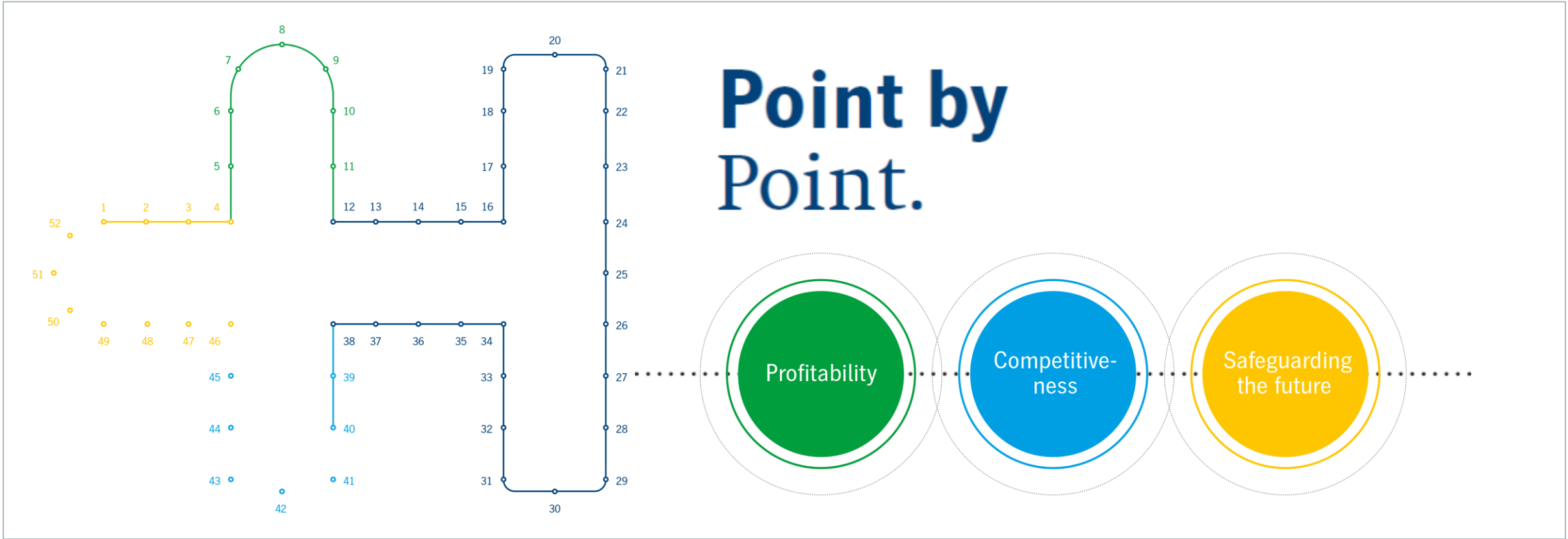




Our goals: Profitability – Competitiveness – Safeguarding the future

Heidelberger Druckmaschinen AG –Second Quarter Results FY 2020/2021
Rainer Hundsdörfer, CEO | Marcus A. Wassenberg, CFO | Wiesloch, November 10, 2020



1.

Half-year-figures FY 20/21



We get stable through the COVID 19 environment – with positive EBITDA.

2.

Transformation program



Our transformation delivers – we are fully on schedule.

3.

Market environment / core business



We are expanding our potential in our strong core business.

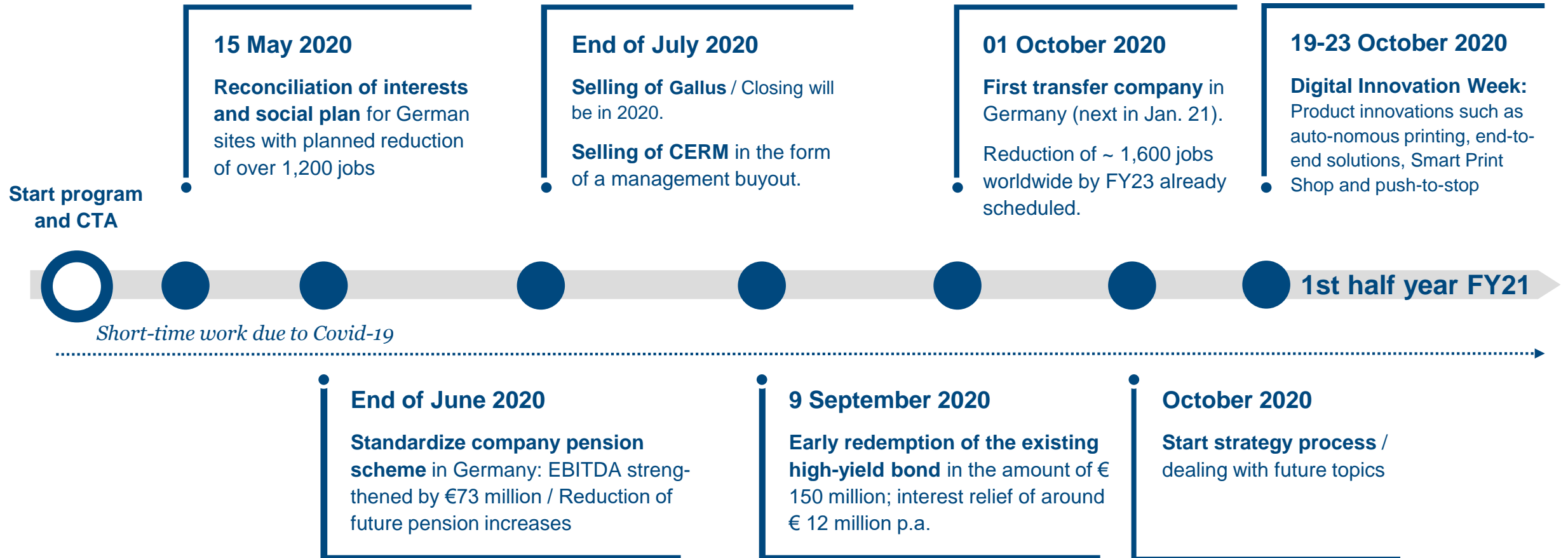
4.

Outlook



We are going forward strengthened and look ahead confidently.

1. Half-year-figures FY 20/21. Implemented with consistency and speed.



1. Half-year-figures FY 20/21.

Successful implementation of the transformation.



- **Incoming orders** down by ~ 32 % yoy due to pandemic – considerable signs of recovery in Q2, especially in new machinery business. **Order backlog** in Q2 increased to € 627m compared with March 31, 2020 (€ 612 m).
- **Sales** down approx. 28 % yoy; gradual improvement due to better order situation.
- **EBITDA** excl. restructuring result up by 41 % yoy. Sales-decline was offset by measures from Transformation program and personnel cost reduction, incl. use of short-time work.
- **Restructuring result** in connection with adjustment of personnel capacity at international sites.
- **Financial result** increased mainly due to higher interest expense for pensions and from expenses for the valuation of securities.
- Balanced **Earnings before taxes**.
- **Free cash flow** negative but improved significantly yoy.
- **Leverage** at 1.2 as of Sept 30, 2020 still on low level.

€ m	6m 19/20	6m 20/21	Δ PY
Incoming orders	1,263	864	-32%
Sales	1,124	805	-28%
EBITDA excl. restructuring result	69	97	+28
EBIT excl. restructuring result	22	57	+35
Restructuring result	-5	-30	-25
Financial result	-23	-27	-4
EBT	-6	0	+6
Net result after taxes	-16	-9	+7
Free cash flow	-100	-52	+48
Leverage	2.1	1.2	

1. Half-year-figures FY 20/21.

Net debt on low level – equity ratio burdened by interest rates.



> Assets	FY 2020	FY 2020	FY 2021	> Equity and liabilities	FY 2020	FY 2020	FY 2021
Figures in mEUR	30-09-2019	31-03-2020	30-09-2020	Figures in mEUR	30-09-2019	31-03-2020	30-09-2020
Fixed assets	896	953	914	Equity	244	202	115
Current assets	1.389	1.532	1.060	Provisions	939	1.338	1.294
thereof inventories	785	660	1 596	thereof provisions for pensions	727	986	4 978
thereof trade receivables	288	299	209	Other liabilities	1.121	995	712
thereof receivables from customer financing	56	43	42	thereof financial liabilities	586	471	259
thereof cash and cash equivalents	170	428	2 102	thereof contractual liabilities	195	173	160
Deferred tax assets, prepaid expenses, other	85	118	211	thereof trade payables	204	212	136
thereof deferred tax assets	75	69	61	thereof other payables	132	134	110
thereof income tax liabilities	9	16	16	Income tax liabilities	67	67	63
Total assets	2.370	2.603	2.184	Total equity and liabilities	2.370	2.603	2.184
				Equity ratio	10%	8%	5%
				Net debt	416	43	5 157

(1) **Net working capital** lowered to € 572m as of Sept 30, 2020 (Sept 30, 2019: € 744m; March 31, 2020: € 645m).

(2) **Cash and cash equivalents** decreased largely due to the early cash repayment of the corporate bond.

(3) **Equity** impacted by another reduction in discount rate on pensions (domestic from 1.8% at March 31, 2020 to 1.4% at Sept. 30, 2020).

(4) Despite the reduction in the domestic interest rate, **pension provisions** declined slightly to € 978m due to the reorganization of the company's pension scheme.

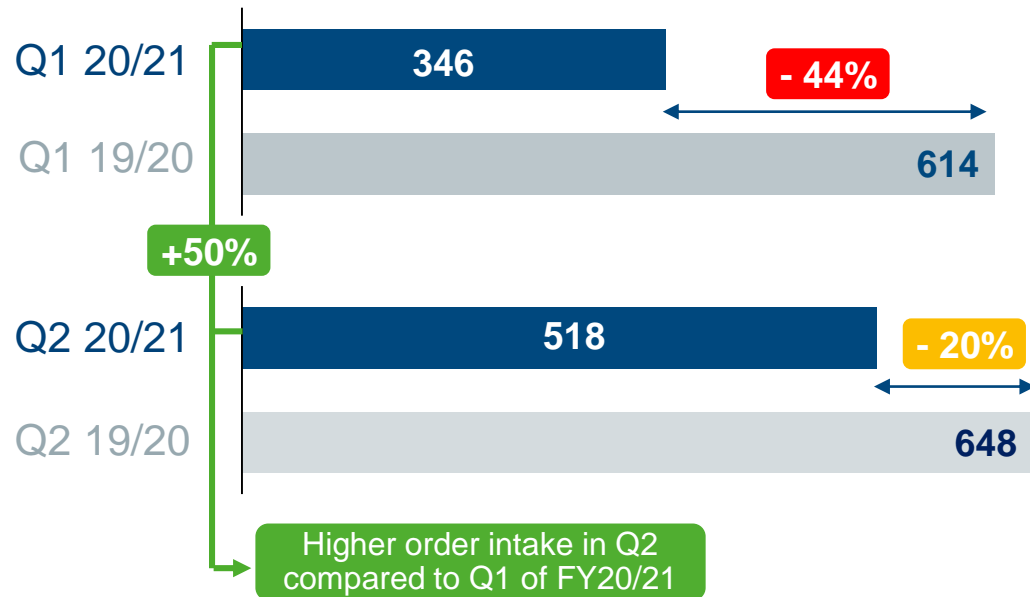
(5) **Net debt** down to € 157m compared to prior year due to return transfer of trust assets and early repayment of debt.

1. Half-year-figures FY 20/21.

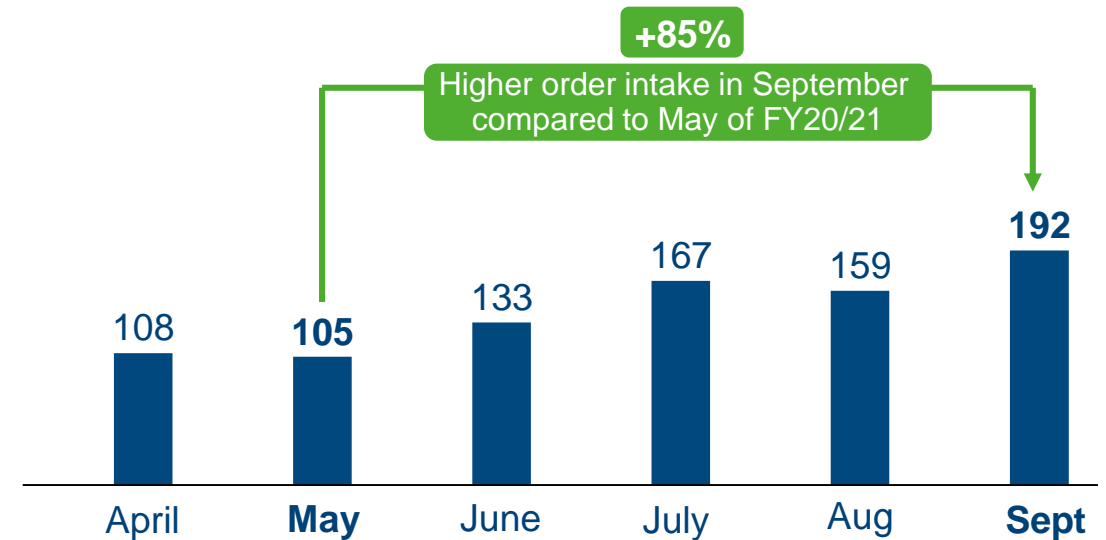
Market with visible recovery – steady upward trend in incoming orders.



// Order intake (per quarter)



// Order intake (per month) in FY 20/21



// Incoming orders have bottomed out in the first quarter – the trend has been pointing continuously upwards in Q2.



1. Half-year-figures FY 20/21.

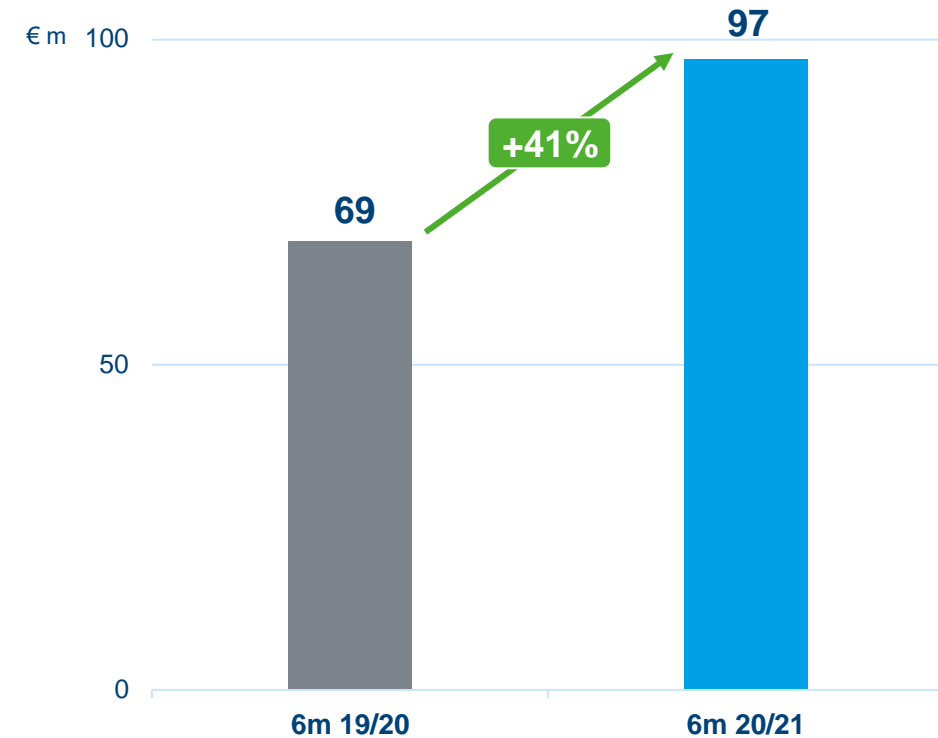
Program has delivered – significant effects to the 6m result FY 20/21.



// Main factors impacting earnings:

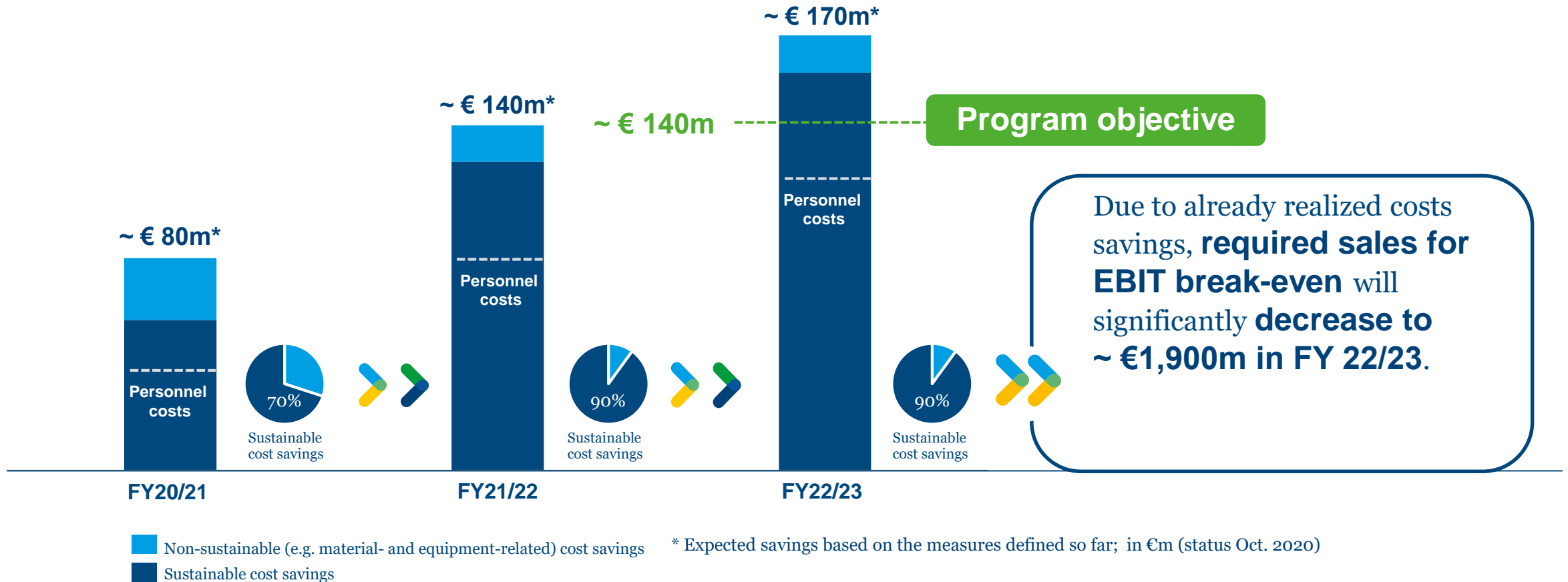
- (-)** Volume and margin (**approx. € 160m**)
- (+)** Savings from Transformation program (**approx. € 45m**)
- (+)** Short-time work & similar int. programs (**approx. € 70m**)
- (+)** Restructuring company pension scheme (**approx. € 73m**)
- (+)** Selling of CERM (**approx. € 8m**)

// EBITDA excl. restructuring result



2. Transformation program.

Fully on schedule with our measures & already with a sustainable impact.

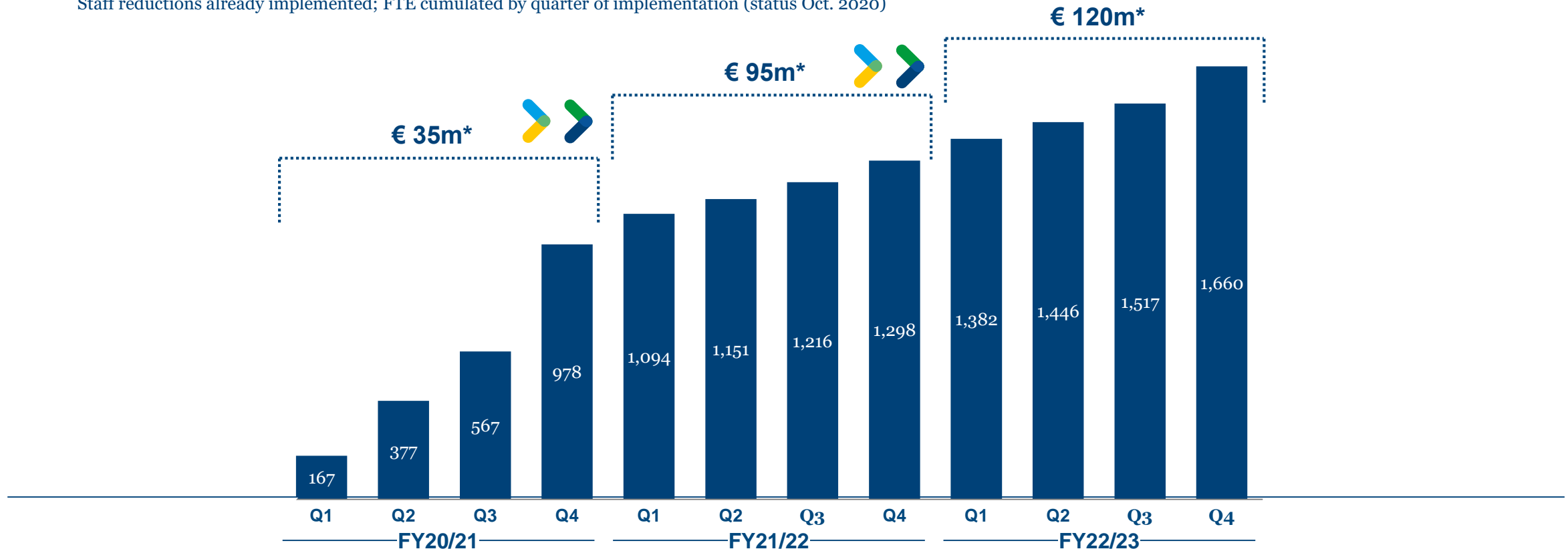


2. Transformation program. Headcount reduction scheduled until FY 22/23.



// Personnel measures

Staff reductions already implemented; FTE cumulated by quarter of implementation (status Oct. 2020)



* Expected personnel cost savings based on the measures defined so far in m€ (status Oct. 2020)

2. Transformation program. Next important step on financial stabilization concluded.

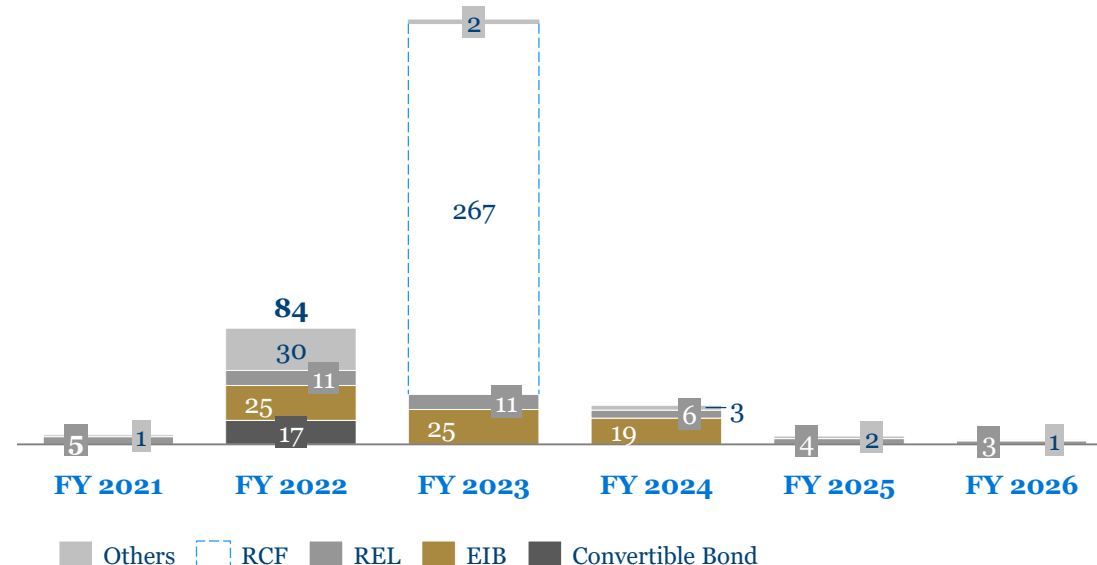


// Main factors:

- **Early repayment of the HYB (€ 150m) concluded** on September 9, 2020.
- **No major maturities** in the near future.
- **Availability of the RCF:**
approx. 2/3 as of Sep, 30, 2020;
predominantly non-cash drawings.
- **Interest reduction** by approx. € 12m p.a.

// Maturity profile as of Sept. 30, 2020

€ m

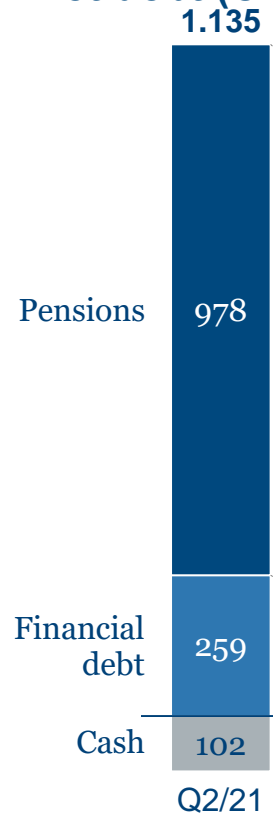


2. Transformation program.

Pension obligations with low financing costs compared to ordinary debt.

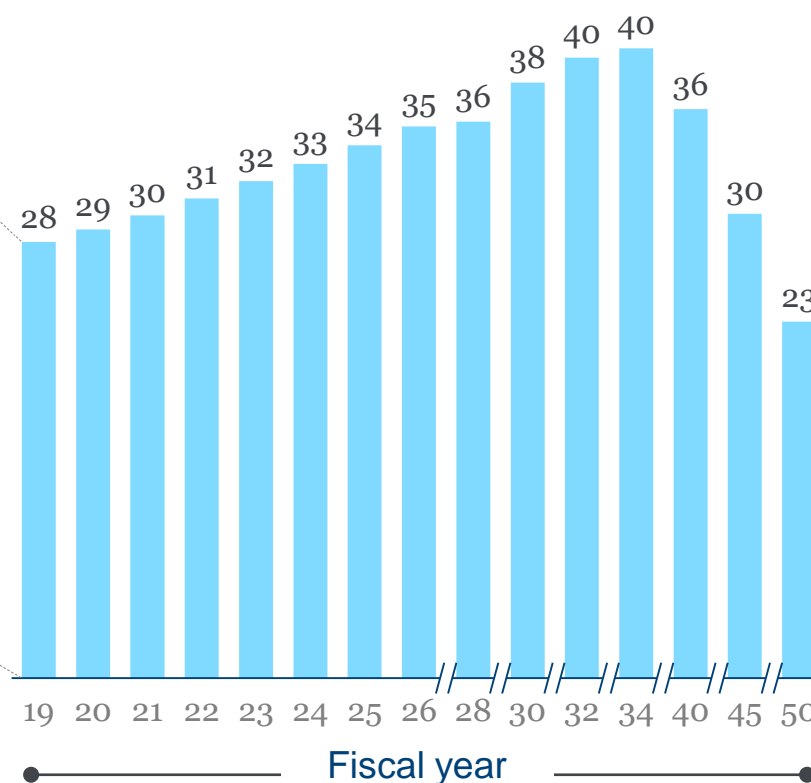


// Net debt (€M)



// Repayment profile

(annual pension payments HDM Germany €M)*



- ~90% of HDM's net debt is due to on-balance sheet **pension obligations**
- Based on HDM's demographics, **pension payments will gradually increase by €10M** to ~€40M p.a. in FY32-35 and decrease thereafter
- **Thus, annual cash-out** for pensions (incl. interest and repayment component) ranges around **3-4% p.a.** relative to total obligations
- Hence, **financing costs are comparably low**

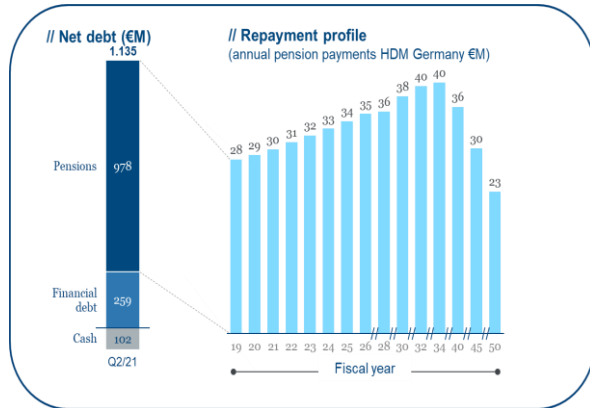
* Estimated pension payments of German entities

2. Transformation program.

Stronger cash generation overcompensates increase in pension payments.

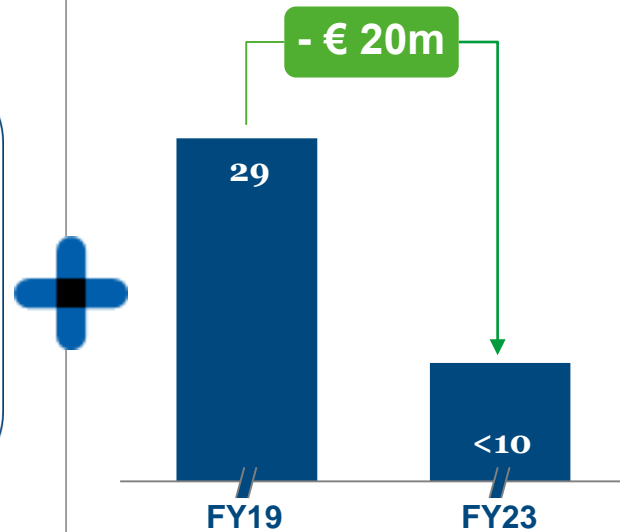


// Yearly pension payments will peak around 2035¹



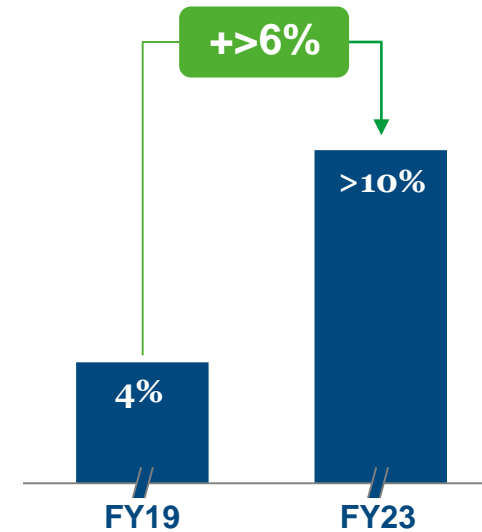
Based on underlying demographics, pension payments will increase until FY35

// Reduced interest costs²
(Net cash interest in €M)



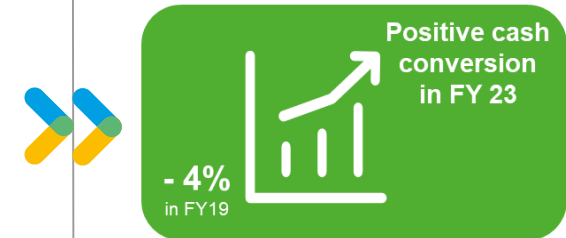
Rightsizing of CTA enables significant reduction of debt and interest payments

// Financing the transformation
(Targeted EBITDA³-Margin in %)



The retransfer of pension assets finances the transformation and the cost saving program

// Improved cash conversion



1. Estimated pension payments of German entities 2. Estimated, based on maturity and amortization of existing financing instruments 3. EBITDA excl. restructuring result

// Consequently cash conversion can be significantly increased despite increasing pension payments.



3. Market environment / core business. Clear focus in our strong core business.



A

// Packaging

Expansion of the strong market position in the growing packaging market



B

// New business models

New contract models for growing demand for pay-per-use models

Lifecycle Pay per month		Subscription Pay per outcome	
LIFECYCLE SMART	LIFECYCLE PLUS	SUBSCRIPTION SMART	SUBSCRIPTION PLUS
		Consulting & Training	Equipment
	Princt	Princt	Princt
Consumables	Consumables	Consumables	Consumables
Service	Service	Service	Service

C

// Growth market China

Stronger presence in the Chinese growth market and higher share of value added to improve margins



// The market offers potential despite consolidation -
as market leader we can benefit.



3. Market environment / core business.

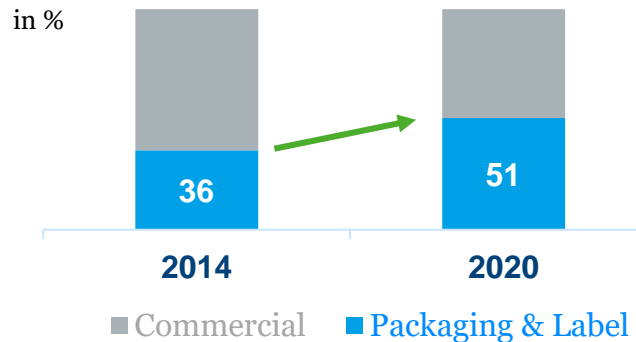
Our focus on the strong core business is paying off.



A

// Packaging

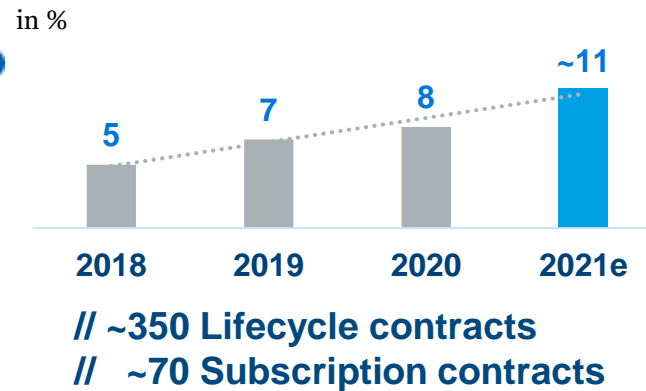
Share of SFO* machine sales



B

// New business models

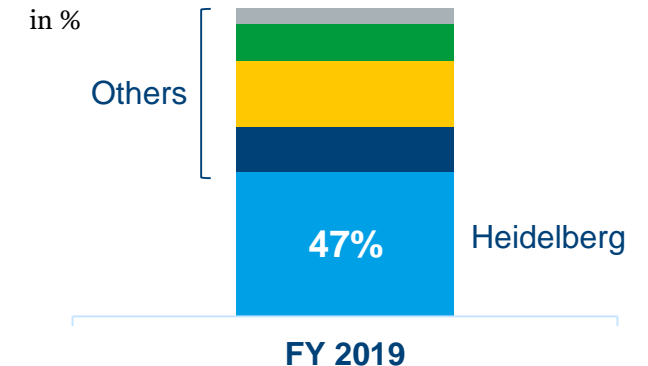
Share of recurring contract business of group sales



C

// Growth market China

Market share in Packaging printing in China (SFO* printing units)



// As global market leader, Heidelberg is optimally positioned to benefit from further market recovery.



3. Market environment / core business. Strategy process for new value creation already started.



// Strategy process for new growth started:

- **Step 1:** Review of forward issues within core business
- **Step 2:** New growth potential based on Heidelberg strengths
First results by end of FY 21

// New growth initiatives to be addressed not before reaching
profitability targets.



4. Outlook.

We are going forward strengthened and look ahead confidently.



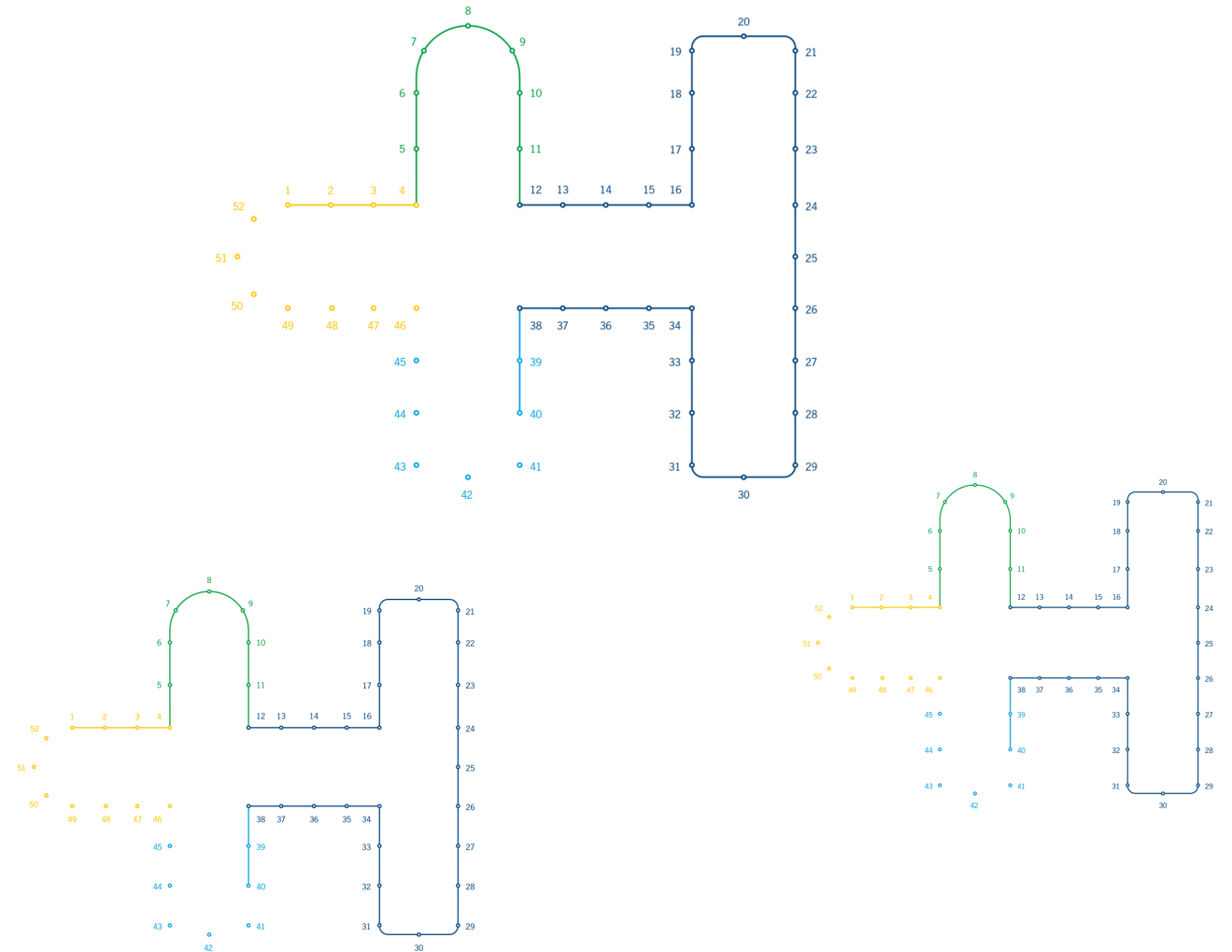
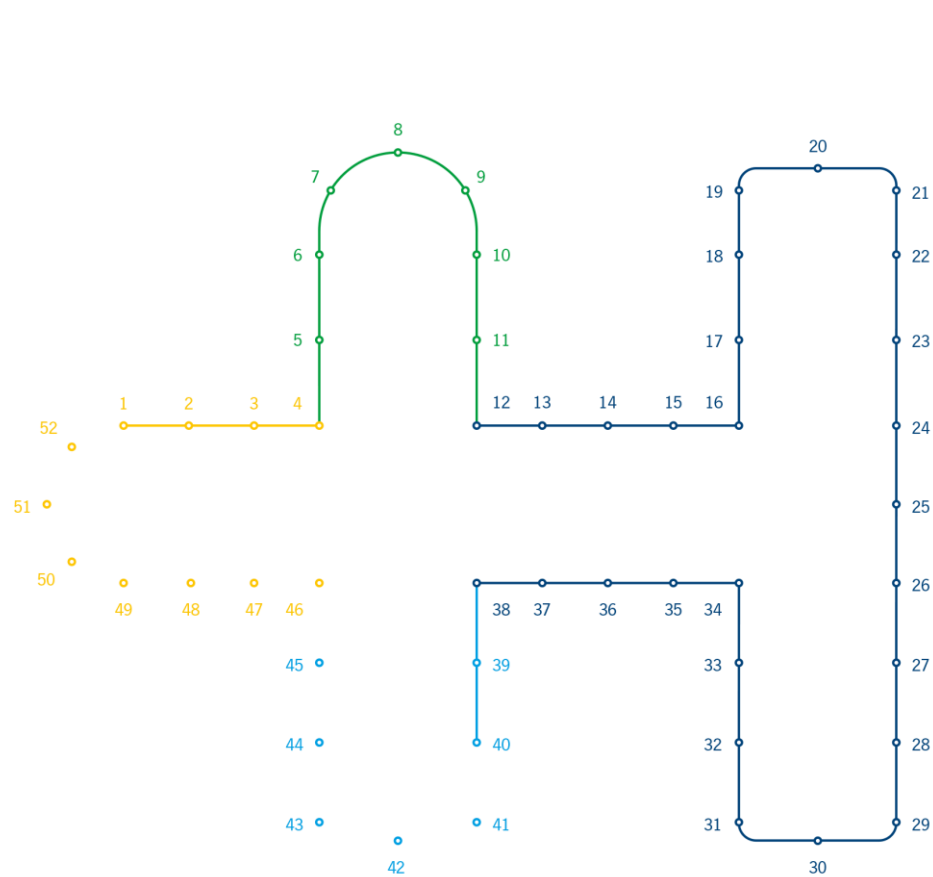
Confident, because our core markets are clearly defined and fundamentally sound



Tailwind from recovering markets and positive signals from our customers



Outlook for FY21 remains unchanged – despite uncertainties caused by Covid-19



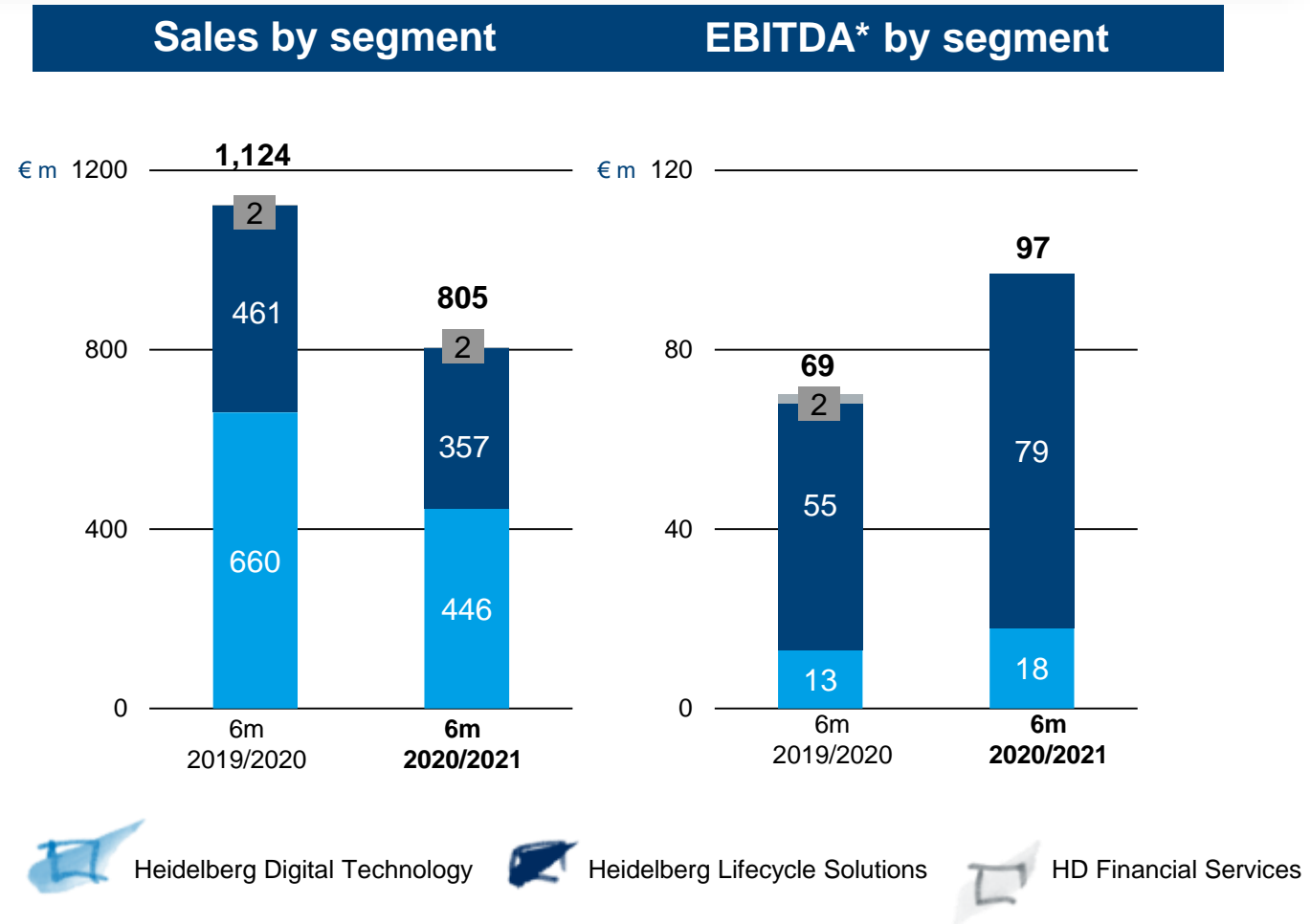
Sales and EBITDA by segment in first half year 20/21.

- Heidelberg Digital Technology:**

as expected in the wake of the investment restraint resulting from the COVID-19 pandemic, sales were down yoy. However Q2 sales was up significantly on Q1 figure, thanks in particular to **sheetfed business**. EBITDA* margin amounted to ~4% (PY ~ 2%), benefiting from the reorganization of the company's pension scheme (€ 44m).

- Heidelberg Lifecycle Solutions:**

was impacted in particular by the downturn in consumables sales and service operations as a result of the lower print volume during pandemic and access restrictions at customer sites. Here, too, Q2 sales saw an improvement compared to Q1 of the current financial year. EBITDA* margin amounted to ~22% (PY ~12%) including income from the reorganization of the pension plans (€ 29m) and income from the sale of CERM (€ 8m).

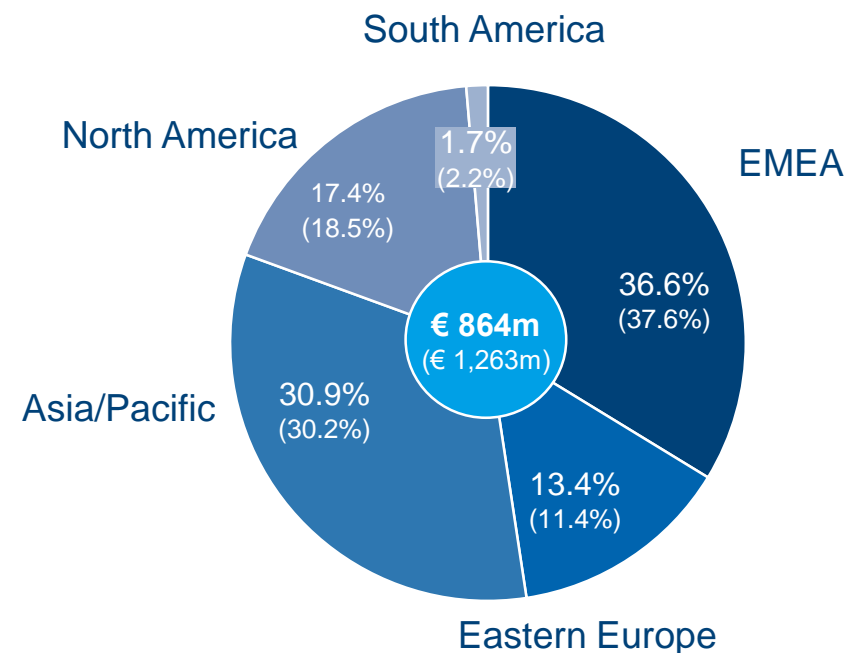
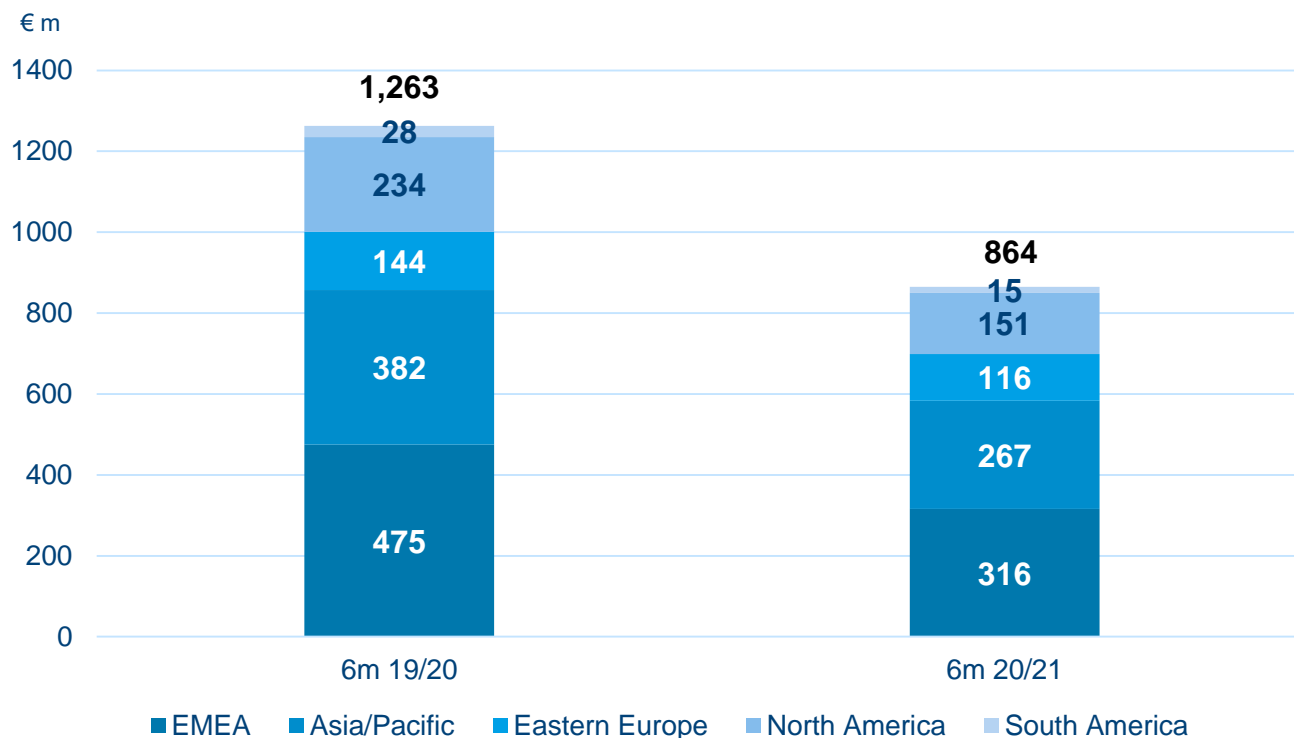


Backup.

Asia/Pacific and EMEA: signs of recovery towards the end of Q2.



Incoming orders by region 6m 20/21 (6m 19/20)



Backup.

Significant improvement in Q2 in incoming orders and sales.



€ m	Q2 19/20	Q2 20/21	Δ PY
Incoming orders	648	518	-20%
Sales	622	475	-24%
EBITDA excl. restructuring result	55	37	-18
EBIT excl. restructuring result	32	18	-14
Restructuring result	-1	-10	-9
Financial result	-10	-14	-4
EBT	20	-6	-26
Net result after taxes	14	-13	-27
Free cash flow	-16	11	+27
Leverage	2.1	1.2	

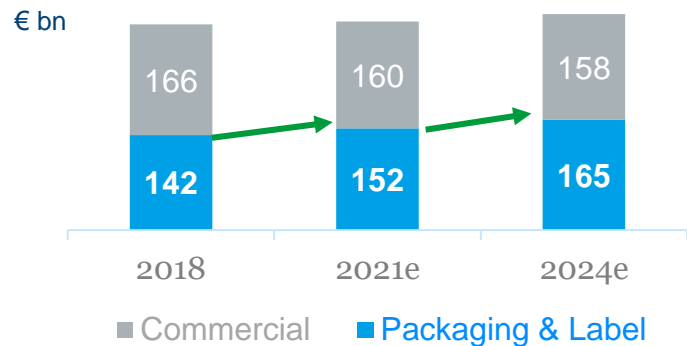
Backup.

Packaging: More than half of SFO* machine sales.



A

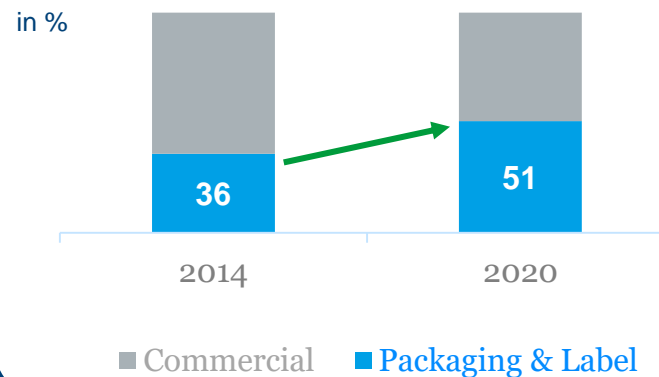
// Development of the global PPV by segment



(no COVID-impact)

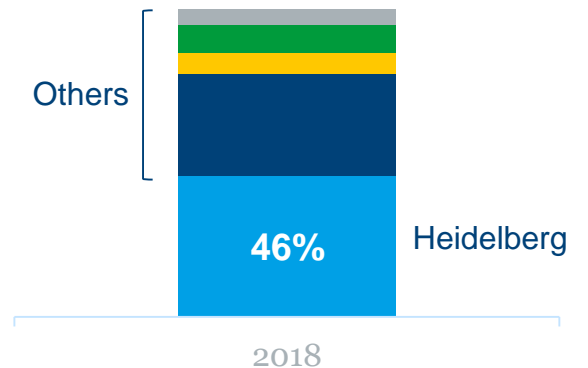
Source: Heidelberg estimate – September 2019, industry statistics, PIRA, Jakkoo Pöyry, Primir (GAMIS), Global Insight

// Share of SFO* machine sales



* SFO = Sheetfed Offset

// Market share in Packaging printing (SFO* printing units)



// Heidelberg is the largest supplier to packaging printers

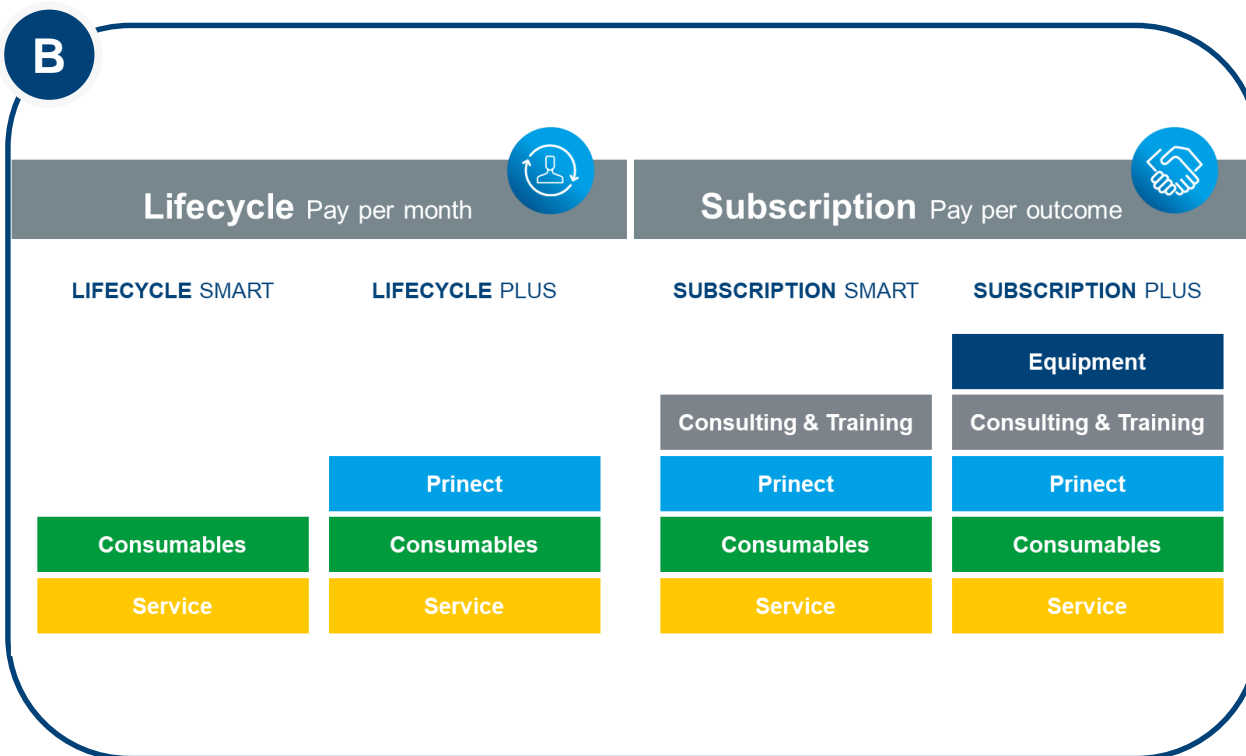


Backup.

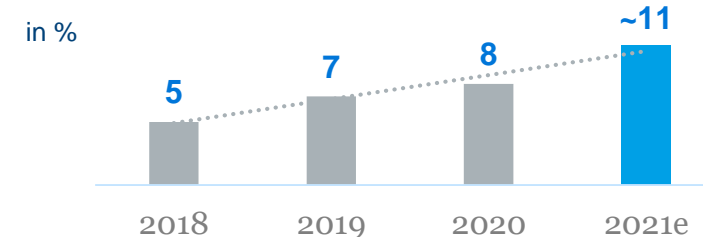
New business models: Share of recurring revenue steadily increasing.



B



// Share of recurring contract business of Group sales



// ~350 Lifecycle contracts

// ~70 Subscription contracts

// Subscription Plus presses showed up to 15% higher print volumes in the shut-down phase than comparable presses.



Backup.

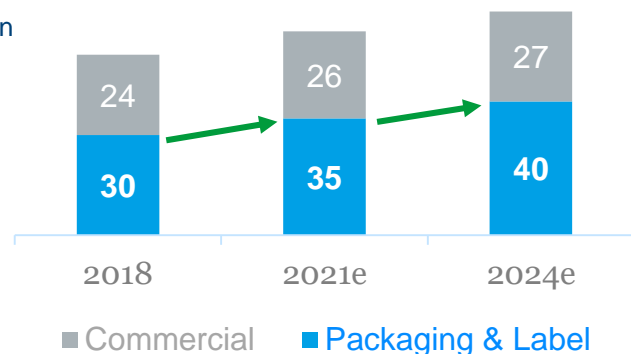
Growth Market China: By far market leader and increasing footprint.



C

// Development of China's PPV by segment

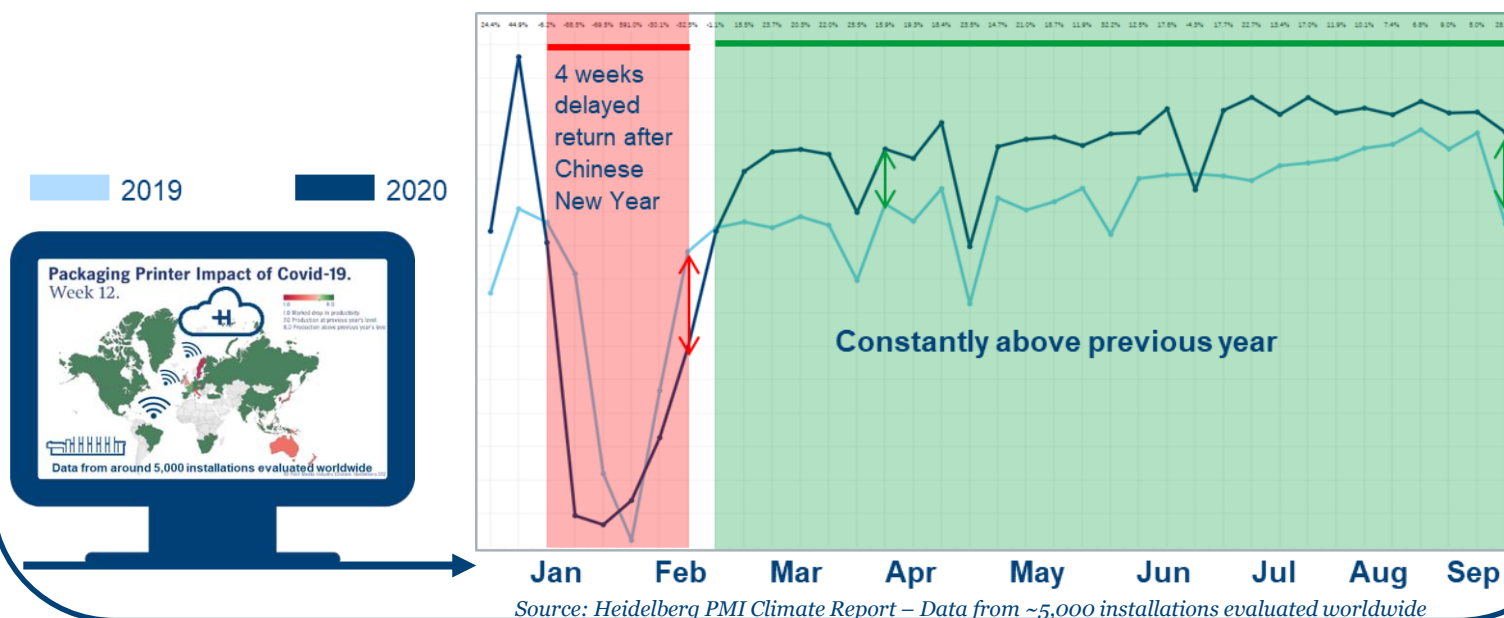
€ bn



(estimates without COVID-impact)

Source: Heidelberg estimate – September 2019, industry statistics, PIRA, Jakkoo Pöyry, Primir (GAMIS), Global Insight

// Printing volume in China constantly above prior year



// Chinese market relatively stable even in the crisis – with great potential



Financial calendar 2020/2021.

- February 10, 2021** ➔ Publication of Third Quarter Figures FY 2020/2021
- June 9, 2021** ➔ Press Conference, Annual Analysts' and Investors' Conference
- July 23, 2021** ➔ AGM

- Dates may be subject to changes -



Disclaimer



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