

## Strategy

- Our vision: We make the difference
- Our mission: We are building the digital future of our industry
- Our values: We listen. We inspire. We deliver.

Over the past few years, we have completed an operational turnaround to become a sustainably profitable company. This is confirmed by the key figures for the 2016/2017 reporting year. The main factors behind this were an adjustment of strategy and structures with far-reaching restructuring steps and the transformation of the portfolio with a focus on profitability and growth areas.

### Our vision: We make the difference

Heidelberg is accelerating its development into the digital future and has devised its future corporate strategy accordingly with the slogan "Heidelberg goes digital".

We want to play an active and key part in shaping the digitization of our industry, being the perfect partner for our customers and offering the value added and the difference that gives us and our customers more efficiency, profitability and success. To do this, we place customers and their needs at the heart of what we think and do.

### Commitment and strategic networking across all levels

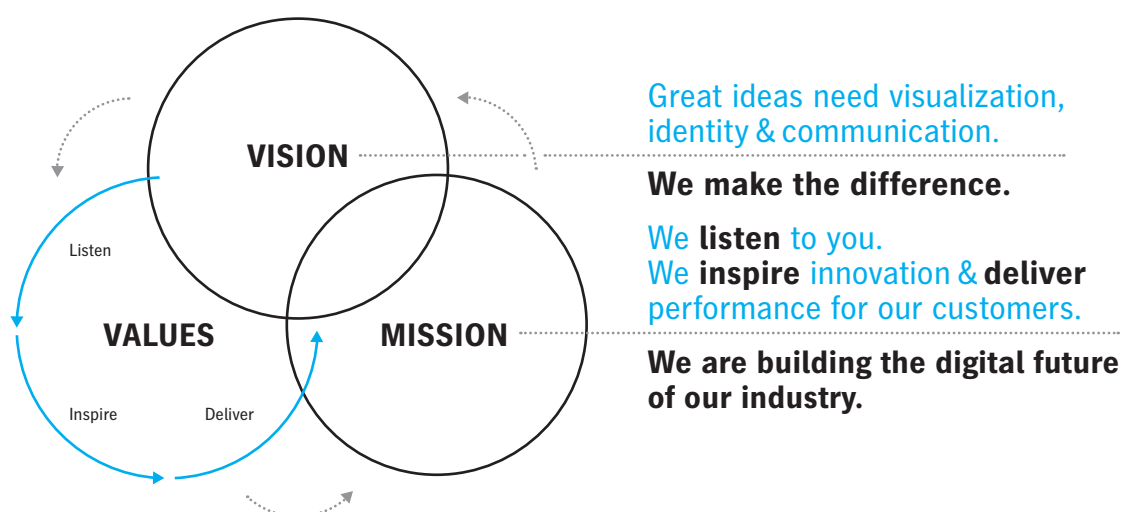
A customer-centric approach can only work if we establish an efficient process coordinated and networked across all regions, business units and functions. This must comprise sales planning in the regions, production planning in the operational units and operational excellence, i. e. general support in the functional departments. Consistent investment planning and the corresponding research and development approaches are likewise managed this way.

Operationally, the measures this entails are expected to result in improved efficiency, a higher margin and corresponding sustainably profitable growth.

### Our mission:

#### We are building the digital future of our industry

We want to achieve some of the potential for growth in the area of digitization organically, i. e. by expanding our innovation leadership. Around 5 percent of our sales are therefore channeled into research and development. We will continue to expand the products and concepts we presented at drupa 2016 under the "Simply Smart" slogan, thereby continuously optimizing and simplifying the use of increasingly complex processes and technologies.



Furthermore, we will expand our expertise through targeted acquisitions. As a holistic solutions provider, Heidelberg's goal is to increase the productivity of the entire printing business. This derives from IT and data excellence and the intelligent linking of equipment, service and consumables, provided on a single platform. We have established a good track record here in recent years with the takeover of the Gallus Group and the acquisitions of Hi-Tech Coatings, the PSG Group, BluePrint Products, CERM and, most recently, Fujifilm's European paint and printing chemicals business.

#### **Digitization means using presses and software to deliver information for digital business**

We began developing digital product and solution offerings years ago. Now we are aligning the entire Group according to an all-encompassing strategy of digitization. The aim is to guarantee the optimal use and appropriate digital – smart – networking of presses, software, consumables and service. Presses serve as information providers (big data), which form the basis for digital business and therefore growth opportunities.

#### **Digitization also means completely rethinking business models**

In order to be successful in the long term in the face of persistently challenging and rapidly changing conditions, we strive to practice a customer-centric approach at all levels. We want to accompany the lives and business of our customers by offering an end-to-end solution over the entire life cycle of a press. Our aspiration is that Heidelberg goes from being the manufacturer of the best and most innovative printing presses to a full-service provider for presses, consumables, software and services. By doing this we want to make a decisive contribution to making our customers more efficient and more profitable. However, in order to increase our own share in print production volumes, it is absolutely essential to develop completely new business models. This is about offering performance-related and output-related models rather than being a pure-play provider of presses, materials and services. Consequently, this also means thinking about subscription models and developing towards being an operator.

#### **Our values: We listen. We inspire. We deliver.**

LISTEN	INSPIRE	DELIVER
<p><b>We listen to our customers closely</b> in order to understand their needs. But we also listen to each other as we are working together towards a common goal.</p>	<p><b>We want to inspire and impress our customers,</b> anticipate the technology of the future and in doing so surpass customers' expectations. Internally it is crucial that we challenge and motivate each other in order to find new and better paths to our goal.</p>	<p><b>We deliver what we promise.</b> Every customer must be able to see the benefits of our products and actions. With each order we give a personal promise that we naturally keep. But we also have to achieve the targets we define for ourselves. Our own actions, for which we take responsibility, serve the goal of profitability. This requires that we take responsibility and act accordingly.</p>

## Goals

In the course of adjusting our strategy, we have defined a new catalog of goals that we will be guided by in the years ahead.

- **IN THE SHORT TERM** this mainly means defining appropriate measures with which to achieve our medium- to long-term goals. We are focusing on cost-efficiency in all functional areas such as production, purchasing and sales and marketing, and on the expansion of innovative growth areas through investment and targeted acquisitions.
- **IN THE MEDIUM TERM** we want to make new, digital technologies and business concepts marketable. The starting point for this is data-driven business models with which we can map customers' needs. We want to become a full-service provider and a "performance seller" for presses, consumables and services throughout the entire life cycle of printing presses. New customer business and thus additional profitable sources of income will be cultivated by ramping up production of our digital printing portfolio and new subscription models.
- **IN THE LONG TERM** this will make us a digital company that works to define, develop and advance integrated digital business models with genuine added value for our customers.

## Measures for achieving goals

The new strategic approaches and goals have a direct impact on business structures and organization:

### New management structure for the digital future

To accelerate Heidelberg's digital transformation, there was a reorganization of the segments and functional responsibilities, and of the regional market and service organization, at the start of financial year 2017/2018. Particular importance was attached to the efficient networking of business areas.

### Definition of new segments

The businesses bundled in the previous segments Heidelberg Equipment (HDE) and Heidelberg Service (HDS) are being restructured into the Heidelberg Digital Technology and Heidelberg Digital Business & Service segments. The Heidelberg Financial Services segment will continue to exist unchanged.

### Heidelberg Digital Technology (HDT): The right technologies and products for increased profitability

The Heidelberg Digital Technology segment comprises sheetfed offset business, label printing and print processing. The right technologies and products are developed, produced and marketed here, including for new business models.

The presses themselves are increasingly being used to generate data for additional sales potential as part of a newly developed full-service offering for customers. In addition to the growth potential resulting from this, improved cost management is also expected to lead to continuous increases in efficiency and margins. The entire value-added process with research and development, purchasing and production is built around this under the responsibility of Heidelberg Digital Technology.

### Heidelberg Digital Business & Services (HDB):

#### New digital business models for profitable growth

In our Heidelberg Digital Business and Services segment we help our customers to grow profitably and to meet their own digital challenges successfully with new business models, by optimizing the use of our solutions for digital printing presses, software, consumables and services. We are aligning our range of solutions to the customer's entire value chain and utilization phase. Growth potential will also be generated by expanding software business. The same is true of the business known as Smart Factory with its digital platforms for industrial customers. A work area called New Markets, which deals with Industry 4.0 issues, will be created for this.

The reorganization of the segments will affect both the organization and reporting of key performance indicators from April 1, 2017.

In addition to the reorganization of the segments and business units, there will also be an adjustment of the global sales and service network in line with the digital challenges and needs of customers.

### Four strategic business segments with individual market strategies

Building on the market environment defined by customer requirements, we will develop specially coordinated market strategies for the four strategic business areas "Packaging", "Commercial Printing", "Label Printing" and "New Markets". These market segments are described in the section "Markets and customers" on pages 12 and 13 of this report.