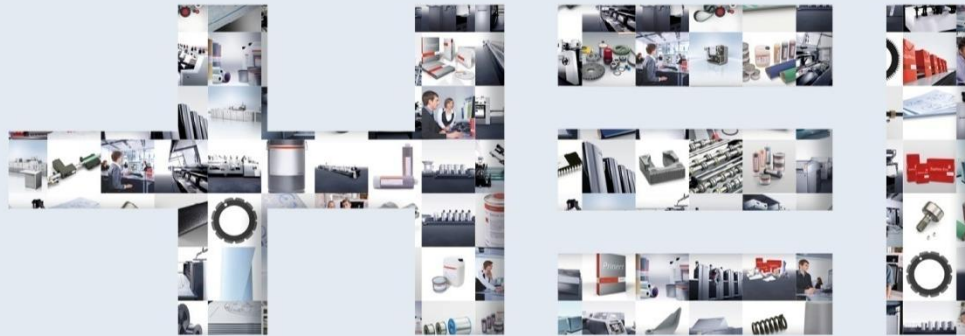


# DISCOVER



*Annual General Meeting 2012*

**On Track to Sustained Profitable Growth**

Bernhard Schreier, CEO

**HEIDELBERG**

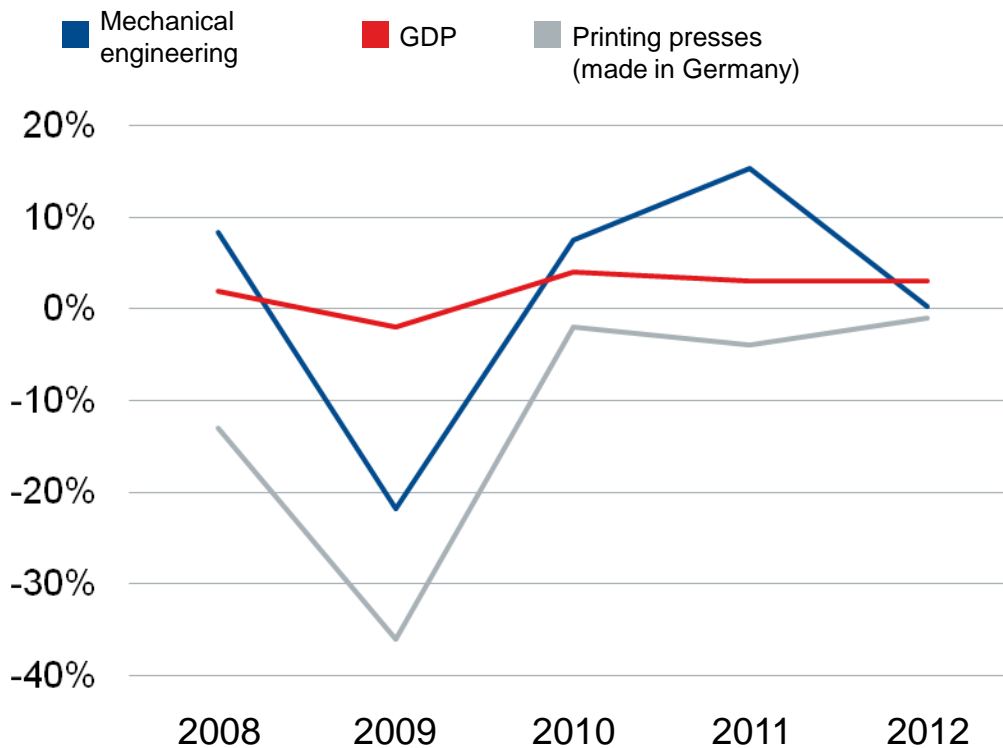
# Agenda

1. Review / structural change
2. Highlights of financial year 2011/2012
3. Strategic further development
4. Outlook

# Agenda

- 1. Review / structural change**
2. Highlights of financial year 2011/2012
3. Strategic further development
4. Outlook

## Review / structural change: **Slow market/sector recovery since 2008**

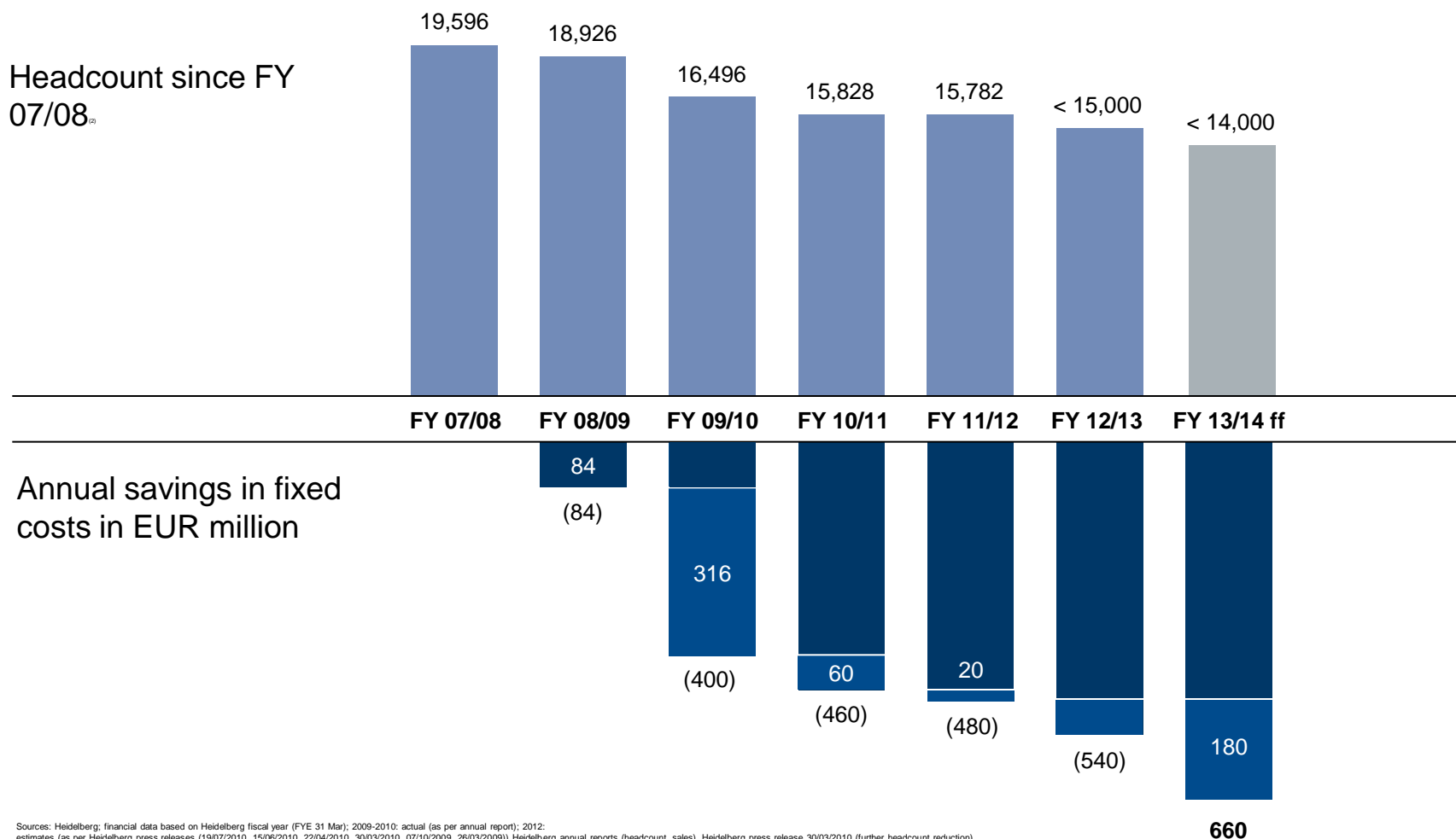


Source: VDMA

- Ongoing structural change and halt to recovery in the printing press industry
- No interim high after the 2008/2009 financial crisis
- Significant fall in print shop investment rates, migration of advertising budgets to the Internet, financing more difficult
- Consolidation accelerating in the sector

Review / structural change:

## Costs lowered by EUR 660 million since 2008



Sources: Heidelberg; financial data based on Heidelberg fiscal year (FYE 31 Mar); 2009-2010: actual (as per annual report); 2012: estimates (as per Heidelberg press releases (19/07/2010, 15/06/2010, 22/04/2010, 30/03/2010, 07/10/2009, 26/03/2009)) Heidelberg annual reports (headcount, sales), Heidelberg press release 30/03/2010 (further headcount reduction), Heidelberg press release 22/04/2010 and 19/06/2010 (preliminary financial figures); data based on Heidelberg fiscal year (FYE 31 Mar); 2008-12 actuals. <sup>1</sup> Operating expenses incl. personnel, D&A and other operating expenses, excluding cost of materials <sup>2</sup> Including temporary workers and excluding consolidation effects

# Agenda

1. Review / structural change
- 2. Highlights of financial year 2011/2012**
3. Strategic further development
4. Outlook

# **New products, new organization, stable financing: The basis for sustained profitability in the future**

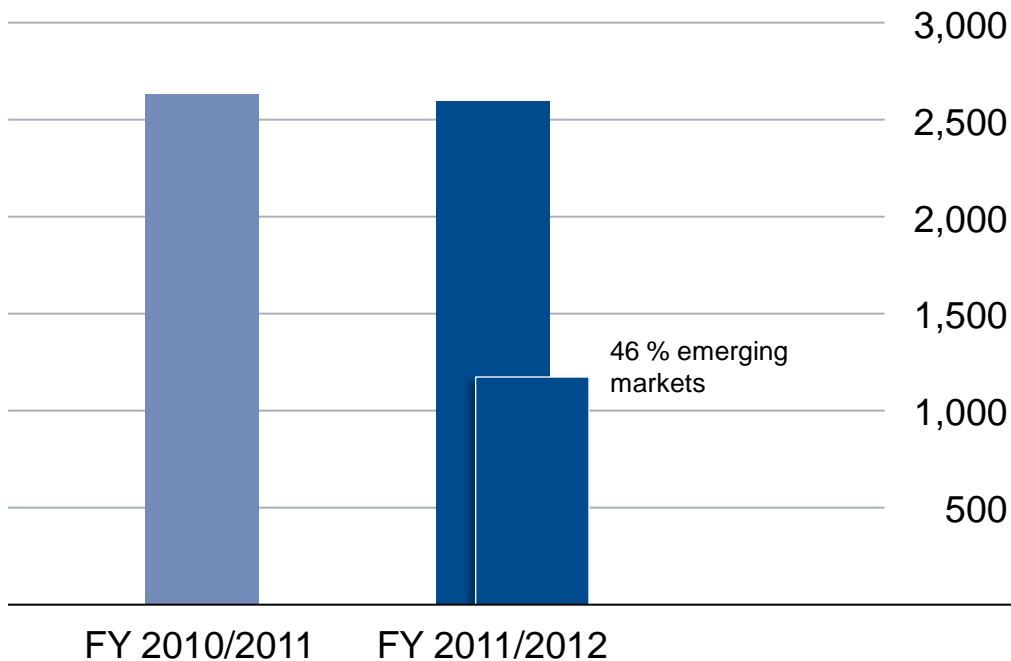
## Summary of financial year 2011/2012

- Company geared to requirements of structural change
- Financial targets
  - ✓ Stable results for sales/EBIT in comparison with previous year
  - ✓ Financing and liquidity secured for the medium term
- Weak development of print media industry in the second half of the year
- FOCUS 2012 efficiency program initiated

## Business development: **Stable sales and growing significance of emerging markets**

### Sales

Figures in EUR million



- Sales after adjustment for exchange rate movements at previous year's level
- Fourth quarter was strongest quarter for sales for three years (EUR 784 million)
- Emerging markets' share of total sales has now grown to around 46 percent



## KPIs in the profit &amp; loss account:

**High special items impact on annual result**

Figures in EUR million

	FY 2011	FY 2012
	Apr.1 2010 –Mar 31 2011	Apr.1 2011 –Mar.31 2012
<b>Sales</b>	<b>2,629</b>	<b>2,596</b>
EBITDA	104	90
<b>EBIT excluding special items</b>	<b>4</b>	<b>3</b>
Special items	2	–142
Financial result	–149	–90
Pre-tax result	–143	–229
Loss for the year	–129	–130

- Operating result excluding special items at previous year's level despite slight decline in sales and non-recurring items
- Special items include over EUR 140 million for personnel and structural measures as part of FOCUS 2012
- Improved capital structure and systematic asset management reduce financial result by more than a third

## Balance Sheet: **Sound structure and positive free cash flow – Non-recurring items impact on KPIs**

Figures in EUR million

	FY 2010/2011	FY 2011/2012
Free cash flow	75	10
Net financial debt	247	243
Balance-sheet total	2,643	2,518
Equity ratio	33 %	23 %

- Positive free cash flow once again despite high annual loss
- Equity ratio down to 23 percent as a result of the annual loss, primarily due to non-recurring items for FOCUS 2012
- Net financial debt stable at previous year's level

## Financing structure:

# Medium-term liquidity secured

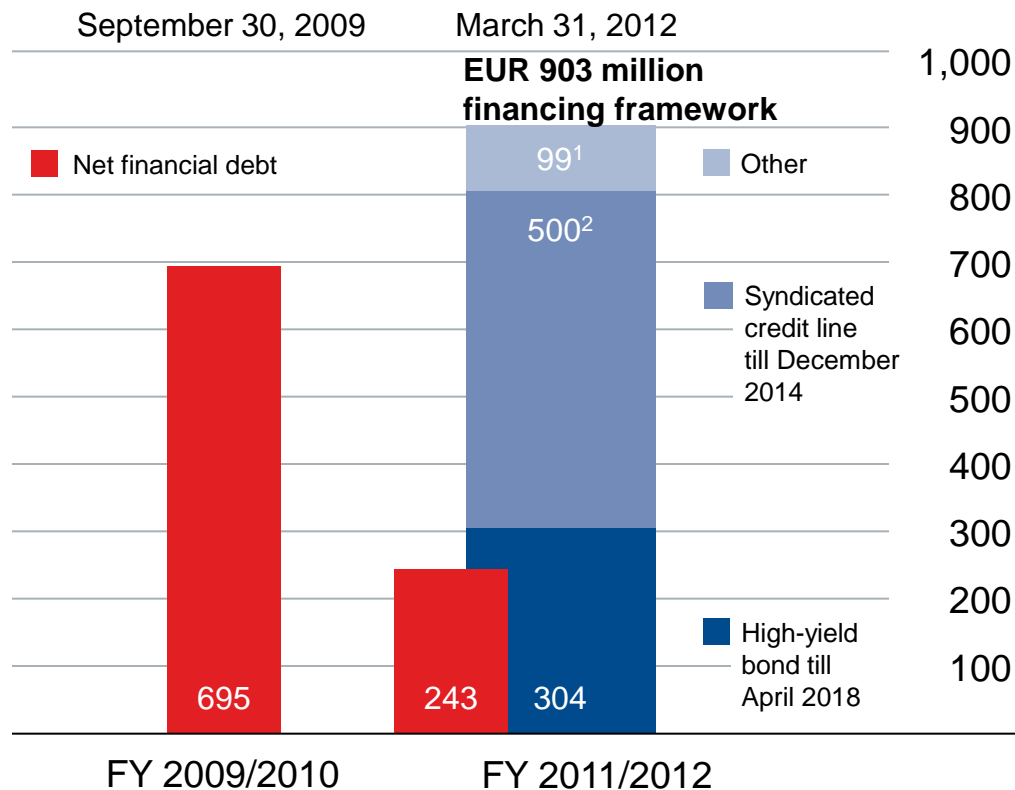
Figures in EUR million



- Net financial debt since September 2009 reduced by over 60 percent due to capital increase

## Financing structure: Medium-term liquidity secured

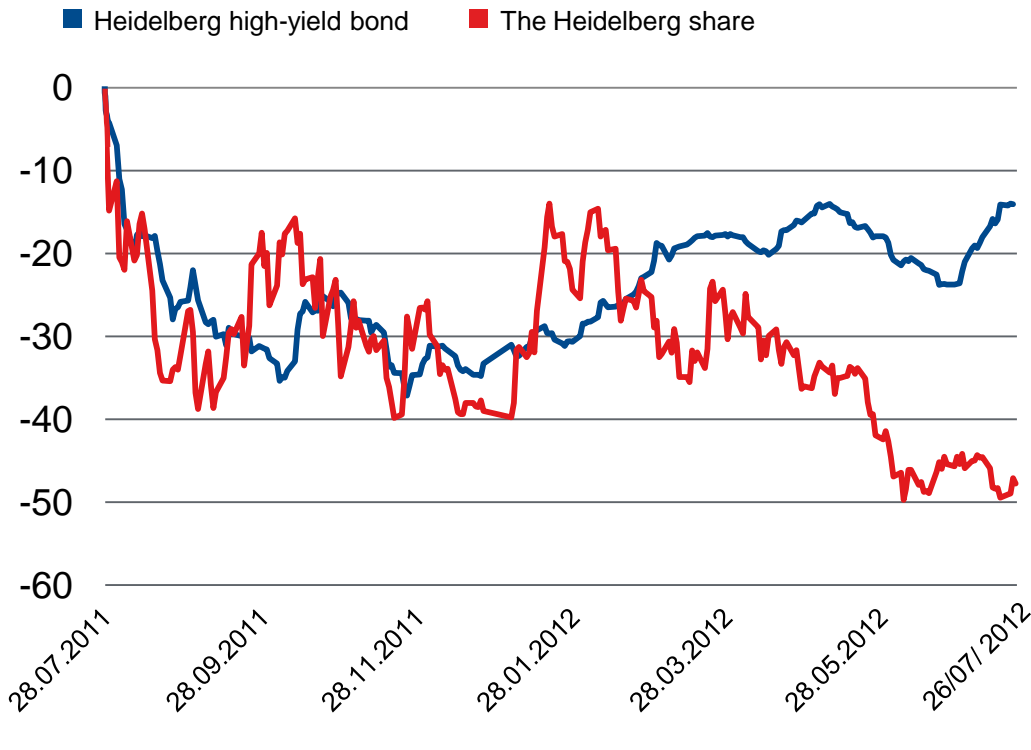
Figures in EUR million



- Diversified financing structure as regards both financing sources and maturity dates (Dec. 2014 and April 2018)
- Agreements with banks regarding terms and conditions of credit and financial covenants factor in the additional costs for FOCUS 2012 and the weaker results
- Adequate financing framework of around EUR 900 million

<sup>1</sup> Promissory notes, real estate lease  
<sup>2</sup> Adjustment to € 475m starting Jul-2012

## Share/high-yield bond: Unsatisfactory share price development

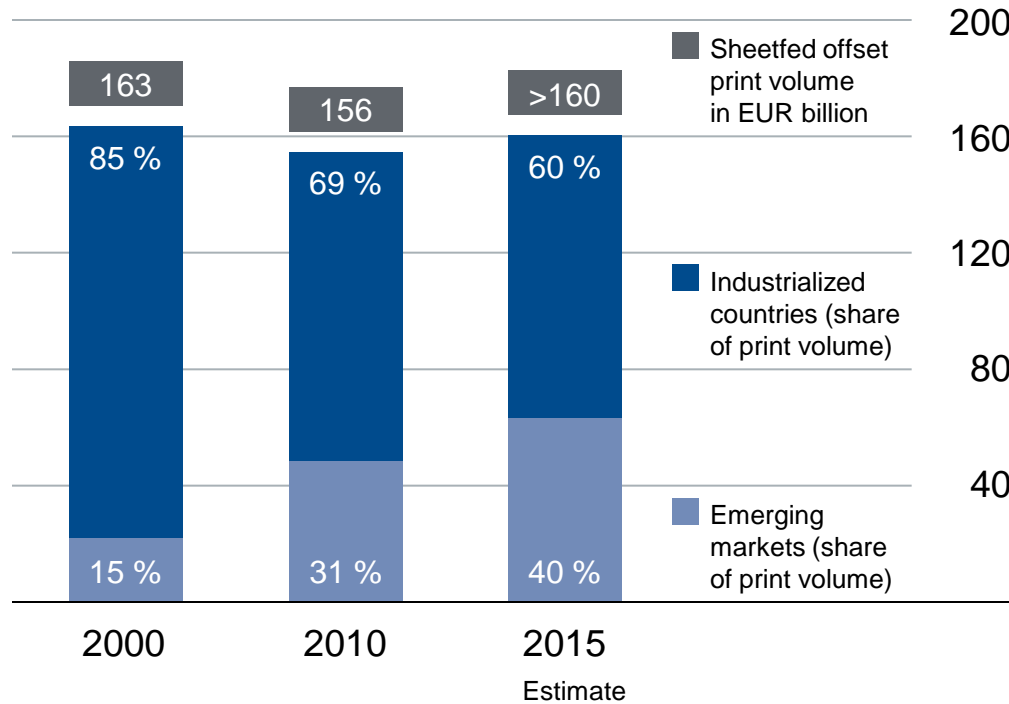


- Share price reflects poor development of the industry
- Investment in high-yield bond signals that the capital market has confidence in the company's financial stability
- Assuming the macro-economic conditions remain stable, the turning point toward moderate growth mode has now been reached

# Agenda

1. Review / structural change
2. Highlights of financial year 2011/2012
- 3. Strategic further development**
4. Outlook

# Strategic further development: **Is this the end of printing?** – **Quo vadis Heidelberg?**



- Despite the growing importance of electronic media, the print production volume and, consequently, the sheetfed offset print volume will continue to grow moderately
- Growth drivers are packaging printing globally, commercial printing in the emerging markets, consumables, services, service parts, and digital printing
- Major part of the print volume remains in the industrialized nations
- Emerging markets set to grow to 40 percent of sheetfed offset print volume in the medium term

# Heidelberg has a future:

## **Strategic further development**

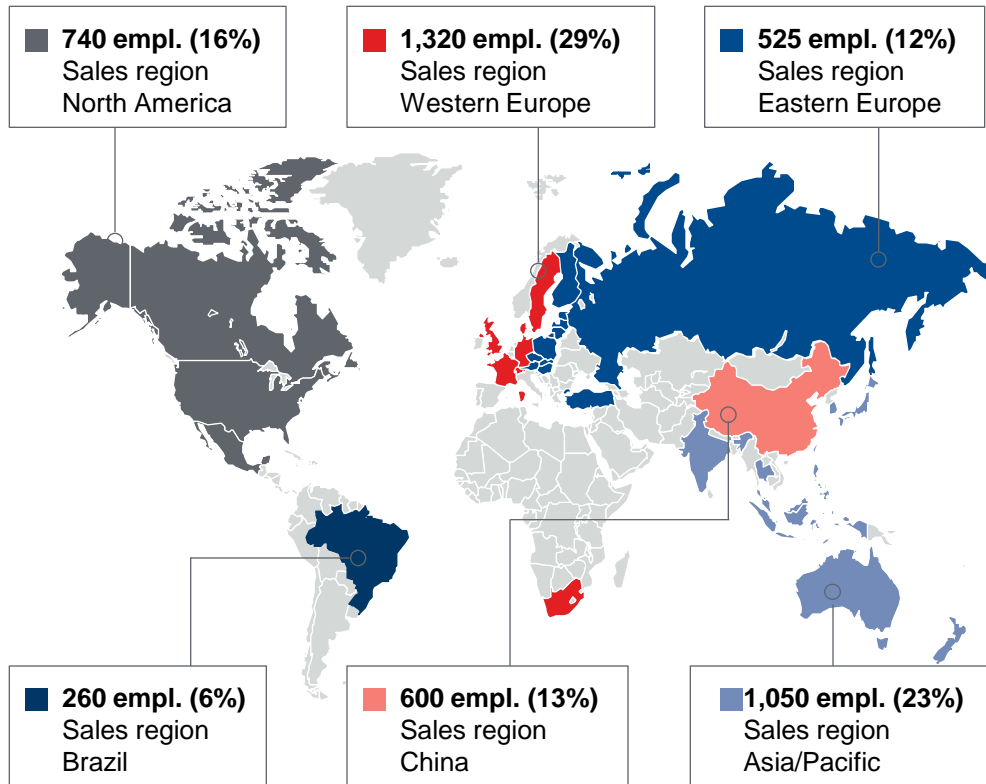
### Success factors – basis for sustained profitable growth

- **Cost-efficiency:** Capacity reduction, cost cutting and stabilization of finances
- **Reorganization** toward growth markets
- Unique **strategic positioning**
  - Traditional fields of business
  - New fields of business



## Success factor "Reorganization": **Focus on global alignment of sales and growth markets**

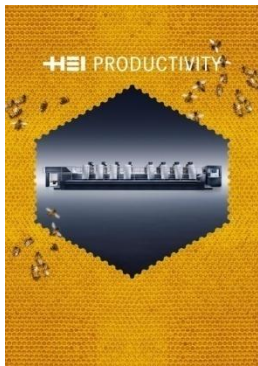
Global Sales & Service team: Approx. 4,500 employees



Status quo

- Sales presence in 170 countries with own companies and sales partners
- Approx. 4,500 employees in 30 sales companies, incl. 2,500 in services
- 1,500 employees in emerging markets and growth markets
- Best market coverage in the industry as a basis for developing growth segments

## Success factor "Unique strategic positioning": **Numerous innovations in traditional sectors**



Lean production



Green printing



Packaging printing



Short Runs








Web-to-print

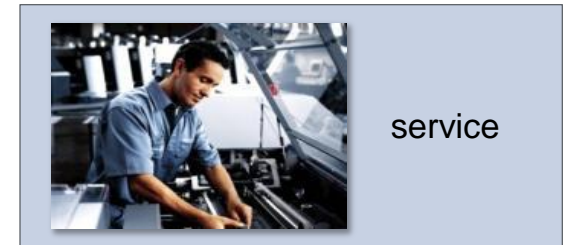
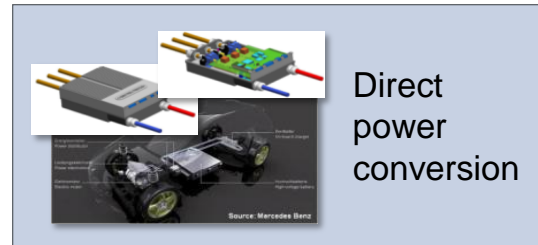
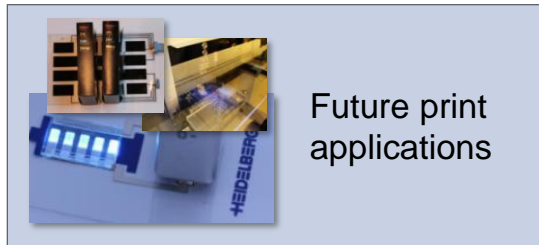
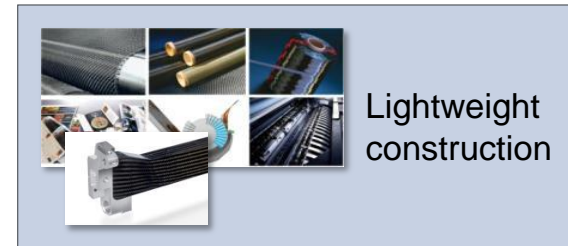


Surface finishing

# Success factor "Unique strategic positioning": Growth area of digital printing expanded

Application	Technology		
	Electrophotography Dry toner	Electrophotography Liquid toner	Inkjet
Commercial and variable data printing 	 <p>Linoprint C 901</p> <p>Linoprint C 751</p>	Own technology development	 <p>Landa</p>
Packaging 	No relevant market coverage		Hybrid solution  <p>Linoprint L</p> <p>Linoprint FixedLine</p>
Document printing	Not in Heidelberg line of focus		

## Success factor "Unique strategic positioning": **Profitable development of new areas of business**



Medium-term goal: New areas of business to account for over 10 percent of total sales

# Agenda

1. Review / structural change
2. Highlights of financial year 2011/2012
3. Strategic further development
- 4. Outlook**





## Success factor "drupa 2012": **Positive start to the new financial year**

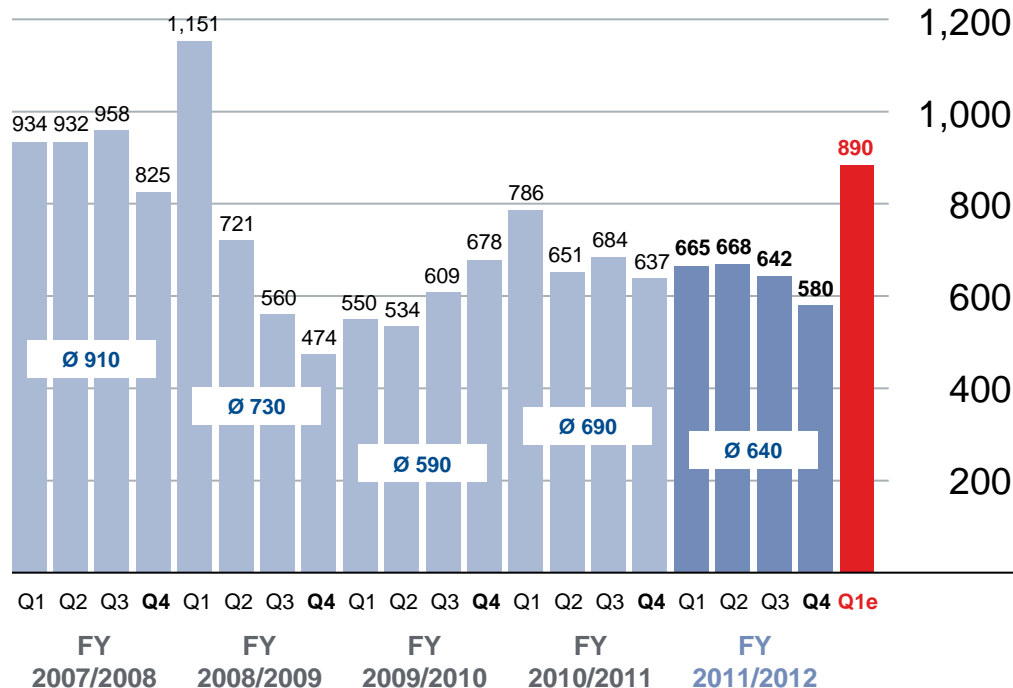


- Heidelberg underscores its market and technology leadership
- Almost 600 orders received for sheetfed offset presses alone
- Some 60 innovations reflect industry trends
- Incoming orders of around EUR 890 million in Q1 of FY 2012/2013 give cause for optimism

# Success factor "drupa 2012": Incoming orders of around EUR 890 million in 1Q of 2012/2013

## Incoming orders (development by quarter)

Figures in EUR million



- Break-even point has fallen markedly since 2008
  - Successful drupa leads to highest quarter of incoming orders for four years
  - Order backlog in first quarter up significantly to around EUR 850 million
- Basis for return to sustained profitability in 2013/2014.



## Outlook for financial year 2012/2013:

# **Far more positive operating result targeted**

### Development in first quarter 2012/2013

- Positive stimuli from drupa result in highest level of incoming orders for four years at EUR 890 million
- Order backlog up at around EUR 850 million
- Sales slightly down on previous year at EUR 520 million
- Negative operating result of EUR -58 million as a result of lower profit contributions, trade show expenditure, and product launch costs

## Outlook for financial year 2012/2013: **Far more positive operating result targeted**

### Prospects for total year 2012/2013

- Increasing sales volume expected in second half of year
- Clearly positive operating result before special items despite costs of drupa and product launches
- Cost savings of up to EUR 60 million through FOCUS 2012

## Outlook for financial year 2013/2014: **Operating result to improve to around EUR 150 million**

### Outlook for financial year 2013/2014

- Annual saving from FOCUS 2012 of EUR 180 million to take full effect
- Goals: Operating result excluding special items of around EUR 150 million and net profit
- Premises: Sovereign debt crisis in Europe does not escalate, development in Asia and, in particular, China remains stable

# DISCOVER



*Annual General Meeting 2012*

Thank you very much for your time.

Bernhard Schreier, CEO

**HEIDELBERG**