Press Information

www.heidelberg.com

Heidelberger Druckmaschinen AG

Postfach 10 29 40
69019 Heidelberg
Germany

Kurfürsten-Anlage 52–60
69115 Heidelberg

Thomas Fichtl

Phone +49 6222 82-67123
Fax +49 6222 82-67129

Thomas.Fichtl@heidelberg.com
www.heidelberg.com

August 7, 2018

Heidelberg with a solid start to the new financial year – order backlog growing thanks to subscription model

- **Incoming orders in the first quarter up by 6 percent to €665 million**
- **Group sales increased by 9 percent to €541 million**
- **Operating result (EBITDA) up from €14 million to €20 million – EBIT positive at €2 million**
- **On course to achieve overall annual targets for 2018/2019**
- **Digital transformation well underway, medium-term targets firmly in sight**

Heidelberger Druckmaschinen AG (Heidelberg) has started off the 2018/2019 financial year with growth in net sales and result. High demand for the newly established subscription model and the launch of series production of the Primefire digital press are demonstrating the potential the digital transformation offers the company. Incoming orders, for example, improved in the first quarter (April 1 to June 30) by 6 percent to €665 million. Furthermore, the previous year's figure of €629 million benefited from the Print China trade show. The order backlog grew by 18 percent to €714 million (previous year: €603 million), partly due to subscription contracts, particularly in terms of life cycle business, i.e. services and consumables.

The first quarter brought in the first revenues raised from subscription contracts, which generate recurrent sales over a term that usually lasts five years. However, Heidelberg also recorded growth in traditional business during the first quarter, with sales rising by 9 percent in total to €541 million, despite negative currency effects. Had exchange rates remained similar, revenues would have risen by around 11 percent.

Chairman of the Supervisory Board / Vorsitzender des Aufsichtsrats: Dr. Siegfried Jaschinski · Management Board / Vorstand: Rainer Hundsdörfer, Chairman / Vorsitzender · Dr. Ulrich Hermann · Dirk Kaliebe · Stephan Plenz
Registered Office: Heidelberg · Mannheim Registry Court / Amtsgericht Mannheim – Registergericht – HRB 330004 · Ust.-IdNr. DE 143455661
Commerzbank AG Heidelberg IBAN: DE32 6724 0039 0192 2640 01 BIC: COBADEFF672 · Deutsche Bank AG Heidelberg IBAN: DE22 6727 0003 0029 8000 01 BIC: DEUTDESM672

HEIDELBERG

Press Information

"The strong customer demand for our new subscription portfolio and digital packaging printing presses has exceeded our expectations. Heidelberg is driving digitization in the entire industry. The establishment of the new business models is proceeding to plan and will at first make a relatively modest contribution to net sales and result, albeit one that will increase significantly in the medium term," commented Rainer Hundsdörfer, CEO of Heidelberg.

Operating profit at the start of the year

At €20 million, **EBITDA excluding the restructuring result** was higher than the same quarter of the previous year (€14 million), bringing the EBITDA margin up from 2.8 percent to 3.7 percent. Despite the additional staff costs associated with the new collective wage agreement, **EBIT excluding the restructuring result** was positive in this quarter, which traditionally records the weakest sales, at €2 million (previous year: €-3 million). As previously announced, the company is continuing to work on reducing financing costs to less than €20 million in the medium term. As part of this process, a partial repayment of the existing corporate bond in the amount of €55 million was effected in mid-July. The associated non-recurring transaction and early redemption fees reduced the **financial result** in the quarter under review from €-13 million to €-16 million, although lower future interest payments will have a noticeable beneficial impact. After factoring in income taxes, the **net result after taxes** at €-15 million was slightly better than in the previous year (€-16 million).

At €3 million, operating cash flow was on a par with the same quarter in the previous year (€1 million). **Free cash flow** of €-45 million in the quarter under review (previous year: €-13 million) can be attributed to a build-up in inventories due to the growing order backlog, investments in building the innovation center at the Wiesloch-Walldorf site and a non-recurring increase in leasing payments for buildings. At €332 million, **equity** was at the same level as on the annual reporting date of March 31, 2018. The **equity ratio** was unchanged at around 15 percent. Despite the higher **net financial debt**, which is typical for the season and amounted to €278 million on June 30, 2018 (previous year: €234 million), leverage was 1.4, meaning it is still well below the target value of 2.

"Our financing structure is very solid. We have low leverage and are maintaining liquidity reserves we can use to finance our planned investments in new business models and the company's digital transformation," said Heidelberg CFO Dirk Kaliebe.

Press Information

Outlook unchanged: Moderate growth in sales and net profit after taxes anticipated for 2018/2019 financial year

Given the good start to the year, Heidelberg is confirming its overall targets for 2018/2019. Consequently, it is still forecasting a moderate growth in sales. Due to this, and thanks to continued efficiency improvements, the EBITDA margin excluding the restructuring result is likely to lie in the range of 7 to 7.5 percent, despite higher collectively agreed wages. Restructuring costs should be in the region of €20 million. The non-recurring expenditure associated with the partial repayment of the corporate bond is having a detrimental impact on the financial result. Due to this, and in view of rising tax expenditure among foreign group subsidiaries, a moderate overall increase in the net result after taxes compared to the previous year (including the non-recurring tax effect for 2017/2018) is being forecast.

Subscription model to play an ever-greater part in increasing net sales and result

The strong demand for the new subscription model is undiminished and has produced additional contracts in the quarter under review. Numerous contracts are also in the pipeline at present. Given the high level of interest international customers are showing in the pay-per-use model that Heidelberg alone offers in the sector, the target of a good 30 contracts for the current financial year is seen as very realistic. This is equivalent to potential sales of approximately €150 million over the contract period. The aim is to conclude at least 250 contracts by 2022.

On the whole, Heidelberg is on course to achieve its targets for 2018/2019, although these new business achievements will have a limited impact as they are still in their early stages. This strong demand validates the Management Board’s medium-term targets for the period leading up to 2022, which are to see Group sales increase by €500 million to around €3 billion, EBITDA go up to €250 – 300 million and net profit after taxes rise to at least €100 million.

Image material, the interim report for the first quarter of the 2018/2019 financial year, and additional information about the company are available in the Press Lounge of Heidelberger Druckmaschinen AG at www.heidelberg.com.

Press Information

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 scheduled publication date for the financial statements for the second quarter of 2018/2019 is November 8, 2018.

Further information:
Heidelberger Druckmaschinen AG

Corporate Communications
Thomas Fichtl
Phone: +49 6222 82-67123
Fax: +49 6222 82-67129
E-mail: Thomas.Fichtl@heidelberg.com

Investor Relations
Robin Karpp
Phone: +49 6222 82-67120
Fax: +49 6222 82-99 67120
E-mail: robin.karpp@heidelberg.com

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.

Press Information

Heidelberg Group in figures –

Q1 2018/2019

in € millions	Q1 2018/19 (1/4/18–30/06/2018)	Q1 2017/18 (1/4/17–30/06/17)
Incoming orders	665	629
Order backlog	714	603
Net sales	541	495
EBITDA (excl. restructuring result)	20	14
Operating result (EBIT excl. restructuring result)	2	–3
Restructuring result	0	0
Financial result	–16	–13
Net result after taxes	–15	–16
Free Cashflow	–45	–13
Net debt	278	234
Equity	332	382
Equity ratio	14.7 %	17.4 %
Headcount	11,549	11,445

In individual cases, rounding could result in discrepancies in the totals and percentages contained in this press release.