Annual General Meeting 2012

On Track to Sustained Profitable Growth

Bernhard Schreier, CEO
Agenda

1. Review / structural change

2. Highlights of financial year 2011/2012

3. Strategic further development

4. Outlook
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Review / structural change:
Slow market/sector recovery since 2008

- 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

Source: VDMA
Review / structural change:

**Costs lowered by EUR 660 million since 2008**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Headcount</th>
<th>Annual Savings in Fixed Costs in EUR million</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 07/08</td>
<td>19,596</td>
<td>84 (84)</td>
</tr>
<tr>
<td>FY 08/09</td>
<td>18,926</td>
<td>316 (400)</td>
</tr>
<tr>
<td>FY 09/10</td>
<td>16,496</td>
<td>60 (460)</td>
</tr>
<tr>
<td>FY 10/11</td>
<td>15,828</td>
<td>20 (480)</td>
</tr>
<tr>
<td>FY 11/12</td>
<td>15,782</td>
<td></td>
</tr>
<tr>
<td>FY 12/13</td>
<td>&lt; 15,000</td>
<td></td>
</tr>
<tr>
<td>FY 13/14 ff</td>
<td>&lt; 14,000</td>
<td></td>
</tr>
</tbody>
</table>

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 15/06/2010, 19/07/2010, 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. Operating expenses incl. personnel, D&A and other operating expenses, excluding cost of materials. Including temporary workers and 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 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

<table>
<thead>
<tr>
<th></th>
<th>FY 2011</th>
<th>FY 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>2,629</td>
<td>2,596</td>
</tr>
<tr>
<td>EBITDA</td>
<td>104</td>
<td>90</td>
</tr>
<tr>
<td>EBIT excluding special items</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Special items</td>
<td>2</td>
<td>–142</td>
</tr>
<tr>
<td>Financial result</td>
<td>–149</td>
<td>–90</td>
</tr>
<tr>
<td>Pre-tax result</td>
<td>–143</td>
<td>–229</td>
</tr>
<tr>
<td>Loss for the year</td>
<td>–129</td>
<td>–130</td>
</tr>
</tbody>
</table>

- 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

<table>
<thead>
<tr>
<th></th>
<th>FY 2010/2011</th>
<th>FY 2011/2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free cash flow</td>
<td>75</td>
<td>10</td>
</tr>
<tr>
<td>Net financial debt</td>
<td>247</td>
<td>243</td>
</tr>
<tr>
<td>Balance-sheet total</td>
<td>2,643</td>
<td>2,518</td>
</tr>
<tr>
<td>Equity ratio</td>
<td>33 %</td>
<td>23 %</td>
</tr>
</tbody>
</table>

- 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

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

<table>
<thead>
<tr>
<th>FY 2009/2010</th>
<th>FY 2011/2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>695 EUR million</td>
<td>243 EUR million</td>
</tr>
</tbody>
</table>

Figures in EUR million:
- September 30, 2009: 695 EUR million
- March 31, 2012: 243 EUR million
Financing structure: Medium-term liquidity secured

- 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
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.

Source: Heidelberg estimate – April 2012, Industriestatistiken, PIRA, Jakkoo Pöyry, Primir (GAMIS), Global Insight.
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**

- 740 empl. (16%) Sales region North America
- 1,320 empl. (29%) Sales region Western Europe
- 525 empl. (12%) Sales region Eastern Europe
- 260 empl. (6%) Sales region Brazil
- 600 empl. (13%) Sales region China
- 1,050 empl. (23%) Sales region Asia/Pacific

**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

<table>
<thead>
<tr>
<th>Application</th>
<th>Technology</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Electrophotography</strong></td>
<td><strong>Inkjet</strong></td>
</tr>
<tr>
<td>Dry toner</td>
<td></td>
</tr>
<tr>
<td>Liquid toner</td>
<td>Own technology development</td>
</tr>
</tbody>
</table>

- **Commercial and variable data printing**
  - Linoprint C 901
  - Linoprint C 751

- **Packaging**
  - No relevant market coverage

- **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**

- 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**

- 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
Thank you very much for your time.

Bernhard Schreier, CEO