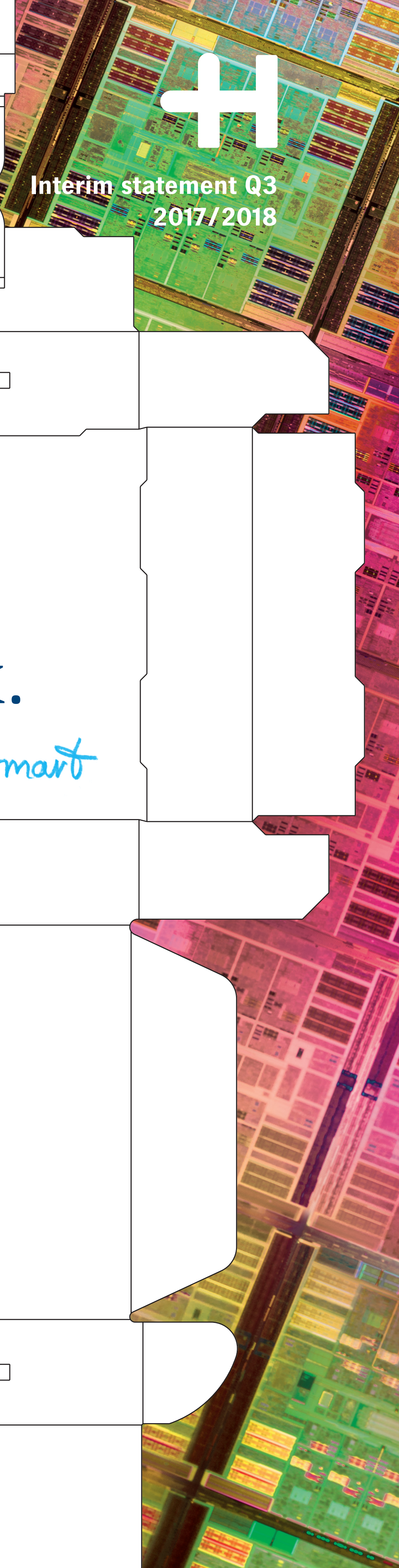

Interim statement Q3
2017/2018

Digital
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HEIDELBERG

INTERIM STATEMENT FOR THE THIRD QUARTER OF 2017/2018

Figures

- Incoming orders after nine months on par with previous year at € 1,912 million after adjusting for exchange rate effects; order backlog increases significantly in Q3 to a high level of € 693 million as of December 31, 2017
- Net sales continue to rise over course of financial year as forecast, stable year-on-year at € 1,657 million after three quarters, up slightly on previous year adjusted for negative currency effects (of around € 39 million in total in the first nine months)
- EBITDA excluding restructuring result up significantly at € 105 million
- Net result after taxes € –10 million due to effects of US tax reform; pre-tax result up from € –7 million to € 17 million
- Free cash flow at € –20 million after nine months due to acquisitions and investments in the new development center
- Net debt down further at € 244 million; leverage below target of 2
- Still on course for annual and medium-term targets

Facts

- Further progress in “Heidelberg goes digital!” strategy: business and management structures as well as organization adjusted
- Position in key growth areas strengthened: corporate acquisitions in Consumables and Digital Platforms
- Successfully positioned in the field of power electronics and electric mobility: “Heidelberg Wallbox” high-performance charging device for electric vehicles debuted at industrial trade shows
- Heidelberg Packaging Day “Pushing the Future in Packaging”: latest solutions and technologies for packaging printing presented to more than 300 attendees from all over the world
- Digital flagship Primefire 106 celebrates world customer premiere at Multi Packaging Solutions in Obersulm; the next machine to go live at another German customer’s site at the start of 2018
- Heidelberg Assistant launches in four countries: Heidelberg breaking new ground in digital customer care over the entire life cycle
- Further step into the digital future: first deals under new subscription model
- US tax reform: one-time hit on net result after taxes; future recovery in investment behavior of US customers anticipated

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 to Q3		Q3
	2016/2017	**2017/2018**	2016/2017	**2017/2018**
Incoming orders	1,990	1,912	582	678
Order backlog	739	693	739	693
Net sales	1,680	1,657	608	603
EBITDA excluding restructuring result [1]	94	105	49	45
in percent of sales	5.6	6.3	8.0	7.5
Result of operating activities excluding restructuring result [2]	43	54	32	27
Restructuring result	–8	–1	–2	–1
Financial result	–42	–36	–13	–11
Net result before taxes	–7	17	17	15
Net result after taxes	–10	–10	18	–10
Equity	246	345	246	345
Net debt [3]	282	244	282	244
Leverage [4]	1.7	1.3	1.7	1.3
Cash flow	50	69	35	35
Free cash flow	–10	–20	–10	12
Earnings per share in €	–0.04	–0.04	0.07	–0.04
Number of employees at the end of quarter (excluding trainees)	11,480	11,537 [5]	11,480	11,537 [5]

[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
[5] Of which: 135 staff through acquisitions and initial consolidation

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. The businesses bundled in the former segments Heidelberg Equipment (HDE) and Heidelberg Services (HDS) were restructured into the Heidelberg Digital Technology (HDT) and Heidelberg Digital Business and Services (HDB) segments from the start of the 2017/2018 financial year. The Heidelberg Financial Services segment will continue to exist unchanged. Moreover, as part of an efficiency project, Heidelberg will also adapt its management structures to the challenges of digitization. The goal is to create a more streamlined, more efficient and more agile organization with fewer hierarchies and less complexity, also resulting in lower process and structural costs. Together with the optimization of the tariff model for the logistics area, the expiry of the heritable building right for the previously rented property in which our logistics center is located – and the long-term planning capability this has enabled – will lead to significantly greater logistics efficiency.

In all areas, steps were taken towards growth, digitization and/or efficiency improvements. With the acquisition of Fujifilm’s coatings and pressroom chemicals business for the EMEA region, and of the software provider DOCUFY, Heidelberg has also strengthened its position in key growth areas and is expanding its portfolio particularly with regard to performance-enhancing consumables for the printing process.

The acquisition of DOCUFY is part of the plan to boost the Digital Platforms business area, which comprises IT solutions for the design, production and servicing of innovative high-tech products for industrial customers and offers end-to-end process support in digital product life cycle management.

Heidelberg is excellently positioned in the growing field of digitally printed packaging and labels with digital label printing machines from Gallus. This was highlighted by the many orders for the new Gallus Labelfire at the Labelexpo trade show in Brussels at the end of September.

Beyond the print media industry, Heidelberg has also positioned itself with its own range in the field of power electronics and electric mobility: the “Heidelberg Wallbox” high-performance charging device for electric vehicles was successfully debuted at industrial trade shows. It appeals to automotive manufacturers, retail chains and consumers alike. The range in this area will gradually be expanded.

At the start of December, as part of Heidelberg Packaging Days, our digital flagship Primefire 106 celebrated its world customer premiere at Multi Packaging Solutions in Obersulm, where it impressed the specialist press; a further machine will go live at another German customer’s site at the start of 2018.

With the launch of Heidelberg Assistant in four countries, Heidelberg has taken its digital customer contact and support to a new level, and also reached a milestone in its “Heidelberg goes digital!” strategy.

And another step was taken into the digital future in the third quarter: Heidelberg has signed the first deals under its new subscription model. Heidelberg will become an indispensable performance partner for the customer and co-operator of the customer’s production system and thus benefit from productivity increases and economic success.

The start of 2018 saw the creation of the new “Heidelberg Digital Unit” (HDU) – a center of competence for digital marketing and e-commerce. As a digital Internet service provider, HDU will support the global sales organization with contract opportunities from the field of digital marketing. HDU will also significantly boost the growth in e-commerce.

After nine months of the current financial year, Heidelberg managed to clearly boost its operating result. There was a noticeable increase in negative currency translation effects in the third quarter of the current 2017/2018 financial year. Nevertheless, net sales and incoming orders virtually matched the previous year’s level.

A one-time, non-cash write-down on deferred tax assets of approximately € 25 million caused by the US tax reform led to a reduction in the net result after taxes of the same amount in the third quarter. In the medium and long term, Heidelberg will benefit from lower tax payments in the US and expects that the current investment restraint, which was observed at many companies on account of future tax uncertainty, will dissipate, leading to a clear recovery in the investment behavior of US customers.

Net sales and results of operations
Interim consolidated income statement

Figures in € millions	Q1 to Q3 2016/2017	Q1 to Q3 2017/2018
Net sales	**1,680**	**1,657**
Change in inventories/other own work capitalized	136	139
Total operating performance	**1,815**	**1,796**
EBITDA excluding restructuring result[1]	**94**	**105**
Depreciation and amortization excluding depreciation and amortization due to restructuring	51	51
Result of operating activities (EBIT) excluding restructuring result[1]	**43**	**54**
Restructuring result[2]	– 8	– 1
Result of operating activities	**35**	**53**
Financial result	**– 42**	**– 36**
Net result before taxes	**– 7**	**17**
Taxes on income	3	27
Net result after taxes	**– 10**	**– 10**

[1] Previously: EBITDA/result of operating activities excluding special items
[2] Previously: special items

- As a result of the significant impact of negative currency effects (€ 48 million in the first three quarters, € 24 million of which in Q3), INCOMING ORDERS were down slightly year-on-year after nine months. They picked up tangibly in the third quarter to € 678 million, bettering the previous year's quarterly figure by 16 percent.
- NET SALES continued to rise steadily over the course of the financial year. They were marginally below the previous year's level after three quarters at € 1,657 million (€ 1,680 million), but were higher year-on-year adjusted for negative currency effects (of around € 39 million in total in the first nine months and around € 21 million in the third quarter alone). TOTAL OPERATING PERFORMANCE has declined slightly over the course of the 2017/2018 financial year to date.
- Both EBITDA EXCLUDING THE RESTRUCTURING RESULT (€ 105 million; previous year: € 94 million) and EBIT EXCLUDING THE RESTRUCTURING RESULT (€ 54 million; previous year: € 43 million) were increased significantly.
- The NET RESULT BEFORE TAXES thus was improved from € – 7 million in the first three quarters of the previous year to € 17 million after nine months of the current 2017/2018 financial year.
- Owing to the one-time, non-cash write-down on deferred tax assets of approximately € 25 million caused by the US tax reform, the NET RESULT AFTER TAXES after three quarters of the 2017/2018 financial year was negative at € – 10 million (previous year: € – 10 million).

Net assets

Assets

Figures in € millions	31-Mar-2017	31-Dec-2017
Non-current assets	741	793
Inventories	581	689
Trade receivables	375	293
Receivables from sales financing	58	55
Cash and cash equivalents	218	179
Other assets	246	179
Total assets	**2,219**	**2,188**

- Total assets as of December 31, 2017 were slightly lower than as of March 31, 2017, essentially as a result of the write-down on deferred tax assets and the reduction in trade receivables. This was offset by the rise in non-current assets as a result of corporate acquisitions.
- As expected, inventories have increased since March 31, 2017 on account of the higher order and sales volume to be anticipated in the fourth quarter.
- Receivables from sales financing declined slightly due to the repayments received and refinancing on the part of customers.
- Thanks to systematic asset and net working capital management, the Company further reduced its net working capital as of December 31, 2017 to € 594 million compared to the end of the financial year (March 31, 2017: € 667 million) (December 31, 2016: € 646 million).

Equity and liabilities

Figures in € millions	31-Mar-2017	31-Dec-2017
Equity	340	345
Provisions	898	851
of which: pension provisions	488	500
Financial liabilities	470	423
Trade payables	190	226
Other equity and liabilities	321	343
Total equity and liabilities	**2,219**	**2,188**

- Equity was € 345 million as of December 31, 2017, and the equity ratio was therefore around 16 percent.
- As a result of the almost total conversion of the 2013 convertible bond into shares, financial liabilities declined as against March 31, 2017.
- Net debt currently amounting to € 244 million is financed by basic funding until 2022.
- Leverage (the ratio of net debt to EBITDA excluding restructuring result for the last four quarters) was again maintained well below the target level of 2.

Financial position

Interim consolidated statement of cash flows

Figures in € millions	Q1 to Q3 2016/2017	**Q1 to Q3 2017/2018**
Net result after taxes	–10	–10
Cash flow	50	69
Other operating changes	4	–30
of which: net working capital	53	44
of which: receivables from sales financing	10	1
of which: other	–59	–76
Cash used in investing activities	–64	–59
Free cash flow	–10	–20
in percent of sales	–0.6	–1.2

- Cash flow rose to € 69 million after the first nine months.
- A net cash outflow of € –30 million was reported in other operating changes after nine months.
- The free cash flow was negative overall after nine months at € –20 million (previous year: € –10 million), owing in part to corporate acquisitions and payments in connection with the new development center.
- The three pillars of our financing portfolio – (corporate bond and convertible bond), the syndicated credit line plus other instruments and promotional loans – are well balanced.
- Heidelberg's credit facilities, which currently total around € 680 million, have balanced diversification and a balanced maturity structure until 2022.

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 to Q3 2016/17	**Q1 to Q3 2017/18**	Q1 to Q3 2016/17	**Q1 to Q3 2017/18**	Q1 to Q3 2016/17	**Q1 to Q3 2017/18**	Q1 to Q3 2016/17	**Q1 to Q3 2017/18**
Incoming orders	1,107	1,082	880	826	3	4	1,990	1,912
Net sales	844	858	833	796	3	3	1,680	1,657
EBITDA excluding restructuring result [3]	14	39	78	65	2	1	94	105
EBIT excluding restructuring result [4]	–22	4	63	49	2	1	43	54

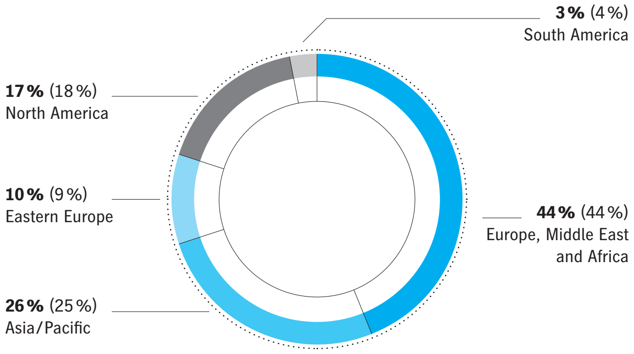
[1] Until March 31, 2017: Heidelberg Equipment
[2] Until March 31, 2017: Heidelberg Services
[3] Result of operating activities before interest, taxes, depreciation and amortization, excluding restructuring result (previously: special items)
[4] Previously: EBIT excluding special items

- Despite negative currency effects, net sales in the Heidelberg Digital Technology segment rose slightly in the reporting period, with the margin and result thus improving as a result of volume effects.
- Apart from negative currency impacts, net sales in the Heidelberg Digital Business and Services segment were mainly affected by the intentional reduction in trading in remarketed equipment and somewhat lower sales in Consumables, leaving them lower than the previous year's level. The segment's result was negatively impacted by higher expenses for development work and series start-ups in Digital Solutions and Digital Print.

Regions
Sales by region

Figures in € millions	Q1 to Q3 2016/2017	**Q1 to Q3 2017/2018**
EMEA	746	732
Asia/Pacific	426	434
Eastern Europe	151	167
North America	296	282
South America	61	42
Heidelberg Group	**1,680**	**1,657**

Q1 to Q3 2017/2018
Share of Heidelberg Group sales (in parentheses: previous year)



- EMEA was still the strongest region with around 44 percent of sales and, as expected, its incoming orders and sales were down slightly on the figures for the previous year, which were positively influenced by the drupa trade show.
- China developed positively over the course of the financial year and, despite increasingly negative currency effects, reported slight growth in incoming orders and sales.
- In spite of increasingly negative currency effects, sales on the US market rose over the financial year with a positive performance in incoming orders in the third quarter.

Conditions and outlook

The reform of US tax laws in the third quarter of the 2017/2018 financial year has necessitated the remeasurement of deferred tax assets on the high loss carryforwards (due to historical factors) at Heidelberg's US subsidiaries. This required a one-time, non-cash write-down on deferred tax assets in the consolidated financial statements for the current 2017/2018 financial year, leading to a corresponding tax expense and thus a reduction in the net result after taxes. In light of this, the Company is changing the conditional forecast for the net result after taxes that it issued at the start of the financial year. While it had initially expected further moderate growth on the previous year, Heidelberg is now assuming that the result will be significantly below the previous year's level (€ 36 million) in the 2017/2018 financial year.

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

Financial section
Interim consolidated income statement

Figures in € millions	1-Apr-2016 to 31-Dec-2016	**1-Apr-2017 to 31-Dec-2017**	1-Oct-2016 to 31-Dec-2016	**1-Oct-2017 to 31-Dec-2017**
Net sales	1,680	1,657	608	603
Change in inventories	93	108	10	11
Other own work capitalized	42	31	10	10
Total operating performance	**1,815**	**1,796**	**628**	**624**
Other operating income	62	59	19	16
Cost of materials	836	809	289	284
Staff costs	639	643	214	216
Depreciation and amortization	52	51	17	18
Other operating expenses	315	299	97	96
Result of operating activities [1)]	**35**	**53**	**30**	**26**
Financial income	5	3	2	1
Financial expenses	47	39	15	12
Financial result	**– 42**	**– 36**	**– 13**	**– 11**
Net result before taxes	**– 7**	**17**	**17**	**15**
Taxes on income	3	27	– 1	25
Net result after taxes	**– 10**	**– 10**	**18**	**– 10**
Basic earnings per share according to IAS 33 (in € per share)	**– 0.04**	**– 0.04**	**0.07**	**– 0.04**
Diluted earnings per share according to IAS 33 (in € per share)	**– 0.04**	**– 0.04**	**0.07**	**– 0.04**

[1)] Result of operating activities excluding restructuring result: € 54 million (April 1, 2016 to December 31, 2016: € 43 million)

Restructuring result (€ – 1 million; April 1, 2016 to December 31, 2016: € – 8 million) = restructuring income (€ 1 million; April 1, 2016 to December 31, 2016: € 1 million) less restructuring expenses (€ 2 million; April 1, 2016 to December 31, 2016: € 9 million).

From the 2017/2018 financial year, the restructuring result (previously: 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 December 31, 2017

Assets

Figures in € millions	31-Mar-2017	31-Dec-2017
Non-current assets		
Intangible assets	240	263
Property, plant and equipment	477	506
Investment property	11	11
Financial assets	13	13
Receivables from sales financing	34	33
Other receivables and other assets	34	21
Deferred tax assets	99	64
	908	911
Current assets		
Inventories	581	689
Receivables from sales financing	24	22
Trade receivables	375	293
Other receivables and other assets	105	86
Income tax assets	8	7
Cash and cash equivalents	218	180
	1,311	1,277
Total assets	**2,219**	**2,188**

Equity and liabilities

Figures in € millions	31-Mar-2017	31-Dec-2017
Equity		
Issued capital	659	713
Capital reserves, retained earnings and other reserves	– 355	– 358
Net result after taxes	36	– 10
	340	345
Non-current liabilities		
Provisions for pensions and similar obligations	488	500
Other provisions	170	157
Financial liabilities	372	393
Other liabilities	39	39
Deferred tax liabilities	6	4
	1,075	1,093
Current liabilities		
Other provisions	240	194
Financial liabilities	98	30
Trade payables	190	226
Income tax liabilities	2	2
Other liabilities	274	298
	804	750
Total equity and liabilities	**2,219**	**2,188**

Interim consolidated statement of cash flows as of December 31, 2017

Figures in € millions	1-Apr-2016 to 31-Dec-2016	**1-Apr-2017 to 31-Dec-2017**
Net result after taxes	– 10	– 10
Depreciation, amortization, write-downs and write-ups [1]	54	51
Change in pension provisions	8	6
Change in deferred tax assets/deferred tax liabilities/tax provisions	– 4	21
Result from disposals	2	1
Cash flow	**50**	**69**
Change in inventories	– 115	– 120
Change in sales financing	10	1
Change in trade receivables/payables	100	96
Change in other provisions	– 52	– 41
Change in other items of the statement of financial position	61	34
Other operating changes	**4**	**– 30**
Cash generated by operating activities	**54**	**39**
Intangible assets/property, plant and equipment/investment property		
Investments	– 68	– 73
Income from disposals	14	5
Financial assets/company acquisitions		
Investments	0	– 14
Income from disposals	–	0
Cash investment	– 10	23
Cash used in investing activities	**– 64**	**– 59**
Change in financial liabilities	– 76	– 14
Cash used in financing activities	**– 76**	**– 14**
Net change in cash and cash equivalents	**– 86**	**– 34**
Cash and cash equivalents at the beginning of the reporting period	**215**	**218**
Changes in the scope of consolidation	–	1
Currency adjustments	2	– 6
Net change in cash and cash equivalents	– 86	– 34
Cash and cash equivalents at the end of the reporting period	**131**	**179**
Cash generated by operating activities	54	39
Cash used in investing activities	– 64	– 59
Free cash flow	**– 10**	**– 20**

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

Financial calendar 2017/2018

June 12, 2018	Press Conference, Annual Analysts' and Investors' Conference
July 25, 2018	Annual General Meeting
August 7, 2018	Publication of First Quarter Figures 2018/2019

Subject to change.

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