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New Heidelberg raises profile – high demand for new digital products and innovative business models

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- **Digital transformation bearing fruit – subscription model attracting considerable interest, with further growth in demand for innovative digital packaging and label presses**
- **New Heidelberg Digital Unit to significantly expand e-commerce business**
- **Operating result on target after nine months**
 - **Incoming orders for third quarter 16 percent up on previous year**
 - **Group sales match previous year's level at €1,657 million despite negative exchange-rate effects**
 - **Operating result (EBITDA) improves once again to €105 million**
 - **Clearly positive net result after taxes excluding non-recurring tax effect due to U.S. tax reform**
- **Sights still set on operating targets for financial year 2017/2018 as a whole – even more confidence in medium-term outlook**

After nine months of financial year 2017/2018 (April 1 to December 31, 2017), the digital transformation initiated at Heidelberger Druckmaschinen AG (Heidelberg) is increasingly taking shape. Among other things, initial agreements have been signed under the new subscription model whereby customers are ensured a performance product comprising press, services, consumables, and software over a period of several years. The successful market launch of this new business model is a further important step toward achieving the future growth targets. The demand for innovative digital presses remains high, with a recent significant increase in incoming orders in virtually all regions. What's more, the Heidelberg Digital Unit provides a new competence center for digital marketing and e-commerce. Among other things, this is intended to triple e-commerce sales in the years ahead to some €300 million. Furthermore, series

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production of the Heidelberg Assistant has started, initially in four countries. This will provide customers with digital support throughout the life cycle of their products.

Slight improvement in sales after adjustment for exchange rate movements – incoming orders significantly up in third quarter

Operationally speaking, Heidelberg is on course to achieve its annual targets for financial year 2017/2018. At €1,657 million, Group sales were a little down on the previous year's figure of €1,680 million but slightly up on the comparative period if negative exchange-rate effects from Asia and the U.S. amounting to some €39 million are not taken into consideration. Driven by the above-mentioned high demand for digital product and business models, incoming orders developed encouragingly in the third quarter of the financial year, increasing by more than 16 percent from €582 million to €678 million. Virtually all regions that are of relevance for Heidelberg recorded improvements, especially Europe and the U.S. The order backlog of €693 million at December 31, 2017 was at a very good level for a post-druma year.

“Heidelberg is systematically transforming into a modern digital technology company. The considerable customer demand for our new digital solutions is just what we were hoping for. This applies to the subscription models setting a new trend in our sector, our e-commerce offerings of the new Digital Unit, and our industrial digital presses for packaging and labels. Our medium-term target of using technological leadership, digital transformation, and operational excellence to generate sales of some €3 billion and a net profit after taxes in excess of €100 million is increasingly within our grasp,” commented Heidelberg CEO Rainer Hundsdörfer.

EBITDA improves to €105 million

Profitability rose further compared with the previous year's figures. After three quarters, **EBITDA excluding restructuring result** climbed from €94 million to €105 million. As a result, the EBITDA margin after nine months was 6.3 percent after a figure of 5.6 percent in the previous year. **EBIT excluding restructuring result** totaled €54 million (previous year: €43 million). Far lower financing costs resulted in the **financial result** improving from €-42 million to €-36 million. As communicated in December, the U.S. tax reform led to one-time non-cash burdens of around €25 million. Consequently, the **net result after taxes** was at the previous year's level of €-10 million. Without this special item, the result would have been clearly positive.

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The **free cash flow** (€-20 million, previous year: €-10 million) was influenced by the acquisitions and investments made in the period under review in connection with constructing the new innovation center in Wiesloch. A positive figure of €12 million was achieved in the third quarter. The improvements at operating level and the conversion of a convertible bond in July 2017 led to an increase in **shareholders' equity** to €345 million (previous year: €246 million). The **equity ratio** thus rose to some 16 percent (previous year: approximately 11 percent). The **net financial debt** at December 31, 2017 fell to €244 million (previous year: €282 million) and the leverage was still significantly lower than the target value of 2 at 1.3 (previous year: 1.7).

“Our financing structure is very solid. We have a low leverage and maintain sufficient liquidity to finance our planned investments in new business models,” said Heidelberg CFO Dirk Kaliebe. “In addition, further acquisitions might become an option, if they help speed up our digital transformation.”

Sights still set on operating targets for financial year 2017/2018 as a whole

At the end of December, the U.S. tax reform led the company to change its conditional forecast for the net result after taxes made at the beginning of the financial year. After initially expecting a further moderate increase over the previous year, Heidelberg is now predicting that the result for financial year 2017/2018 will be significantly down on the previous year's figure (€36 million).

In terms of the annual operating targets, this means that – adjusted for the above-mentioned special tax effect – Heidelberg is standing by its guidance published with the figures for the second quarter of 2017/2018 on November 9, 2017.

Net sales should be around the same level as in the previous year. As already communicated, developments in North America are looking brighter in the second half of the financial year, but exchange-rate effects in Asia and from the U.S. dollar in particular, as well as the deliberate reduction in business with remarketed equipment, are continuing to have a negative impact on business. In financial year 2017/2018, the company is still aiming to achieve an EBITDA margin in the region of 7 to 7.5 percent through measures to boost efficiency. The further improved financial result will have a

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positive impact on the net result after taxes, but the above-mentioned non-recurring costs resulting from the U.S. tax reform will have a negative one-time effect.

As planned, the strategic focus in financial year 2017/2018 is on initiating and implementing the strategic measures that form part of “Heidelberg goes digital!” – strengthening the company’s technology leadership, digital transformation of the business model, and achieving operational excellence. These measures are already starting to have a positive impact and will play a key role in achieving the company’s medium-term targets. Confidence about this has grown further as the financial year has progressed.

Image material, the interim report for the first nine months of financial year 2017/2018, and additional information about the company are available in the Press Lounge of Heidelberger Druckmaschinen AG at www.heidelberg.com.

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Heidelberg IR now on Twitter:

Link to the IR Twitter channel: https://twitter.com/Heidelberg_IR

On Twitter under the name: @Heidelberg_IR

Other dates:

The Press Conference for the 2017/2018 financial year is scheduled for June 12, 2018.

Further information:

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Important note:

This press 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.

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Heidelberg Group in figures –

9M 2017/2018

in € millions	9M 2017/18 (4/1/17–12/31/17)	9M 2016/17 (4/1/16–31/12/16)	Q3 2017/18 (10/1/17–12/31/17)	Q3 2016/17 (10/1/16–2/31/16)
Net sales	1,657	1,680	603	608
Incoming orders	1,912	1,990	678	582
EBITDA (excl. restructuring result)	105	94	45	49
Operating result (EBIT excl. restructuring result)	54	43	27	32
Restructuring result	–1	–8	–1	–2
Financial result	–36	–42	–11	–13
Net result after taxes	–10 ¹	–10	–10 ¹	18
Free Cashflow	–20	–10	12	–10
Net debt	244	282	244	282
Equity	345	246	345	246
Equity ratio	15.8%	11.4%	15.8%	11.4%
Headcount	11,537	11,480	11,537	11,480

- 1: Including a one-time non-cash value adjustment of deferred tax assets of some €25 million as a result of the U.S. tax reform.
- From financial year 2017/2018 onward, “special items” will be shown as “restructuring result” in the relevant items on the profit and loss account.
- Following changes to the company’s strategy, the business segments were reorganized on April 1, 2017. The figures for financial year 2016-17 have been adjusted accordingly.
- In individual cases, rounding could result in discrepancies in the totals and percentages contained in this press release.