

Print is
more than . . .

Annual General Meeting 2013

Print is more.

Dr. Gerold Linzbach, CEO

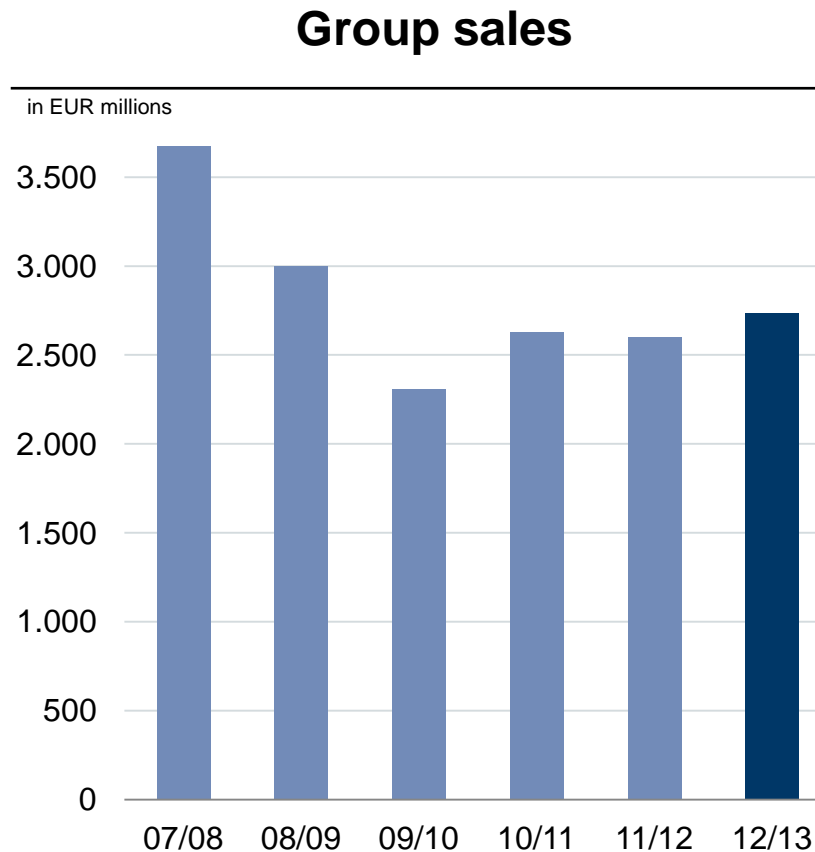
HEIDELBERG

Agenda

1. Where are we coming from?
2. Where are we today?
3. Where do we want to go?

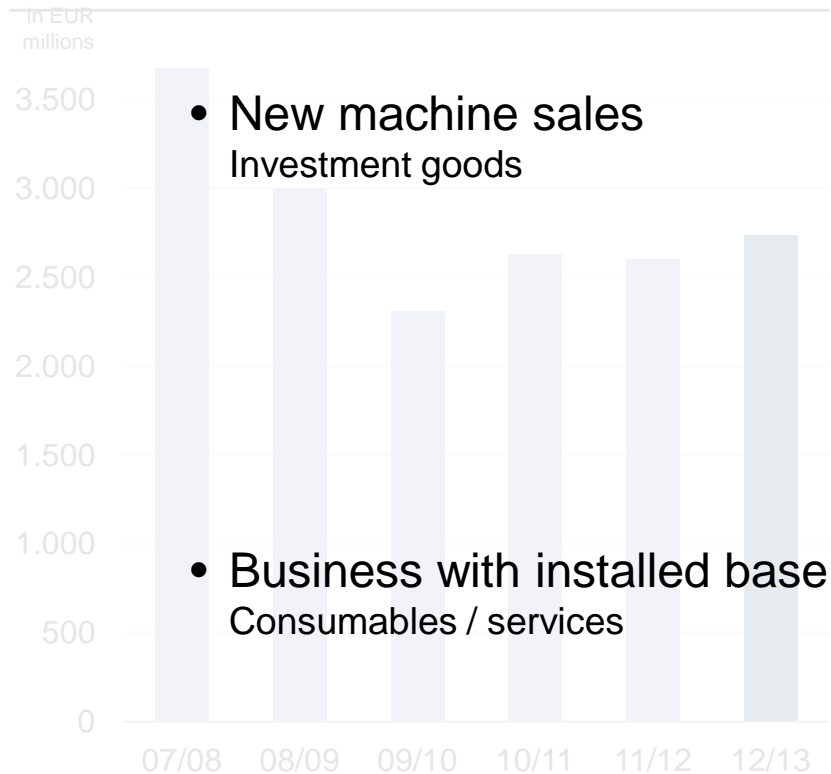


Economic crisis in 2008 hits the printing press industry

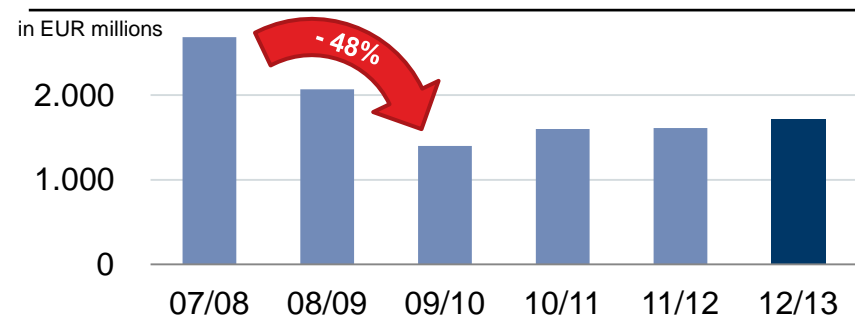


Crisis in 2008 primarily impacts new machine sales – service operations are stable

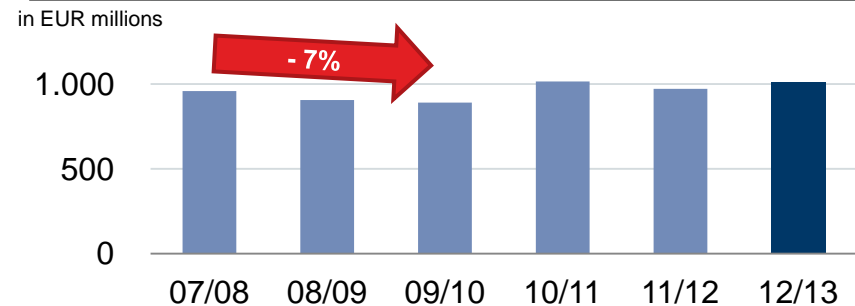
Umsatz HD seit GJ 2007/08



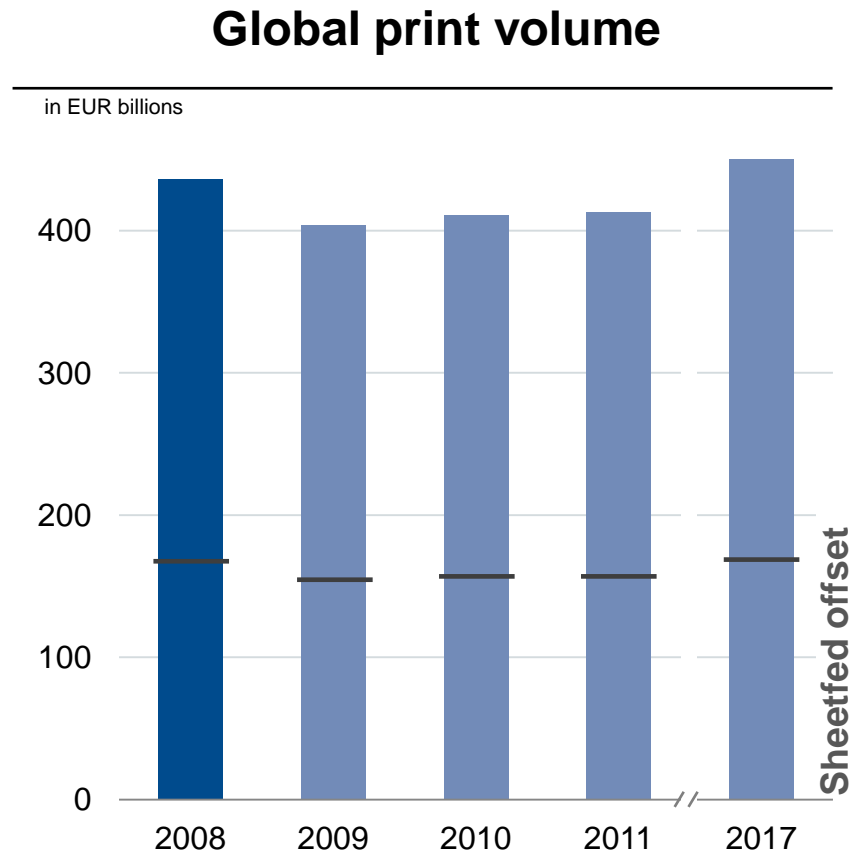
“Equipment” sales



“Services” sales



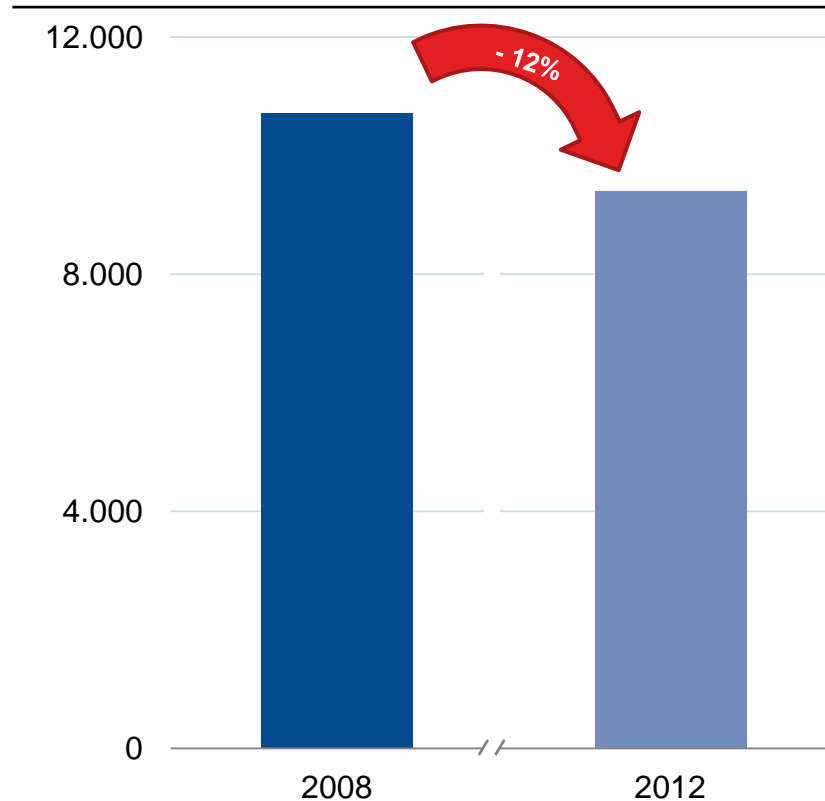
Print volume consistently high



Source: Heidelberg estimate April 2012, BCG Analysis – November 2011, industry statistics, PIRA, Jakkoo Pöyry, Primir (GAMIS), Global Insight

Consolidation into larger operations

Number of print shops in Germany

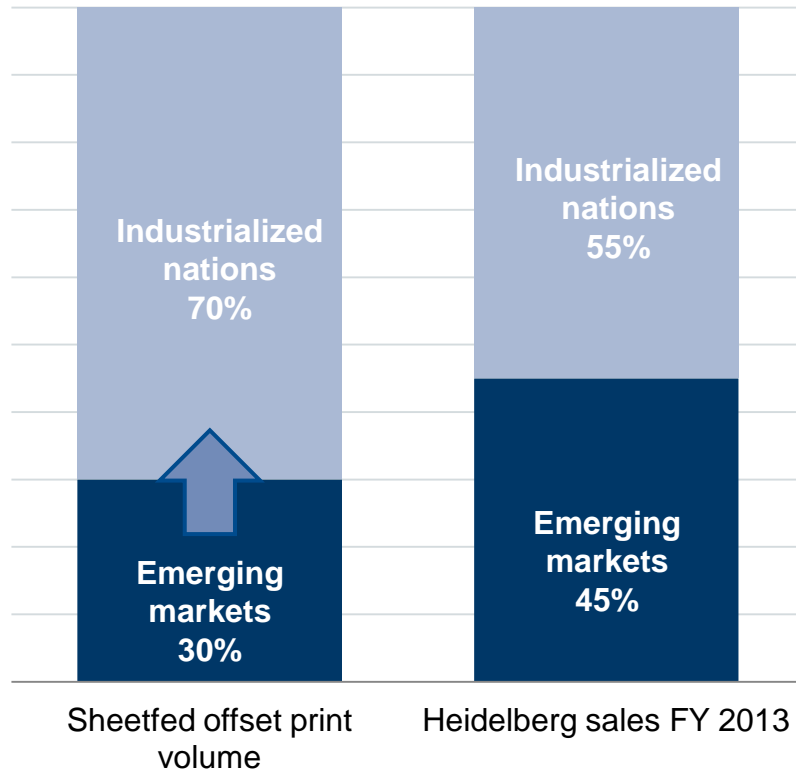


Source: Bundesverband Druck und Medien (Federal Association of Print and Media, BVDM)

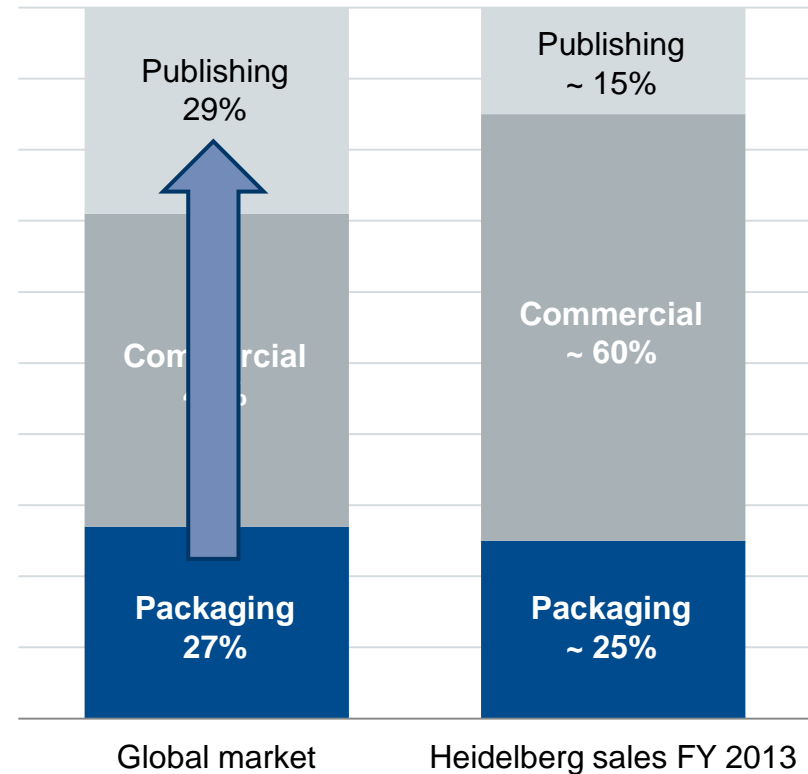


Presence in key growth markets in a changing environment

Regions



Applications



Source: Heidelberg estimates, industry statistics



A large, light blue Heidelberg integrated digital print solution machine is shown in a factory setting. The machine has a control panel with a screen and a keypad. A person in a white shirt and dark trousers is standing next to the machine, looking at a document. The machine has several drawers and a large handle. The background shows a factory floor with other equipment and a ceiling with fluorescent lights.

Global sale of integrated digital print solutions

Summary:

- The market is stable in terms of volume but continues to change considerably
- For the most part, Heidelberg has the right products and is in business with the right customers/applications

The lack of financial success is mainly due to:

- High expenditures to cover ongoing losses and restructuring
- Investments in the future (R&D, CAPEX, e.g. China)

But we have made mistakes, too:

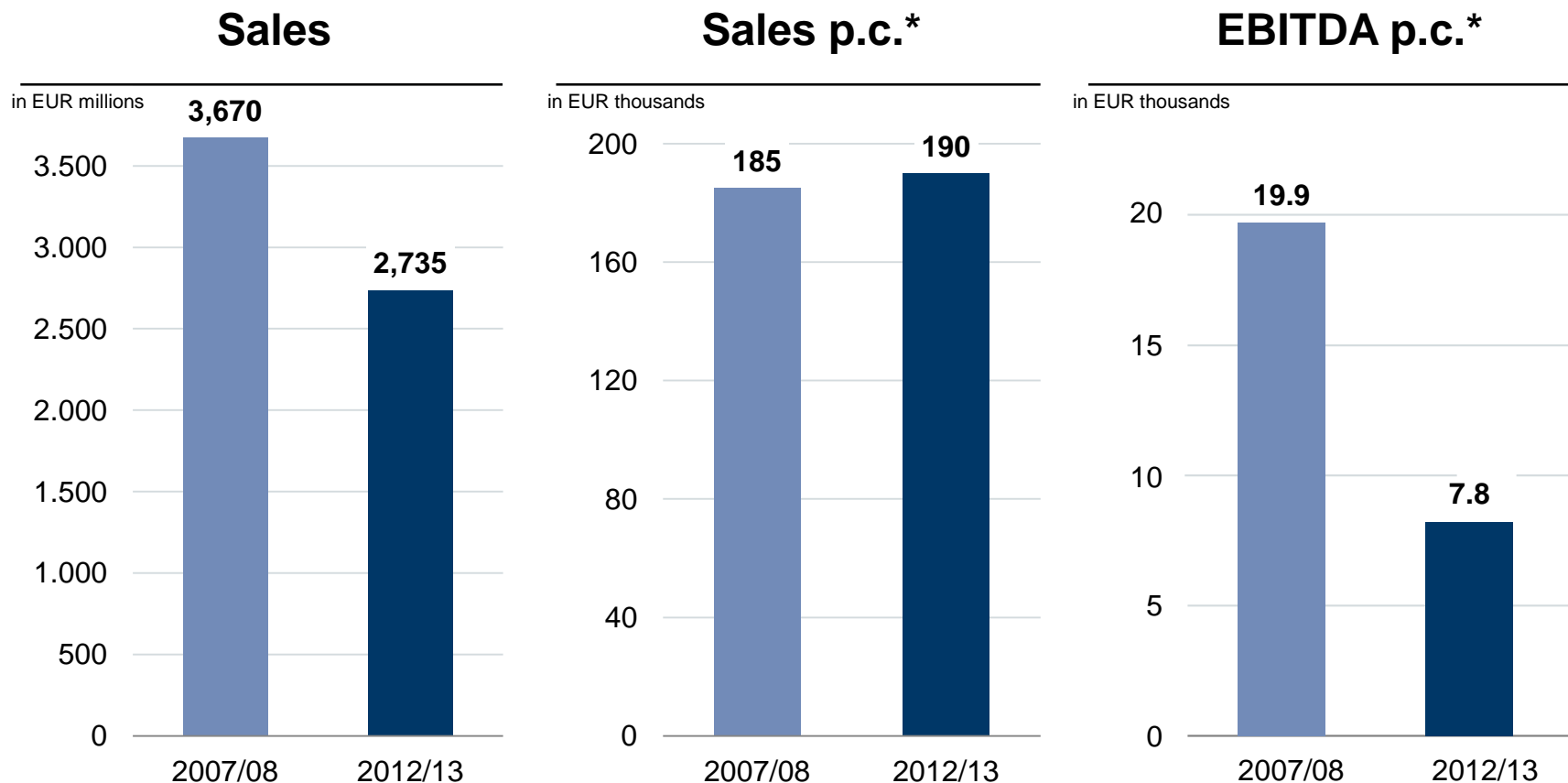
- Delay in adjusting structures and capacities to real market size
- Defensive pricing policy
- Use of resources not sufficiently focused on submarkets with attractive profitability

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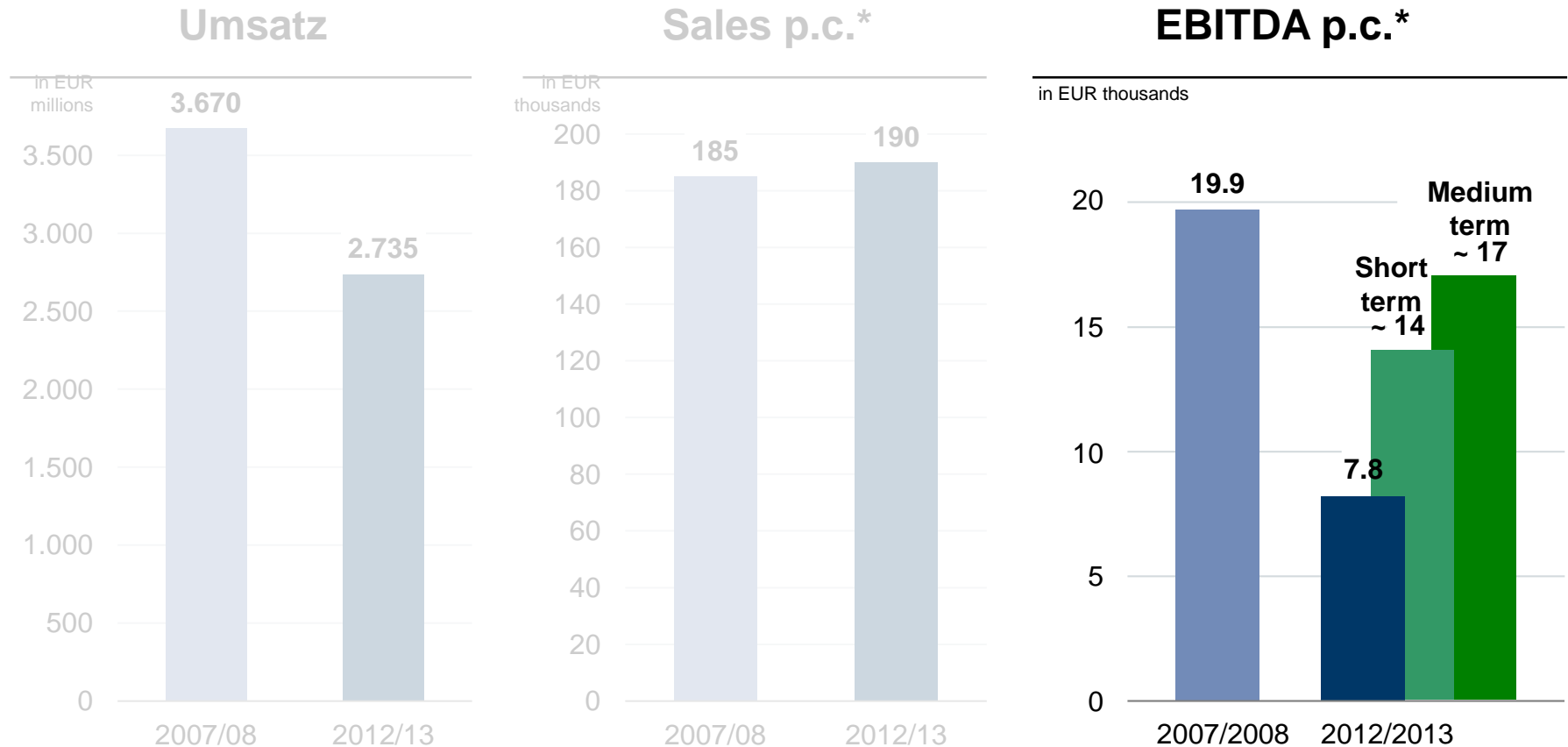


Restructuring has helped return per capita sales to figure of 2008 – profitability must be improved



* Number of employees 2007/2008: 19,600; 2012/2013: 14,200

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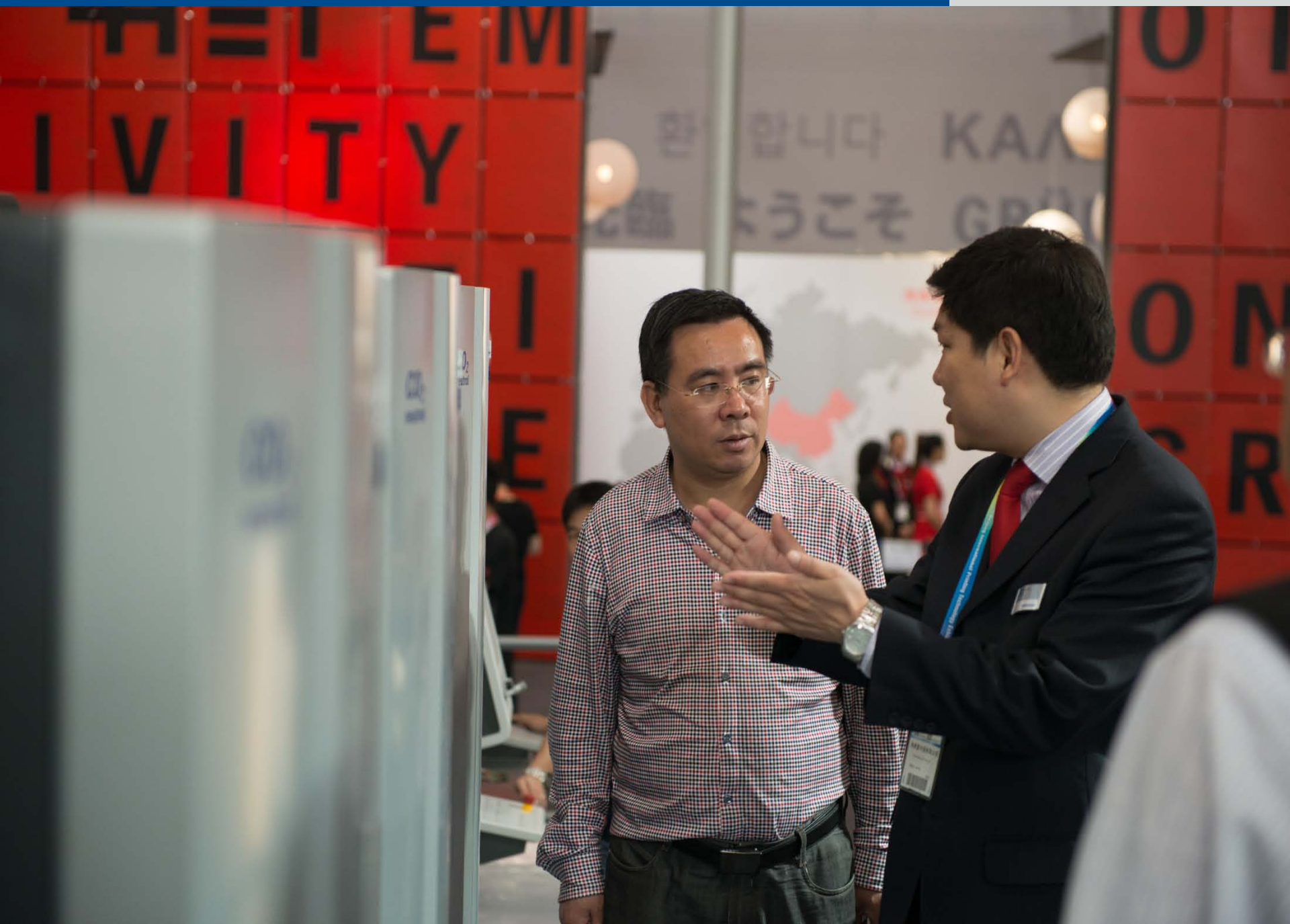


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Improvement in key figures, but result is negative

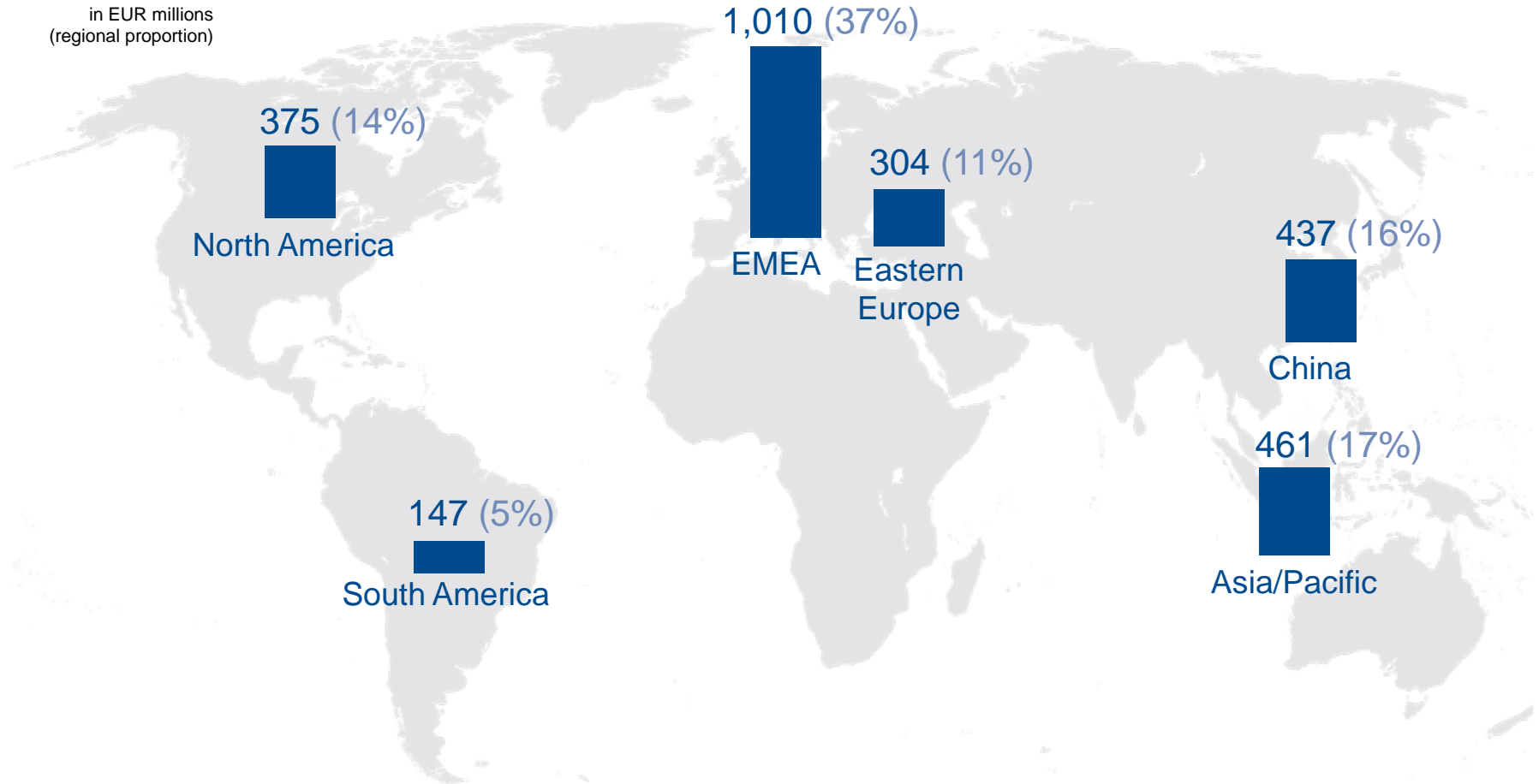
Key figures

Figures in EUR millions	FY 2012	FY 2013
	1-Apr-2011 to 31-Mar-2012	1-Apr-2012 to 31-Mar-2013
Net sales	2,596	2,735
EBITDA	90	111
EBIT excluding special items	3	28
Special items	-142	-65
Financial result	-90	-82
Net result / loss	-230	-110
Free cash flow	10	-18
Net debt	243	261



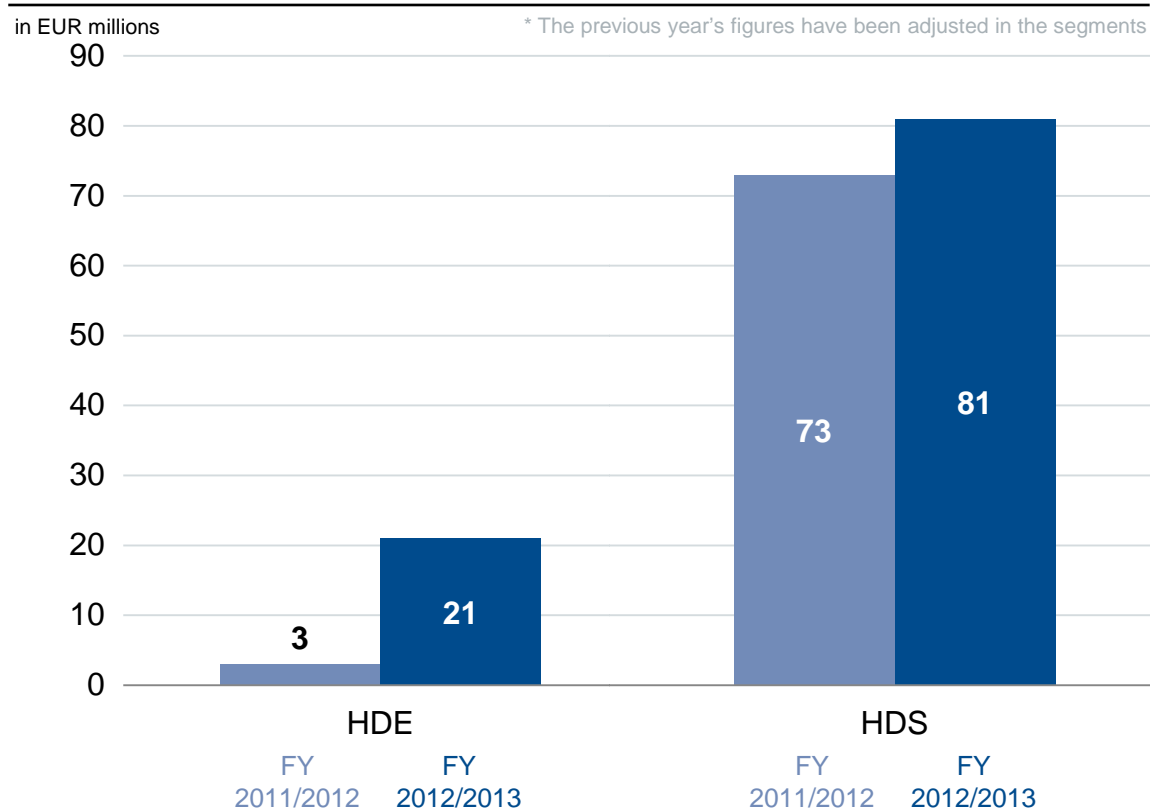
The Asian market incl. China accounts for almost the same size as Western Europe

in EUR millions
(regional proportion)



Operating result clearly positive

EBITDA by segment (excluding special items)*

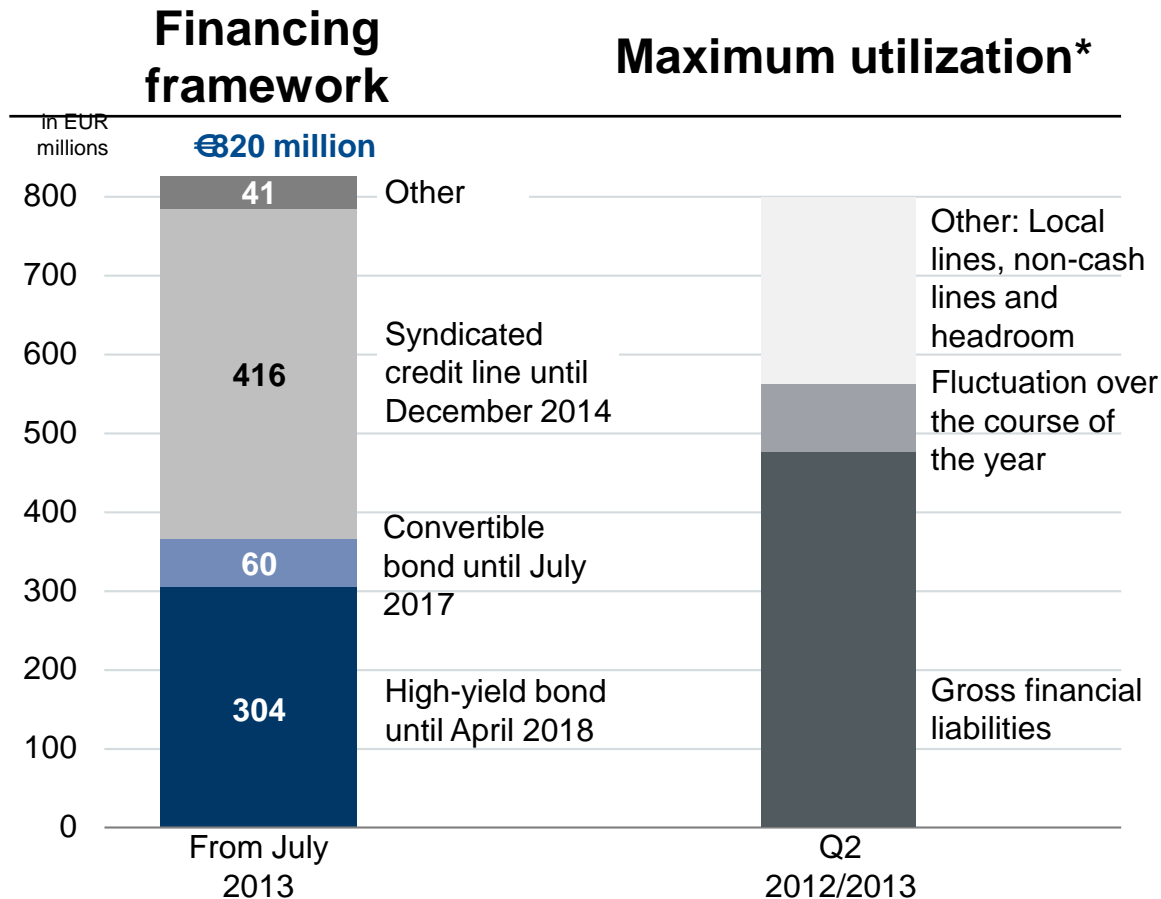


Heidelberg Financial Services: FY 2011/2012: EUR 14 million; FY 2012/2013: EUR 9 million

Further reduction in total assets: Equity also impacted by actuarial losses

Assets			Equities and liabilities		
Figures in EUR millions	Mar.31, 2012	Mar.31, 2013	Figures in EUR millions	Mar.31, 2012	Mar.31, 2013
Fixed assets	835	804	Equity	576	400
Inventories	786	700	Provisions	933	1,000
Receivables from supplies and services	361	382	Financial liabilities	438	419
Trade receivables	156	118	Trade payables	165	139
Other assets	185	177	Other liabilities	406	380
Liquid assets	195	157			
Total assets	2,518	2,338	Total assets	2,518	2,338

Stable financing framework



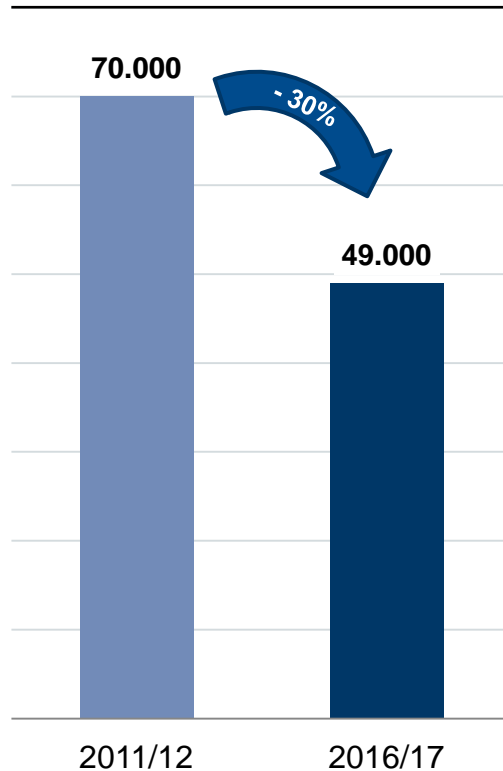
Ample financial flexibility:

- Bond and convertible bond cover current net debt of approximately EUR 260 million
- Syndicated credit line finances business fluctuations in the course of the year
- Diversification of financing sources and maturity dates achieved

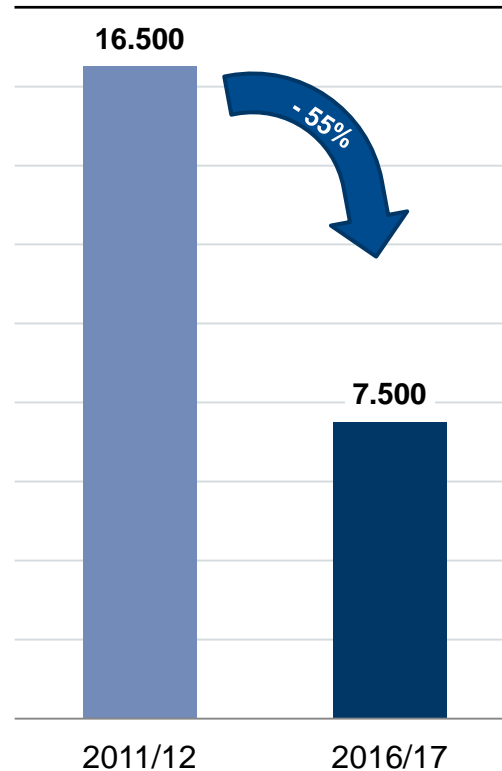
* Maximum drawdown to Sep. 30, 2012. Net debt was EUR 357 million

Systematically reduce complexity to retain economies of scale with current volumes and improve efficiency

Diversity of parts



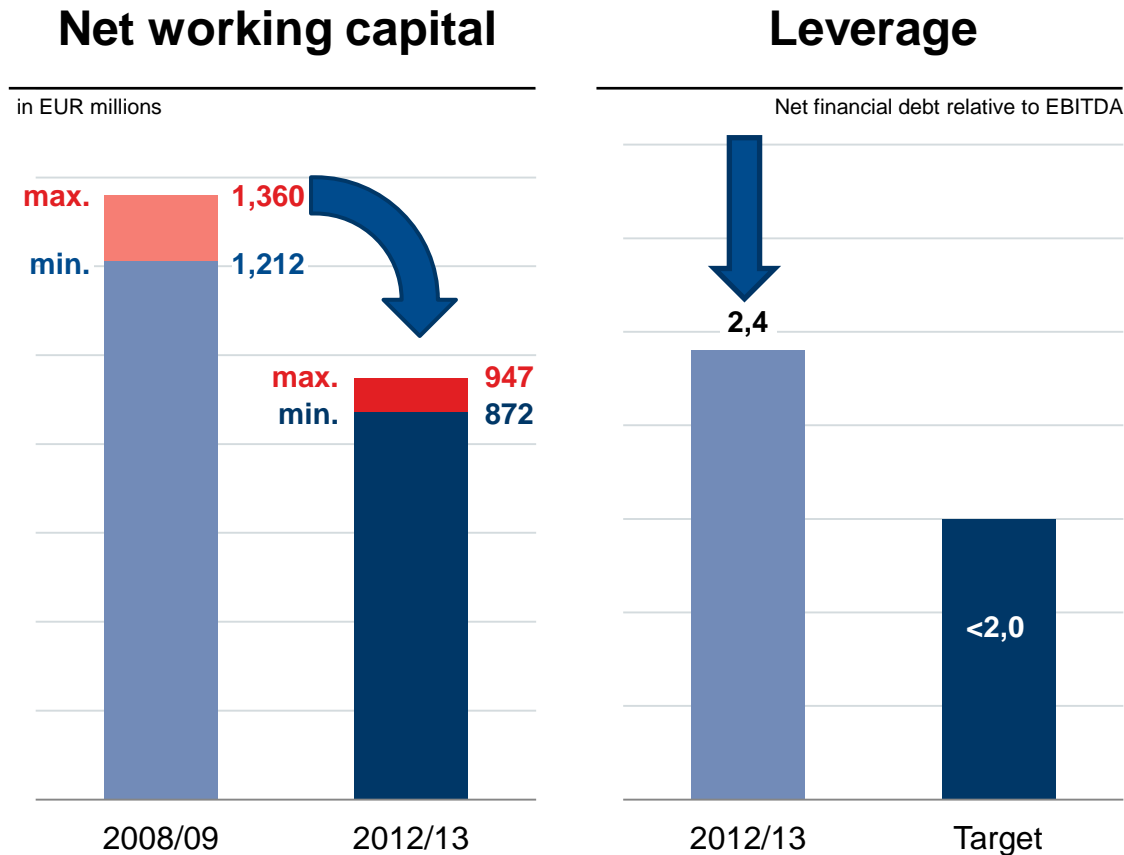
Diversity of tools



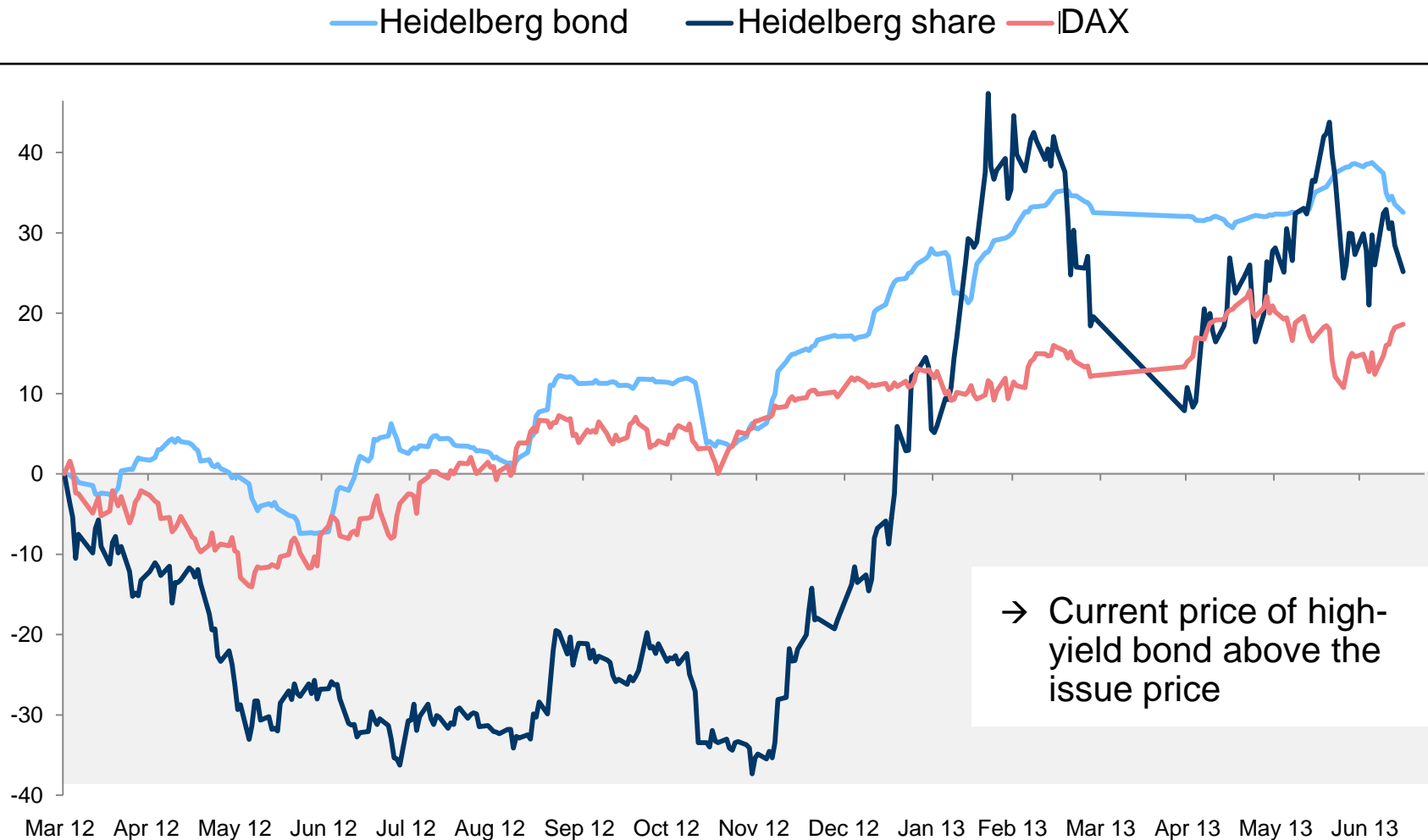
Sales complexity

- Focus on 15,000 core customers
- Bundling of back office functions in sales

Targeted reduction in net working capital to further reduce relative level of debt (leverage)



Key objective: Win back trust on capital market

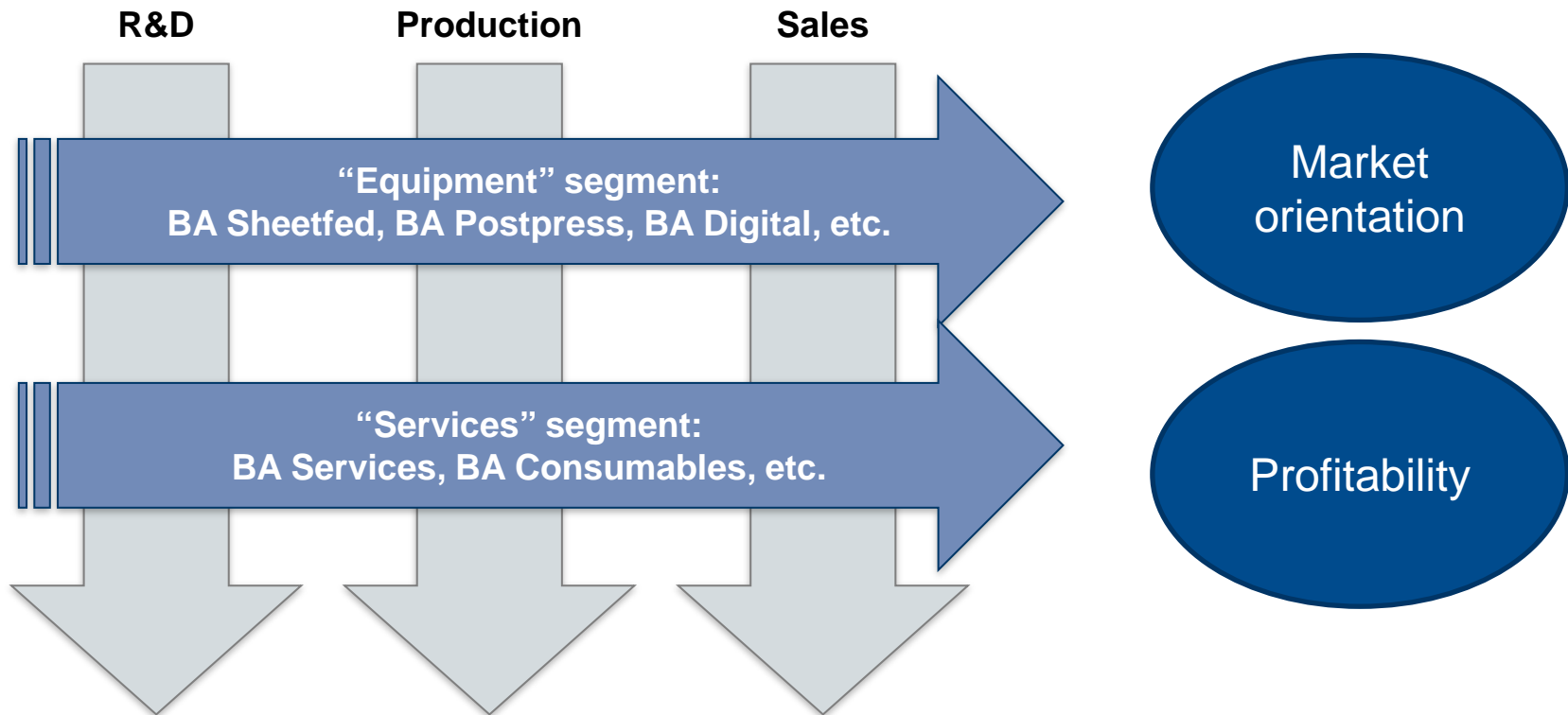


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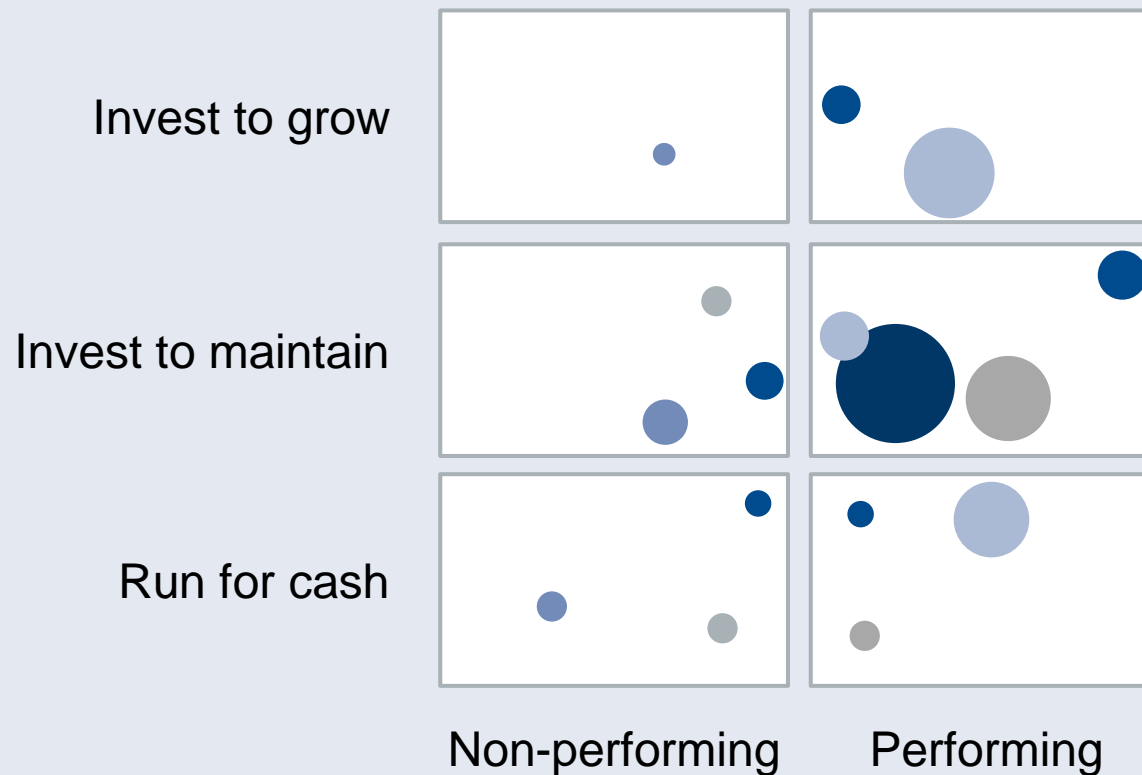
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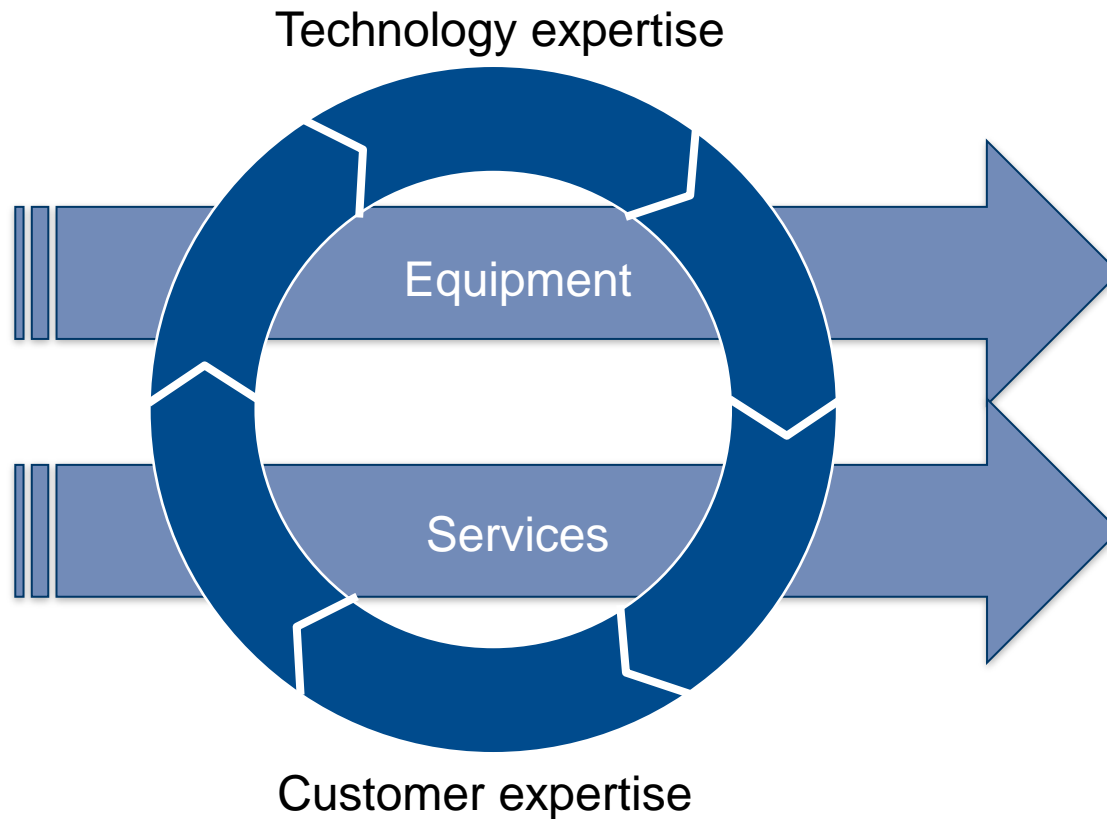
Entrepreneurial responsibility at business area (BA) level



Strategic categories and precise performance targets for each BA by FY 2013/2014



Although we are a mechanical engineering company...
... the “people behind the machines” are becoming increasingly important:







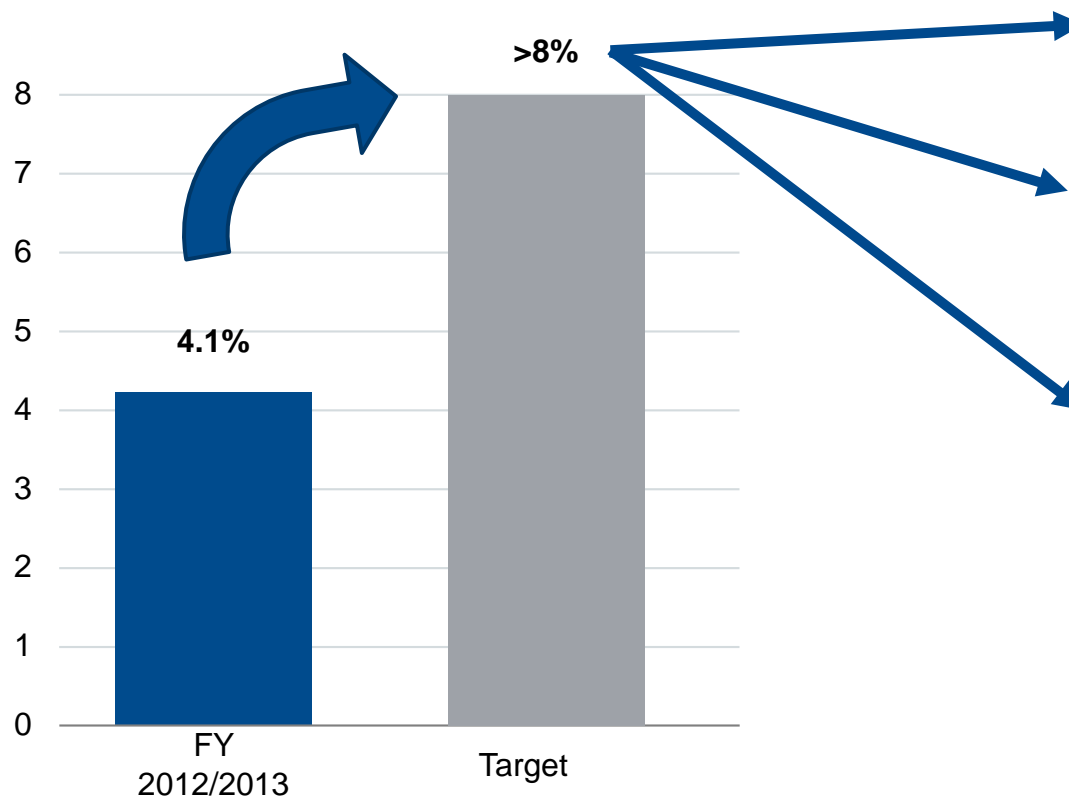
Further key milestone on the way to profitability

- First quarter FY 2013/2014: Operating result significantly up on the previous year as planned
- Confirmed target for FY 2013/2014: Positive net result

Medium-term profitability target

EBITDA margin

in percent



- Before the crisis EBITDA margin of over 8 %
- EBITDA margin of over 8 % can be regained with the existing portfolio
- EBITDA margin of 8 % corresponds to the average value of the top half of similar international mechanical engineering companies

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Thank you very much for your time.

Dr. Gerold Linzbach, CEO

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