



# Conference Call Q1-2016/2017

GEROLD LINZBACH, CEO | DIRK KALIEBE, CFO

August 10, 2016



# Highlights Q1-2016/2017 : Successful strategic realignment reflected in strong incoming orders at drupa



Heidelberg presented itself at drupa 2016 in Düsseldorf with a successful repositioning under the motto "Simply Smart" and is pressing ahead with the digitization of the industry:

- **Leader in digitization:** Customers invest in industrial print production and digitization; Heidelberg is shaping the future of industrial print production with its "Push to Stop" philosophy and autonomous printing
- **Recognized provider in digital printing:** Successful global premiere for industrial digital printing in packaging & labels
- **Launch of cloud-based services:** Preventive and performance-oriented services, based on unique database

**Successful strategic realignment: Order backlog increases strongly in drupa-quarter by 67 percent against previous quarter and forms a solid basis for achieving the targets, i.e. further profitable growth**

# Key figures 3m 2016/17



	in € million	Q1 15/16	Q1 16/17	$\Delta$ pY
Order intake		703	804	+14%
<b>Sales</b>		<b>563</b>	<b>486</b>	-14%
<b>EBITDA</b>		<b>46</b>	<b>1</b>	-45
<b>EBIT before Special items</b>		<b>28</b>	<b>-16</b>	-44
Special items		-15	-3	
Financial result		-14	-16	-2
Net result before taxes		-1	-35	-34
<b>Net result after taxes</b>		<b>-4</b>	<b>-37</b>	-33
<b>Free cash flow</b>		<b>-35</b>	<b>6</b>	+41
		<b>03/31/16</b>	<b>06/30/16</b>	
<b>Equity</b>		<b>287</b>	<b>167</b>	
<b>Net debt</b>		<b>281</b>	<b>263</b>	
<b>Leverage</b>		<b>1.2</b>	<b>1.8</b>	

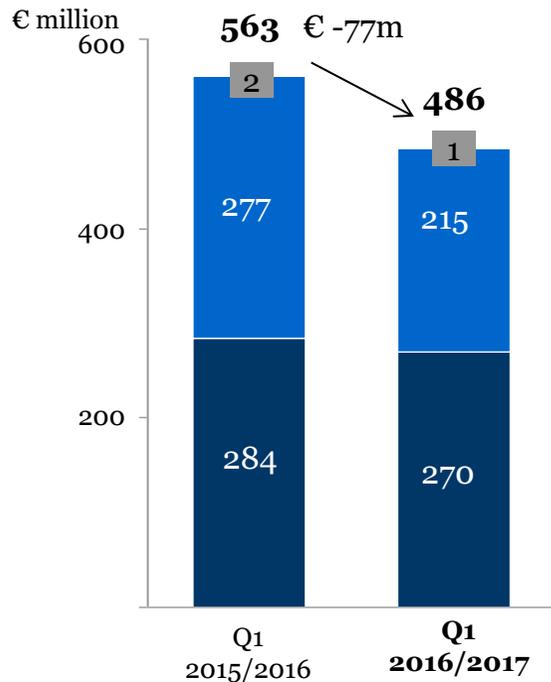
## Comments

- **Order intake** clearly outperforms last years Q1 (incl. China trade show) **due to drupa**; solid **order backlog** of € 768m (+67% vs FYE)
- Usual restrained investment activity ahead of drupa esp. in Western Europe and ongoing muted business in China lead to weaker **sales** ; but in line with expectations
- Lower sales, drupa costs (approx. € 10m) and higher personnel costs burden **EBITDA** (PY includes € 19m positive one-time effect from PSG acquisition)
- Positive **free cash flow** despite higher inventories and payments for portfolio optimization of € 8m
- Lower discount rate to value pension obligations reduces **equity ratio** to 8%
- **Net debt** stable on low level; **Leverage** below target level of <2x

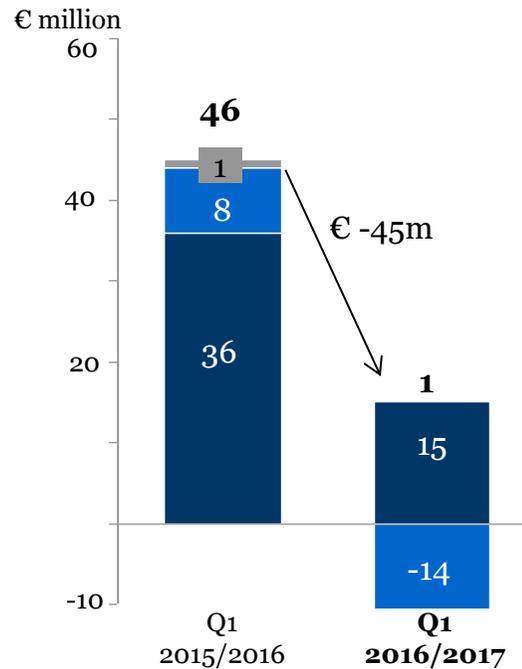
# drupa shapes business development in FY2016/17

- Substantial sales increase in HY2 expected (drupa deliveries)
- Full-year EBITDA-margin target: HDE 4-6%, HDS 9-11%
- Strongly increased backlog after successful trade show

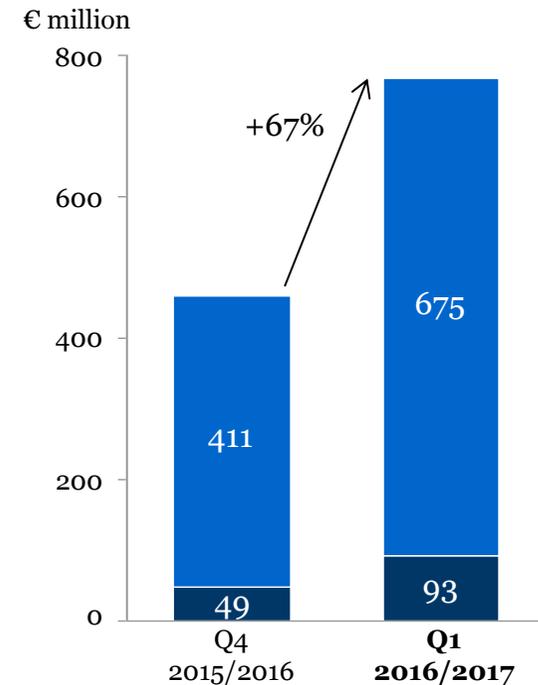
### Sales by segment



### EBITDA by segment



### Order backlog



■ HD Equipment   
 ■ HD Services   
 ■ HD Financial Services



	FY 2015/16	Outlook FY 2016/17	Mid-term target
--	------------	-----------------------	-----------------

**Sales**  
(fx-adjusted)

€ 2,512m  
(€ 2,426m)

up to 4%  
increase

up to 4 % p.a./  
target ~ € 3bn

**EBITDA-Margin**  
(fx-adjusted sales)

7.8 %

on previous year's level

Bandwidth  
7% - 10%

*HDE ~ 5%*  
*HDS ~ 11%*

*HDE 4-6%*  
*HDS 9-11%*

**Net result**

**Leverage**

€ 28m

moderate increase

further increase

1.5

below 2

below 2



## Summary: Financial Highlights Q1-2016/2017

- Order intake in Q1 at € 804m; order backlog increases by 67 percent against previous quarter to € 768m
- Sales in Q1 at € 486m; EBITDA before special items slightly positive at € 1m; Net result after taxes at € -37m
- Positive free cash flow of € 6m; Net debt (€ 263m) still at low level and financed until CY 2022, Leverage below target level of 2
- Optimization of financial result on track: High Yield Bond 2011 (coupon 9.25%) called ahead of maturity
- Firmly on course for annual and medium-term targets



BACKUP

# Balance sheet



Figures in € thousands		Figures in € thousands			
	31-Mar-2016	30-Jun-2016			
<b>Non-current assets</b>			<b>Equity</b>		
Intangible assets	221.637	226.297	Issued capital	658.676	658.676
Property, plant and equipment	478.119	477.654	Capital reserves, retained earnings and other reserves	-400.270	-454.815
Investment property	11.202	11.043	Net result after taxes	28.134	-36.897
Financial assets	12.584	13.294		<b>286.540</b>	<b>166.964</b>
Receivables from sales financing	34.489	33.172			
Other receivables and other assets	17.824	13.558	<b>Non-current liabilities</b>		
Deferred tax assets	85.409	91.813	Provisions for pensions and similar obligations *	534.353	624.571
	<b>861.264</b>	<b>866.831</b>	Other provisions	162.016	157.140
<b>Current assets</b>			Financial liabilities	453.011	385.177
Inventories	606.872	691.119	Other liabilities	34.228	39.203
Receivables from sales financing	30.110	28.223	Deferred tax liabilities	2.535	2.463
Trade receivables	360.959	274.476		<b>1.186.143</b>	<b>1.208.554</b>
Other receivables and other assets	113.950	102.711	<b>Current liabilities</b>		
Income tax assets	7.662	7.154	Other provisions	234.111	202.231
Cash and cash equivalents	215.472	156.692	Financial liabilities	43.275	34.765
	<b>1.335.025</b>	<b>1.260.375</b>	Trade payables	179.397	197.417
<b>Assets held for sale</b>	<b>5.705</b>	<b>947</b>	Income tax liabilities	2.031	1.485
			Other liabilities	270.497	316.737
				<b>729.311</b>	<b>752.635</b>
<b>Total assets</b>	<b>2.201.994</b>	<b>2.128.153</b>	<b>Total equity and liabilities</b>	<b>2.201.994</b>	<b>2.128.153</b>

\* As of June 30, 2016 a discount rate of 2.0 percent (Mar 31, 2016: 2.4 percent) was used to determine actuarial gains and losses for domestic entities

# Interim consolidated income statement - April 1, 2016 to June 30, 2016



Figures in € thousands	1-Apr-2015 to 30-Jun-2015	1-Apr-2016 to 30-Jun-2016
Net sales	563.103	485.850
Change in inventories	35.359	88.638
Other own work capitalized	3.932	15.544
<b>Total operating performance</b>	<b>602.394</b>	<b>590.032</b>
Other operating income	36.098	18.508
Cost of materials	287.110	288.386
Staff costs	196.455	218.543
Depreciation and amortization	17.898	16.911
Other operating expenses	108.854	100.774
Special items	15.341	2.885
<b>Result of operating activities</b>	<b>12.834</b>	<b>-18.959</b>
Financial income	2.948	2.819
Financial expenses	17.187	19.134
<b>Financial result</b>	<b>-14.239</b>	<b>-16.315</b>
<b>Net result before taxes</b>	<b>-1.405</b>	<b>-35.274</b>
Taxes on income	2.717	1.623
<b>Net result after taxes</b>	<b>-4.122</b>	<b>-36.897</b>
<b>Basic earnings per share*</b>	-0,02	-0,14
<b>Diluted earnings per share*</b>	-0,02	-0,14
*according to IAS 33 (in € per share)		

# Interim consolidated statement of cash flows - April 1, 2016 to June 30, 2016



Figures in € thousands	1-Apr-2015 to 30-Jun-2015	1-Apr-2016 to 30-Jun-2016
Net result after taxes	-4.122	-36.897
Depreciation, amortization, write-downs and write-ups <sup>1)</sup>	18.599	19.468
Change in pension provisions	1.908	2.491
Change in deferred tax assets / deferred tax liabilities / tax provisions	-2.668	-1.930
Result from disposals	240	-262
<b>Cash flow</b>	<b>13.957</b>	<b>-17.130</b>
Change in inventories	-30.272	-81.993
Change in sales financing	4.261	3.555
Change in trade receivables / payables	60.304	108.226
Change in other provisions	-41.661	-38.068
Change in other items of the statement of financial position	-24.763	37.376
<b>Other operating changes</b>	<b>-32.131</b>	<b>29.096</b>
<b>Cash used in/ generated by operating activities</b>	<b>-18.174</b>	<b>11.966</b>
Intangible assets / property, plant and equipment / investment property		
Investments	-11.011	-24.359
Income from disposals	1.943	3.961
Financial assets/ company acquisitions		
Investments	-7.571	-107
Income from disposals	125	0
<b>Cash used in investing activities before cash investment</b>	<b>-16.514</b>	<b>-20.505</b>
Cash investment	0	15.000
<b>Cash used in investing activities</b>	<b>-16.514</b>	<b>-5.505</b>
Change in financial liabilities	-48.653	-65.975
<b>Cash used in financing activities</b>	<b>-48.653</b>	<b>-65.975</b>
<b>Net change in cash and cash equivalents</b>	<b>-83.341</b>	<b>-59.514</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>285.961</b>	<b>215.472</b>
Changes in the scope of consolidation	1.001	0
Currency adjustments	-3.684	734
Net change in cash and cash equivalents	-83.341	-59.514
<b>Cash and cash equivalents at the end of the year</b>	<b>199.937</b>	<b>156.692</b>
Cash used in/ generated by operating activities	-18.174	11.966
Cash used in investing activities	-16.514	-5.505
<b>Free cash flow</b>	<b>-34.688</b>	<b>6.461</b>

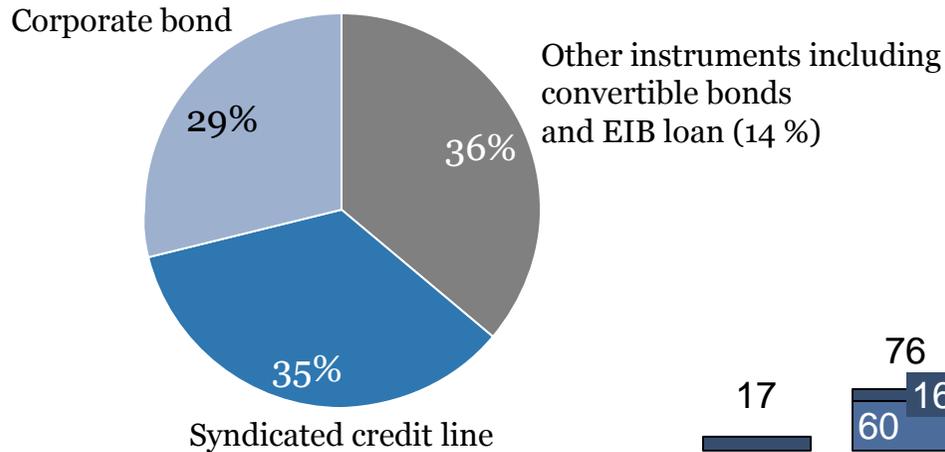
1) Relates to intangible assets , property, plant and equipment, investment property and financial assets

# Financial framework



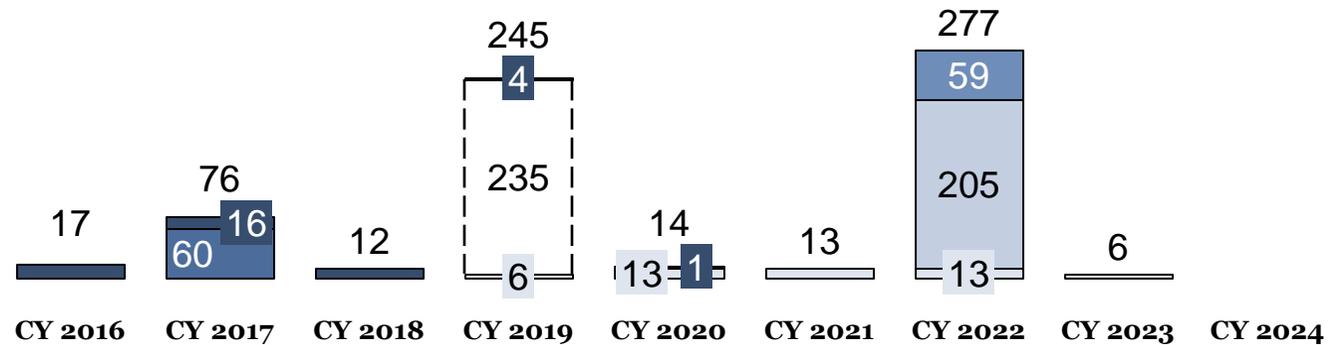
## Financial framework

Total framework of around € 700m



## Maturity profile

- Other instruments | amortizing
- Convertible bond (July 2017)
- Convertible bond (March 2022)\*
- Syndicated credit line (June 2019)\*\*
- Corporate bond (May 2022)
- EIB loan | amortizing



\* CB Put Option in 2020

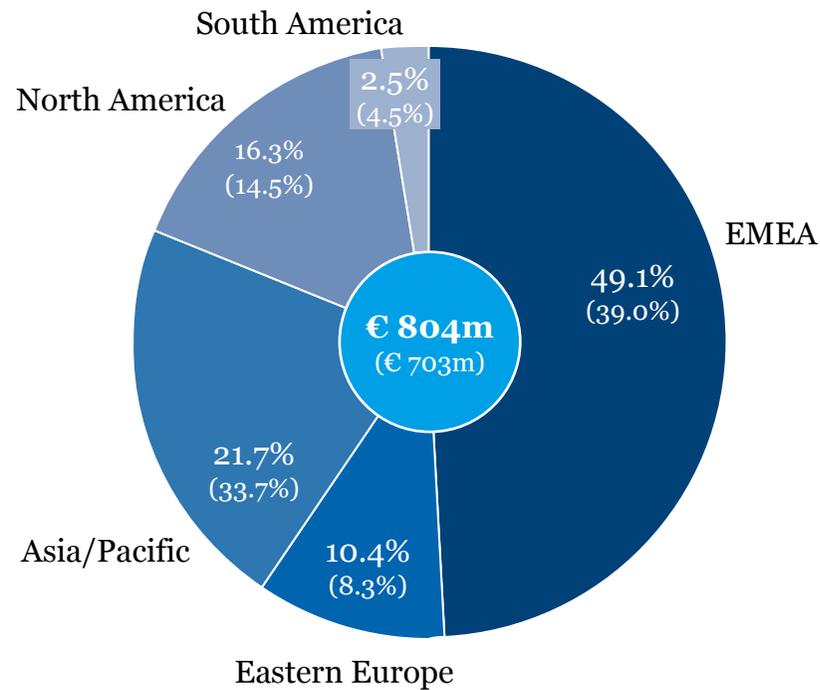
\*\*Initial volume € 250m, amortizing to € 235m in 2019

Note: As of June 2016. Excluding other financial liabilities and finance leases

# Order intake – regional split



Order intake Q1 2016/17 (Q1 2015/16)



# Financial Calendar



	Date
Release of the figures for the second quarter 2016/2017	November 9, 2016
Release of the figures for the third quarter 2016/2017	February 9, 2017
Final Figures FY2016/2017	June 8, 2017
AGM FY 2016/2017	July 27, 2017

# Disclaimer



This document was drawn up by Heidelberger Druckmaschinen AG (the “Company”) solely for information purposes. All recipients must treat it as confidential and must not distribute it, pass it on or make it accessible to third parties by any other means.

The information contained in this document has not been independently verified. The information and opinions provided do not constitute any guarantee or representation whatsoever, either explicit or implied. No assumptions should be made as to the appropriateness, accuracy, completeness or correctness of the information and opinions contained herein.

Any forward-looking statements included in this document reflect the management’s current opinions / knowledge relating to specific future events and their financial impact. Various factors (for example influencing the economic, legal, regulatory or competitive situation or requiring any involvement of employees and their representatives) may result in the actual results differing significantly from the ones expected or implied based on these statements.

The Company shall not be obliged to adapt any of the forward-looking statements contained herein to future events or developments. Further-more, neither the Company nor any of

its affiliates / subsidiaries or the respective legal representatives shall be liable in any way whatsoever (whether due to negligence or any other reason) for losses or costs of any kind that are incurred as a result of using this document or its contents, or that result in any other way in connection with this document.

This document does not represent an offer or a request to acquire shares or financial instruments issued by the Company or any of its affiliates, nor does it form part of any such offer or request. Neither this document nor any part thereof shall form the basis for any kind of contract or obligation, or serve as a basis of trust in this connection.

Reference is hereby made to the legal prohibitions of the German Securities Trading Act (WpHG) in § 14 (insider trading) and § 20a (market manipulation). This reference does not imply that any details contained in this document represent insider information.

The information in this document should not be taken out of context. The above also applies to all verbal details provided in connection with the document.