Results 9m FY2017/2018

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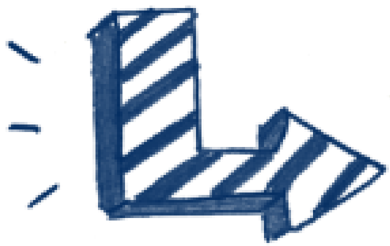
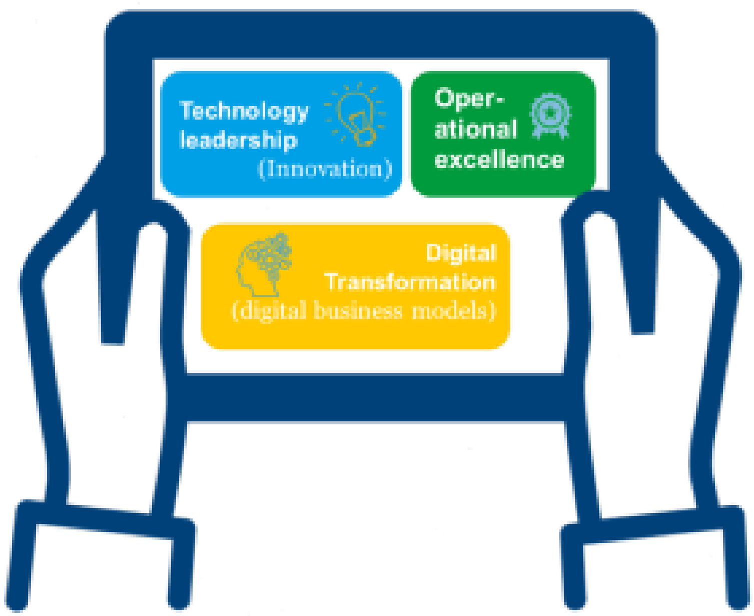
February 8, 2018

HEIDELBERG



- **Where do we stand with regards to our digital transformation?**

- **What does this mean in terms of reaching our medium term targets?**



Digital Transformation (digital business models)

Update Digital transformation

- **Subscription** is potential game changer in our industry
- First subscription agreement with a well-known **packaging printer** signed, for a total period of five years
- This has been followed by further agreements in the fourth quarter, primarily with our **competitors' customers**
- Start-up of the **Heidelberg Digital Unit** provides a new competence center for digital marketing and e-commerce

Oper-ational excellence

Digital Transformation (digital business models)

Heidelberg goes digital: Next milestone achieved

Customer decides about input factors

Transactional business model:
"pay per unit"

Big data: **Workflow** decides about input factors

HD Assistant / e-shop: customer subscribes to platform
"Amazon of the printing industry"

Subscription model: **Heidelberg** decides about input factors

Performance contracts for defined customer groups: Impression charge model
"Customers pay for their output rather than for their input"

Heidelberg Digital Unit" (HDU)

Oper-ational excellence

Digital Transformation (digital business models)

Update Digital transformation & Operational excellence

- Dedicated **competence center for digital marketing and e-commerce founded together with iq!–** the "Heidelberg Digital Unit" **(HDU)** that is becoming the **digital internet service provider** for our global sales organization

- HDU creates a **whole new platform for the online presence of Heidelberg**, including e-commerce, websites, and the Group's image on the internet

- HDU business envisages to triple e-commerce sales to reach **€300m target**

Digital Transformation (digital business models)

Digital transformation increasingly taking shape

Market trend:

- Industrialization of printing companies continues
- Growth of print production volume (PPV) in market segments, e.g. packaging
- **Increased utilization o**f installed equipment leads to declining number of printing units
- Fewer printing units will produce more print volume
- Sole focus on market share in a shrinking printing unit market will erode prices

Heidelbergs digital strategy:

- Subscription is a **pay per use** business model
- Subscription drives Heidelberg Sales through **increased utilization** of printing units
- Will be offered to customers with a growing PPV
- Customer enters a long-term contract and **pays per printed sheet** in **recurring and variable installments,** covering the full product value chain (Equipment, Consumables, Software, Consulting and Services)
- Subscription enabled by **Big Data** from Heidelbergs vast connected machine base

Digital Transformation (digital business models)

Growth through Digital transformation

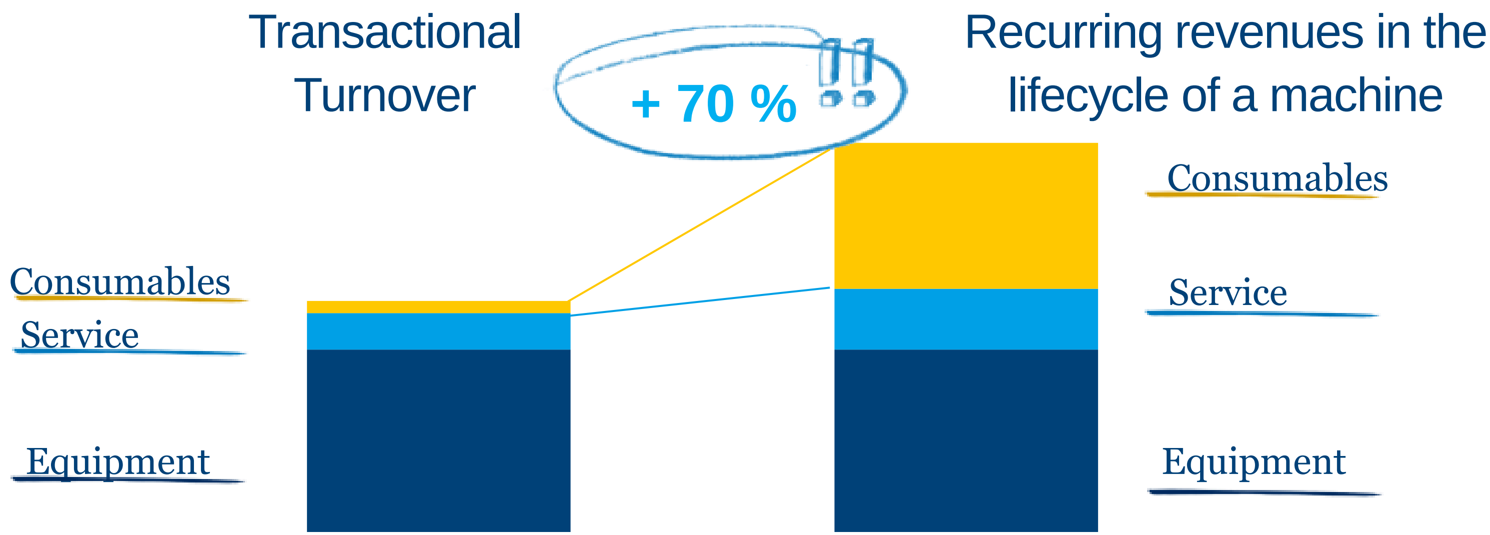
Benefits for Heidelberg:

- **Recurring revenues,** price stability
- Significant **increase of market share** in consumables
- **Higher profitability** at growing customers
- Predictable order intake for factory reduces negative effects of cyclical business
- Shortening of customer‘s reinvestment cycles into equipment
- **Financing advantages** as Subscription customers are more profitable and growing

Growth through Digital transformation

Digital Transformation (digital business models)

Comparison Lifetime-Value over 5 years



- Subscription allows immediate substantial **increase in consumables share**
- Therefore **full compensation** of short-term decline in revenue from deferred revenue during transition phase
- High lock-in of customers provide **higher margins** and sustainable future **profitable growth**

Digital Transformation (digital business models)

Successful launch of Subscription model

- Robust pipeline - >100 opportunities identified, represent >600m € value
- Interest growing every day
- Goal: 30 customers by end of FY19 more than realistic
- Average 5 years contract
- Average >1 million € recurring revenue per machine per year; above-average margin
- Global rollout: Specialist Subscription teams established in all regions

Heidelberg and WEIG
implement new digital business model for folding carton printing

Summary 9m FY2017/2018

- **The new Heidelberg gains shape** – increased demand for digital products and business modells; order intake in Q3 plus 16%
- **Sales volume** (due to negative FX effects) on prior years level
- **EBITDA** further improved after 9m
- **Net result** after taxes excluding tax-one-off significantly higher
- Sights still set **on targets** for financial year 2017/18 as a whole, confidence for medium term target increased

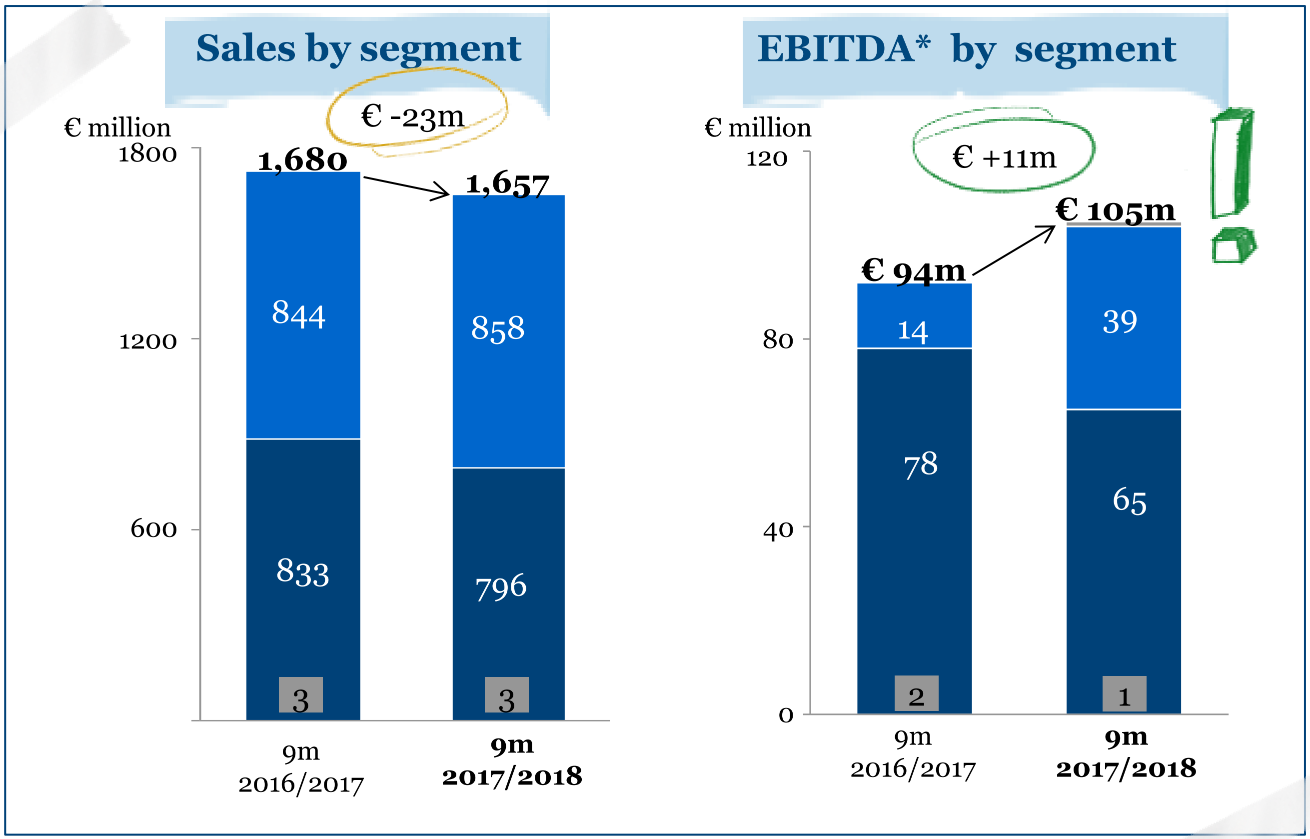
Key figures 9m 2017/18

- **Order intake** +16% qoq, on par yoy after FX adjusting; order backlog with €693m on high level
- **Sales** on previous year's level– FX adjusted (€39m in total for 9m) slightly above PY
- **EBITDA** excl. restructuring result up by €11m; **EBITDA margin** at 6.3% (5.6%)
- Financial result benefits from reduced financing costs
- **Net result** before taxes significantly improved by €24m yoy; after taxes affected by US tax reform (one-time, non cash write-down on deffered tax assets of more c.€25m)
- As a result of acquisitions and property purchases, Investmetns indR&D building, **Free Cashflow** was negative. Positive FCF in Q3 (12m€, PY -10m€)
- **Equity** ratio up to 16% (PY 11%)
- **Net debt** further reduced to € 244m
- **Leverage** with 1.3 still below target level of <2x

	9m 16/17	9m 17/18	*Δ pY*
Order intake	1,990	1,912	*-4%*
Sales	1,680	**1,657**	*-1%*
EBITDA excl. restr. result	94	**105**	*+11*
EBIT excl. restr. result	43	**54**	*+11*
Restructuring result	-8	-1	
Financial result	-42	-36	+6
Net result before taxes	-7	17	*+24*
Net result after taxes	-10	**-10**	
Free cash flow	-10	**-20**	*-10*
	12/31/16	12/31/17	
Equity	246	345	
Net debt	282	244	
Leverage	1.7	1.3	

Sales and EBITDA by segment in 9m FY2017/18

- **Heidelberg Digital Technology:** Despite negative currency effects, sales and margin could be slightly improved as a result of volume effects
- **Heidelberg Digital Business & Services** net sales was affected by negative FX and mainly by intentional reduction in remarketed equipment & somewhat lower sales in Consumables; result was negatively impacted by higher expenses for development work and series start-ups in Digital Solutions and Digital Print



*EBITDA excl. restr. result

Heidelberg Digital Technology

Heidelberg Digital Business & Services

HD Financial Services

Targets set. Outlook.

	FY 2016/17	Outlook FY 2017/18	5-years target
Sales	€ 2,524m	on previous year's level	up to € 3 billion +€ 500m
EBITDA-Margin	7.1 % *HDT ~ 5%* *HDB ~9%*	7 – 7.5% HDT 5-7% HDB 8-10%	Up to 10% +€ 100m HDT 6-9% HDB 8-11%
Net result	€ 36m	Significantly below PY-level due to one-off tax burden, operationally moderate increase	∑ > € 100m
Leverage	1.4	below 2	below 2

Our medium term targets – sustainable & profitable growth

Sales

Additional sales volume of approx. **€ 500 million** in 5 years

Profitability

EBITDA improvement of approx. **€ 100 million** in 5 years

- Digital print portfolio (€ +200 million)
- Digital business model (equipment– consumables – service: € +250 million)
- Digital platforms (€ +50 million)

- Digital business model / Volume growth (€ +50 million)
- Cost efficiency (operational excellence: € +50 million)

Group targets by 2022:

- Sales volume of up to € 3 billion
- EBITDA between € 250 and 300 million
- Net profit > € 100 million

BACKUP

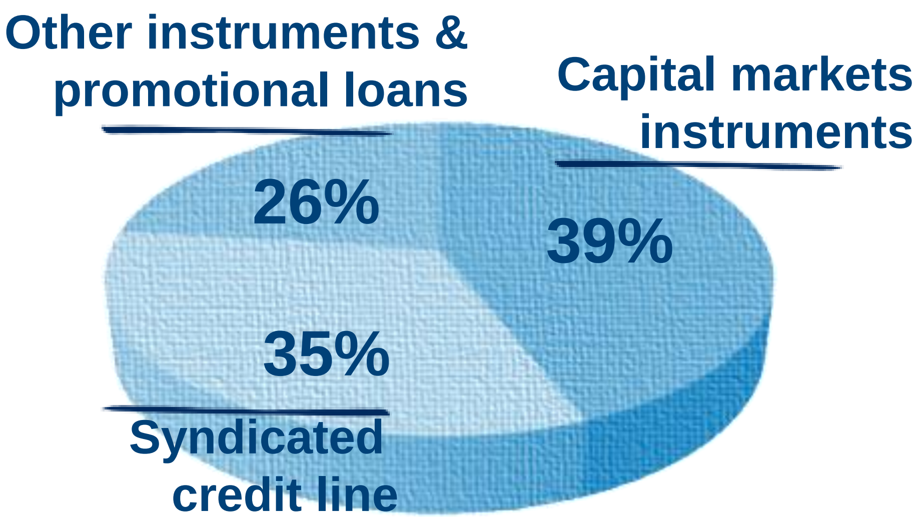
Balance Sheet

> Assets Figures in mEUR	FY 2017 31-12-2016	FY 2017 31-03-2017	FY 2018 31-12-2017
Fixed assets	**727**	**741**	**793**
Current assets	**1.321**	**1.365**	**1.318**
thereof inventories	727	581	689
thereof trade receivables	299	375	293
thereof receivables from customer financing	56	58	55
thereof liquid assets	131	218	180
Def tax assets, prepaid expenses, other	**107**	**113**	**77**
thereof deferred tax assets	91	99	64
thereof deferred income	15	14	14
Total assets	**2.155**	**2.219**	**2.188**

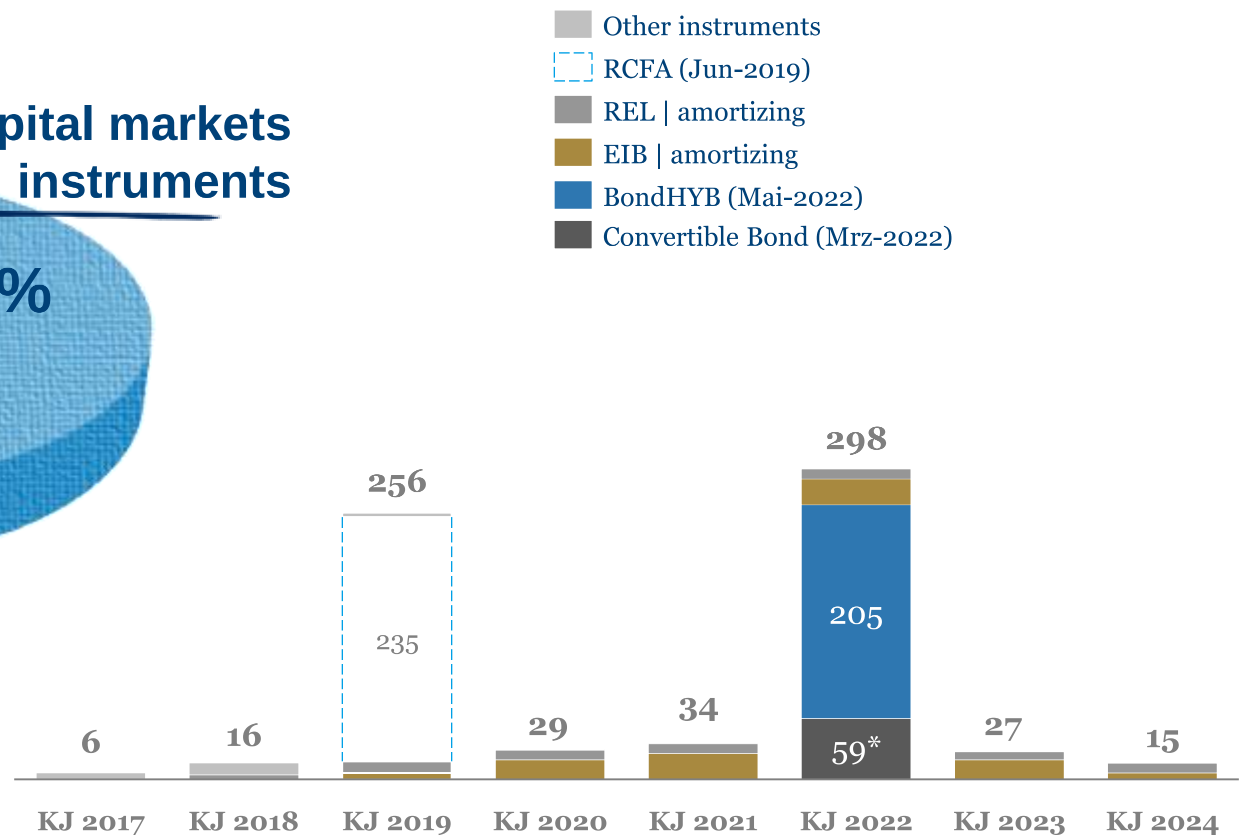
> Equity and liabilities Figures in mEUR	FY 2017 31-12-2016	FY 2017 31-03-2017	FY 2018 31-12-2017
Equity	**246**	**340**	**345**
Provisions	**924**	**898**	**851**
thereof provisions for pensions*	538	488	500
Other Liabilities	**919**	**905**	**925**
thereof trade payables	212	190	226
thereof financial liabilities	412	470	423
Def. tax liabilities, deferred income	**66**	**75**	**67**
thereof deferred tax liabilities	2	5	4
thereof deferred income	64	70	62
Total equity and liabilities	**2.155**	**2.219**	**2.188**
Equity ratio	11%	15%	16%
Net debt	282	252	244

* As of Dec 31, 2017 a discount rate of 2.2 percent (Mar 31, 2017: 2.4 percent) was used to determine actuarial gains and losses for domestic entities

Financial framework



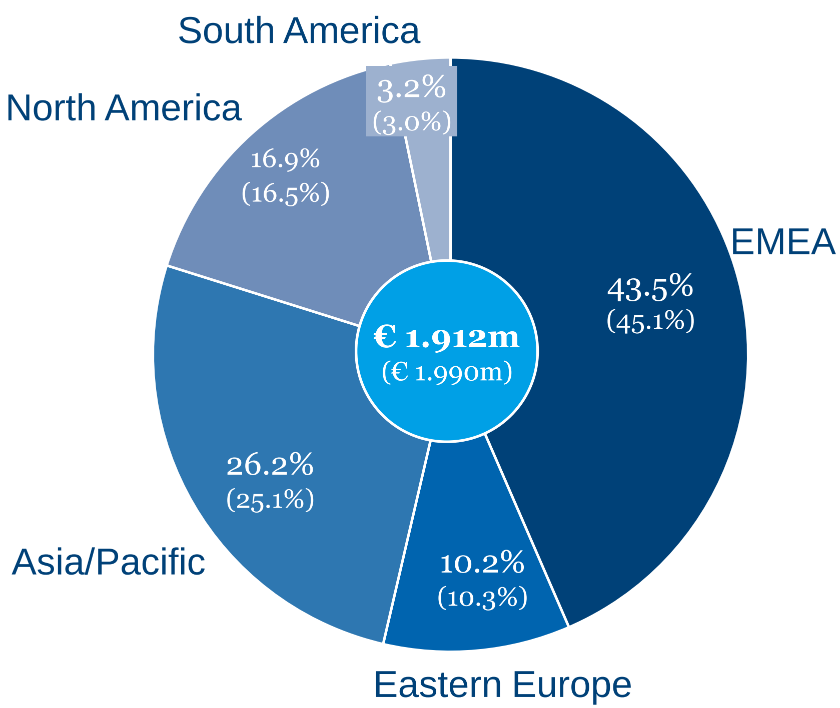
Maturity profile

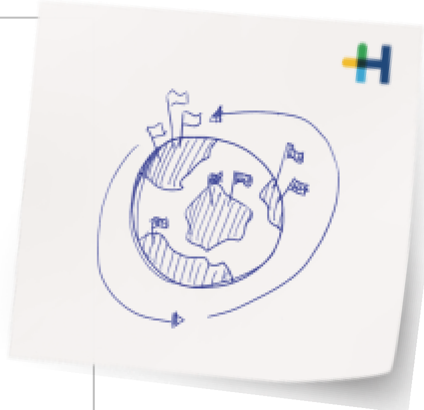


** CB Put Option in 2020*

Order intake – regional split

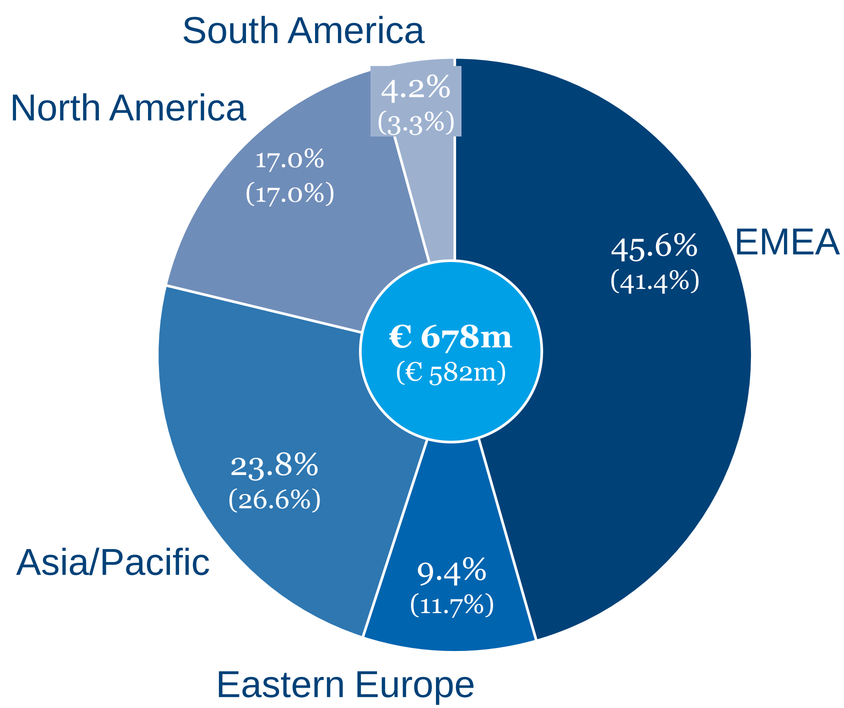
Order intake 9m 2017/18 (9m 2016/17)





Order intake – regional split

Order intake Q3 2017/18 (Q3 2016/17)



Key figures Q3 2017/18

- **Order intake** in Q3 significantly improved by €96m
- **Sales** on previous year's level (FX adjusted above PY)
- **EBITDA** excl. restructuring result sligthly below previous year's level; **EBITDA margin** at 7.5% (8.0%)

- Financial result benefits from reduced financing costs
- **Net result** before taxes slightly down;
after taxes affected by US tax reform (one-time, non cash write-down on deffered tax assets of c.€25m)
- Positive **Free Cashflow**

- **Equity** ratio up to 16% (PY 11%)
- **Net debt** further reduced to € 244m
- **Leverage** with 1.3 still below target level of <2x

	Q3 16/17	Q3 17/18	*Δ pY*
Order intake	582	678	*+16%*
Sales	608	**603**	*-1%*
EBITDA excl. restr. result	49	**45**	*-4*
EBIT excl. restr. result	32	**27**	*-5*
Restructuring result	-2	-1	
Financial result	-13	-11	*+2*
Net result before taxes	17	15	*-2*
Net result after taxes	18	**-10**	*-28*
Free cash flow	-10	**12**	*+22*
	12/31/16	12/31/17	
Equity	246	345	
Net debt	282	244	
Leverage	1.7	1.3	

Financial Calendar

Figures FY2017/2018	**June 12, 2018**
AGM FY 2017/2018	**July 25, 2018**
Release of the figures for the first quarter 2018/2019	**August 07, 2018**
Release of the figures for the second quarter 2018/2019	**November 08, 2018**

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Important notice

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