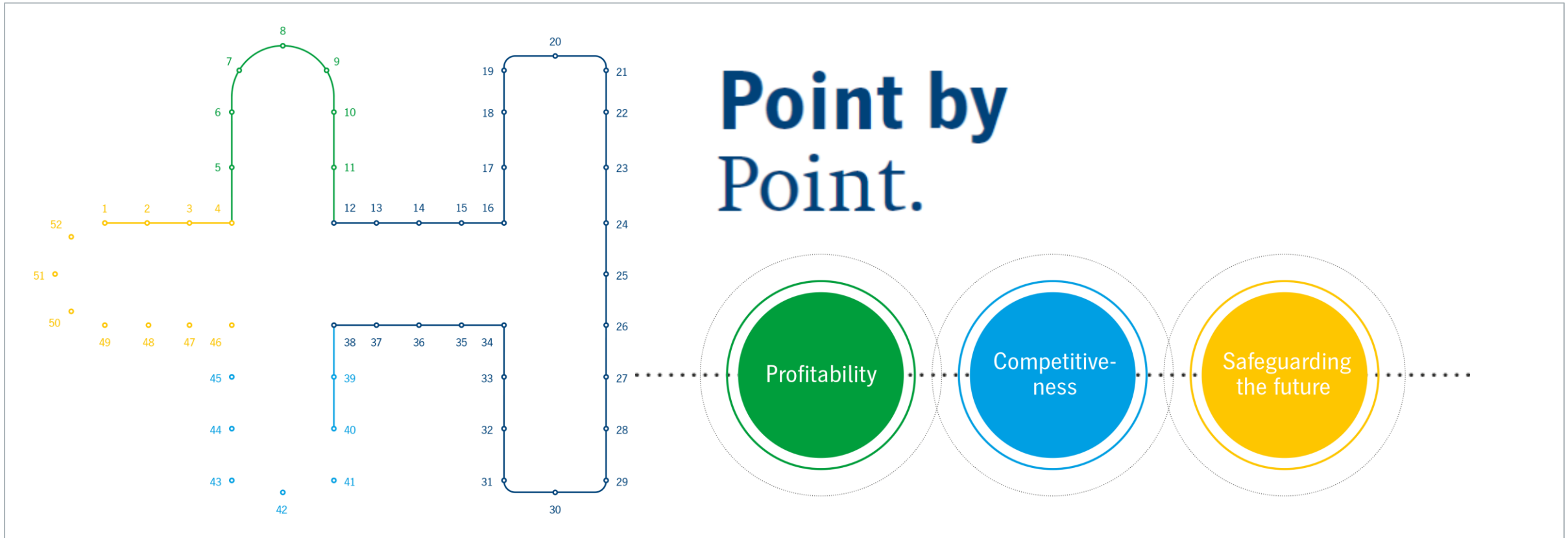




Our goals: Profitability – Competitiveness – Safeguarding the future

Heidelberger Druckmaschinen AG – First Quarter Results FY 2020/2021

Rainer Hundsdörfer, CEO | Marcus A. Wassenberg, CFO | Wiesloch, August 13, 2020





First Quarter FY 2020/2021.

Covid-19 pandemic impacting the global economy and the industry – transformation shows positive effects.

- **Covid-19 pandemic effects continue to pose major challenges – particularly for export companies like Heidelberg.**
- **As already announced sales and order intake were heavily impacted by pandemic - but recovery tendencies constantly noticeable.**
- **Thanks to the strategic transformation initiated at an early stage to increase profitability, Heidelberg is successfully resisting the massive operational burdens resulting from Covid-19 pandemic.**





Our goals.

Profitability. Competitiveness. Safeguarding the future.

We deliver what we promise and are making great progress in implementing all announced measures.



Realignment.

Major progress in the area of cost efficiency.

- Sustainable adjustment of our production and structural costs: Agreement on **reduction in staff by about 1,600 jobs worldwide.**
- **Streamlining the organization** from Management Board to all management levels.
- **Optimization the global production network:**
 - **Wiesloch** to be strong future location for **high-end products**
 - **Increasing capacities** for production of volume models in China.
 - **JV with MK Masterwork** to be established for parts production in China.



Realignment.

Transformation measures show effect.

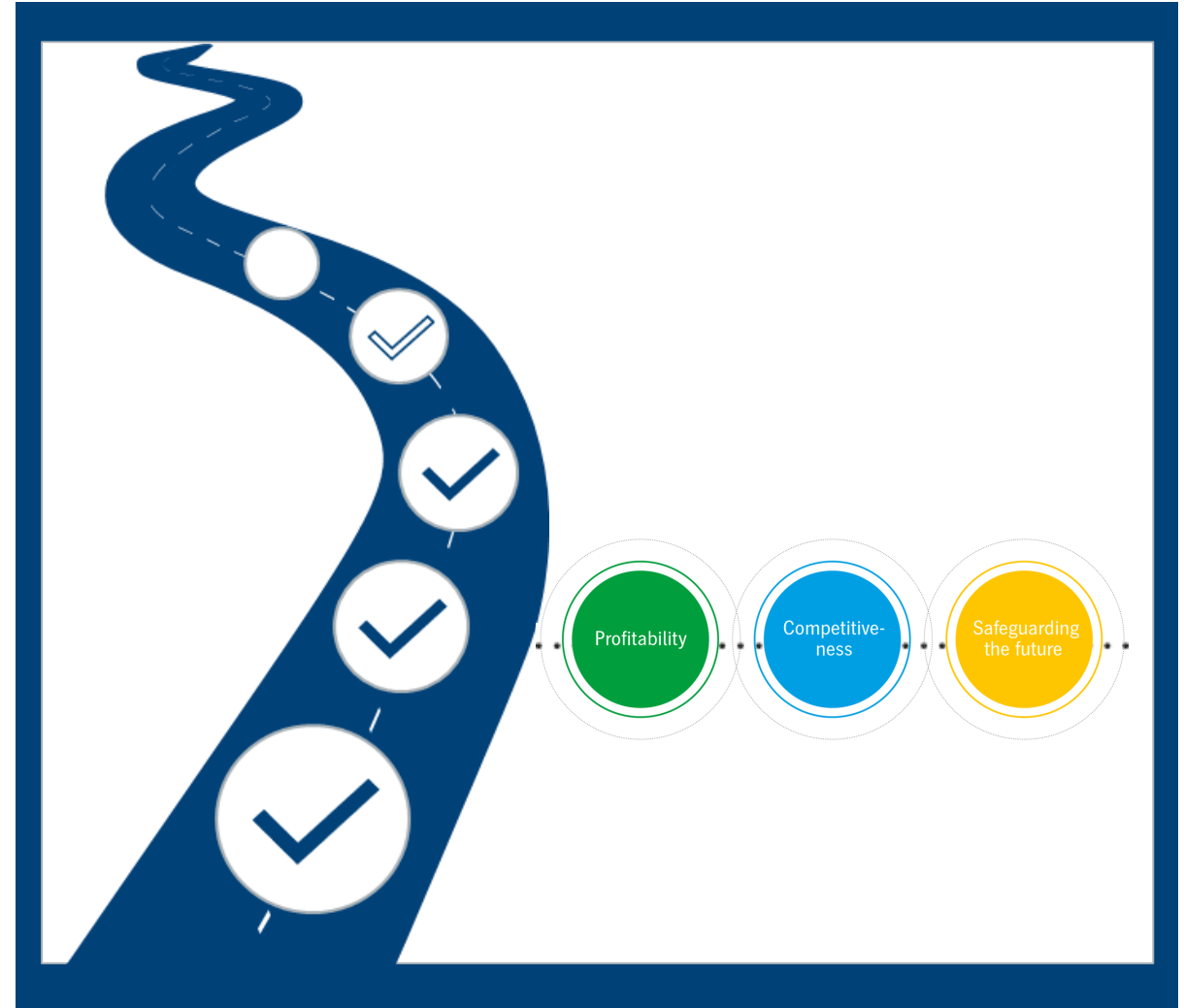
- With a reduction of **net debt** from € 391m in Q1 19/20 to € 122m in Q1 20/21, Heideberg is in a financially stable position to successfully drive forward the transformation. ✓
- The task now is to **increase equity ratio** and significantly lower our break-even point. ✓
- Reorganization of pension scheme (€ 73m) for employees in Germany and use of short term work lead to a **clearly positive EBITDA*** of **€ 60m** (PY € 14m) and **earnings after taxes** stood at **€ 5m** ✓



Realignment.

Major progress in the area of portfolio clean-up.

- **Focus on profitable core activities:** Closure of loss-making activities – relating to Primefire 106 and the large format by the end of CY 2020.
- **Further divestment of non-core business:**
 - **Sale of Gallus-Group** to the Swiss packaging group benpac holding for approx. € 120m.
 - **Sale** via Management buyout of Belgian **CERM N.V.** (focuses on MIS for the narrow web label market)
- **Transactions should generate earnings in mid double-digit Euro-million range**





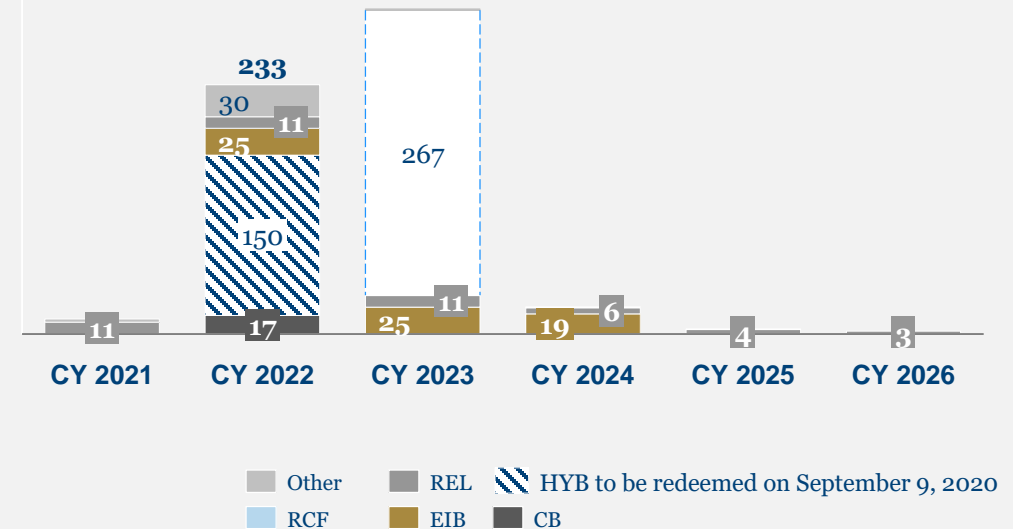
Realignment.

Next important step on financial stabilization – early redemption of HYB.

- Funds from the pension trust are used for **early repayment of the HYB (€ 150m)**. Redemption at par announced for September 9, 2020.
- **Interest reduction** by approx. € 12m p.a.
- **No major maturities** in the near future.
- **Stable financing basis** with total credit line of currently around € 580m (approx. € 425m after redemption) and diversified financing structure with a maturity profile until 2023.

Maturity profile as of June 30, 2020

€ m





Key figures at a glance.

Covid-19 with substantial impact on order intake and sales – transformation is taking effect on earnings.

- **Incoming orders** were down by around 44 % yoy; all regions affected by global COVID-19 pandemic; base effect in China due to a trade fair in prior year.
- **First signs of recovery:** incoming orders +27 % in June as against May, positive trend continues in July.
- **Sales** were down approx. one-third on PY. New machines business and thus the HDT segment were particularly affected by COVID-19.
- **EBITDA** excluding the effects of restructuring was up to € 60m. Sales-decline was offset by approx. € 73m from reorganization of company pension scheme and from use of short-time work.
- **Restructuring result** as expected at € 20m in connection with adjustment of personnel capacity at international sites under the package of measures.
- **Result before and after taxes** slightly positive in the quarter.
- **Free cash flow** was negative but improves to € -63m, also due to a reduction in NWC.
- As a result of the retransfer of around € 380m from the trust assets of Heidelberg Pension-Trust, **Leverage** was 0.8 as of June 30, 2020.

€ m	Q1 19/20	Q1 20/21	Δ PY
Incoming orders	615	346	-269
Sales	502	330	-172
EBITDA excluding effects of restructuring	14	60	+46
EBIT excluding effects of restructuring	-10	40	+50
Restructuring result	-3	-20	-23
Financial result	-13	-13	
EBT	-26	6	+32
Net result after taxes	-31	5	+36
Free cash flow	-83	-63	+20
Leverage	2.1	0.8	



Balance sheet.

Equity declined essentially due to reduction in discount rate on pensions.

> Assets	FY 2020	FY 2020	FY 2021	> Equity and liabilities	FY 2020	FY 2020	FY 2021
Figures in mEUR	30-06-2019	31-03-2020	30-06-2020	Figures in mEUR	30-06-2019	31-03-2020	30-06-2020
Fixed assets	896	953	943	Equity	295	202	157
Current assets	1.370	1.532	1.416	Provisions	860	1.338	1.291
thereof inventories	777	660	699	thereof provisions for pensions	651	986	958
thereof trade receivables	283	299	200	Other liabilities	1.130	995	966
thereof receivables from customer financing	58	43	45	thereof financial liabilities	542	471	464
thereof cash and cash equivalents	151	428	342	thereof contractual liabilities	197	173	181
Deferred tax assets, prepaid expenses, other	83	118	121	thereof trade payables	221	212	166
thereof deferred tax assets	73	69	68	thereof other payables	166	134	148
thereof income tax liabilities	9	16	15	Income tax liabilities	65	67	66
Total assets	2.350	2.603	2.480	Total equity and liabilities	2.350	2.603	2.480
				Equity ratio	13%	8%	6%
				Net debt	391	43	122

- (1) **Trade receivables** down by approx. € 100m thanks to systematic receivables management and as a result of the lower sales and production level, **net working capital** declined to € 617m as of June 30, 2020 (June 30, 2019: € 710m; March 31, 2020: € 645m).
- (2) **Cash and cash equivalents** decreased essentially as a result of the negative free cash flow.
- (3) **Equity** impacted by another reduction in discount rate on pensions (domestic from 1.8% at March 31, 2020 to 1.6% at June 30, 2020).
- (4) Decrease in **pension provisions** due to reorganization of company pension scheme for employees in German companies.
- (5) **Net debt** down to € 122m compared to prior year due to approx. € 380m return transfer of trust assets. Increase against FYE due to negative FCF in Q1.



Outlook for FY 20/21.

Covid-19 pandemic still impedes forecast.

- Weak order activity worldwide
- + Beginning light market recovery
- Burden due to realignment and potential additional measures
- + Profitability improvement from realignment



- Sales expected to be significantly down on prior year
- EBITDA margin excluding restructuring result at least on previous year's level
- After-tax result significantly improved on prior year but still clearly into negative range

Backup





Key Financial Highlights.

Sales and EBITDA by segment in Q1 20/21.

- Heidelberg Digital Technology:**

affected by the significant further exacerbation of investment restraint stemming from COVID-19.

EBITDA* margin amounted to ~12% (PY ~ -3%) on account of the income (€ 44m) from the reorganization of the company's pension scheme.

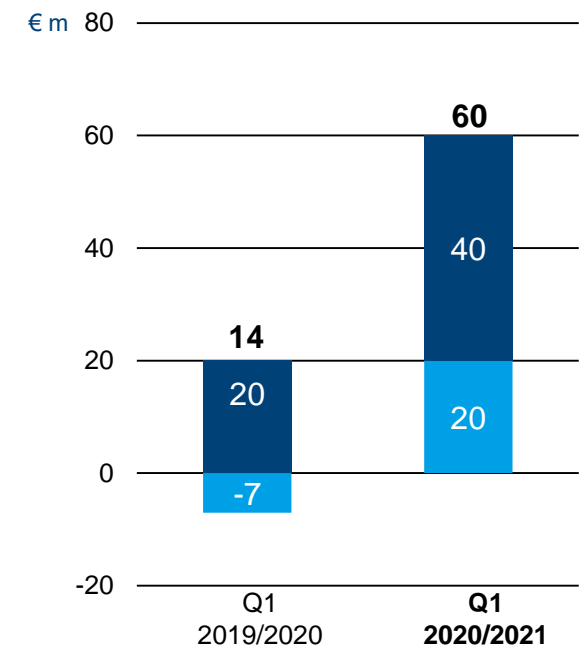
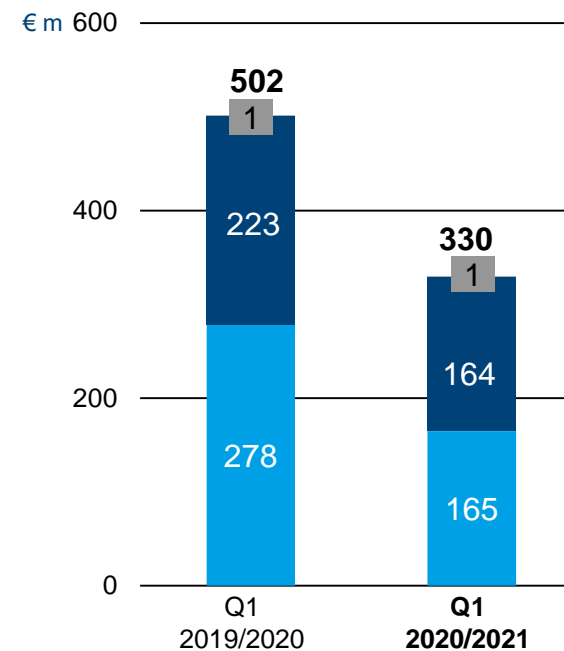
- Heidelberg Lifecycle Solutions:**

also suffered sales losses in consumables on account of the lower volume of advertising printing and service operations owing to the COVID-19 access restrictions.

Including the income (€ 29m) from the reorganization of the pension plans, EBITDA* margin amounted to ~24% (PY ~9%) .

Sales by segment

EBITDA* by segment



Heidelberg Digital Technology



Heidelberg Lifecycle Solutions



HD Financial Services



Free cash flow.

Improved but still negative.

- **Cash used in operating activities** stood on the same level as prior year, after adjusting the result after taxes for non-cash items such as impairments, depreciation/amortization and provisions.
- **Net working capital** as of June 30, 2020, fell to € 617 m (June 30, 2019: € 710m; March 31, 2020: € 645m) as a result of the reduced sales and production level and consistent receivables management.
- Inflow of funds from **investing activities** of approximately € 4 million was generated due to an inflow from cash investments (€ 15m from the securities received in March 2020 as part of the retransfer of the trust assets of Heidelberg Pension-Trust e. V.).
- **Free cash flow** in the first quarter was negative at € - 63m, but improved compared to the same quarter of the previous year.

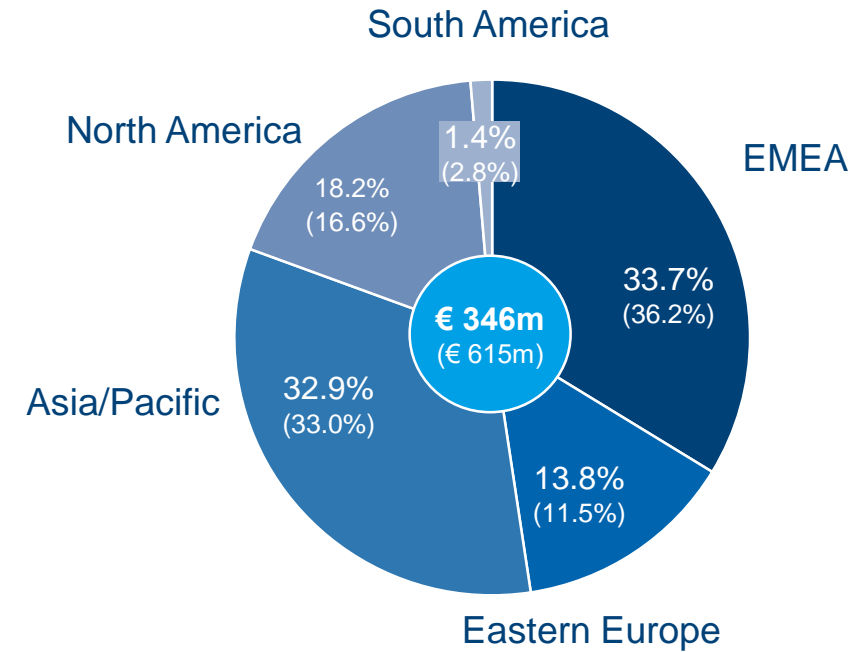
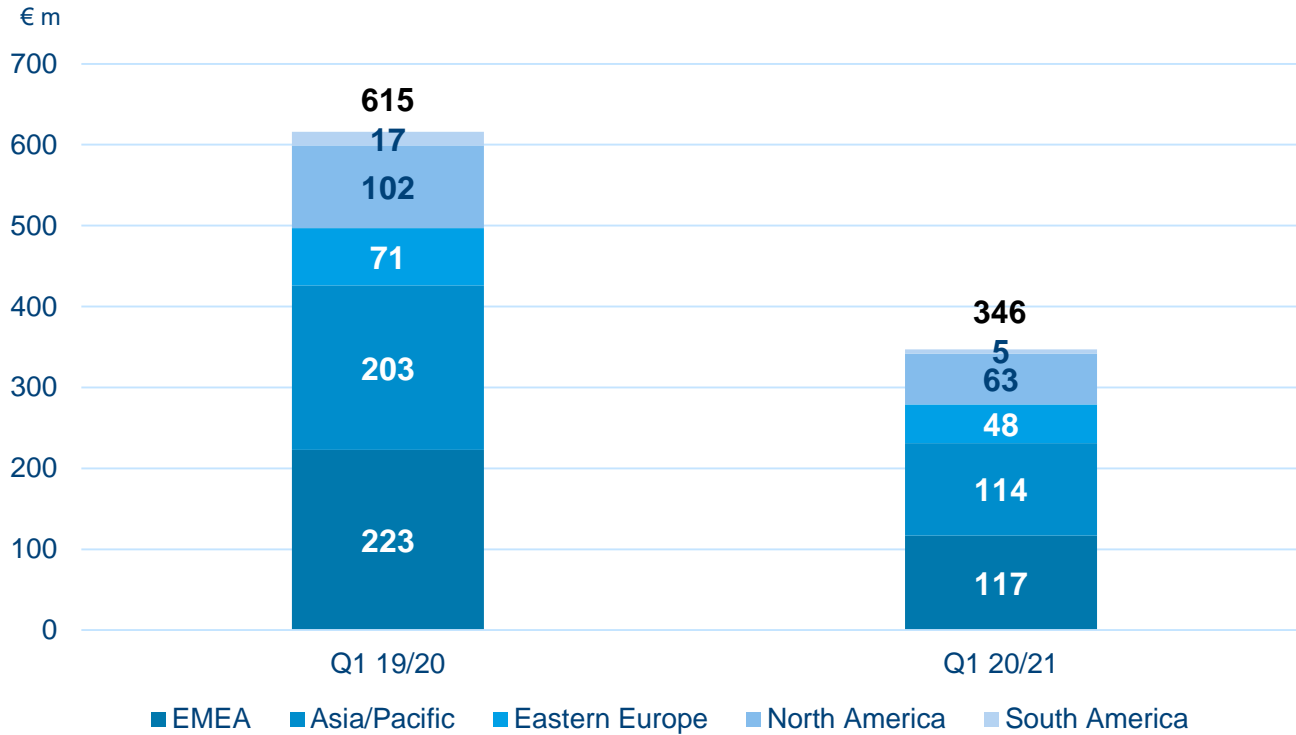
	Q1 19/20	Q1 20/21
Net result after taxes	-31	5
Cash used in/generated by operating activities	-66	-67
of which: net working capital	-30	25
of which: receivables from sales financing	1	-1
of which: other operating changes	-37	-91
Cash used in/generated by investing activities	-17	4
Free cash flow	-83	-63



Regions.

Asia/Pacific and EMEA: signs of recovery towards the end of Q1.

Incoming orders by region Q1 20/21 (Q1 19/20)





Financial calendar 2020/2021.

- November 10, 2020** → Publication of Half-Year Figures FY 2020/2021
- February 10, 2021** → Publication of Third Quarter Figures FY 2020/2021
- June 9, 2021** → Press Conference, Annual Analysts' and Investors' Conference

- Dates may be subject to changes -



Disclaimer



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