

Press Information

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Heidelberg publishes figures for the third quarter of 2019/2020

- **Preliminary figures of January 20, 2020 confirmed**
- **Package of measures to increase profitability underway**
- **Digitization is being vigorously pursued: Subscription business continues to grow, innovation initiative for drupa 2020**

Heidelberger Druckmaschinen AG (Heidelberg) today published its report on the third quarter of 2019/2020, confirming the key figures of the press release published on January 20, 2020.

Heidelberg is in an advanced planning stage with regard to the extensive package of measures announced to sustainably improve profitability and liquidity. Important cornerstones are to be adopted before the end of the current financial year and are expected to show the first positive effects already in the new financial year. The measures include streamlining and focusing the organizational structures more strongly on customer needs and more efficient processes, selling additional non-core areas to focus the product portfolio, and restructuring the international production network to significantly reduce the cost base.

"We are gearing Heidelberg on profitable activities and are launching an innovation initiative to expand our technological leadership in our core business," comments CEO Rainer Hundsdörfer. "This will enable us to consistently adapt to the challenging market conditions, which are currently difficult to predict not least due to the uncertain economic impact of the coronavirus in China, our largest single market.

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Digitization is being driven forward - innovation initiative at drupa 2020

The goal is and remains to focus the Group on customer-centric solutions and to continue to drive forward the digital transformation. Heidelberg is making further progress in this regard. For example, the company is getting closer to its goal of increasing the share of recurring revenues from subscription offers to around one-third in the medium term. By the end of December, 13 percent of the order backlog was already based on this kind of customer projects. When it comes to innovation with a focus on autonomous, fully automatic printing, Heidelberg will be presenting a new generation of offerings at the drupa 2020 trade show in June under the slogan "Unfold your Potential". One example is the popular Speedmaster model with new "Plate to Unit" printing plate logistics to further improve both cost-effectiveness and competitiveness in offset printing. Initial customer orders in this profitable core business of the Group have already been received. Heidelberg is convinced that the enhanced product portfolio will enable it to further extend its market and technology leadership in future-oriented software-based applications, intelligent user guidance, and autonomous processes of integrated solution systems ("Smart Print Shop").

Preliminary nine-month figures of January 20, 2020 confirmed

As announced on January 20, 2020, Heidelberg recorded a stable development of sales and incoming orders over the first nine months (April 1 to December 31, 2019) of financial year 2019/2020. While **incoming orders** totaling € 1,900 million almost reached the previous year's level of € 1,912 million, incoming orders in the third quarter totaled € 636 million, up from € 606 million in the previous year. **Nine-month sales** of € 1,690 million were virtually unchanged; in the third quarter, however, sales fell from € 579 million to € 567 million as a result of the reluctance to invest in Europe caused by the economic situation.

EBITDA excluding restructuring result was € 47 million in the third quarter, compared with € 39 million in the same quarter of the previous year, thanks to non-recurring income of around € 25 million from the sale of the company Hi-Tech Coatings. On the other hand, lower volumes, pressure on margins in the consumables trading business and regional shifts with a less favorable product mix as well as high up-front expenditures in digital printing had a negative impact on business. Cost-cutting measures could not compensate for this development. In the first nine months, EBITDA excluding restructuring result was € 117 million, compared to € 101 million in the

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previous year. Accordingly, the **result before taxes** was slightly positive at around € 5 million (previous year: € 1 million), while the **result after taxes** was slightly negative at € –10 million (previous year: € –2 million). **Free cash flow** improved after nine months to € –73 million (previous year: € –120 million), the **equity ratio** was 13.6 percent. **Net financial debt** totaled € 389 million on the reporting date, and leverage amounted to 1.9.

"We will streamline Heidelberg in organizational terms, divest non-core areas and assets and thus significantly reduce our cost base. With the planned package of measures, we see good potential for significantly improving liquidity and balance sheet quality," added Marcus A. Wassenberg, the company's CFO.

Outlook for 2019/20 as a whole

On January 20, 2020, the company adjusted its forecast for the year as a whole to reflect the challenging market conditions. The Management Board expects net sales for the year as a whole to be slightly below the previous year's level of around € 2.490 billion.

EBITDA excluding restructuring result and excluding the non-recurring income from the sale of Hi-Tech Coatings is expected to be in a range of 5.5 to 6.0 percent of sales. The after-tax result will accordingly be slightly negative. On the basis of the announced EBITDA range, the leverage, including the effects of the first-time application of IFRS 16, should be around 2.

The company will publish its financial statements and annual report for 2019/20 on 9 June.

Image material 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

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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.

Key figures at a glance

Figures in € millions	Q1to Q3		Q3	
	2018/2019	2019/2020	2018/2019	2019/2020
Incoming orders	1,912	1,900	606	636
Order backlog	804	818	804	818
Net sales	1,693	1,690	579	567
EBITDA excluding restructuring result ¹⁾	101	117	39	47
in percent of sales	6.0	6.9	6.7	8.3
Result of operating activities (EBIT) excluding restructuring result	49	46	21	24
Restructuring result	-9	-8	-3	-3
Financial result	-39	-33	-11	-10
Net result before taxes	1	5	7	11
Net result after taxes	-2	-10	4	7
Equity	361	328	361	328
Net debt ²⁾	350	389 ³⁾	350	389 ³⁾
Leverage ⁴⁾	2.1	1.9	2.1	1.9
Free cash flow	-120	-73	-33	26
Earnings per share in €	-0.01	-0.03	0.01	0.02
Number of employees at the end of quarter (excluding trainees)	11,512	11,367	11,512	11,367

¹⁾ Result of operating activities before interest and taxes and before depreciation and amortization, excluding restructuring result

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- ²⁾ Net total of financial liabilities less cash and cash equivalents and current securities
- ³⁾ Of which: approximately € 55 million resulted from the first-time application of IFRS 16
- ⁴⁾ Ratio of net debt to EBITDA excluding restructuring result for the last four quarters