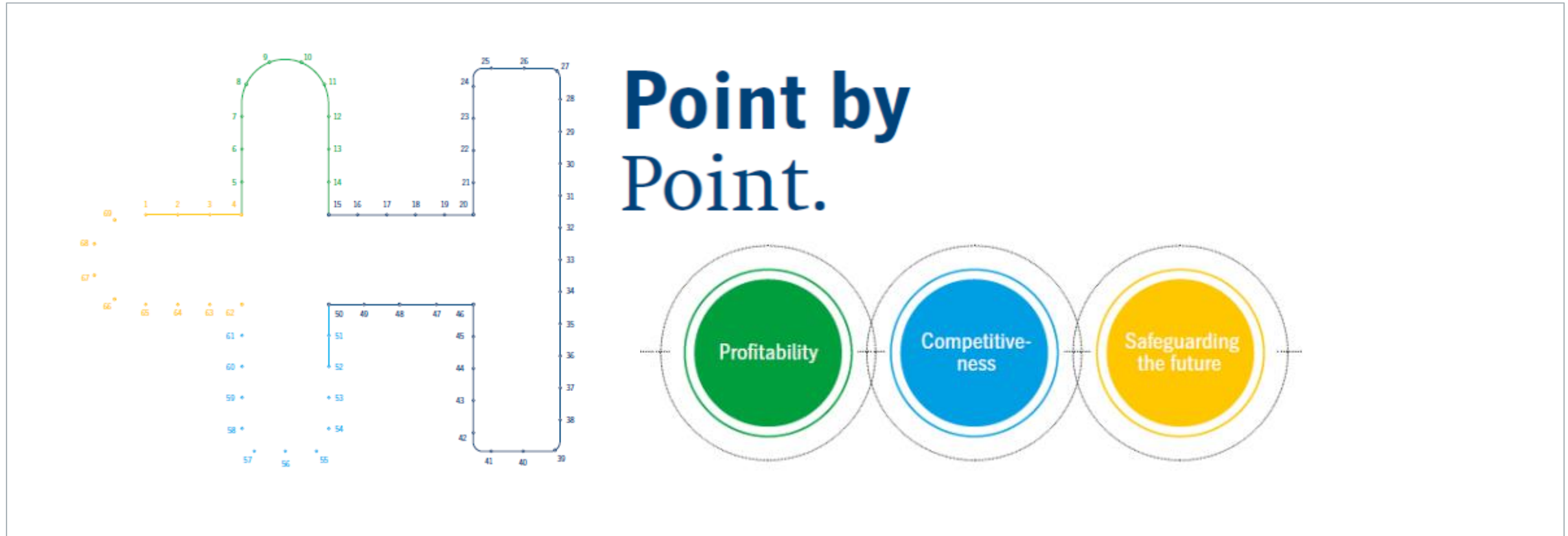




# Our goals: Profitability – Competitiveness – Safeguarding the future

**Heidelberger Druckmaschinen AG – Annual Analysts' and Investors' Conference**

Rainer Hundsdörfer, CEO | Marcus A. Wassenberg, CFO | Wiesloch, June 9, 2020



1. Current situation | Rainer Hundsdörfer, CEO

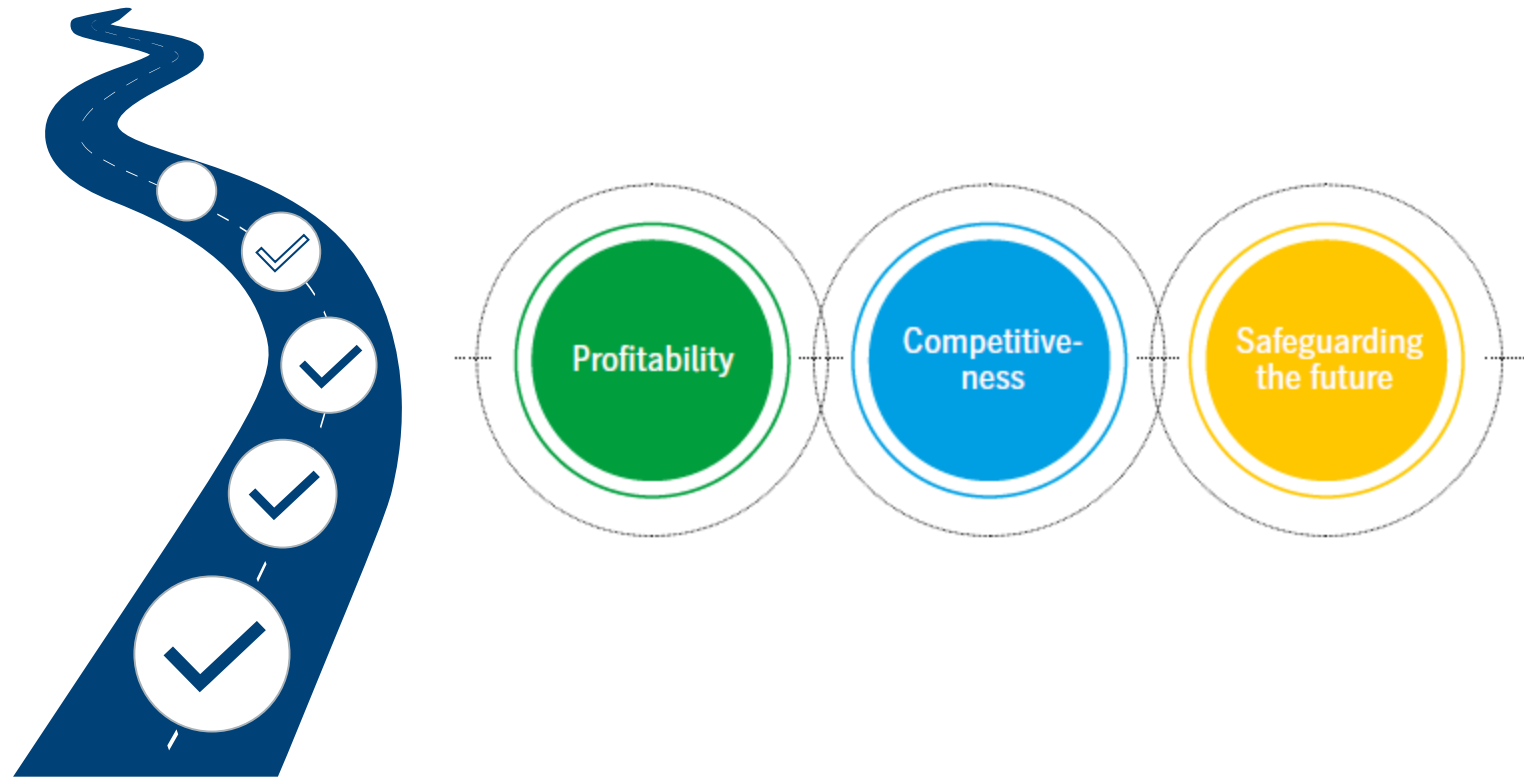
2. Financial figures,  
action package &  
outlook | Marcus A. Wassenberg, CFO

3. Strategy,  
realignment &  
conclusions | Rainer Hundsdörfer, CEO

Our goals.

**Profitability. Competitiveness. Safeguarding the future.**

**Point by point, we are taking the necessary steps to achieve our goals:**



Safeguarding the future.

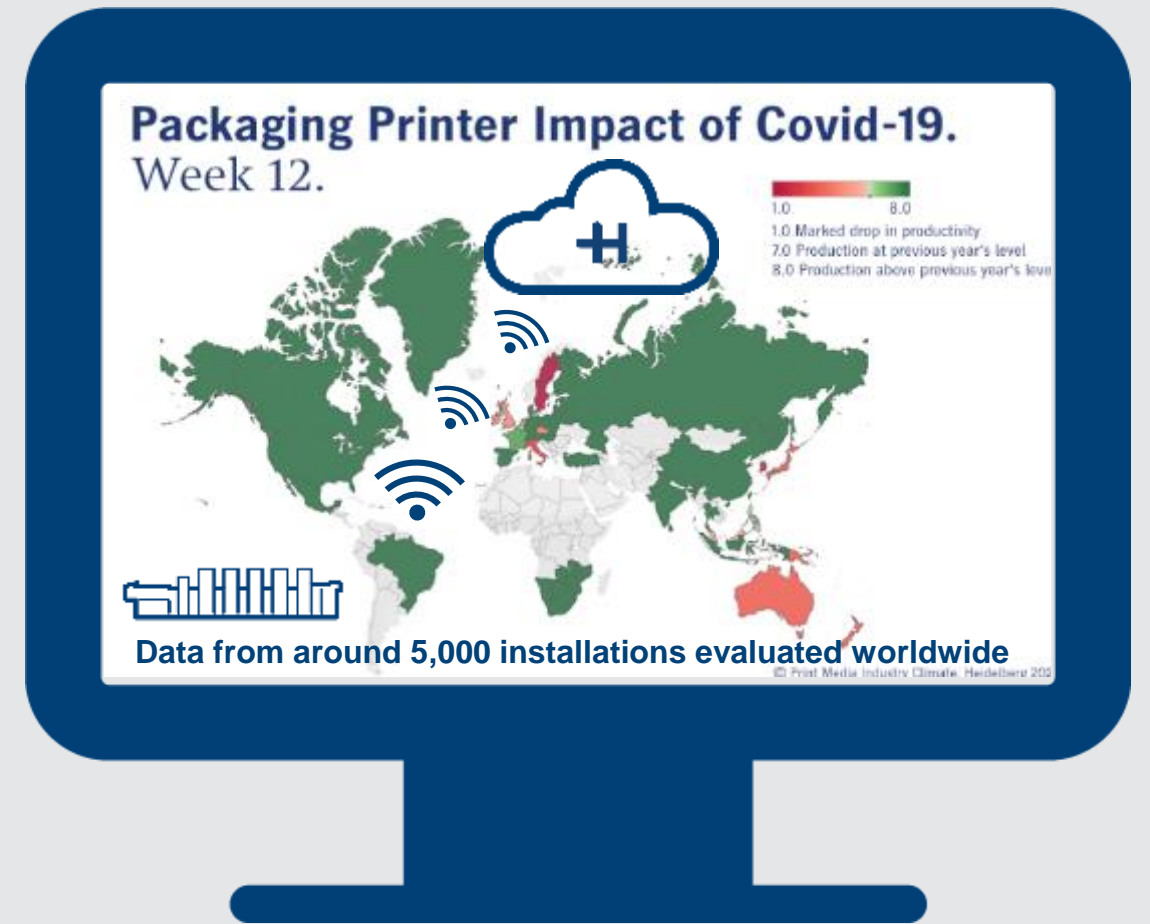
**Action package right on point – for our customers and us.**

**Through good times and bad #We4You**

In times of crisis, we continue crafting innovative digital solutions to support our customers.

With our PMI Climate Report, we keep customers up to speed about key market developments and help them keep going through the crisis.

- Print sector segment and country analysis; Heidelberg Cloud for universal connectivity
- Press status and process monitoring improves overall print shop performance.



1. Current situation | Rainer Hundsdörfer, CEO

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Economic environment.

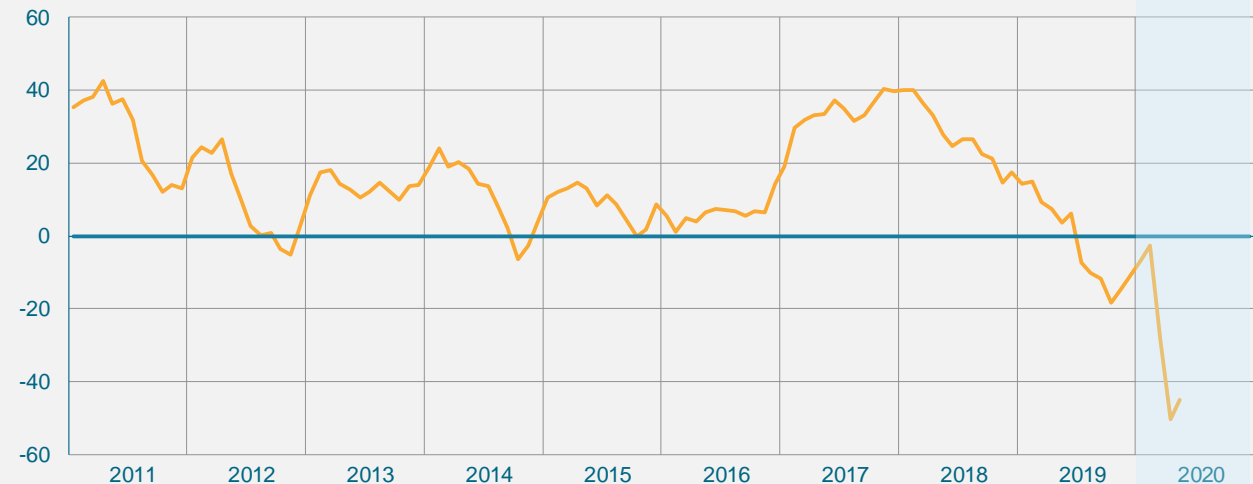
## Covid-19 pandemic impacting the global economy and the industry.

### Coronavirus pandemic has stranglehold on global economy.

- The economic impact of the global **Covid-19 pandemic** was clearly felt in the first calendar quarter.
- The majority of companies still expect the **business situation to deteriorate**.
- The entire industry is operating in a historically **difficult environment**. The Covid-19 pandemic has stranglehold on the global economy.

### Business climate in mechanical engineering

Balance of positive and negative reports in percent

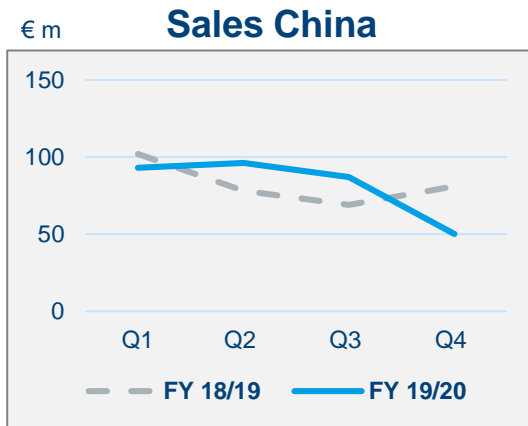


Source: ifo Institut, VDMA

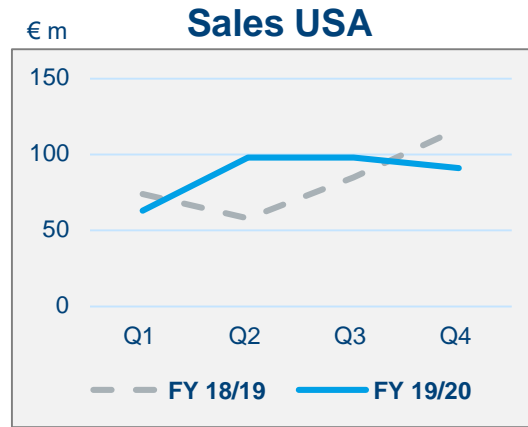


# Regional sales performance.

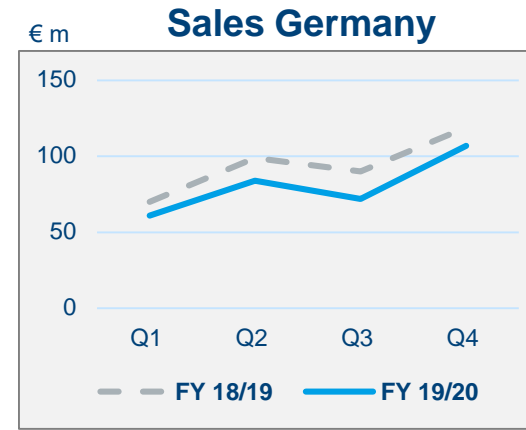
## Covid-19 pandemic hits end of FY.



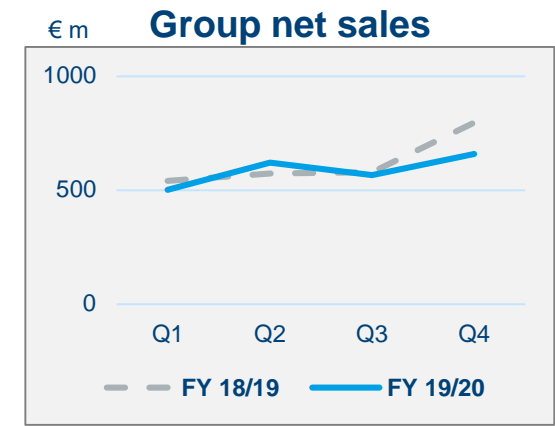
**China** shows marked sales growth, hit earlier by Covid-19.



**USA** shows strong sales growth on prior year to end of third quarter; steep fall due to Covid-19.



**Germany** and much of EMEA down on prior year already since the start of the financial year due to cyclical effects.



**After 9 months overall stable sales development. Sharp slump in the final quarter (January-March 2020).**



## Key figures.

### Covid-19 has substantial impact on FY 19/20 sales and earnings.

- **Incoming orders** level with PY at end of third quarter; sharp fall in Q4 due to Covid-19 pandemic.
- **Order backlog** at € 612 m (PY € 654 m)
- **Sales** in first nine months level with PY despite economic uncertainty; Q4 approx. € 140 m down on PY; full-year sales about 6% down on PY
- **EBITDA** excluding the effects of restructuring down on PY, mainly due to volume, product mix and one-off effects. **EBITDA margin** at 4.3%.
- **Restructuring result** as expected at € 275 m in connection with realignment.
- **Result before and after taxes** well into negative range due to restructuring expenses, as budgeted.
- **Free cash flow** at € 225 m, largely because of approx. € 325 m cash inflow from trust assets; operating FCF approx. € -100 m mainly due to volume effects.
- **Leverage** down to 0.4 due to transfer from trust assets.

	FY 18/19	FY 19/20	Δ PY
<b>Incoming orders</b>	2,559	<b>2,362</b>	-197
<b>Sales</b>	2,490	<b>2,349</b>	-141
<b>EBITDA</b> excluding effects of restructuring	180	<b>102</b>	-78
<b>EBIT</b> excluding effects of restructuring	101	<b>6</b>	-95
Restructuring result	-20	-275	
Financial result	-49	-52	-3
EBT	32	-322	-354
<b>Net result after taxes</b>	21	<b>-343</b>	-364
<b>Free cash flow</b>	-93	<b>225</b>	+318
<b>Leverage</b>	1.4	<b>0.4</b>	

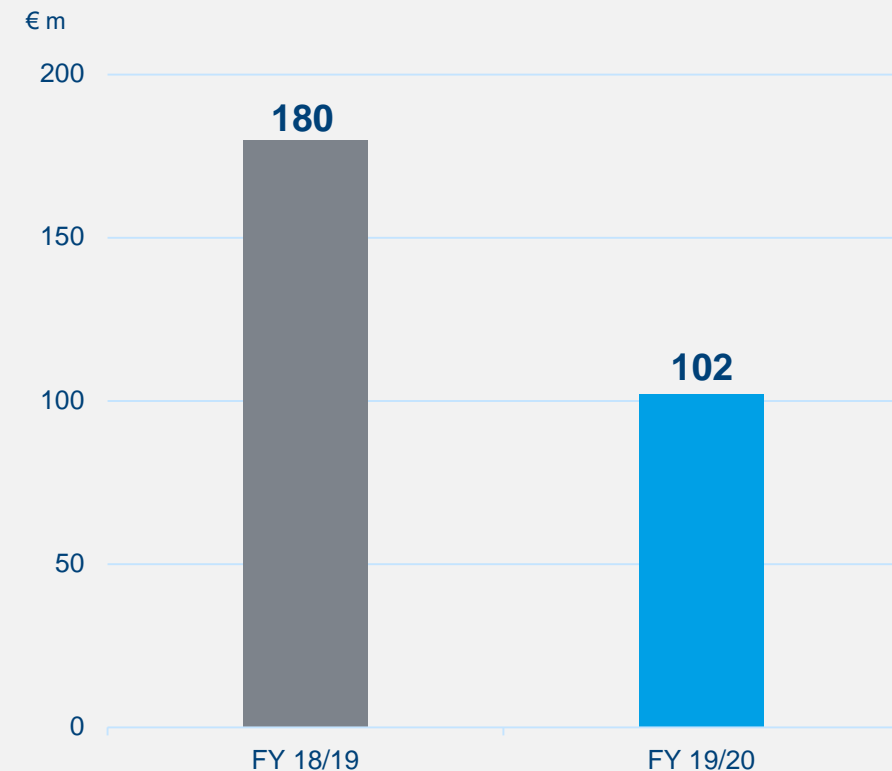
Operating profit.

**Lower volumes in Q4 have major impact on FY 19/20 earnings.**

### Main factors impacting earnings:

- **(-)** Volume (**approx. € 60m**)
- **(-)** Portfolio measures/remeasurement and risk provisioning for Covid-19 (**approx. € 30m**)
- **(-)** Other (**approx. € 30m**, z.B. personnel expenses, lower capitalized R&D costs, etc.)
- **(+)** M&A (sale of Hi-Tech Coatings (**approx. € 25m**))
- **(+)** Initial application of IFRS 16 (**approx. € 19m**)

### EBITDA excluding effects of restructuring



# Financial position.

## Significant impact on equity ratio; reduction in net debt.

> Assets	FY 2019	FY 2020	> Equity and liabilities	FY 2019	FY 2020
Figures in mEUR	31-03-2019	31-03-2020	Figures in mEUR	31-03-2019	31-03-2020
<b>Fixed assets</b>	<b>846</b>	<b>953</b>	<b>Equity</b>	<b>399</b>	<b>202</b>
<b>Current assets</b>	<b>1.399</b>	<b>1.532</b>	<b>Provisions</b>	<b>819</b>	<b>1.338</b>
thereof inventories	685	660	thereof provisions for pensions	582	986
thereof trade receivables	360	299	<b>Other liabilities</b>	<b>1.046</b>	<b>995</b>
thereof receivables from customer financing	60	43	thereof financial liabilities	465	471
thereof cash and cash equivalents	215	428	thereof contractual liabilities	187	173
<b>Deferred tax assets, prepaid expenses, other</b>	<b>84</b>	<b>118</b>	thereof trade payables	245	212
thereof deferred tax assets	76	69	thereof other payables	144	134
thereof income tax liabilities	8	16	<b>Income tax liabilities</b>	<b>65</b>	<b>67</b>
<b>Total assets</b>	<b>2.329</b>	<b>2.603</b>	<b>Total equity and liabilities</b>	<b>2.329</b>	<b>2.603</b>
			Equity ratio	17%	8%
			Net debt	250	43

- (1) **Non-current assets** up on prior-year reporting date mainly due to initial application of revaluation method for properties accounted for under IAS 16 (approx. € 170 m) and initial application of IFRS 16 (approx. € 50 m)
- (2) **Equity** impacted by restructuring expenses and reduction in discount rate on domestic pensions (from 2.0% at March 31, 2019 to 1.8% at March 31, 2020)
- (3) Substantial increase in **pension provisions** due to reduced discount rate and loss of ability to offset trust assets against pension obligations.
- (4) **Net debt** down to € 43 m due to approx. € 380 m return transfer of trust assets. **Leverage** – the ratio of net debt to EBITDA excluding the effects restructuring – has decreased significantly to 0.4

## Financial stability.

### Free cash flow benefits from inflow of capital.

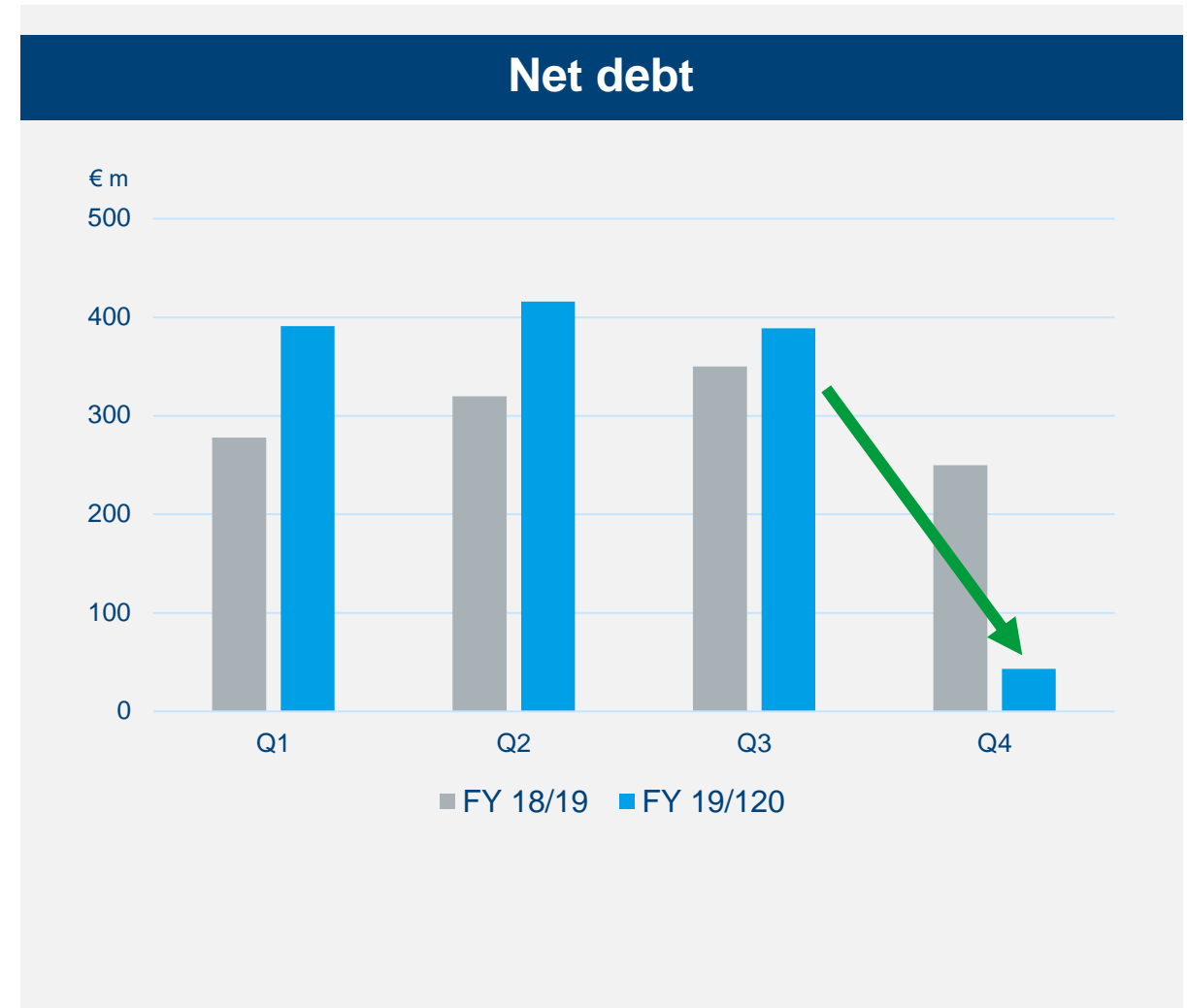
- **Cash used in operating activities** was € -54 m at the reporting date (prior year: € -11 m) after adjusting the result after taxes for non-cash items such as impairments, depreciation/amortization and provisions.
- Delayed shipments due to the Covid-19 pandemic led to an increase in **inventories**, although this was more than offset by valuation adjustments due to the discontinuation of two product lines. In total, there was therefore a net cash inflow from **NWC**.
- **Investment** related to product innovations, IT and infrastructure measures. Cash inflow of approximately € 325 m from **trust assets**.
- In total, **free cash flow** of € 225 m in reporting year clearly positive (prior year: € -93 m); operating FCF approximately € -100 m.

	FY 18/19	FY 19/20
<b>Net result after taxes</b>	21	<b>-343</b>
<b>Cash used in/generated by operating activities</b>	-11	<b>-54</b>
of which: net working capital	-62	<b>27</b>
of which: receivables from sales financing	6	<b>14</b>
of which: other operating changes	45	<b>-95</b>
<b>Cash used in/generated by investing activities</b>	-82	<b>279</b>
<b>Free cash flow</b>	-93	<b>225</b>

Financial stability.

## Significant reduction in net debt.

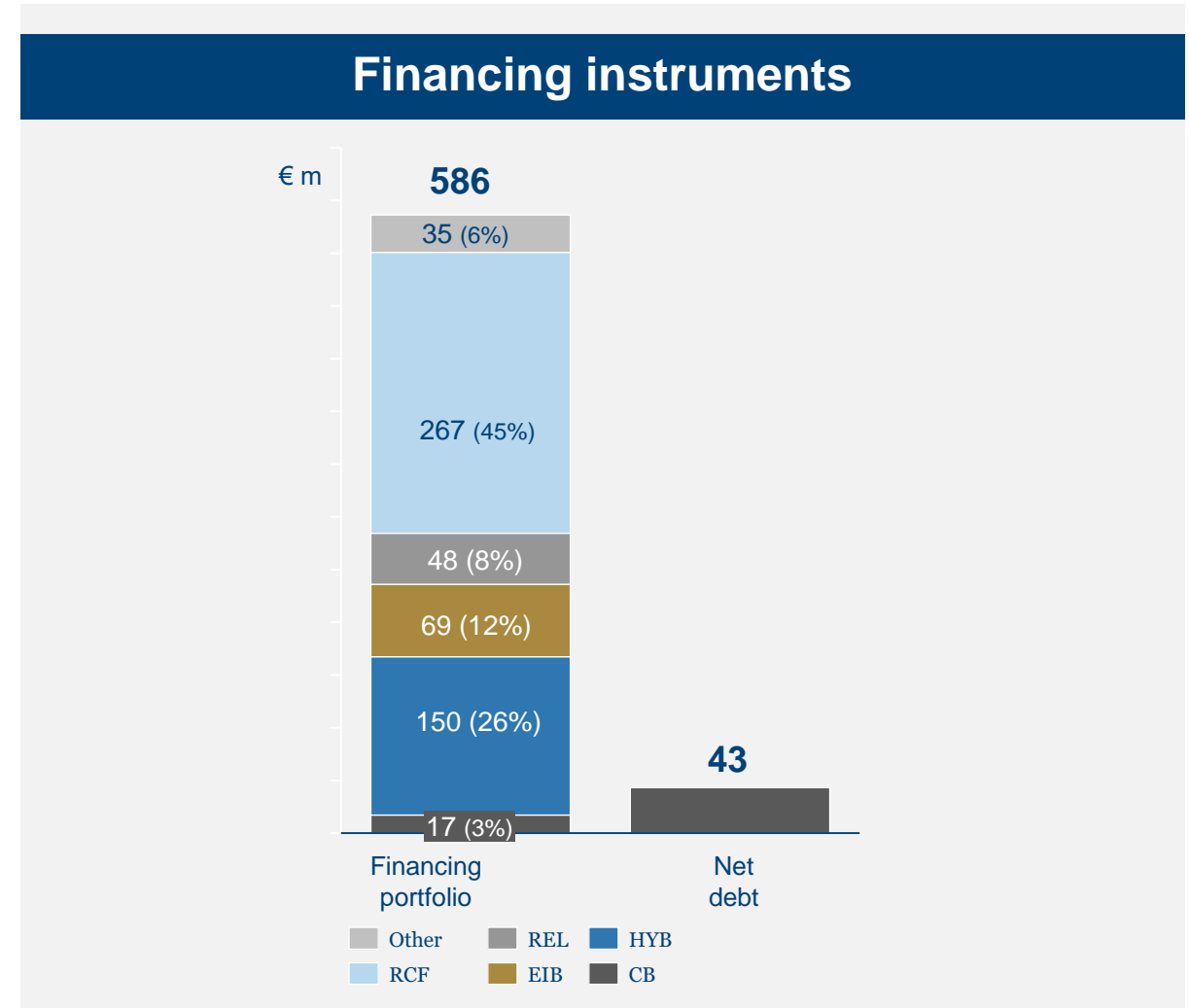
- Traditional intra-year increase in **net debt** due to inventory build-up and larger share of sales in second half-year.
- Higher level of net debt overall in 2019/20 financial year due to **initial application of IFRS 16** (€ 50 m approx.) and **higher net working capital** (NWC).
- Nevertheless, significant reduction in net debt at reporting date to € 43 m (March 31, 2019: € 250 m) due to **higher cash and cash equivalents**.



# Financial stability.

## Stable financing framework with sufficient liquidity.

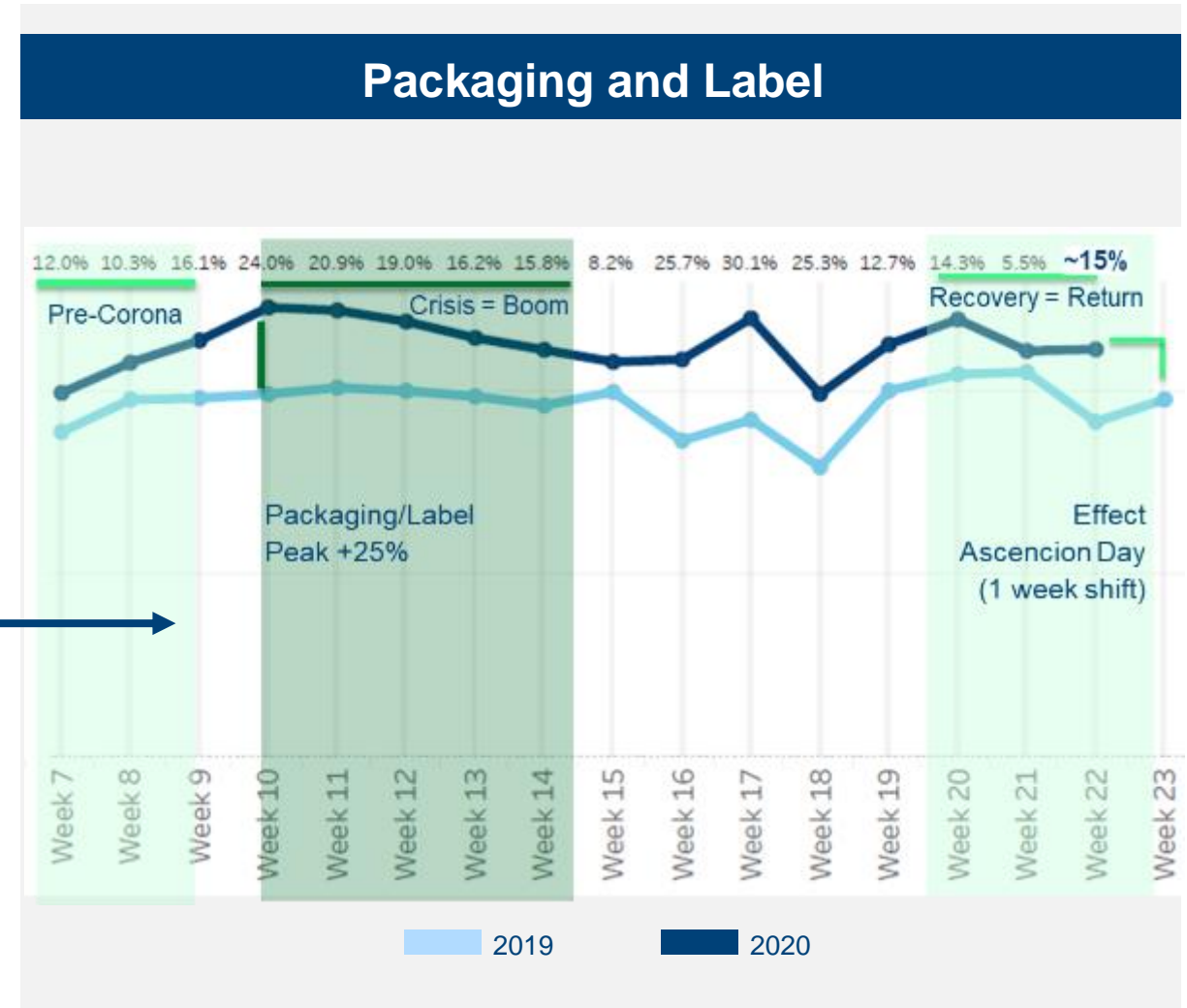
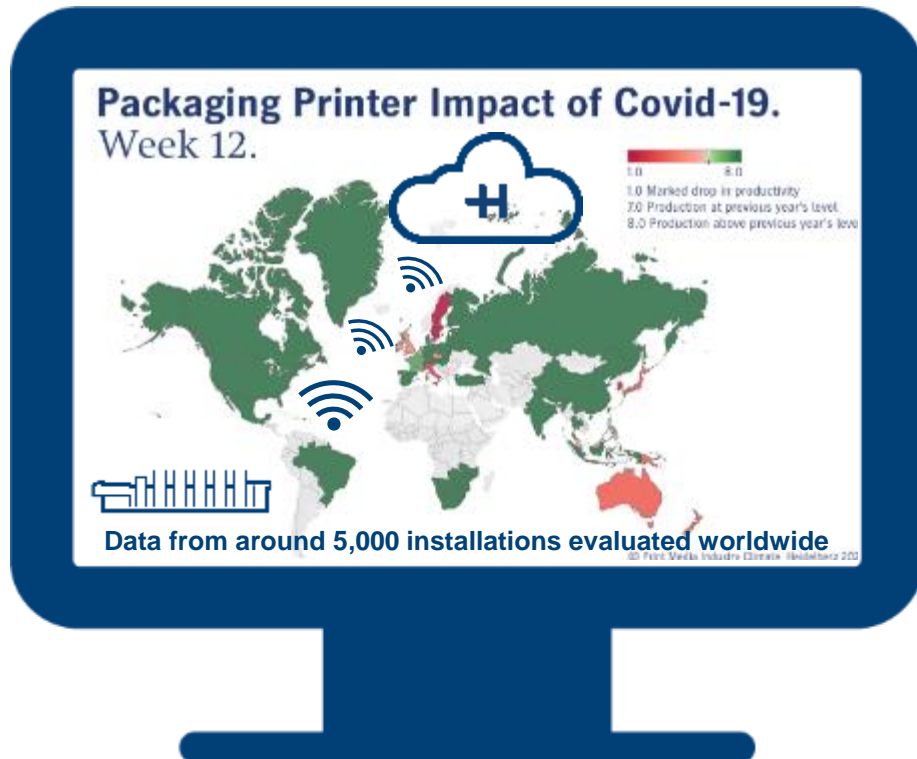
- The **pillars of our financing portfolio** – capital market instruments (corporate bond issue and remaining portion of convertible bond issue), syndicated credit facility and other instruments and promotional loans – are well balanced at the reporting date with a total amount of some € 590 m.
- The outstanding amount of the **convertible bond** was reduced to about € 17 m as of March 30, 2020 due to bondholders exercising the put option.
- **Corporate bond (HYB)** to be repaid in course of 2020/2021 financial year, as previously planned.
- The **syndicated credit facility**, which is only one-third drawn in cash, has been reduced from around € 320 m to € 267 m. Together with the **cash and cash equivalents** of around **€ 430 m** at the reporting date, this gives Heidelberg financial flexibility for the forthcoming realignment and the day-to-day operating business across the global organization.



# Outlook – Heidelberg PMI Climate Report for Packaging and Label.

## Constantly above previous year's level with boom during the crisis.

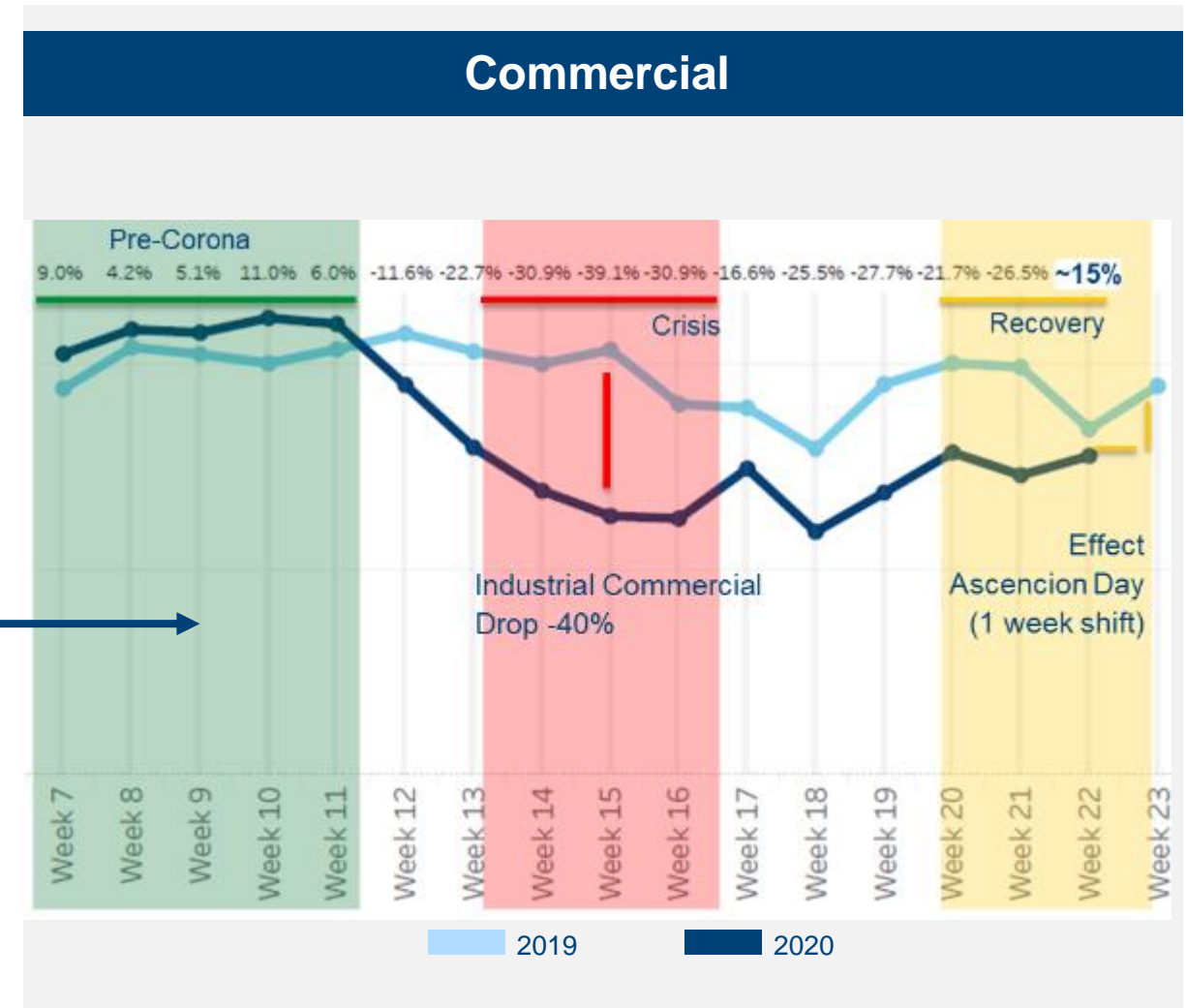
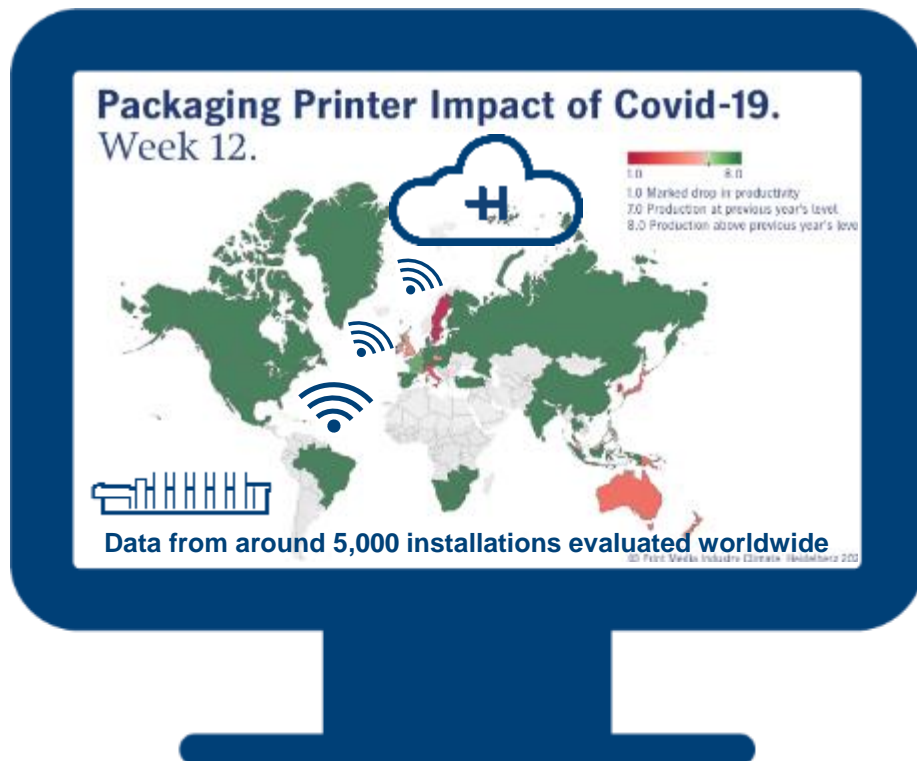
- Packaging printing has come through the crisis in **stable form** with growth relative to the prior year.



# Outlook – Heidelberg PMI Climate Report for Commercial.

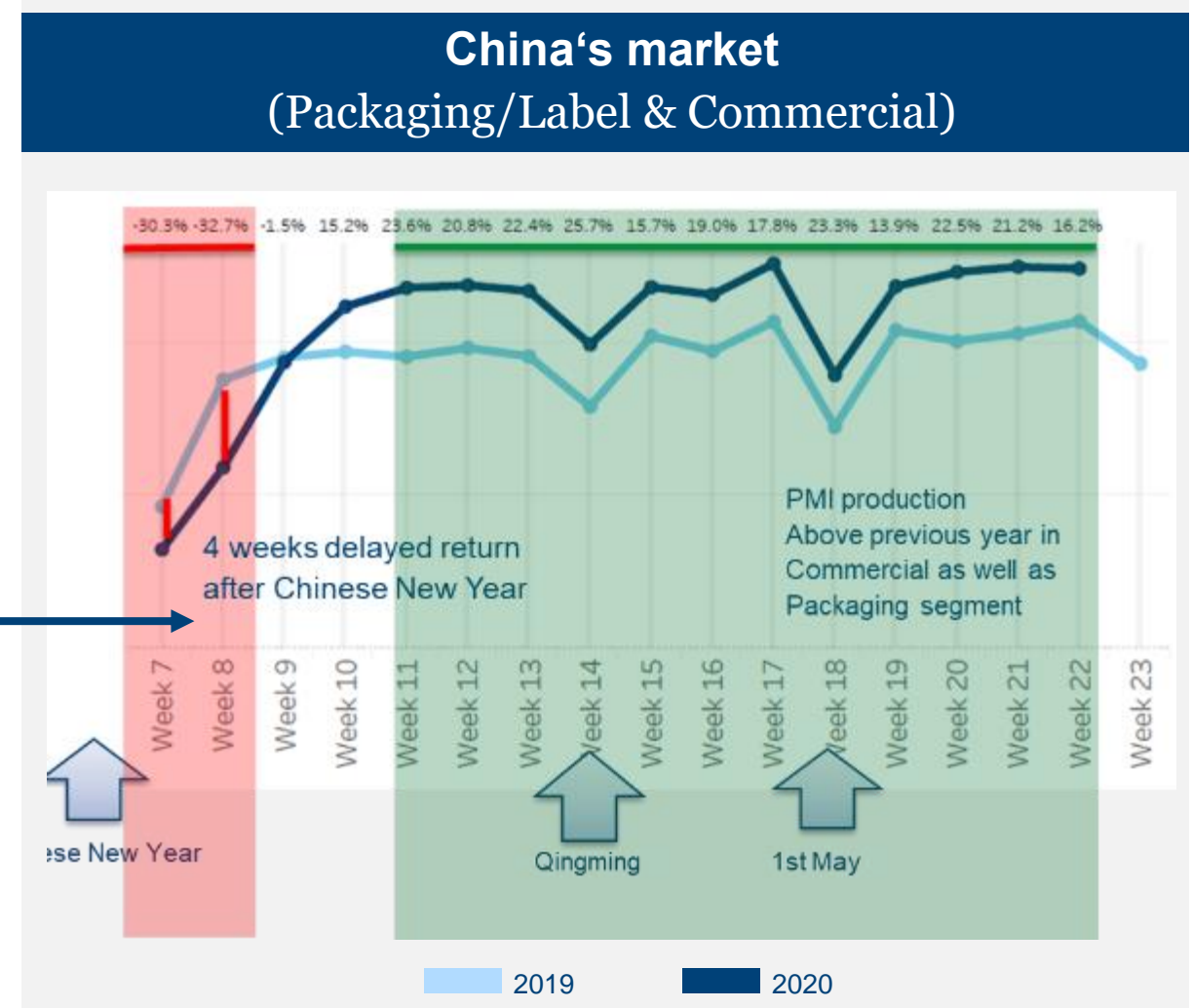
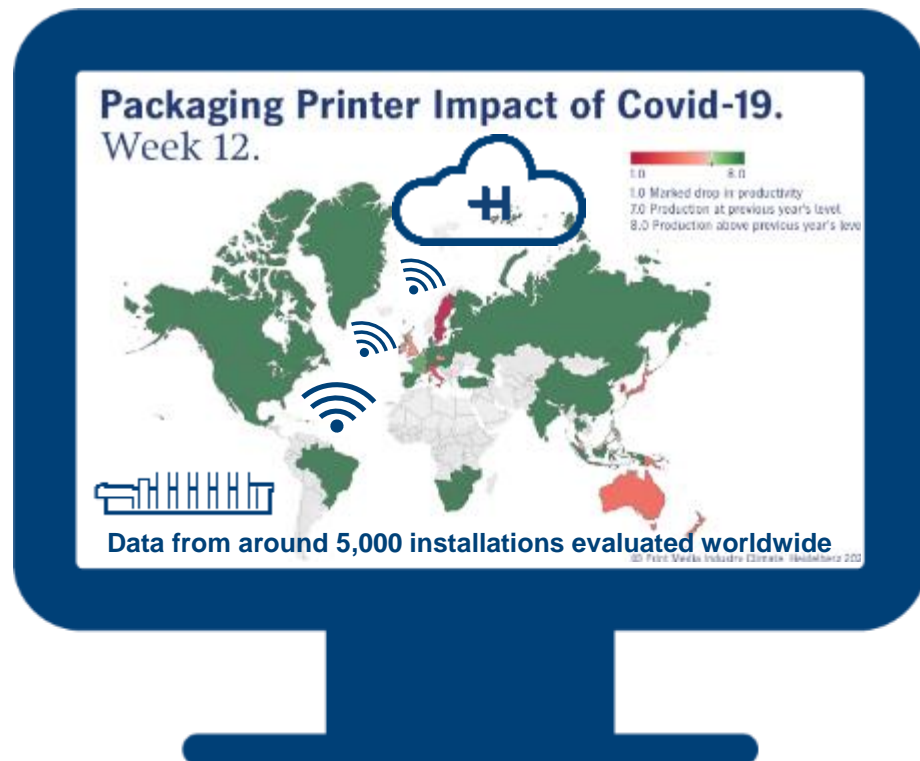
## Constant upward trend after coronavirus slump around Easter.

- In **commercial printing**, the impacts were more **pronounced**, but this segment is increasingly recovering in markets like China.



# Outlook – Heidelberg PMI Climate Report for China's market. One month after pandemic back in growth mode.

- Development of China's market gives cause for hope, showing that demand picks up as the Covid-19 situation eases.



Economic environment.

## Covid-19 pandemic impacting the global economy and the industry.

### Corona pandemic has stranglehold on global economy.

- The **global economic environment** presents companies in all industries with enormous challenges.
- **German machine and plant engineering order intake down 31%** in first calendar quarter due to Covid-19 pandemic – **sharpest drop since financial crisis** (April 2009: over 50%).
- Heidelberg cannot escape these **difficult macroeconomic and industry-specific conditions**.



June 4, 2020 | VDMA Head Economist Dr. Ralph Wiechers: Order intake April 2020



# Outlook for FY 20/21.

## Covid-19 pandemic impedes forecasting.

### - Weak ordering activity worldwide

Sharp fall in orders due to Covid-19 (especially in USA and Europe) means noticeable year-on-year drop in sales in the first half of the financial year (April 1 to September 30).

### - Impacts of realignment and potential additional measures

Restructuring expenses of € 50–60 m for action package and possible additional action to offset effects of Covid-19 planned.

### + Incipient market recovery

Analysis of operating data from the global installed machine base shows capacity utilization in print shops to be recovering worldwide. Clear signs of recovery in China. Even during the crisis, packaging printers are producing more than in the same period last year.

### + Profitability gains from realignment

Improvement in earnings by proportionate cost-down from action package plus one-off gains from:

- accounting measures
- asset management
- temporary relief from more flexible working hours (e.g. working time balances and short-time working).



- **Sales expected to be significantly down on prior year**
- **EBITDA margin** excluding the effects of restructuring **at least on the level of the previous year**
- **After-tax result significantly improved on prior year but still well into negative range**

Realignment.

**Profitability. Competitiveness. Safeguarding the future.**

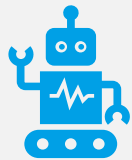
## Goals



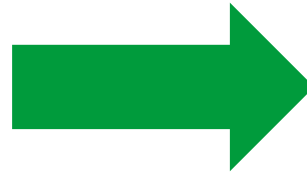
Financial **resilience**



Sustainable **profitability**



**Technology leadership** in core business with emphasis on digitization



## Measures



**Stabilization:** Debt reduction and improving liquidity



**Focus:** Portfolio focused on core business and competitive cost structure



**Implementation:** Consistent implementation of measures; focus on profitability and digitization.

# Realignment.

## Major progress in rapid implementation of action package.

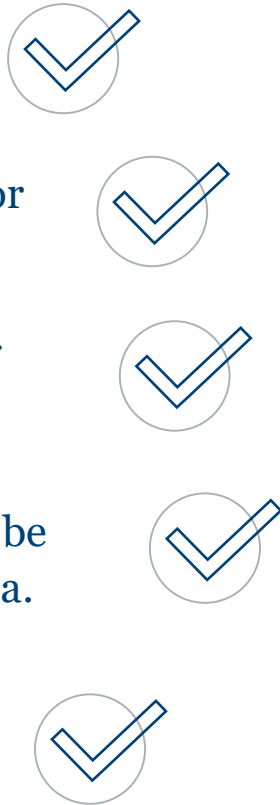
- Reduction of **net debt** by return transfer of liquidity reserve.
- Agreement on **reduction in force by about 1,600 jobs worldwide.**
- **Portfolio streamlining and focus on profitable core activities:** Discontinuation of loss-making activities.
- **Leaner organization and flatter management hierarchy.**



# Realignment.

## Restructuring of the production network to enhance competitiveness.

- Relocation of production **from Gallus (Switzerland)** to Germany.
- **Wiesloch** to be strong future location for **high-end products**.
- **Increased capacities** for production of volume models in China.
- **Joint venture with MK Masterwork** to be established for parts production in China.
- **Mass production of printed organic electronics** to begin at Wiesloch.



Realignment.

## Financial impact of the adopted measures.



**Discontinuation of unprofitable products**

€ 50 m



**Significant reduction of production costs and structural costs**

€ 50 m



**Improvement in operating profit (EBITDA)**

€ 100 m

1. Current situation | Rainer Hundsdörfer, CEO

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Our core business & our products.

**Added value for our customers – from quotation to invoice\*.**

## Core business



**Software > Sheetfed > Postpress > Service & Consumables**

### Heidelberg Transaction

Specific package for individual services and solutions



### Heidelberg Subscription

Volume-based package for complete production systems and the entire process chain



# Digital technology leadership.

## Smart Printshop for autonomous printing.

	Yesterday	Today
Cars	<ul style="list-style-type: none"><li>• Max. speed</li><li>• Bhp</li><li>• Acceleration/torque</li><li>• Number of cylinders</li><li>• Cylinder capacity</li></ul>	<ul style="list-style-type: none"><li>• User experience, smart driver assists, speech recognition ...</li><li>• Internet services</li><li>• Autonomous driving</li><li>• Occupant safety</li><li>• Environmental performance, fuel economy, CO<sub>2</sub></li></ul>
Printing presses	<ul style="list-style-type: none"><li>• Max. mechanical speed</li><li>• Specific technical components</li><li>• Individual process optimization</li><li>• Service availability</li><li>• Technical printer training</li><li>• Machine automation</li></ul>	<ul style="list-style-type: none"><li>• <b>OEE/net productivity</b></li><li>• <b>Touchpoint reduction</b></li><li>• <b>Overall process optimization</b></li><li>• <b>Preventive service approaches</b></li><li>• <b>Navigated and autonomous printing</b></li><li>• <b>Smart Print Shop/smart industry</b></li></ul>

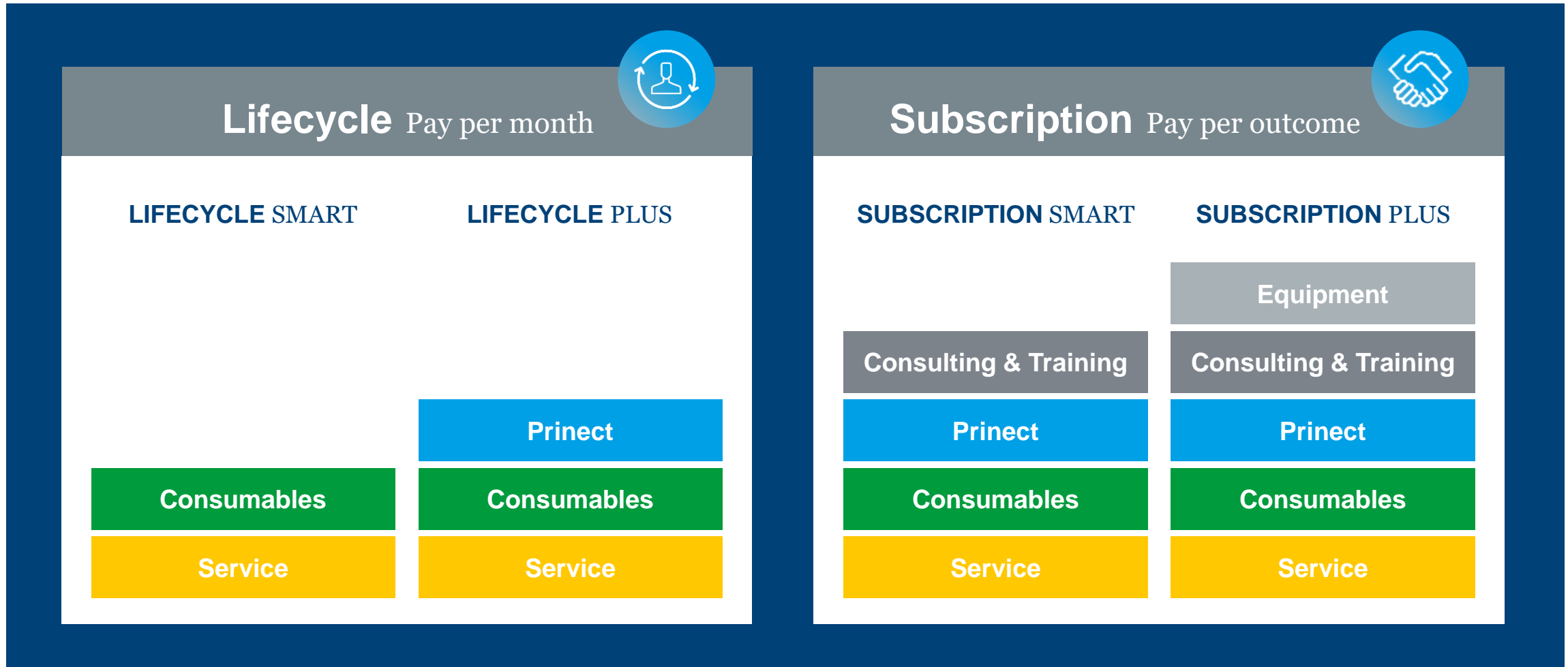


The digitization of processes is consistently being developed - clear focus on operator-independent performance: closing automation gaps | developing intelligent assistants | digital process integration and use of digital data | exploiting the potential of AI



Profitability.

**Expansion of contract business to stabilize sales.**



## Positioning in growth markets. China.

- **Incoming orders in the Asia/Pacific region increased to € 683 million (prior year: € 658 million) despite Covid-19-related shortfall in the fourth quarter – primarily due to orders from China.**
- **With currently some 850 employees in sales, service and production, Heidelberg is outstandingly well placed in China** to continue realizing growth opportunities in Asia going forward. The location is to be expanded in the future to **over 1,000 employees.**
- The **product portfolio** produced in China is **continually adapted to the requirements of the Asian market** and expanded, notably for the key packaging market.



Positioning in growth markets.

**Some 50 % of sales with sheetfed offset presses in packaging.**

- Packaging market is an **essential service** for **key industries** such as food and health due to Covid-19 pandemic
- **Portfolio expansion in China**; special machine configurations
- **MK Masterwork as strong partner** for complete solutions
- **Market leader: Over 2,000 sheetfed offset presses installed at packaging customers** worldwide in recent years
- **Some 50 % of sales with sheetfed offset presses generated in packaging**



Strong demand for  
**household food  
packaging** in the Covid-  
19 era

# Cultural change.

## From corporate group to agile player.

- Heidelberg is undergoing a radical transformation **from a large corporate group to a modern agile partner** to our customers.
- We are **streamlining at all levels** and systematically gearing our structures and processes to customer needs. An **internal change project** is already in progress to this end.
- Consistently with this, the **Management Board** has also been **reduced in size**.



Next steps and goals.

## Clear-cut agenda for profitability.

The strategic focus for the coming months is clear-cut:

1. Safeguarding liquidity
2. Implementing the **workforce measures**
3. Systematic implementation of **transformation to agile player**
4. Improving **profitability**
5. Extending **digital technology leadership**



# Heidelberg's realignment.



**We have a solid financial base and staying power.**

Heidelberg's stability throughout the crisis is a good springboard for potential economic recovery.



**We are now streamlining and lowering the breakeven point.**

Positive outlook in Heidelberg's markets instill optimism for future developments.



**We are focusing on our profitable core business.** As technology leader and full-service provider (product and service), Heidelberg is a trusted partner to customers in its core business.

# BACKUP



# Key Financial Highlights.

## Sales and EBITDA by segment in FY 19/20.

- Heidelberg Digital Technology:**

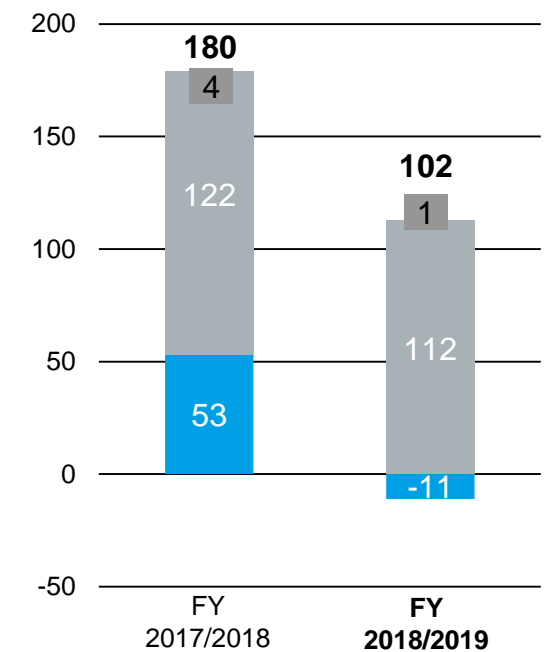
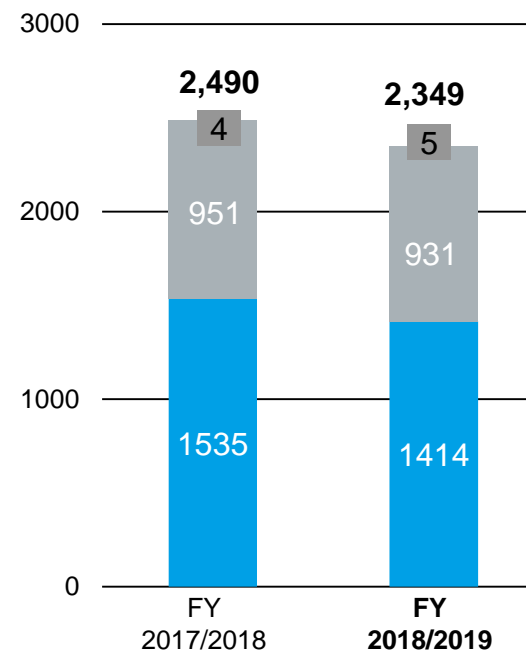
Earnings burdened by economic uncertainties and the pandemic. EBITDA\* margin of -0.8% was well below the previous year's figure of 3.5%.

- Heidelberg Lifecycle Solutions:**

Service significantly affected by Covid-19 pandemic. At 12%, the EBITDA\* margin was slightly below that of the previous year at 12.8%.

### Sales by segment

### EBITDA\* by segment



Heidelberg Digital Technology



Heidelberg Lifecycle Solutions



HD Financial Services

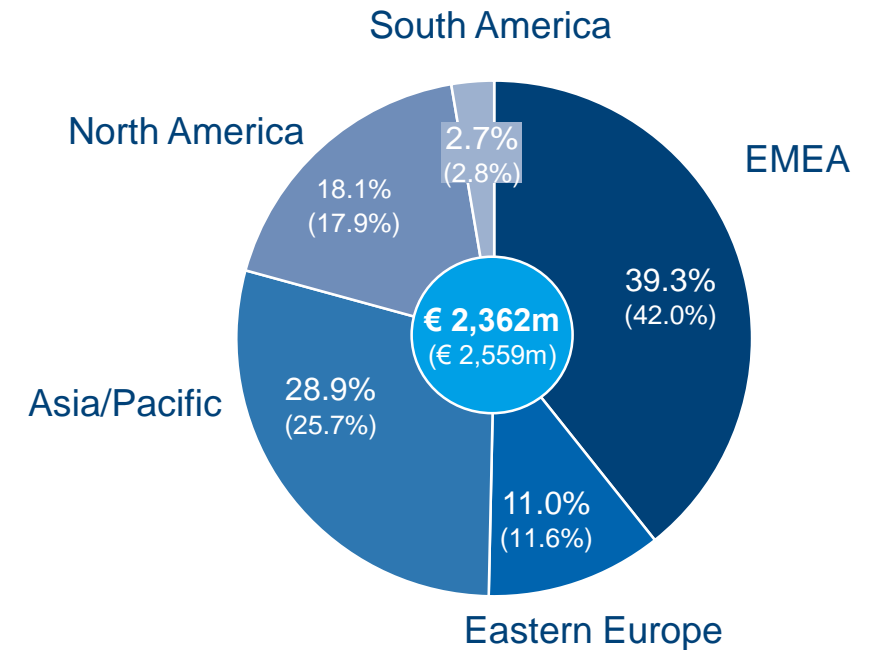
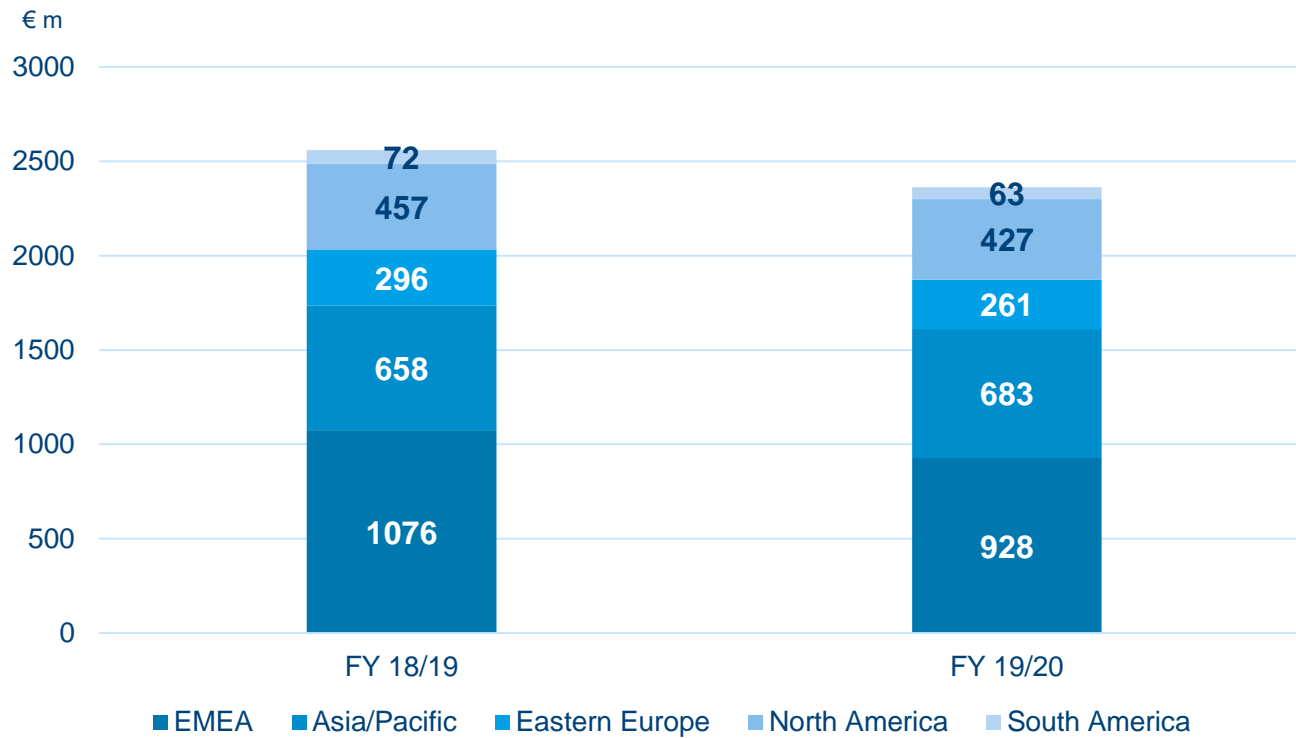
\*EBITDA excluding restructuring result



## Regions.

### Asia/Pacific with order increase – worldwide Covid-19 declines in Q4.

Incoming orders by region FY 19/20 (FY 18/19)



# Financial calendar 2020/2021.

<b>June 9, 2020</b>	➔	Press Conference, Annual Analysts' and Investors' Conference
<b>July 23, 2020</b>	➔	Virtual Annual General Meeting
<b>August 13, 2020</b>	➔	Publication of First Quarter Figures FY 2020/2021
<b>November 10, 2020</b>	➔	Publication of Half-Year Figures FY 2020/2021
<b>February 10, 2021</b>	➔	Publication of Third Quarter Figures FY 2010/2021
<b>June 9, 2021</b>	➔	Press Conference, Annual Analysts' and Investors' Conference

- Dates may be subject to changes -



# Disclaimer



This 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 presentation.