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**Speech for the Annual General Meeting of
Heidelberger Druckmaschinen AG**

Thursday, July 28, 2016

Congress Center Rosengarten, Mannheim

**Dr. Gerold Linzbach
Chief Executive Officer**

The spoken word applies!

Motto: Simply. Smart.

Slide 1: **Simply. Smart.**

Dear investors,
dear shareholders' representatives,
dear guests,

Many thanks for once again attending this Annual General Meeting in large numbers. I'm delighted to have the opportunity to speak to you again.

Over the next 45 minutes or so, I'd like to

- start by using four elements to explain the essence of the new Heidelberger Druckmaschinen AG.
- In the second part of my speech, I'll be detailing our current progress with these four elements.
- And in the third part, I'll be showing you where Heidelberg will be heading in the future.

It goes without saying that I'll also be telling you about

- the key performance indicators for the past financial year and
- the medium-term outlook.

Ladies and gentlemen,

there's one particular point I'd like to get across today. Heidelberg has become SMART – SIMPLY. SMART. We have a viable model for our future.

In our day-to-day work, for example, SMART means being highly adept at dealing with other people and also sorting through an array of facts and impressions to identify and act on the most promising and realistic way forward.

- You, our shareholders,
- the Supervisory Board, the Management Board, and
- above all our employees

can be proud of this.

My name is Gerold Linzbach and, as CEO of Heidelberger Druckmaschinen AG, I'd like to welcome you to the Annual General Meeting on behalf of the entire Management Board.

Slide 2

Heidelberg. Back on track.

Ladies and gentlemen, the challenge in recent years has been to bring about a turnaround.

The key objective of any turnaround is to find a SIMPLE system that automatically keeps the company on the path to success so that we don't have to start a new turnaround program every year.

We've found this system for Heidelberg. You can see it on the diagram. That's the new Heidelberg! This system paves the way

- for your company's future viability and
- sustainably profitable growth.

You'll find the same diagram at the front of the Annual Report in the form of a large fold-out image. Gone is the restructuring.

We now finally have a business model for sustainable growth that centers on end products and associated print applications – that is to say our customers.

The new Heidelberg system is made up of a total of just four elements. Together, these elements will ensure the company permanently focuses on the key parameters for success in the future.

Allow me to briefly tell you about them. Let's start by taking a closer look at the element in the center.

Slide 3

The market. Alive and kicking.

The print market is our first element and the current hub of all activities. This market is alive and kicking! It

- consists of numerous products
- that are manufactured using a great many technologies.

Don't be deceived by the situation in newspaper and magazine printing. The media may be having problems, but that's just a small part of the print market.

Printed materials generate far higher global sales than the automotive industry.

Global print product sales amount to over €400 billion each year – a figure that is likely to increase rather than decrease in the future. And, as you can see from the blue sales bar, our end market is stable.

You can also see some of the applications with the greatest potential:

- Label printing for items such as bottles and other containers, where new technologies are leading to growth.
- Packaging printing – for food or, as shown in the illustration, pharmaceuticals – which is growing at an annual rate of around 8 percent.
- Digital printing of multidimensional objects. If implemented on an industrial scale, the market potential for 4D printing alone is several billion euros. It can be used to print everything from cars to aircraft. You may recall the Annual General Meeting in 2014 when we exhibited the ball-printing press on which many of you had personalized soccer balls printed.

The print market is big – incredibly big! One reason for this is the growing number of applications. In addition to paper, we can now easily print on glass, fabric, wood, ceramics, and many other substrates.

A printing press can be used for a whole host of applications, because trends such as

- automated,
- personalized, and
- versioned printing

are creating larger application segments. There's also a trend

- away from extremely long runs of the same type with the highest possible output
- toward a far larger number of shorter, customized runs.

So Gutenberg's principle has been turned completely on its head.

eCommerce is also becoming increasingly important and having an impact – after all, packaging needs to be printed, too.

Slide 4

Portfolio. All about the customer.

Heidelberg offers “more than machines” so as to meet customer requirements as effectively as possible. The three arrows in the diagram show what we mean by this.

After the market, “more than machines” is the second key element on which the new Heidelberg is based.

- The top arrow symbolizes our consumables business area, which also includes accessories. The part of this market that is accessible to Heidelberg is worth some €8 billion each year.
- The middle arrow symbolizes our service business, with a potential sales volume of €1.3 billion. The fact that 60 percent of presses installed by industrial customers are Heidelberg machines is a strong basis for this business area.
- And the bottom arrow shows the potential for new machines. The part of the sheetfed market that is accessible to us is worth around €2.4 billion per year, slightly more for digital machines. This results in potential sales of €5 billion in the equipment business area.

Based on our current sales of €2.5 billion, this means potential sales totaling €16 billion and thus numerous further opportunities for growth.

As far as our customers are concerned, it's particularly important that anyone buying equipment from us also gets everything else they need to be successful in their own right. We have the necessary application know-how. Our specialists can tell customers exactly

- which machine,
- which paper,
- which ink,
- which coating, and
- which service package

are best suited to their needs. And we can also sell these items to customers.

Heidelberg has long had this potential but, for a long time, it wasn't used as a unique selling point.

We're now focusing on maximizing our share of pocket. Why should customers still buy their presses, inks etc. from different manufacturers when we have the convenient and reliable eShop at Heidelberg?

Reliability in production – through dependable availability of all resources required for printing from a single source – is more important to the vast majority of customers than the price of a press.

[Slide 5](#)

Listen. Inspire. Deliver.

Let's now turn to the third element of the new Heidelberg. Alongside

- a dynamic market and
- a customer-oriented business portfolio,

the next element is a corporate culture that paves the way for successful market navigation through a permanent focus on customers. Satisfying customers and meeting their requirements has always been the true key to growth and profitability.

Heidelberg spent a long time focusing on going higher, faster, and further, the main emphasis being on the company itself and its technology. It wasn't always deemed important whether customers really needed all the technological applications we installed in their presses.

The main priority was supplying the fastest technology so as to enable customers to print large quantities as quickly as possible and thus cost-effectively. It wasn't our problem whether customers had the necessary orders to convert the machine's high performance levels into hard cash.

This higher, faster, and further approach has now been transformed into a whole new culture with a completely different way of thinking that we call “Listen - Inspire - Deliver”.

- We really LISTEN to customers to find out what they expect.
- We INSPIRE customers with innovative products and services.
- And we DELIVER what customers want from us – and what we’ve promised them. It’s all about focusing on the result!

Our promises to customers include

- not only making them more productive, but
- also providing machine assistance systems for more user-friendly operation,
- inspiration for new business ideas, and
- new ways of boosting their productivity.

Our Listen - Inspire - Deliver approach will keep us on the right track in a dynamic market that has highly attractive but also unattractive areas.

When it comes to listening and inspiring, thinking outside the box is equally important in-house as with customers or other stakeholders.

Slide 6

Digital. Networked.

In addition to the

- customer-oriented corporate culture,
- the wide-ranging business portfolio, and
- a market full of opportunities,

we’ve identified a new, fourth element. This element, which is not confined to the printing industry, will redefine many of the rules that determine success or failure. Although concepts such as

- digital networking to benefit customers,
- Industry 4.0, and
- the digitization of society as a whole

are hotly debated, use of these terms is only of academic importance in most cases.

These various concepts constitute a true megatrend of the 21st century – one that also encompasses the printing industry. We at Heidelberg have recognized that digitization gives us the opportunity to define totally new rules for this industry.

We use the term SMART rather than Industry 4.0, because concrete commercial success for us and our customers is more important to us than recognition in academic circles.

Ladies and gentleman, Heidelberg must ensure that digitization is SIMPLE for customers to use. We need to provide them with products and solutions that make their lives easier and successful over the long term.

A complex product can certainly be SMART, but SIMPLE operation using a device such as a tablet computer is a must.

Services based less on intuition and more on comprehensive data analysis are also SMART.

Another thing we need to improve is the quality of interfaces – between us and our customers, for example, but also between customers and groups of customers. One example is

- “networking” in the sense of automatically passing on machine data for press and downstream postpress operations so as to make all process steps transparent.

Smart connectivity doesn’t simply mean equipping presses with thousands of sensors that can read data in seconds and then store it in huge volumes.

A customer-oriented Heidelberg needs to turn big data into smart data. This means picking out what is really relevant to customers from a mass of job, customer, and application data that is essentially suitable for any use – and doing so automatically.

I’m telling you all this with such confidence, ladies and gentleman, based on the very latest feedback from our customers. After all, we’ve just met the majority of them at drupa in Düsseldorf at the beginning of June.

As you'll recall, I took up my position just after the previous drupa four years ago in 2012, so this year's event was the first in which I've been involved as CEO of your company.

I'd like to make a point of stressing that we didn't work toward drupa. It simply provided us with a snapshot of how the company's repositioning is being received by our customers and cooperation partners.

SIMPLY SMART was also our motto in Düsseldorf this time round. This meeting happens to be taking place just after drupa, so it's also worth taking a look at the trade show to help describe today's Heidelberg.

More about that now in the second part of my speech, which is devoted entirely to "Heidelberg today".

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From trade. To industry.

Let's start once again with the market.

Our market has been in flux for the past 15 years. The key change has been the concentration of customers and that remains the case. The market structure has moved from a printing trade based more on craftsmanship than technology to industrialized printing.

Our industrial customers operate four, five or even ten adjacent presses, with robots supplying the paper and one person operating several machines. Hundreds of conventional print shops could easily fit into an operation of this scale.

Some 200,000 all-rounders worldwide have been reduced to around 15,000 specialists running fully industrialized print shops in multi-shift operation – and using increasingly global structures. These customers are therefore perfect for us. Heidelberg now focuses primarily on successful industrial print shops.

These customers have completely different requirements from the traditional printing trade. Apart from the press, others success factors include

- efficient processes such as fast changes of originals,
- workflow,
- networked structures, and
- transparency.

Industrial customers are seeing average annual sales growth of 8 percent – and we’re growing with them.

Fortunately, Heidelberg has an excellent global market position. Two out of every three machines installed by these customers have a Heidelberg logo.

- Our installed machine base and our unique, globally established sales network will continue to be a big advantage for proprietary business models such as performance-oriented services, consumables, and – recently – digital business.
- Combined with our application know-how, we have far more advantages over traditional competitors than would be apparent from a simple machine comparison.
- Our name still – or perhaps once again – means a great deal.

As I’ve said, we need to provide these customers with a comprehensive service, entirely in keeping with our “more than machines” claim. That brings me back to the second element – our portfolio – which we’ve had to realign.

Slide 8

Portfolio. Old and passive.

As you may recall, this is what the old Heidelberg portfolio was like. Each of the numerous circles represents a product or a group of products – in this case arranged in a diagram used to illustrate a company’s strategic positioning.

There are two key points to note from this depiction of financial year 2011/2012.

Firstly, the top part of this diagram, which is now highlighted, remained empty. That’s the part for business with significant market potential and an attractive margin that is at least as high as that of the existing core business.

This area is still very small and requires start-up funds from existing business areas. In other words, Heidelberg had no systematically organized future business.

Secondly, the company focused the bulk of its capacity on products that were not performing well. On the contrary, a great deal of money was being spent on them,

which the rest of the company had to generate. None of these cash-heavy activities had any strategic potential.

Slide 9

Portfolio. Active approach.

Following a long period of stagnation in portfolio management, we switched to an active approach. Here you see the portfolio for the present and future. Within the context of our skills and resources, we needed to define a number of business areas that are distributed evenly along the typical life cycle and start internal financial and personnel resources circulating again.

We took a number of important decisions in the space of a single year. Very briefly:

- We sorted the business areas according to their phase in the life cycle in order to identify whether they were mature, capital-intensive, and/or growing strongly.
- A cash orientation was important so that we could also finance investments in future growth with our own internally generated funds. This was one of the things that made us relatively independent of credit providers.
- We reorganized parts of the company that weren't performing well, withdrawing from some areas and switching to outsourcing in others.
- We filled the "Invest to Grow" box – above all with digital printing technology. In doing so, we joined forces with strong partners.
- We also reallocated our research resources, focusing half of these on the digital sector.
- In addition, we significantly cut costs at all levels in the hierarchy by reducing the number of sites. This of course included personnel adjustments at all levels, including reappointments in half of all managerial positions over the past four years.

To sum up, we recognized the signs of the times and adapted the company's structures to the dynamic market changes based on the portfolio analysis, thereby giving it a viable future. There's lots more I could tell you about this.

The main points to take on board are as follows:

- Firstly, one single measure or project doesn't fix the situation, so it's vital to work on numerous things simultaneously.
- Secondly, we're not simply talking about doing things but actually doing them.

The new strategy has brought new growth and we've moved into the digital sector. In the space of just 15 months, we've created a whole new product line – the Fire family. Taking over Gallus Holding in Switzerland has also made us stronger in digital label printing.

Based on everything we know – and thanks to drupa it's relatively recent knowledge – we're now once again regarded as the technology leader. By focusing almost exclusively on sheetfed technology, we risked losing this position.

As I've said, the digital activities will take time to make a significant contribution to sales and profits, but we see great potential here.

We've also identified a second group of activities that will enable us to grow and finance future areas of business. This includes the intelligent parts of our presses, but also services and consumables. We have a strong position in these areas and are seeing good growth – both organic and through targeted acquisitions.

Examples of these acquisitions are as follows:

- the software company CERM
- PSG and Blue Print Products, which we acquired in 2015 to strengthen the service and consumables business areas.

We'll continue to make acquisitions that complement the company in the future. We're looking to strengthen our consumables and service operations – for items such as ink, chemicals, plates, and solvents – because that's where we see the greatest growth potential.

Our long-term financing framework of around €700 million gives us the financial resources for acquisitions to complement our portfolio. I'll deal with the key performance indicators later.

In the third “box” we have our cash activities. These are non-strategic activities such as postpress and some standard machines. If we're no longer making any money in a particular area, we'll withdraw.

Slide 10

Culture. Redefined.

It goes without saying, ladies and gentlemen, that the transformation from a technology-based company to a customer-focused one involved more than simply realigning the business portfolio. It was also vital to redefine our corporate culture with our new “Listen - Inspire - Deliver” values.

You may recall me telling you in this very room two years ago about the books with ideas from employees the world over. That gave me a great many ideas for the new culture at Heidelberg and what we should do to achieve it.

The workforce was very much involved in the process. Just two years on – following numerous projects large and small with a cultural dimension, various workshops, and similar initiatives – 75 percent of our employees have embraced the new values.

And we’re working on ensuring that the entire workforce soon thinks and acts as one.

The redefined Heidelberg culture also entailed a degree of consolidation. We reduced the number of satellite sites and relocated the administrative headquarters to the main plant in Wiesloch.

That, too, ladies and gentleman, has led to all of us – both management staff and all the other employees – learning a great deal from one another. And that is having a positive impact on the entire company.

I’d also like to tell you about a small selection of current projects that are redefining our culture:

- Our research and development center is at present relocating from Heidelberg to the main plant in Wiesloch. We’re expecting this to create a completely new innovation culture with much more dialog between all areas of the company.
- “Speed” is an interdisciplinary project aimed at continuing the rapid reduction in manufacturing costs across the various areas.
- We’ve also started a long-term initiative to secure the next generation of skilled workers. We need to consider now what skills our business will need in five and ten years’ time. It’s clear that we’ll require a great many young people with software and digital know-how. Our current trainees will ensure the company’s future success.

- We're also working hard to ascertain the level of customer satisfaction and our customers' willingness to recommend Heidelberg to others. If customers are measurably more successful with our products, they'll continue to invest with us in the future. We have direct customer confirmation of this. And it's now more important than ever, because we're concentrating on fewer core customers than before.

Slide 11

Culture. Redefined.

There's one final example I'd like to use to explain why culture isn't an academic concept or an abstract philosophy in my eyes. This diagram shows an ideal sales organization based on a classification of different types of sales staff. It comes from a U.S. sales consultancy.

We need totally different types of sales staff than before for the current and future markets. We call them challengers. They speak the same language as the customer and the customer's customers, know what motivates them besides the product they're selling, show an interest, and express clear opinions – even if they disagree with the customer.

As at many other companies, our sales teams are still largely made up of hard-working people who are good at building relationships and solving problems.

If we want to reconquer our markets, we need to work on the mindset of our sales teams – in exactly the same way as on the mindset of our researchers, managers, and production personnel. And I can assure you, ladies and gentlemen, that we're continuing to do so.

drupa also reflected our new system of values. Here, too, we encouraged visitors to come and talk to us, even if they weren't yet Heidelberg customers.

Slide 12

drupa. A complete success.

That brings us back to drupa – and back to the fourth element of the new Heidelberg.

As I said earlier, Heidelberg uses the word SMART for digitization. That's why we talk about smart data rather than big data.

The motto for our entire drupa presentation was SMART and this was carried through into the various business areas:

- Smart products for an integrated and networked smart print shop.
- Smart services that improve availability and productivity.
- And smart collaboration – a synonym for intelligent communication and interfaces with customers. Smart collaboration is all about innovative ways of working together that integrate know-how and speed up developments.

Slide 13

drupa. Smart products.

SMART will ultimately make it possible to operate even the most complicated technologies very SIMPLY – almost at the touch of a button – just like your smartphones and tablets, which operate in a virtually self-explanatory way and produce exactly the desired results without you needing to know about each and every technical function.

Or take the example of this

- Fujifilm camera.

It has an awful lot of buttons. Yes, you can study photography for three years to find out which buttons you need to press for which settings. But there's also this one "magic" button. Press it and you automatically get a 99 percent perfect photo.

That's what we call SMART:

- Top-quality photos at the touch of a button.
- Autonomous driving, which will probably be a reality in cars in a few years' time.
- And autonomous printing by Heidelberg.

We're also making our presses SMART. We no longer want people to have to undergo lengthy training to understand how to make our presses print efficiently. The machine should do this on its own. If a button does need to be pressed, we'd rather it be to stop the machine – "push to stop" as we call it.

Ultimately, it's a question of freeing up our customers to attend to their core tasks.

The benefit to customers is our top priority. We don't simply apply technology for the sake of it, nor do we merely install the maximum that is technically possible in our equipment. Our sole aim is to maximize the benefit to our customers.

Ladies and gentlemen, Heidelberg makes the

- smart print shop available to everyone!

The new utilization concept enables our customers to fully automate their production processes. Autonomous printing is the aim here.

Digitizing all a print shop's processes significantly boosts net productivity. A completely new approach to machine operation will be needed to make full use of these technical possibilities so as to free up operators from routine tasks and support them with intelligent systems in such a way that they can turn the machines' technical potential into productivity.

This same concept applies to much talked about developments such as autonomous driving. In this case, the car uses analyses of the surrounding area to determine independently where it is and what to do. It knows the destination and automatically selects its route and speed.

At drupa, Heidelberg

- introduced its "push to stop" operating philosophy, which represents a paradigm shift in industrial print production.

Intelligent automation in the offset sector led to a large number of contracts being signed for high-performance presses at drupa, and also to a big increase in our software business.

Another highlight at drupa was the unveiling of

- our new "Fire" digital product family.

The machine in the photo is the Primefire 106 – a prime example of digital printing for industrial customers. Based on the inkjet technology of our development partner

Fujifilm and the Peak Performance platform of our own offset technology, the Primefire 106 takes industrial digital printing into a whole new format class.

This new development caters to the packaging printing requirements of numerous companies – especially those in the consumer goods industry. To support their increasingly digitized production processes, these customers are seeking a solution for

- fast,
- flexible,
- customized, and
- cost-efficient

printing in short to medium runs. These runs are moving ever faster toward levels that can be processed cost-efficiently using digital printing technologies.

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drupa. Smart services.

Let's now turn to smart services, which make service operations efficient by processing very large volumes of data – some of which is provided by the machine itself.

One example is Performance Plus, a benchmarking service that evaluates the customer's operating data and compares it with corresponding data of other customers. We have over 10,000 presses connected to the system and can tell those customers who print less efficiently than others how to close the gap.

Another example is Predictive Monitoring. In simplified terms, the machine itself contacts the service team before a fault causes it to be out of action, possibly for several weeks, because the customer may not have spotted the need for maintenance work. This significantly improves reliability in production.

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drupa. Smart connectivity.

The third dimension – smart connectivity – is linked to the product name “Heidelberg Assistant”. It involves providing customers with complementary digital assistance systems via a state-of-the-art portal to makes tried-and-tested technologies such as sheetfed printing even more flexible.

The Heidelberg Assistant is a cutting-edge interface to production facilities, but also to us. It enables customers to check their current performance data in an instant or to switch to our eCommerce shop to order the printing plates etc. they need for the next week's print jobs.

The Heidelberg Assistant was also on show at drupa.

Slide 16

Award-winning. Transparent.

Ladies and gentlemen, your company is acting as the driving force behind the sector's digitization and this has even won us an award this year.

Heidelberg Assistant and View2Connect, the innovative software applications for greater transparency and predictive printing, were successful in different categories of IDG Business Media und Dimension Data Deutschland's Digital Leader Award 2016.

And just recently – in mid-June – the University of St. Gallen's Institute for Technology Management recognized Heidelberg for being particularly successful in the context of Industry 4.0 as part of an international study.

It's already clear that the close "marriage" between digital technology, sensor technology, IT, and data generated online/in real time will shake things up. We've already seen this happen with cell phones, TVs, and consumer electronics in general. Its unique combination of elements contributing to business success – mechanics, electronics, IT, application know-how, and customer/market knowledge – puts Heidelberg in an excellent position to actively use this to its advantage, but we can't simply wait for everything to fall into our laps. We need to use and gradually build on our newly acquired position. We'll encounter new competitors along the way, but also new opportunities. We need to adapt and transform our business processes ready for the digital era, but we aren't alone.

Slide 17

Networked. Including with partners.

There are various aspects to networking. One of these is that we don't have to do everything on our own.

Heidelberg benefits from cooperation agreements with world-leading technology partners such as Ricoh and Fujifilm. This photo shows me with Fujifilm's Chairman and Chief Executive Officer Shigetaka Komori at the launch of our Primefire 106 digital press. Fujifilm is our cooperation partner for digital printing.

Another of our partners is the U.S.-based big data analysis company PTC, which is helping to expand our portfolio in the growth segment of services.

Ladies and gentlemen, networking is a word we repeatedly hear in conjunction with digitization. It doesn't simply refer to electronic data exchange, though, but also to multiple partnerships in multiple roles.

We're very much open to such partnerships and these, too, can be strengthened at drupa.

I've now told you a great deal about the products, services, and concepts that the new Heidelberg presented at drupa just a few weeks ago. And before I reveal how the customers responded, let's quickly watch a video so you can see for yourselves.

Film

drupa 2016. On the spot.

Ladies and gentlemen, today – following drupa – I can say with great pride that

Heidelberg has gone from being considered a dinosaur to representing the future.

Customers and partners identify with us. They see quite clearly that our new way of thinking and acting is geared to their needs. Thanks to our parallel provision of several printing technologies, customers regard us as a neutral and trusted advisor for selecting the appropriate printing technology.

This was confirmed in our countless discussions – especially about the digital print shop of the future. Customers now see Heidelberg as a company that will take them into the digital future.

Our employees can be proud of themselves and of Heidelberg – although of course the same momentum needs to be maintained now that drupa is over.

It goes without saying that drupa also had an impact on the first quarter of the new financial year 2016/2017, which ended in June after the trade show. Sales and the

result for the first quarter still reflected the wait-and-see policy of some customers in the run-up to the event.

Now, however, we have a healthy order book for new machines in particular, with orders worth some €800 million. The innovations showcased at drupa resulted in high demand for the entire Heidelberg portfolio and are giving a big boost to our planned growth trajectory.

We appear to be giving customers exactly what they want!

Slide 18

Promises. Kept.

Let's now move on to the question of whether everything I've just been telling you is also reflected in the figures. This is clear from a comparison with the old Heidelberg. The final year of the old Heidelberger Druckmaschinen AG was 2012, the year of the previous drupa.

Back then,

- sales

totaled €2.6 billion. Today, four years later in the current drupa year, our sales are at a similar level despite numerous disinvestments. Like the print market as a whole, they have remained stable in spite of the many changes.

Last year, ladies and gentlemen, we promised you a 2 to 4 percent increase in sales. The actual figure after adjustment for exchange rate movements is 4 percent, so we've kept our promise.

Let's now look at

- EBITDA – earnings before interest, taxes, depreciation, and amortization –

in the past financial year, which were more than double the 2012 level. At €189 million, the EBITDA figure for the past financial year was slightly higher than in financial year 2014/2015 – and thus a four-year record.

Last year, we promised you an EBITDA margin of 8 percent and it was close to this figure, so we've kept our promise.

Even more impressive is the

- operating result – EBIT or earnings before interest and taxes.

We promised you a high operating return for the past financial year 2015/2016 and the figure of €116 million means we've kept our promise.

What's more, it goes without saying that this €116 million is a big improvement on the small operating profit for 2012 – a drupa year.

Now let's look at the

- net result, that is to say after interest and taxes.

In the past financial year, this was €28 million following a loss of €72 million the year before, so we've achieved a €100 million turnaround!

Four years ago in 2012 – a drupa year – we reported a loss of €230 million. Once again, ladies and gentlemen, we've kept our promise to return to sustainable profitability.

The successful financial year 2015/2016 is thus a clear reflection of the achievements of the Group's restructuring and realignment.

All this is based on a healthy

- financial structure.

We set a target leverage of less than 2 and are now at 1.5, so we've also kept this promise.

The optimization measures initiated by Heidelberg over the past financial year have created a highly diversified long-term financial framework. The company has also succeeded in further reducing interest costs, which has provided greater scope for investments in growth areas. This has put us in a far stronger position.

What's more, a €100 million loan from the European Investment Bank – the EIB – is helping our company to act as the driving force behind the sector's digitization and further expand the digital and services growth segments. We're proud to be the first German beneficiary of this investment fund.

And now, ladies and gentlemen, I come to the third part of my speech. I'd like to take you into the future to show you where Heidelberg is heading.

Slide 19

Business model. Balanced.

So how will our business model develop in the future?

This illustration shows you how we're looking to achieve a balance between, on the one hand, what are to all intents and purposes printing consumer goods and, on the other, print equipment – that is to say new machine business. The aim of this is to

- be less cyclical,
- increase growth, and
- ensure sustainable profitability.

In order to get the balance right, the less capital-intensive and less cyclical growth areas – service, which is in yellow in the diagram, and digital, which is represented by light blue – need to account for 60 to 70 percent of sales.

Traditional sheetfed presses used to account for over 50 percent of sales, but this will fall to between 30 and 40 percent in the medium term.

The following will play particularly important roles in all growth areas:

- service products such as Heidelberg Assistant that are based on data,
- other digital products that we unveiled at drupa and will now gradually bring onto the market,
- transformation of further business processes using digitization, and
- a gradual switch to basing decisions on facts and figures.

Slide 20

Outlook. Profitable.

Finally, ladies and gentlemen, I come to the medium-term outlook for the key performance indicators.

Based on

- the new business portfolio,
- our “Listen - Inspire - Deliver” values, and
- planned acquisitions, especially in the service sector,

we're looking to continue the growth trajectory we've embarked upon.

In the current financial year 2016/2017, we're once again targeting

- sales growth

of up to 4 percent. In the medium term, too, the plan is to achieve an annual increase of up to 4 percent in Group sales – to around €3 billion.

As I've said, at least 50 percent of these sales will be generated by services and 10 to 20 percent will come from the digital sector.

We're looking to maintain the

- EBITDA margin

at a high level of between 7 and 10 percent. In the current financial year 2016/2017, we're expecting to match the previous year's EBITDA margin.

We're also aiming to further improve the

- financial result

by using less expensive financing tools.

The ultimate aim for financial year 2016/2017 is a

- moderate increase in the net profit after taxes

that will continue in the years ahead.

So we're heading in the right direction!

[Slide 21](#)

Thank you.

Dear investors,
dear shareholders' representatives,
dear guests,

Our 4 elements of sustainable success –

- a market that is in flux but also large, stable, and dynamic,
- our new “more than machines” philosophy,
- the new “Listen - Inspire - Deliver” system of values, and

- a particularly strong focus on digital networking to benefit customers

have created a very SMART system that is showing Heidelberg the way toward a sustainably profitable future – regardless of market trends.

Profitability is dependent on customer satisfaction and delivers job security. And that's exactly what the Management Board is focusing on, ladies and gentlemen –

- profitability,
- customer satisfaction, and
- job security.

Thank you very much for your time. We value your loyalty to us and the new Heidelberger Druckmaschinen AG.

Your company is on the right track.

Thank you again!

Important note:

This release contains forward-looking statements based on assumptions and estimations by the Management Board of Heidelberger Druckmaschinen Aktiengesellschaft. Even though the Management Board is of the opinion that those assumptions and estimations are realistic, the actual future development and results may deviate substantially from these forward-looking statements due to various factors, such as changes in the macro-economic situation, in the exchange rates, in the interest rates and in the print media industry. Heidelberger Druckmaschinen Aktiengesellschaft gives no warranty and does not assume liability for any damages in case the future development and the projected results do not correspond with the forward-looking statements contained in this press release.