• Where do we stand with regards to our digital transformation?

• What does this mean in terms of reaching our medium term targets?
Update Digital transformation

- **Subscription** is potential game changer in our industry
- First subscription agreement with a well-known **packaging printer** signed, for a total period of five years
- This has been followed by further agreements in the fourth quarter, primarily with our **competitors’ customers**
- Start-up of the **Heidelberg Digital Unit** provides a new competence center for digital marketing and e-commerce
Heidelberg goes digital: Next milestone achieved

Customer decides about input factors

Transactional business model: “pay per unit”

Big data: Workflow decides about input factors

HD Assistant / e-shop: customer subscribes to platform

“Amazon of the printing industry”

Subscription model: Heidelberg decides about input factors

Performance contracts for defined customer groups: Impression charge model

“Customers pay for their output rather than for their input”

Heidelberg Digital Unit” (HDU)
• Dedicated **competence center for digital marketing and e-commerce founded together with iq!**– the “Heidelberg Digital Unit” (HDU) that is becoming the **digital internet service provider** for our global sales organization

• HDU creates a **whole new platform for the online presence of Heidelberg**, including e-commerce, websites, and the Group’s image on the internet

• HDU business envisages to triple e-commerce sales to reach **€300m target**
Digital transformation increasingly taking shape

Market trend:

• Industrialization of printing companies continues
• Growth of print production volume (PPV) in market segments, e.g. packaging
• **Increased utilization** of installed equipment leads to declining number of printing units
• Fewer printing units will produce more print volume
• Sole focus on market share in a shrinking printing unit market will erode prices

Heidelbergs digital strategy:

• Subscription is a **pay per use** business model
• Subscription drives Heidelberg Sales through **increased utilization** of printing units
• Will be offered to customers with a growing PPV
• Customer enters a long-term contract and **pays per printed sheet in recurring and variable installments**, covering the full product value chain (Equipment, Consumables, Software, Consulting and Services)
• Subscription enabled by **Big Data** from Heidelbergs vast connected machine base
Growth through Digital transformation

Benefits for Heidelberg:

• **Recurring revenues**, price stability
• Significant **increase of market share** in consumables
• **Higher profitability** at growing customers
• Predictable order intake for factory reduces negative effects of cyclical business
• Shortening of customer’s reinvestment cycles into equipment
• **Financing advantages** as Subscription customers are more profitable and growing
Growth through Digital transformation

Comparison Lifetime-Value over 5 years

- Transactional Turnover
  - + 70%
- Recurring revenues in the lifecycle of a machine

Consumables

Service

Equipment

• Subscription allows immediate substantial increase in consumables share
• Therefore full compensation of short-term decline in revenue from deferred revenue during transition phase
• High lock-in of customers provide higher margins and sustainable future profitable growth
Successful launch of Subscription model

- Robust pipeline - >100 opportunities identified, represent >600m € value
- Interest growing every day
- Goal: 30 customers by end of FY19 more than realistic
- Average 5 years contract
- Average >1 million € recurring revenue per machine per year; above-average margin
- Global rollout: Specialist Subscription teams established in all regions

Heidelberg and WEIG implement new digital business model for folding carton printing
Summary 9m FY2017/2018

- The new Heidelberg gains shape – increased demand for digital products and business models; order intake in Q3 plus 16%
- Sales volume (due to negative FX effects) on prior years level
- EBITDA further improved after 9m
- Net result after taxes excluding tax-one-off significantly higher
- Sights still set on targets for financial year 2017/18 as a whole, confidence for medium term target increased
Key figures 9m 2017/18

- **Order intake** +16% qoq, on par yoy after FX adjusting; order backlog with €693m on high level
- **Sales** on previous year’s level – FX adjusted (€39m in total for 9m) slightly above PY
- **EBITDA** excl. restructuring result up by €11m; **EBITDA margin** at 6.3% (5.6%)

- Financial result benefits from reduced financing costs
- **Net result** before taxes significantly improved by €24m yoy; after taxes affected by US tax reform (one-time, non cash write-down on deferred tax assets of more c.€25m)
- As a result of acquisitions and property purchases, **Investments** indR&D building, **Free Cashflow** was negative. Positive FCF in Q3 (12m€, PY -10m€)

- **Equity** ratio up to 16% (PY 11%)
- **Net debt** further reduced to €244m
- **Leverage** with 1.3 still below target level of <2x

<table>
<thead>
<tr>
<th></th>
<th>9m 16/17</th>
<th>9m 17/18</th>
<th>Δ pY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>1,990</td>
<td>1,912</td>
<td>-4%</td>
</tr>
<tr>
<td>Sales</td>
<td>1,680</td>
<td>1,657</td>
<td>-1%</td>
</tr>
<tr>
<td>EBITDA excl. restr. result</td>
<td>94</td>
<td>105</td>
<td>+11</td>
</tr>
<tr>
<td>EBIT excl. restr. result</td>
<td>43</td>
<td>54</td>
<td>+11</td>
</tr>
<tr>
<td>Restructuring result</td>
<td>-8</td>
<td>-1</td>
<td>+6</td>
</tr>
<tr>
<td>Financial result</td>
<td>-42</td>
<td>-36</td>
<td>+6</td>
</tr>
<tr>
<td>Net result before taxes</td>
<td>-7</td>
<td>17</td>
<td>+24</td>
</tr>
<tr>
<td>Net result after taxes</td>
<td>-10</td>
<td>-10</td>
<td></td>
</tr>
<tr>
<td>Free cash flow</td>
<td>-10</td>
<td>-20</td>
<td>-10</td>
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<table>
<thead>
<tr>
<th></th>
<th>12/31/16</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
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<td>345</td>
</tr>
<tr>
<td>Net debt</td>
<td>282</td>
<td>244</td>
</tr>
<tr>
<td>Leverage</td>
<td>1.7</td>
<td>1.3</td>
</tr>
</tbody>
</table>
Sales and EBITDA by segment in 9m FY2017/18

- **Heidelberg Digital Technology**: Despite negative currency effects, sales and margin could be slightly improved as a result of volume effects.

- **Heidelberg Digital Business & Services** net sales was affected by negative FX and mainly by intentional reduction in remarked equipment & somewhat lower sales in Consumables; result was negatively impacted by higher expenses for development work and series start-ups in Digital Solutions and Digital Print.

*EBITDA excl. restr. result

- Heidelberg Digital Technology
- Heidelberg Digital Business & Services
- HD Financial Services

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## Targets set. Outlook.

<table>
<thead>
<tr>
<th></th>
<th>FY 2016/17</th>
<th>FY 2017/18</th>
<th>5-years target</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>€ 2,524m</td>
<td>on previous year’s level</td>
<td>up to € 3 billion</td>
</tr>
<tr>
<td><strong>EBITDA-Margin</strong></td>
<td>7.1% HDT ~ 5% HDB ~9%</td>
<td>7 - 7.5% HDT 5-7% HDB 8-10%</td>
<td>Up to 10%</td>
</tr>
<tr>
<td><strong>Net result</strong></td>
<td>€ 36m</td>
<td>Significantly below PY-level due to one-off tax burden, operationally moderate increase</td>
<td>(\sum &gt; € 100m)</td>
</tr>
<tr>
<td><strong>Leverage</strong></td>
<td>1.4</td>
<td>below 2</td>
<td>below 2</td>
</tr>
</tbody>
</table>

- **Outlook**
  - FY 2017/18: 7 - 7.5% on previous year’s level
  - 5-years target: up to € 3 billion

- **Comparison**
  - HDT: 5-7% up to 6-9%
  - HDB: 8-10% up to 8-11%

- **Net result**
  - Significantly below PY-level due to one-off tax burden, operationally moderate increase

- **Leverage**
  - Below 2
Our medium term targets – sustainable & profitable growth

Sales
Additional sales volume of approx. € 500 million in 5 years

Profitability
EBITDA improvement of approx. € 100 million in 5 years

- Digital print portfolio (€ +200 million)
- Digital business model (equipment– consumables – service: € +250 million)
- Digital platforms (€ +50 million)
- Digital business model / Volume growth (€ +50 million)
- Cost efficiency (operational excellence: € +50 million)

Group targets by 2022:
- Sales volume of up to € 3 billion
- EBITDA between € 250 and 300 million
- Net profit > € 100 million
# Balance Sheet

## Assets

<table>
<thead>
<tr>
<th></th>
<th>FY 2017</th>
<th>FY 2017</th>
<th>FY 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed assets</td>
<td>727</td>
<td>741</td>
<td>793</td>
</tr>
<tr>
<td>Current assets</td>
<td>1.321</td>
<td>1.365</td>
<td>1.318</td>
</tr>
<tr>
<td>thereof inventories</td>
<td>727</td>
<td>581</td>
<td>689</td>
</tr>
<tr>
<td>thereof trade receivables</td>
<td>299</td>
<td>375</td>
<td>293</td>
</tr>
<tr>
<td>thereof receivables from customer financing</td>
<td>56</td>
<td>58</td>
<td>55</td>
</tr>
<tr>
<td>thereof liquid assets</td>
<td>131</td>
<td>218</td>
<td>180</td>
</tr>
<tr>
<td>Def tax assets, prepaid expenses, other</td>
<td>107</td>
<td>113</td>
<td>77</td>
</tr>
<tr>
<td>thereof deferred tax assets</td>
<td>91</td>
<td>99</td>
<td>64</td>
</tr>
<tr>
<td>thereof deferred income</td>
<td>15</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>Total assets</td>
<td>2.155</td>
<td>2.219</td>
<td>2.188</td>
</tr>
</tbody>
</table>

## Equity and liabilities

<table>
<thead>
<tr>
<th></th>
<th>FY 2017</th>
<th>FY 2017</th>
<th>FY 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>246</td>
<td>340</td>
<td>345</td>
</tr>
<tr>
<td>Provisions</td>
<td>924</td>
<td>898</td>
<td>851</td>
</tr>
<tr>
<td>thereof provisions for pensions *</td>
<td>538</td>
<td>488</td>
<td>500</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>919</td>
<td>905</td>
<td>925</td>
</tr>
<tr>
<td>thereof trade payables</td>
<td>212</td>
<td>190</td>
<td>226</td>
</tr>
<tr>
<td>thereof financial liabilities</td>
<td>412</td>
<td>470</td>
<td>423</td>
</tr>
<tr>
<td>Def. tax liabilities, deferred income</td>
<td>66</td>
<td>75</td>
<td>67</td>
</tr>
<tr>
<td>thereof deferred tax liabilities</td>
<td>2</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>thereof deferred tax liabilities</td>
<td>64</td>
<td>70</td>
<td>62</td>
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<tr>
<td>Total equity and liabilities</td>
<td>2.155</td>
<td>2.219</td>
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<th></th>
<th>FY 2017</th>
<th>FY 2017</th>
<th>FY 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity ratio</td>
<td>11%</td>
<td>15%</td>
<td>16%</td>
</tr>
<tr>
<td>Net debt</td>
<td>282</td>
<td>252</td>
<td>244</td>
</tr>
</tbody>
</table>

* As of Dec 31, 2017 a discount rate of 2.2 percent (Mar 31, 2017: 2.4 percent) was used to determine actuarial gains and losses for domestic entities.
Financial framework

Other instruments & promotional loans

Capital markets instruments

26% 39%

35%

Syndicated credit line

Maturity profile

Other instruments
RCFA (Jun-2019)
REL | amortizing
EIB | amortizing
BondHYB (Mai-2022)
Convertible Bond (Mrz-2022)

KJ 2017: 6
KJ 2018: 16
KJ 2019: 256
KJ 2020: 235
KJ 2021: 298
KJ 2022: 205
KJ 2023: 27
KJ 2024: 15

* CB Put Option in 2020
Order intake – regional split

Order intake 9m 2017/18 (9m 2016/17)

- **EMEA**: 43.5% (45.1%)
- **Asia/Pacific**: 26.2% (25.1%)
- **Eastern Europe**: 10.2% (10.3%)
- **North America**: 16.9% (16.5%)
- **South America**: 3.2% (3.0%)

**€ 1.912m** (€ 1.990m)
Order intake – regional split

Order intake Q3 2017/18 (Q3 2016/17)

- **EMEA**: 45.6% (41.4%) of €678m (€582m)
- **North America**: 23.8% (26.6%)
- **South America**: 4.2% (3.3%)
- **Asia/Pacific**: 9.4% (11.7%)
- **Eastern Europe**: 17.0% (17.0%)

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Key figures Q3 2017/18

- **Order intake** in Q3 significantly improved by €96m
- **Sales** on previous year’s level (FX adjusted above PY)
- **EBITDA** excl. restructuring result slightly below previous year’s level; **EBITDA margin** at 7.5% (8.0%)

- Financial result benefits from reduced financing costs
- **Net result** before taxes slightly down; after taxes affected by US tax reform (one-time, non cash write-down on deferred tax assets of c. €25m)
- Positive **Free Cashflow**

- **Equity** ratio up to 16% (PY 11%)
- **Net debt** further reduced to €244m
- **Leverage** with 1.3 still below target level of <2x

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<th>Q3 17/18</th>
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<tbody>
<tr>
<td>Order intake</td>
<td>582</td>
<td>678</td>
<td>+16%</td>
</tr>
<tr>
<td>Sales</td>
<td>608</td>
<td>603</td>
<td>-1%</td>
</tr>
<tr>
<td>EBITDA excl. restr. result</td>
<td>49</td>
<td>45</td>
<td>-4</td>
</tr>
<tr>
<td>EBIT excl. restr. result</td>
<td>32</td>
<td>27</td>
<td>-5</td>
</tr>
<tr>
<td>Restructuring result</td>
<td>-2</td>
<td>-1</td>
<td></td>
</tr>
<tr>
<td>Financial result</td>
<td>-13</td>
<td>-11</td>
<td>+2</td>
</tr>
<tr>
<td>Net result before taxes</td>
<td>17</td>
<td>15</td>
<td>-2</td>
</tr>
<tr>
<td>Net result after taxes</td>
<td>18</td>
<td>-10</td>
<td>-28</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>-10</td>
<td>12</td>
<td>+22</td>
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Financial Calendar

- Figures FY2017/2018: June 12, 2018
- AGM FY 2017/2018: July 25, 2018
- Release of the figures for the first quarter 2018/2019: August 07, 2018
- Release of the figures for the second quarter 2018/2019: November 08, 2018
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