Data drive future growth

ANALYSTS’ AND INVESTORS’ CONFERENCE
Rainer Hundsdörfer (CEO) | Dirk Kaliebe (CFO), Frankfurt | June 12, 2018
1. Strategy

2. Financial figures
   Outlook

3. Summary
Digital transformation in progress

Operational targets 17/18 achieved

Mid term targets 2022 confirmed

500 m € additional turnover (recurring business)

Transformation at all levels:
• technology
• organization
• culture
Data as fuel for growth

11,000  Heidelberg machines connected

25,000  Software modules are generating ...

10.2 bn  data sets per machine

400      Push-to-Stop systems sold

The Heidelberg Cloud:
Unique data treasure as basis for new business models
Technology leadership in digital printing expanded

Growth target of 200 m € in sales in industrial digital packaging printing confirmed

Primefire
- serial production has started
- First machines already installed
- Approx. 2/3 of needed installed base booked by customers
- One delivery per month

Labelfire
- Serial production running
- 15 units already installed
Technology leadership leads in medium term to rising profitability

The ink is the gold of digital printing

• Approx. 10% of target revenue will be generated in FY 19.

• After 4 to 5 years the installed base will generate more revenue with ink than with new equipment.

• Start of serial ramp up marks transition from investment to earnings phase.

• Important contribution to group’s target of ~10% EBITDA margin!
Digital transformation: Heidelberg revolutionizes the industry

Pay-per-use model is successful!

• 17 subscription contracts already signed
• 600 potential customers identified
• targets:
  • 30 contracts until end of FY 18/19
  • Sales potential ~150 m € over 5 years
Digital transformation has high earnings potential

Subscription involves above-average profitability

- Strong sales lever through higher sales of consumables
- Market share of consumables and purchasing power will be expanded
- Average recurring revenue per contract of approx. 1 m € p.a.
- Additional turnover of up to 70% through consumables and services in contrast to „sole“ machine sale

Annualized revenue curve subscription (schematic illustration): Contract comprises entire system of machine, software, consumables and services.
Digital transformation also leads to growth outside the printing industry

50 m € sales through utilization of already existing technologies:

- Offering of new digital platforms
- Integration of innovative DOCUFY software products
- Entry into the megatrend e-mobility
Cultural change continues: R&D moves into the factory

- communicative
- innovative
- agile
Cultural change: we create room for creativity and entrepreneurship
Cultural change: external Internet expertise completes our product know-how

Competence center for digital marketing & e-commerce
Triplication of sales planned
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## Targets achieved. Third year with positive net result after taxes.

<table>
<thead>
<tr>
<th></th>
<th>FY 16/17</th>
<th>FY 17/18</th>
<th>Δ pY</th>
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<tbody>
<tr>
<td>Order intake</td>
<td>2,593</td>
<td>2,588</td>
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<tr>
<td>Sales</td>
<td>2,524</td>
<td>2,420</td>
<td>-4%</td>
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<tr>
<td>EBITDA w/o restructuring result</td>
<td>179</td>
<td>172</td>
<td>-7%</td>
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<tr>
<td>EBIT w/o restructuring result</td>
<td>108</td>
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<td>Restructuring result</td>
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<tr>
<td>Financial result</td>
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<td>-48</td>
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<td>Earnings before taxes</td>
<td>34</td>
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<td>+5%</td>
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<td>Earnings after taxes</td>
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<tr>
<td>Free Cash flow</td>
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<tr>
<td>Leverage</td>
<td>1.4</td>
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</table>

- **Order intake** despite negative FX effects on high level of previous year; order backlog with 604 m€ substantially above PY (497 m€)
- **Sales** FX adjusted nearly on PY (72 m€ neg. FX) and targeted reduction of used machine business (34 m€)
- **EBITDA Margin** w/o restructuring result at 7.1% on PY level
- One-time burden of US tax reform affects **Earnings after taxes**
- **Leverage** with 1.4 still significantly below target of 2
**Balance sheet: Stable capital structure and efficient use of capital**

**> Assets**

Figures in mEUR  
31-03-2017 | 31-03-2018
---|---
Fixed assets | 741 | 810
Current assets | 1,365 | 1,367
  thereof inventories | 581 | 622
  thereof trade receivables | 375 | 370
  thereof receivables from customer financing | 58 | 66
  thereof liquid assets | 218 | 202
Def tax assets, prepaid expenses, other | 113 | 78
  thereof deferred tax assets | 99 | 66
  thereof deferred income | 14 | 12
Total assets | 2,219 | 2,256

**> Equity and liabilities**

Figures in mEUR  
31-03-2017 | 31-03-2018
---|---
Equity | 340 | 341
Provisions | 898 | 878
  thereof provisions for pensions | 488 | 523
Other Liabilities | 905 | 968
  thereof trade payables | 190 | 237
  thereof financial liabilities | 470 | 438
Def. tax liabilities, deferred income | 75 | 69
  thereof deferred tax liabilities | 5 | 6
  thereof deferred income | 70 | 63
Total equity and liabilities | 2,219 | 2,256

**Equity ratio** | 15% | 15%
**Net debt** | 252 | 236

- Net working capital (NWC) on yearly average reduced to below 30% of sales.
- Comfortable **cash position**.
- **Loss carryforwards** for which no deferred tax assets have been recognized of approx. € 1.3 bn
- **Domestic pension discount rate** of 2.1% applied (PY 2.4%)
From restructuring to **growth financing**

**Financial instruments**

<table>
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<th>€m</th>
<th>net debt</th>
<th>financial framework</th>
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<tbody>
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**Maturity profile per calendar year**

- Financing of future growth secured in the long term
- Scope for premature redemption of part of the existing 8% High Yield Bond
- Interest costs are to be reduced to approx. € 20 million and thus almost halved

**Remark:** Other financial liabilities and Finance Leases are not included. The position „REL“ includes financing for infrastructure projects.
Operational Excellence: on track – cultural change & sustainable reduction of structural cost

- 50 m€ efficiency potential

Optimize site concept

1. Agile Production

2. Relocation of R&D – agile development

3. Targeted stream-lining and structural optimization

- Improve competitiveness
- New tariff models
- Platform concepts and complexity reduction
Operational Excellence: Overall economic concept implemented

Culture change: sale HQ and move headquarters showroom (1000 FTE) from Heidelberg to Wiesloch

Operational Excellence
• WLC & PMA as buyback
• Conversion of the innovation center and relocation / utilization FEZ (further 1000 FTE)

Technology Campus
• PMA lighthouse "HD goes Digital"
• Hall 43 and 44 to the technology campus
• Other options in Wiesloch ...

Legend
1 Former Headquarters
2 Print-Media-Academy (PMA)
3 R&D Center (FEZ)
4 Former: Hall 43/44
Future: Technology Campus
All below one roof

The new Innovation Center is designed for communication, for official meetings as well as for personal exchanges or informal networking.
The new management organization is leaner, more efficient and customer-oriented:

- Segment-specific offers and **global sales and service coordination**
- **Reduction of management levels** with reduced number of interfaces
- **Global G & A functions** and global shared services
- Three consolidated segments with **functional structure**
Outlook Financial Year 18/19: Positive effects of new strategy are becoming increasingly visible

+ **Series production Digital machines**
  will have a positive impact on sales development

+ **Digital business models:**
  First revenues from recurring contract business

+ **Increased sales of consumables and e-commerce** as well as ramp-up of Digital Platforms

- **High collective agreement**
  Burden on personnel costs due to tariff and working hours increase

- **Write-down of capitalized R & D expenses**
  Start of the amortization phase of capitalized development costs for digital printing portfolio

- **Rising tax expenses abroad**
  through further improved earnings situation at foreign Group subsidiaries

• **Moderate sales growth**

• **EBITDA-Margin w/o restructuring result** between 7 – 7.5 %

• **Moderate improvement of net result**
  (including one-time tax burden 2017/2018)
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Sights still set on **medium-term targets**

+ € 200m sales

+ € 300m sales

+ € 50m efficiency

Group targets until 2022:

- Sales volume of up to € 3bn
- EBITDA between € 250 – 300m
- Net result > € 100m
Backup
Restatement of figures. New segment structure reflects new leadership organization.

<table>
<thead>
<tr>
<th>Net sales</th>
<th>FY 2018</th>
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<tbody>
<tr>
<td>Figures in mEUR</td>
<td>until 31-03-2018</td>
<td>starting 01-04-2018</td>
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<td><strong>Digital Technology (HDT)</strong></td>
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<td><strong>Digital Business &amp; Services (HDB)</strong></td>
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<td>BU Consumables</td>
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<td><strong>Heidelberg Financial Services (HDF)</strong></td>
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ACT | ACT
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2.420 | 2.420
1.316 | 1.465
1.099 | 951
4 | 4

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Sales and EBITDA by segment in FY2017/18

<table>
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<tr>
<th>Segment</th>
<th>Umsatz nach Segment</th>
<th>EBITDA* nach Segment</th>
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*EBITDA excl. restr. result

- Heidelberg Digital Technology
- Heidelberg Digital Business & Services
- HD Financial Services
Order intake by region in FY 17/18

Order intake in FY 2017/18 (FY 2016/17)

- **EMEA**: 44.5% (43.5%)
  - €2,588m (€2,593m)
- **Asia/Pacific**: 25.9% (25.7%)
- **North America**: 16.4% (17.0%)
- **Eastern Europe**: 10.1% (11.0%)
- **South America**: 3.1% (2.8%)

*mn €*
## Key figures Q4 FY 17/18

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<td><strong>Order intake</strong></td>
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<tr>
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<tr>
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