

Interim statement Q1
2017/2018

Digital
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INTERIM STATEMENT FOR THE FIRST QUARTER OF 2017/2018

Figures

- Incoming orders total € 629 million
- Net sales up year-on-year at € 495 million
- EBITDA excluding restructuring result well above previous year at € 14 million;
EBIT excluding restructuring result slightly negative at € - 3 million
- Net result after taxes € - 16 million
- Free cash flow including purchase prices for acquisitions amounts to € - 13 million
- Leverage well below target level of 2 at 1.2
- Focus remains on annual and medium-term targets

Facts

- Heidelberg presents new growth strategy: “Heidelberg goes digital!” – strategic focus on the topics of technology leadership, digital transformation and operational excellence
- At China Print 2017, Heidelberg presents itself as a pioneer in the digitization of the industry with the slogan “Simply smart”
- With the acquisition of the software provider DOCUFY, Heidelberg strengthens the digital platforms business area and expands its range of Industry 4.0 products
- Heidelberg strengthens its coatings and pressroom chemicals business in the EMEA region with the acquisition of this area from Fujifilm
- Higher efficiency in logistics thanks to optimization of tariff model in this area and acquisition of logistics center
- Capital market rewards Heidelberg’s digitization strategy: convertible bond almost completely converted into equity; interest costs fall by around € 5 million a year
- Moody’s upgrades company rating to B2

Notes

From the 2017/2018 financial year, “special items” will be reported as the “restructuring result” and in the corresponding items of the income statement.

The segments were reorganized as of April 1, 2017, as part of the adjustment of the corporate strategy. The figures for the 2016/2017 financial year were restated accordingly.

Key figures at a glance

Figures in € millions	Q1 2016/2017	Q1 2017/2018
Incoming orders	804	629
Order backlog	768	603
Net sales	486	495
EBITDA excluding restructuring result ¹⁾	1	14
in percent of net sales	0.2	2.8
Result of operating activities excluding restructuring result ²⁾	-16	-3
Restructuring result	-3	0
Financial result	-16	-13
Net result before taxes	-35	-15
Net result after taxes	-37	-16
Equity	167	382
Net debt ³⁾	263	234
Leverage ⁴⁾	1.8	1.2
Cash flow	-17	1
Free cash flow	6	-13
Earnings per share in €	-0.14	-0.06
Number of employees at end of quarter (excluding trainees)	11,523	11,445

¹⁾ Result of operating activities before interest, taxes, depreciation and amortization, excluding restructuring result (previously: special items)

²⁾ Previously: Result of operating activities excluding special items

³⁾ Net total of financial liabilities and cash and cash equivalents and current securities

⁴⁾ Ratio of net debt to EBITDA excluding restructuring result for the last four quarters

Overall assessment of business development

At the end of the 2016/2017 financial year, Heidelberg presented its strategy “Heidelberg goes digital!”, which aims to generate growth and increase profitability with a focus on the topics of digital transformation, technology leadership and operational excellence.

The new strategic approaches and goals have a direct impact on business structures and organization: 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 units. The businesses bundled in the previous segments Heidelberg Equipment (HDE) and Heidelberg Services (HDS) are being restructured into the Heidelberg Digital Technology (HDT) and Heidelberg Digital Business and Services (HDB) segments. The Heidelberg Financial Services segment will continue to exist unchanged.

With the acquisition of Fujifilm’s coatings and press-room chemicals business for the EMEA region and of the software provider DOCUFY, Heidelberg has also strengthened its position in key growth areas. Together with the optimization of the tariff model for the logistics area, the purchase of the previously rented property in which our logistics center is located will lead to significantly higher logistics efficiency.

In the first quarter of the 2017/2018 financial year, sales increased to € 495 million, but the incoming orders of € 629 million were down as expected compared to the same quarter of the previous year, in which particularly high incoming orders had been recorded due to the drupa trade show. Compared to the end of the financial year (€ 497 million), the order backlog increased by more than 20 percent to € 603 million as of June 30, 2017.

The China Print 2017 trade show in mid-May, at which Heidelberg presented the digital future of the print media industry according to the slogan “Simply smart”, provided a boost to sales and incoming orders in the key market of China, both of which increased year-on-year.

The only slightly negative operating result represents a significant improvement compared to the same quarter of the previous year, which was also negatively impacted by costs for the drupa trade show. Combined with the further improved financial result, this also led to a considerable improvement in the result after taxes against the previous year.

Net sales and results of operations

Interim consolidated income statement

Figures in € millions	Q1 2016/2017	Q1 2017/2018
Net sales	486	495
Change in inventories/other own work capitalized	104	84
Total operating performance	590	579
EBITDA excluding restructuring result ¹⁾	1	14
Result of operating activities excluding restructuring result ¹⁾	-16	-3
Restructuring result ¹⁾	-3	0
Result of operating activities	-19	-3
Financial result	-16	-13
Net result before taxes	-35	-15
Taxes on income	2	0
Net result after taxes	-37	-16

¹⁾ Previously: EBITDA and/or result of operating activities excluding special items

- At € 495 million, **NET SALES** were up around 2 percent year-on-year and thus in line with the forecasts. This increase was particularly attributable to Western Europe and China.
- At € 14 million, **EBITDA EXCLUDING RESTRUCTURING RESULT** was considerably better than in the same quarter of the previous year (€ 1 million), while **EBIT EXCLUDING RESTRUCTURING RESULT** amounted to € -3 million (same quarter of previous year: € -16 million). The EBITDA margin excluding restructuring result came to 2.8 percent.
- As a result of the reduced financing costs, the financial result improved to € -13 million (same quarter of previous year: € -16 million).
- Taking into account taxes on income, the **NET RESULT AFTER TAXES** improved significantly to € -16 million compared to the previous year's figure (€ -37 million).

Net assets

Assets

Figures in € millions	31-Mar-2017	30-Jun-2017
Non-current assets	741	780
Inventories	581	645
Trade receivables	375	282
Receivables from sales financing	58	53
Cash and cash equivalents	218	198
Other assets	246	243
Total assets	2,219	2,201

- As of June 30, 2017, total assets were virtually unchanged in comparison to the end of the financial year on March 31, 2017.
- The increase in non-current assets primarily resulted from the acquisition of properties at the production sites in Wiesloch-Walldorf and Heidelberg. As expected, inventories have increased since March 31, 2017 on account of the higher order backlog.
- The level of trade receivables, which had risen in the previous quarter due to the high sales volume, decreased as expected in the first quarter.
- Receivables from sales financing declined again due to the repayments received and refinancing on the part of customers.
- Mainly as a result of company and property acquisitions, cash and cash equivalents decreased overall as of June 30, 2017. With liquidity of around €200 million, Heidelberg still has substantial financial leeway for strategic options and the optimization of its capital structure.
- Thanks to systematic asset and net working capital management, net working capital as of June 30, 2017 was reduced in comparison to the end of the financial year (March 31, 2017: € 667 million) and amounted to € 604 million (June 30, 2016: € 638 million).

Equity and liabilities

Figures in € millions	31-Mar-2017	30-Jun-2017
Equity	340	382
Provisions	898	835
of which: pension provisions	488	470
Financial liabilities	470	431
Trade payables	190	201
Other equity and liabilities	321	352
Total equity and liabilities	2,219	2,201

- Equity increased compared to the end of the financial year, due primarily to the almost complete conversion of the 2013 convertible bond into Heidelberg shares as well as a slight rise in the domestic pension discount rate, and amounted to € 382 million as of the end of the reporting period.
- This resulted in an equity ratio of around 17 percent as of June 30, 2017.
- Due mostly to the almost complete conversion of the 2013 convertible bond into Heidelberg shares, financial liabilities decreased significantly.
- Net debt, which currently amounts to € 234 million, is financed by basic funding beyond 2022.
- Leverage (the ratio of net debt to EBITDA excluding restructuring result for the last four quarters) was kept well below the target level of 2 again at 1.2.

Financial position

Interim consolidated statement of cash flows

Figures in € millions	Q1 2016/2017	Q1 2017/2018
Net result after taxes	- 37	- 16
Cash flow	- 17	1
Other operating changes	29	7
of which: net working capital	57	45
of which: receivables from sales financing	4	3
of which: other	- 32	- 40
Cash used in investing activities	- 6	- 21
Free cash flow	6	- 13
in percent of sales	1.2	- 2.6

- Due to the improved quarterly result compared to the same period of the previous year, cash flow was positive at € 1 million.
- Essentially as a result of company and property acquisitions, cash used in investing activities rose to € 21 million (previous year: € 6 million).
- As a result of company and property acquisitions and payments for portfolio optimization, free cash flow in the first three months was negative at € -13 million.
- The three pillars of our financing portfolio – capital market instruments (corporate bond and convertible bonds), the syndicated credit line plus other instruments and promotional loans – are well balanced.
- Heidelberg's credit facilities, which currently total around € 700 million, have balanced diversification and a balanced maturity structure until 2022 and beyond.
- In June 2017, Moody's upgraded its company rating to B2. This move was prompted by Heidelberg's improved key financial and debt indicators.

Segments

As part of the adjustment of the corporate strategy, the segments were reorganized as of April 1, 2017. The figures for the 2016/2017 financial year have been restated accordingly.

Segment key figures

Figures in € millions	Heidelberg Digital Technology ¹⁾		Heidelberg Digital Business and Services ²⁾		Heidelberg Financial Services		Heidelberg Group	
	Q1 2016/17	Q1 2017/18	Q1 2016/17	Q1 2017/18	Q1 2016/17	Q1 2017/18	Q1 2016/17	Q1 2017/18
Incoming orders	493	362	310	266	1	1	804	629
Sales	213	235	271	259	1	1	486	495
EBITDA excluding restructuring result ³⁾	-19	-1	19	14	1	1	1	14
EBIT excluding restructuring result ⁴⁾	-31	-13	14	9	0	1	-16	-3

¹⁾ Until March 31, 2017: Heidelberg Equipment

²⁾ Until March 31, 2017: Heidelberg Services

³⁾ Result of operating activities before interest, taxes, depreciation and amortization, excluding restructuring result (previously: special items)

⁴⁾ Previously: EBIT excluding special items

➤ In the Heidelberg Digital Technology segment, a higher sales volume and improved margins contributed to an improved result.

➤ The result in the Heidelberg Digital Business and Services segment was negatively impacted by somewhat weaker consumables sales and higher development expenses year-on-year.

Regions Sales by region

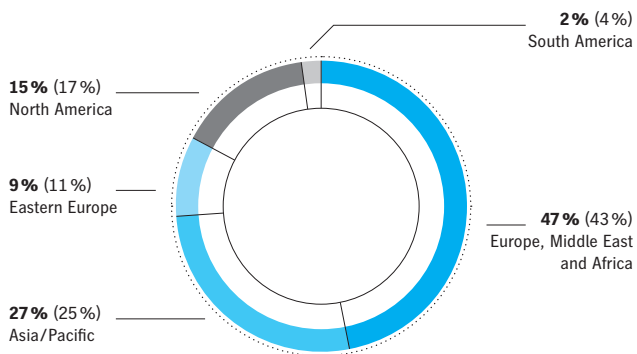
Figures in € millions	Q1 2016/2017	Q1 2017/2018
EMEA	208	231
Asia/Pacific	120	133
Eastern Europe	52	46
North America	83	77
South America	22	8
Heidelberg Group	486	495

Outlook

The outlook for the current financial year and the medium-term forecast are unchanged and can be found on pages 52/53 of the 2016/2017 Annual Report.

Q1 2017/2018

Share of Heidelberg Group sales (in parentheses: previous year)



- EMEA still the strongest region with share of sales of around 47 percent.
- Asia/Pacific region benefiting from sales increases in China and South Korea.
- Declining sales in Brazil and Argentina negatively impact the South America region.

Financial section

Interim consolidated income statement

Figures in € millions	1-Apr-2016 to 30-Jun-2016	1-Apr-2017 to 30-Jun-2017
Net sales	486	495
Change in inventories	89	74
Other own work capitalized	15	10
Total operating performance	590	579
Other operating income	18	25
Cost of materials	288	266
Staff costs	221	223
Depreciation and amortization	17	17
Other operating expenses	101	101
Result of operating activities¹⁾	-19	-3
Financial income	3	1
Financial expenses	19	14
Financial result	-16	-13
Net result before taxes	-35	-15
Taxes on income	2	0
Net result after taxes	-37	-16
Basic earnings per share according to IAS 33 (in € per share)	-0.14	-0.06
Diluted earnings per share according to IAS 33 (in € per share)	-0.14	-0.06

¹⁾ Result of operating activities excluding restructuring result: € - 3 million (April 1, 2016 to June 30, 2016: € - 16 million)

Restructuring result (€ 0 million; April 1, 2016 to June 30, 2016: € - 3 million) = restructuring income (€ 1 million; April 1, 2016 to June 30, 2016: € 0 million) less restructuring expenses (€ 1 million; April 1, 2016 to June 30, 2016: € 3 million)

From the 2017/2018 financial year, the restructuring result (formerly: special items) is reported within the corresponding items of the income statement; the figures for the previous year were restated accordingly

Interim consolidated statement of financial position as of June 30, 2017

Assets

Figures in € millions	31-Mar-2017	30-Jun-2017
Non-current assets		
Intangible assets	240	245
Property, plant and equipment	477	501
Investment property	11	11
Financial assets	13	23
Receivables from sales financing	34	30
Other receivables and other assets	34	21
Deferred tax assets	99	95
	908	926
Current assets		
Inventories	581	645
Receivables from sales financing	24	23
Trade receivables	375	282
Other receivables and other assets	105	120
Income tax assets	8	7
Cash and cash equivalents	218	198
	1,311	1,275
Total assets	2,219	2,201

Equity and liabilities

Figures in € millions	31-Mar-2017	30-Jun-2017
Equity		
Issued capital	659	713
Capital reserves, retained earnings and other reserves	- 355	- 315
Net result after taxes	36	- 16
	340	382
Non-current liabilities		
Provisions for pensions and similar obligations	488	470
Other provisions	170	175
Financial liabilities	372	394
Other liabilities	39	36
Deferred tax liabilities	6	7
	1,075	1,082
Current liabilities		
Other provisions	240	190
Financial liabilities	98	37
Trade payables	190	201
Income tax liabilities	2	2
Other liabilities	274	307
	804	737
Total equity and liabilities	2,219	2,201

Interim consolidated statement of cash flows as of June 30, 2017

Figures in € millions	1-Apr-2016 to 30-Jun-2016	1-Apr-2017 to 30-Jun-2017
Net result after taxes	-37	-16
Depreciation, amortization, write-downs, and write-ups ¹⁾	19	17
Change in pension provisions	3	2
Change in deferred tax assets/deferred tax liabilities/tax provisions	-2	-2
Result from disposals	0	0
Cash flow	-17	1
Change in inventories	-82	-73
Change in sales financing	4	3
Change in trade receivables/payables	108	92
Change in other provisions	-38	-32
Change in other items of the statement of financial position	37	17
Other operating changes	29	7
Cash generated by operating activities	12	8
Intangible assets/property, plant and equipment/investment property		
Investments	-25	-24
Income from disposals	4	1
Financial assets/company acquisitions		
Investments	0	-8
Cash investment	15	10
Cash used in investing activities	-6	-21
Change in financial liabilities	-66	-3
Cash used in financing activities	-66	-3
Net change in cash and cash equivalents	-60	-16
Cash and cash equivalents at the beginning of the reporting period	215	218
Currency adjustments	2	-4
Net change in cash and cash equivalents	-60	-16
Cash and cash equivalents at the end of the reporting period	157	198
Cash generated by operating activities	12	8
Cash used in investing activities	-6	-21
Free cash flow	6	-13

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

Financial calendar 2017/2018

November 9, 2017	➤ Publication of Half-Year Figures 2017/2018
February 8, 2018	➤ Publication of Third Quarter Figures 2017/2018
June 12, 2018	➤ Press Conference, Annual Analyst and Investor Conference
July 25, 2018	➤ Annual General Meeting

Subject to change

This interim statement was published on August 10, 2017.

Important note

This interim statement contains forward-looking statements based on assumptions and estimates by the management of Heidelberger Druckmaschinen Aktiengesellschaft. Although the Management Board is of the opinion that these assumptions and estimates are realistic, actual future developments and results may deviate substantially from these forward-looking statements due to various factors. These factors could, for instance, include changes in the overall economic situation, exchange rates and interest rates, as well as changes within the print media industry. Heidelberger Druckmaschinen Aktiengesellschaft provides no guarantee and assumes no liability for future developments and results deviating from the assumptions and estimates made in this interim statement. Heidelberg neither intends nor assumes any obligation to update the assumptions and estimates made in this interim statement to reflect events or developments occurring after the publication of this interim statement.

In individual cases, rounding may result in discrepancies concerning the totals and percentages contained in this interim statement.

This report is a non-binding English convenience translation of the German interim statement of Heidelberger Druckmaschinen Aktiengesellschaft. The Company disclaims responsibility for any misunderstanding or misinterpretation due to this translation.

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