on implementation, commitment and close involvement of all parties

Set-up of a professional project management office headed by Marcus A. Wassenberg to steer and manage the implementation of the program

Close monitoring of implementation by the Steering Committee – consisting of representatives of the Supervisory Board, employees and the trust; monitoring of the appropriate use of funds transferred back from Heidelberg Pension-Trust e.V.
Outlook.

We are committed to consistent implementation of the strategy.

Significant strengthening of financial stability creates conditions for structural realignment and investments in innovation.

Clear focus on profitable core business to put Heidelberg back on track for success.

Innovative solutions and products accelerate digitalization of the printing industry and increase customers’ success.
Leading technological role with focus on integrated solutions offering and the subscription model enable return to sustainable growth.

Focus of investments on "end-to-end" digitalization of customer value creation: integrated system solutions for machines, software, consumables and performance services.

Cross-industry, IoT-based platform on which all customer-supplier relationships can be processed automatically to significantly improve the productivity of printing companies.
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