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

November 8, 2018

Heidelberg drives digital transformation – 20 contracts already signed for new subscription model

- **Incoming orders up 6 percent to €1,306 million in first half-year**
- **Group sales also improve by 6 percent to €1,114 million**
- **Operating result (EBITDA) increases from €60 million to €62 million**
- **Still on course to achieve targets for financial year 2018/2019 as a whole**

Six months into financial year 2018/2019, the launch of the new subscription model has led to further growth in incoming orders and the order backlog at Heidelberger Druckmaschinen AG (Heidelberg). No fewer than 20 subscription contracts covering the entire press life cycle – including service, software, and consumables – have been signed to date and demand for new machines remains healthy. As a result, **incoming orders** for the half-year have climbed by around 6 percent, from €1,234 million to €1,306 million. This figure would have been higher still had it not been for negative exchange rate movements amounting to €17 million. The **order backlog** improved by an impressive 23 percent, from €627 million to €774 million. Sales of up to €100 million, in particular for services and consumables, are expected over the standard five-year term of the subscription contracts already signed, which represent an annual sheet volume in the order of 1 billion pages.

“The subscription model offers huge potential. It’s transforming the market and also our company. We’re continuing to drive the digital transformation at Heidelberg,” commented Heidelberg CEO Rainer Hundsdörfer.

The implementation of the corporate strategy towards digitization is progressing. Printers in Europe, the US and China are already producing with high quality and productivity for their customers with the new Primefire digital printing system. With the

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

newly founded Heidelberg Digital Unit, the e-commerce business will be rapidly expanded. As part of a digital roadmap, IT will also focus even more on efficient processes and the challenges of digital business models.

Half-year operating profit improves to €62 million
Despite negative exchange rate movements totaling €15 million, Heidelberg increased its **net sales** by 6 percent to €1,114 million (H1 2017/2018: €1,054 million) in the reporting period. **EBITDA excluding restructuring result** for the half-year climbed from €60 million to €62 million, which meant the EBITDA margin remained the same at 5.6 percent. **EBIT excluding restructuring result** matched the previous year's solid level of €27 million despite additional staff costs resulting from the new collective bargaining agreement. Planned restructuring measures to improve efficiency generated higher restructuring expenses of €5 million (H1 2017/2018: €1 million). Furthermore, as already communicated, the partial repayment of €55 million of the existing high-yield bond, which was completed in mid-July, resulted in non-recurring transaction and early redemption charges. Consequently, the **financial result** after six months worsened from €–24 million to €–28 million, but will benefit significantly from lower interest payments in the future. The **net result after taxes** (including income taxes) thus fell as expected, from break-even to €–6 million.

This meant the operating cash flow of €27 million did not quite match the previous year's level of €35 million. An increase in inventories due to the growing order backlog and the start-up of digital operations as well as investments in the construction of the innovation center at the Wiesloch-Walldorf site were among the factors influencing the **free cash flow** in the reporting period (€–86 million compared with €–32 million in the previous year). At €373 million, **equity** was substantially up on the level as at March 31, 2018 (€341 million), and the **equity ratio** improved accordingly, from 15 to 17 percent. Despite seasonal factors resulting in a higher **net financial debt** of €320 million (previous year: €259 million), the leverage of 1.8 as at September 30, 2018 was once again well below the target level of 2.

"As demonstrated in October with the acquisition of MBO, we're investing in the company's digital transformation. This highlights our strategic focus on consistently aligning our portfolio and new business models with the growth segments of digital and packaging," said Heidelberg CFO Dirk Kaliebe.

Forecast for financial year as a whole unchanged – moderate growth in net sales and net profit after taxes expected

Given the solid progress in the first six months, Heidelberg can confirm the targets for financial year 2018/2019 as a whole. A moderate increase in sales and ongoing efficiency improvements should mean that, despite higher collectively agreed wages, the EBITDA margin excluding restructuring result will lie between 7 and 7.5 percent. Taking into account anticipated restructuring costs in the order of €20 million, non-recurring expenses from the partial repayment of the corporate bond, and rising tax costs at foreign subsidiaries, a moderate increase in the net result after taxes is forecast compared with the previous year (including a non-recurring tax effect in financial year 2017/2018).

Subscription model significantly increases order backlog – growing impact on net sales and result in years to come

It is expected that 30 contracts for the new subscription model will be concluded during financial year 2018/2019 as a whole, which will mean a further increase in the order backlog. Given the continued high level of interest from international customers, the number of contracts is set to climb to around 100 in the coming financial year. The new business model will only make a relatively small contribution to sales and the result at the start, but this will grow substantially in the medium term.

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

Heidelberg IR now on Twitter:

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

On Twitter under the name: @Heidelberg_IR

Press Information

Other dates:
The new innovation center at the Wiesloch-Walldorf site will be officially opened on **December 13, 2018.**

The scheduled publication date for the financial statements for the third quarter of 2018/2019 is **February 7, 2019**.

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 –

H1 2018/2019

in € millions	H1 2018/19 (1/4/18–30/9/18)	H1 2017/18 (1/4/17–30/9/17)	Q2 2018/19 (1/7/18–30/9/18)	Q2 2017/18 (1/4/17–30/9/17)
Net sales	1,114	1,054	573	559
Incoming Orders	1,306	1,234	641	605
Order backlog	774	627	774	627
EBITDA (excl. restructuring result)[1]	62	60	43	46
Operating result (EBIT excl. restructuring result)	27	27	26	30
Restructuring result	–5	–1	–6	–1
Financial result	–28	–24	–12	–11
Net result after taxes	-6	0	8	16
Free Cashflow	–86	–32	–42	–19
Net debt[2]	320	259	320	259
Equity	373	381	373	381
Equity ratio	17.0%	17.5%	17.0%	17.5%
Headcount	11,523	11,490	11,523	11,490

1) Operating result before interest, taxes, depreciation, and amortization, excluding restructuring result
2) Financial liabilities minus liquid assets and short-term securities

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