

DISCOVER



Annual General Meeting 2012

On Track to Sustained Profitable Growth

Bernhard Schreier, CEO

HEIDELBERG

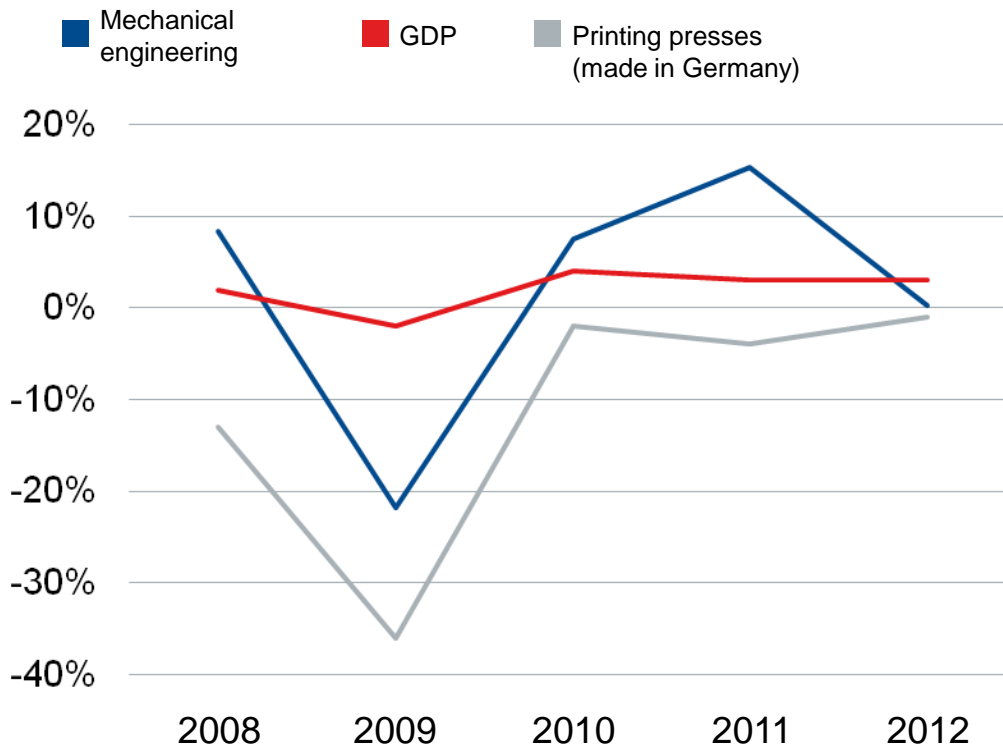
Agenda

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

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- 1. Review / structural change**
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Review / structural change: Slow market/sector recovery since 2008

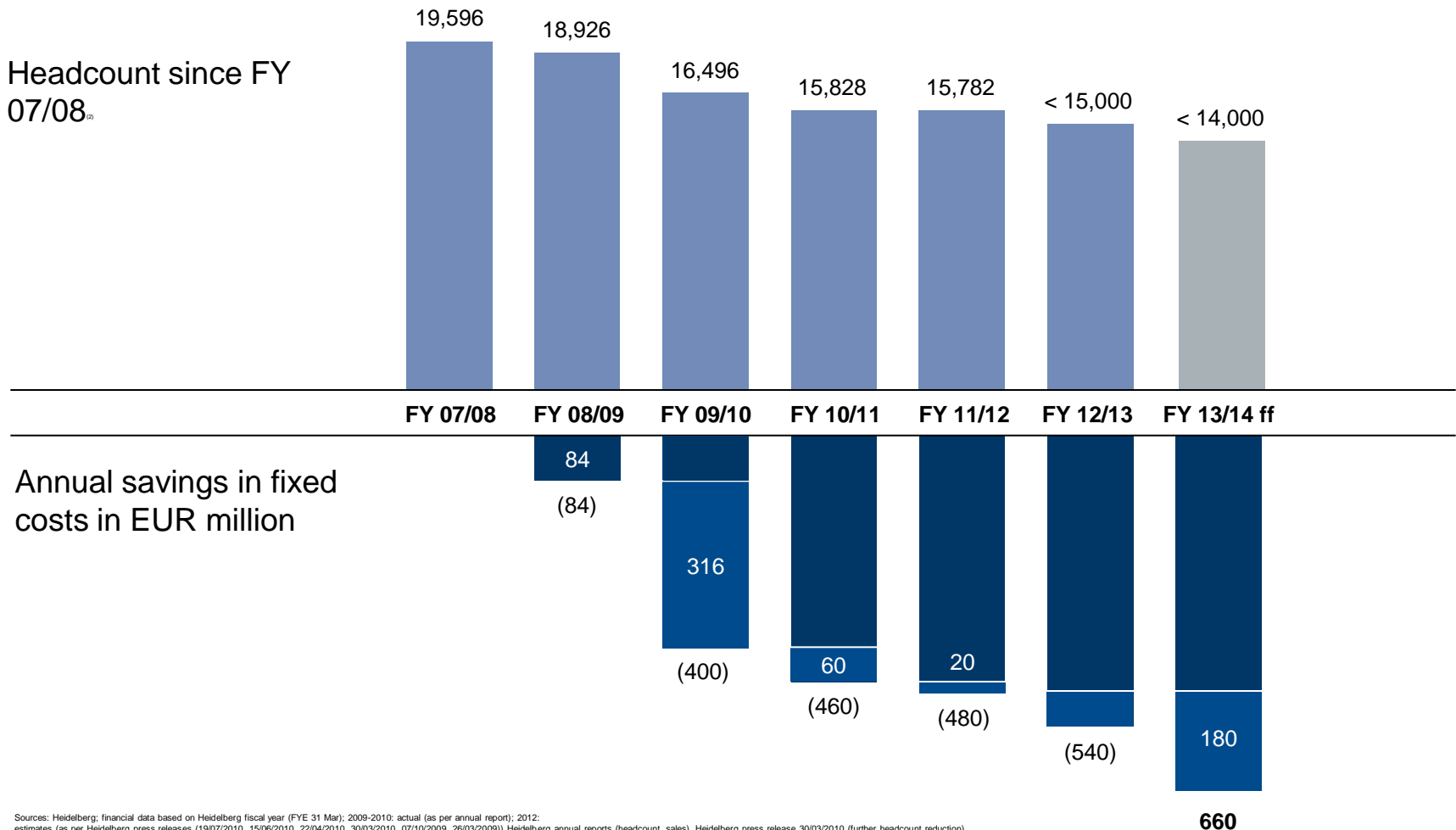


Source: VDMA

- 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. ¹ Operating expenses incl. personnel, D&A and other operating expenses, excluding cost of materials ² Including temporary workers and ³ excluding consolidation effects

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

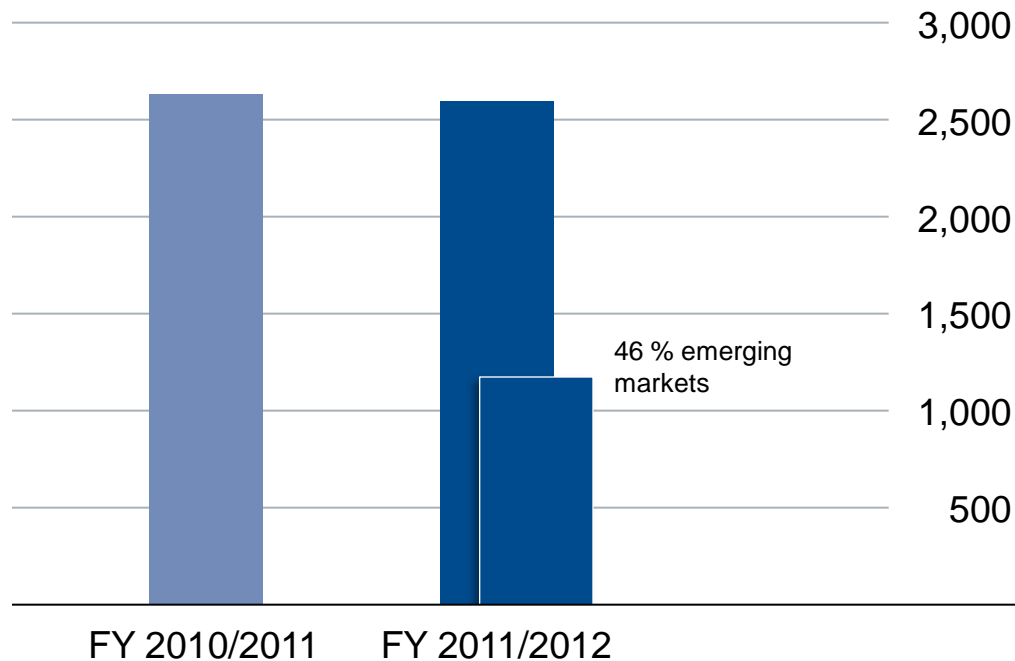
Summary of financial year 2011/2012

- 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 & 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
Sales	2,629	2,596
EBITDA	104	90
EBIT excluding special items	4	3
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

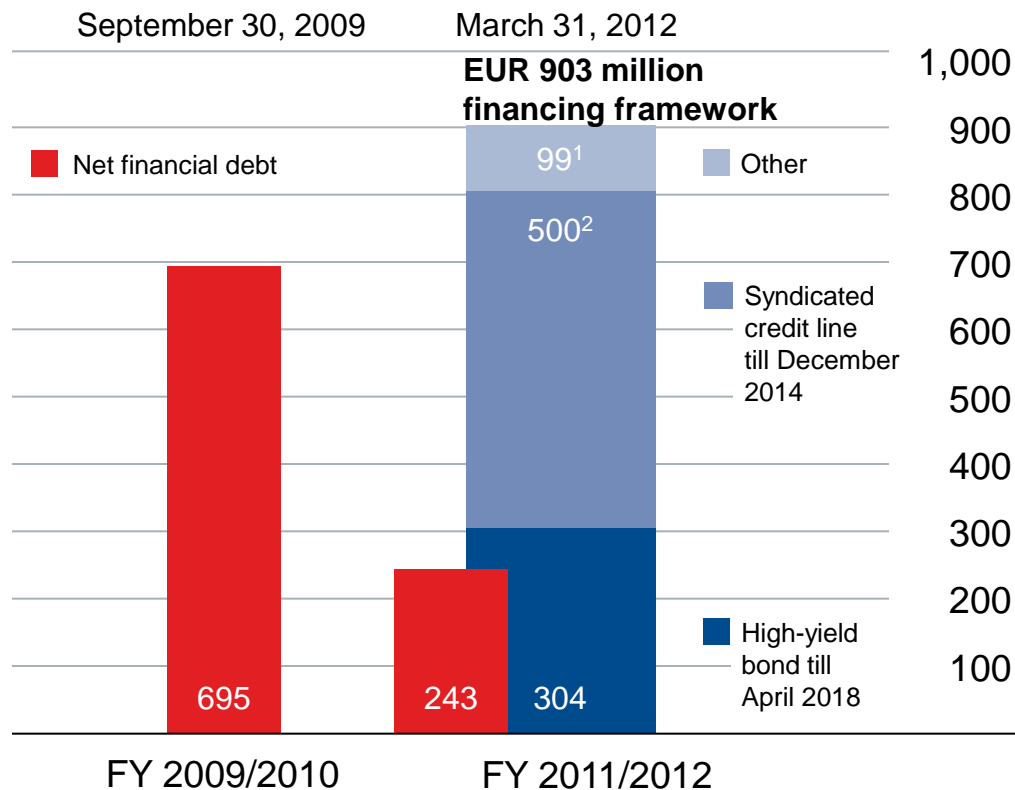
Figures in EUR million



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

Financing structure: Medium-term liquidity secured

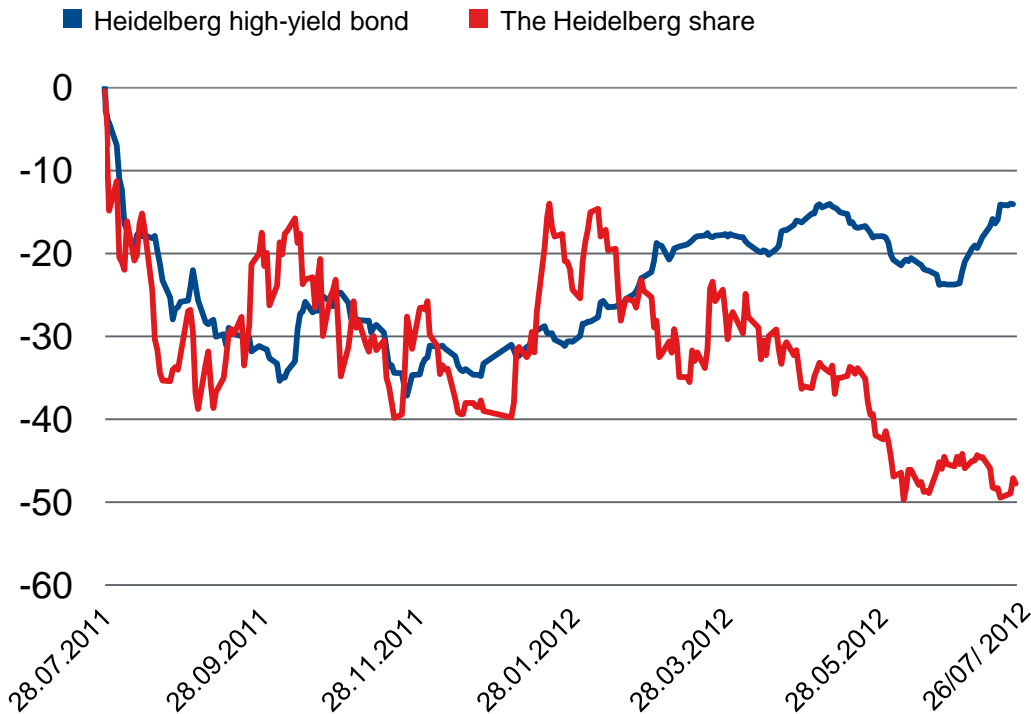
Figures in EUR million



- 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

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

Share/high-yield bond: Unsatisfactory share price development

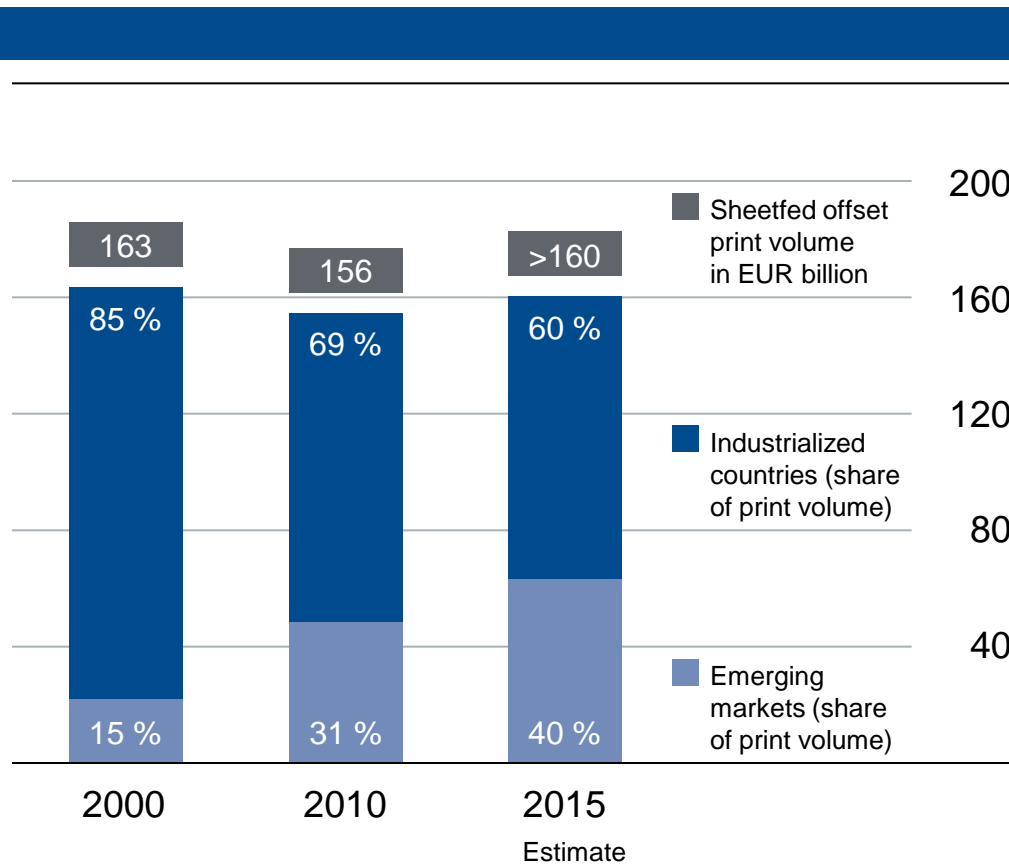


- Share price reflects poor development of the industry
- Investment in high-yield bond signals that the capital market has confidence in the company's financial stability
- Assuming the macro-economic conditions remain stable, the turning point toward moderate growth mode has now been reached

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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

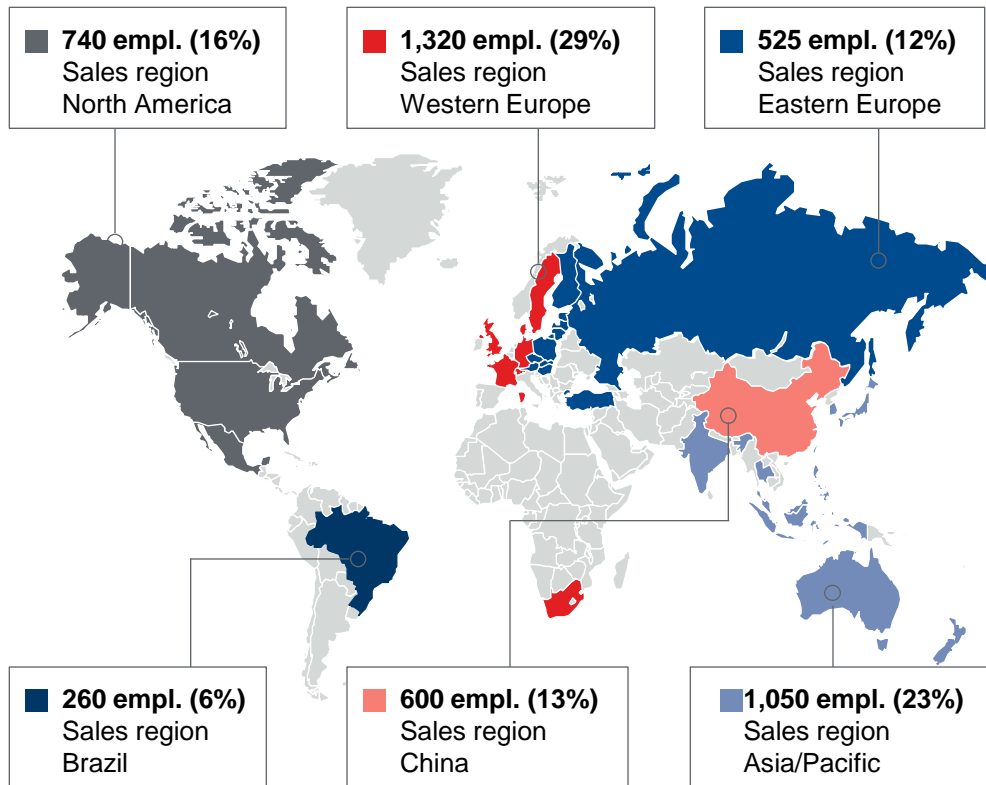
Heidelberg has a future: **Strategic further development**

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**

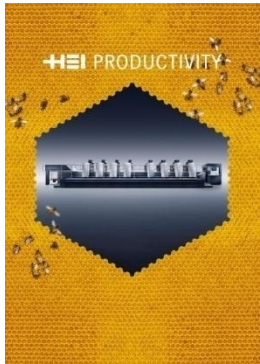
Global Sales & Service team: Approx. 4,500 employees



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


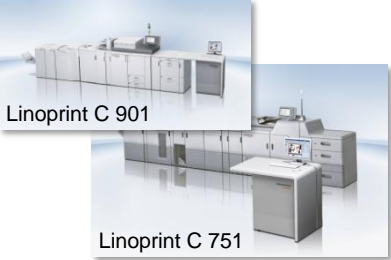


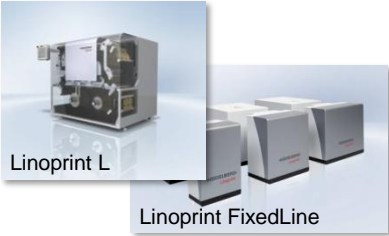


Web-to-print

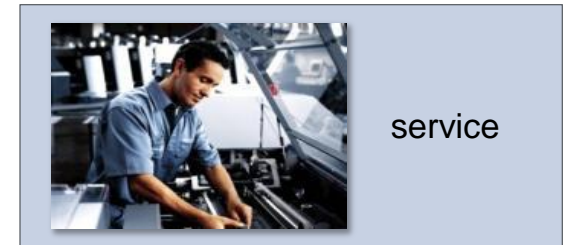
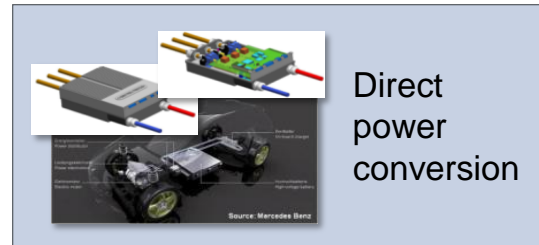
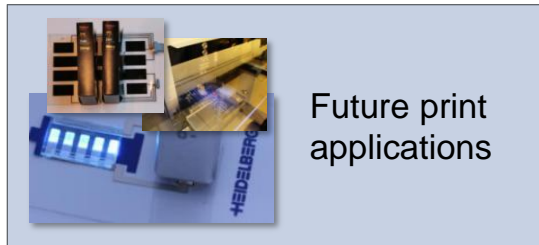


Surface finishing

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		 <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

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

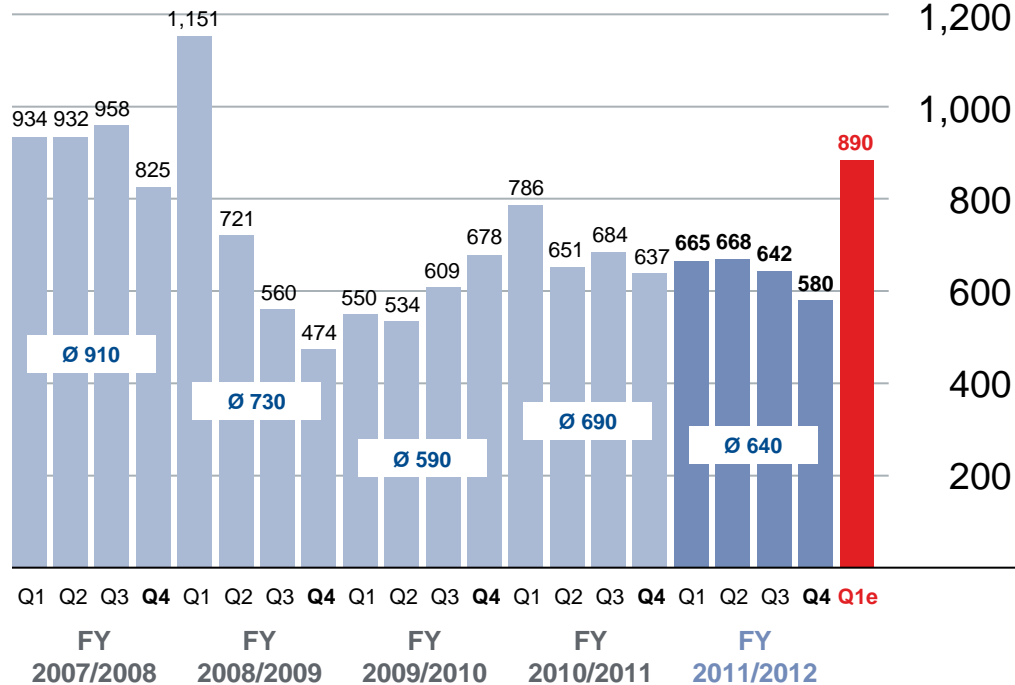


- Heidelberg underscores its market and technology leadership
- Almost 600 orders received for sheetfed offset presses alone
- Some 60 innovations reflect industry trends
- Incoming orders of around EUR 890 million in Q1 of FY 2012/2013 give cause for optimism

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

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Thank you very much for your time.

Bernhard Schreier, CEO

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