

## Statement Rainer Hundsdörfer, CEO

Monday June 21, 2021

### The spoken word counts!

#### Welcome

##### 1. Current business situation Heidelberg:

- "Heidelberg is back," Ladies and Gentlemen. What some of you did not think possible, we have a perspective again and even a really promising one for sustainable profitability and structural growth.
- Thanks to a show of strength with numerous improvement measures, we successfully defied the Corona pandemic in the past fiscal year and initiated strategic course-setting measures that allow us to look forward with confidence to the coming quarters.
- For example, thanks to a strong final spurt at the end of the year, we closed 2020/21 with an EBITDA margin well above our forecasts.
- Heidelberg has massively reduced the break-even point - in two years at the latest it should be around € 1.9 billion!
- And we are back on solid financial footing. Free cash flow was positive and we continued to keep net financial debt at a low level.
- "The market is coming back".
- We are also helped, of course, by the fact that demand is picking up again significantly as a result of the economic situation. Just last week, for example, the German Engineering Federation (VDMA) announced that orders in the machinery and plant construction sector had risen by an extraordinary 72 percent and that the upturn was gaining strength worldwide.
- In addition, the association raised its 2021 production forecast for the industry for the second time in a row.
- The general conditions in the mechanical engineering sector continue to brighten.
- VDMA is confident, especially for important markets in Asia and the USA. But also Eastern Europe and parts of Western Europe.
- The positive trend that we, along with the industry association VDMA, are already seeing in our books gives us confidence.
- Thanks also to consistent portfolio adjustments and structural improvements, we are succeeding in mobilizing our unique technological expertise for future growth in our profitable core businesses and in new business areas.
- Based on the premises of the economic parameters already presented, we therefore anticipate the following forecast for fiscal 21/22:
- Overall, we expect sales to increase to at least €2 billion in the current fiscal year, although the consequences of the pandemic will still be clearly felt.

- Despite the challenges, we again expect a significant increase in the EBITDA margin from 5% in the previous year to a range of 6-7%.
- We thus expect a small after-tax profit for the first time again in the current fiscal year after 2 years of losses.
- In order to also make our ambitions and progress measurable, we will report in a new segmentation from the current fiscal year.
- This is derived from our strategy, focuses on end markets, and is intended to represent our long-term thrusts:
- Print Solutions & Packaging Solutions represent our core business.
- Under Technology Solutions we include new businesses, but based on existing core competencies of the company
- All segments have a clearly defined mission and value proposition

## 2. Future strategy

- The core element of my following remarks is our strategy for the future, which involves a gradual change from a restructuring story to a growth story - and a profitable one at that.
- You can literally feel the spirit of optimism in our company, and not just since the incidence figures have been falling and the weather has improved again.
- Because Heidelberg has changed, finally!
- Heidelberg sees clear potential for sustainable growth and value enhancement in the future, particularly in packaging printing, in the world's largest single market: China, in digital business models, and with new technology applications, for example in e-mobility.
- We are developing from a printing press supplier into a technology company.
  
- I'll start with our potential in **packaging printing**.
- Here, we are already the world market leader in sheetfed offset presses for folding carton and label printing, with a market share of almost 50%.
- We are the only supplier to offer the entire value chain. Accordingly, we want to grow more strongly than the market, which is expected to grow by around 2% per annum, for example, in the area of folding cartons.
- To achieve this, we will on the one hand push the end-to-end automation, touchpoint reduction, further integration and OEE increase of our processes, e.g. also from the reel to the finished packaging.
- On the other hand, we will significantly expand our data-driven service offering. Here, too, we are significantly further ahead than our competitors thanks to our large and growing installed base.
- And: we are significantly expanding our portfolio to include tailored offerings specifically for the growing Asian market.

- In **China**, too, Ladies and Gentlemen, we are the clear number one with a 50% market share for the most important sheetfed offset presses. Here, our strong local presence at the long-established plant near Shanghai helps us.
- On the one hand, this enables us to cover the largest single market with a 15% share of the world market, but we also serve the Asian growth countries. Almost 20% of the machines produced in Shanghai are already exported there.
  
- Now to our next growth driver: **our digital business models**.
- Crucial to our success in this regard is our unique positioning in the industry for cloud and data-based software and the corresponding range of different products and services tailored to customers.
- Ideally, our services cover the entire life cycle of a press: modular for consumables and service or extended to include the Prinect software offering. In addition, more than 70 customers are already using the subscription model, where payment is no longer made for the individual components but based on the number of sheets printed, depending on performance - which guarantees Heidelberg steady, predictable revenue streams over a longer period of time.
- Overall, we have already been able to increase our share of total sales with digital business models from 5% to 11% since 2018.
- And Heidelberg already generates 26% of lifecycle sales with contract business.
- Here, as already mentioned, we can draw on our unique data expertise. As the global market leader, Heidelberg has connected more than 13,000 presses to the cloud, and around 25,000 Heidelberg SW-Prinect modules also supply valuable data.
- It should also be emphasized that around half of Prinect sales are recurring!
- We bundle our digital customer interfaces under the central Heidelberg Plus customer platform.
- We are also the first provider to develop a central, open industry platform for automated supplier and customer management based on modern cloud technologies under the name Zaikio.
- Against this backdrop, we will greatly expand our usage-based contract models in the coming years, convert our Prinect offering to cloud-based contract models, expand Zaikio to include additional applications, and serve the Chinese market with specific SaaS offerings.

### **3. "Normal" life returns - Heidelberg presents innovations to its customers around the world: It's Showtime!**

- Around three quarters of a year after our very successful Innovationweek, we are delighted to be able to present the next fireworks of innovation.
- Among other things, Heidelberg will be presenting the next world premiere - live at this year's biggest customer event, China Print, which will be held in Beijing from June 23 to 27, and simultaneously online as part of the digital customer event "It's SHOWTIME".

- Just one year after unveiling its drupa 2020 press generation, the company is releasing the next product innovation in its core business area of sheetfed offset printing.
- Heidelberg is thus underlining its innovative strength and technological leadership in a challenging market environment.
- We want to further expand our strong position in the growing packaging segment and meet the increasing demand for flexible printing systems with different automation solutions and variants in the commercial sector.
- You will be able to experience a large number of our innovations "live" tomorrow and discuss them with our product experts in our newly designed Print Media Center in Hall 11.
- And customer demand is high:
- We already have over 3,000 registrations for the global digital customer event.
- China Print is fully booked. And by far the biggest industry event this year.
- Our customer event this week in Wiesloch with around 200 people is just as full, international, with high interest from customers in our demo slots, which you will be shown tomorrow in advance.
- We have combined the previous Print Media Center (PMC) Packaging in the southern area of Hall 11 and the Print Media Center Commercial in Building 57 into a new Print Media Center in Hall 11, using parts of the previously adjacent assembly area.
- Complete production lines are available for the segments Commercial Printing (advertising printing), Folding Carton (folding carton production) and Label Printing (label production). All segment solutions support the Push to Stop philosophy throughout the entire production chain (End to End).
- Compared to the former PMC Packaging, the area has been doubled to 2/3 of the previous hall length to now 6,500 m<sup>2</sup> of pure exhibition space. Added to this are warehouse logistics, prepress, office space and meeting and seminar rooms with a further approx. 3,000 m<sup>2</sup>.
- We are looking forward to many visitors.
- It's safe to say that the place is buzzing again!

**Let me conclude by summarizing:**

- Ladies and gentlemen, I hope I have been able to make clear to you the new spirit, the new momentum and, above all, the new perspectives of Heidelberg.
- Heidelberg is tackling the right things.
- In the future, we will grow profitably in our core markets, especially in packaging printing, in China, and in digital business models.
- In addition, we are only at the beginning of an enormous growth spurt from new innovative offerings, for example in e-mobility, and will expand more strongly outside our core activities in the future.
- Heidelberg's well-known technological excellence will also be a strong driver of growth in the megatrends of automation and the platform economy.
- We are and will remain the technology leader.
- And as a full-service provider, we are and will remain a strong partner at our customers' side. Also and especially in times like these.

- Thank you.

**Important note:**

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