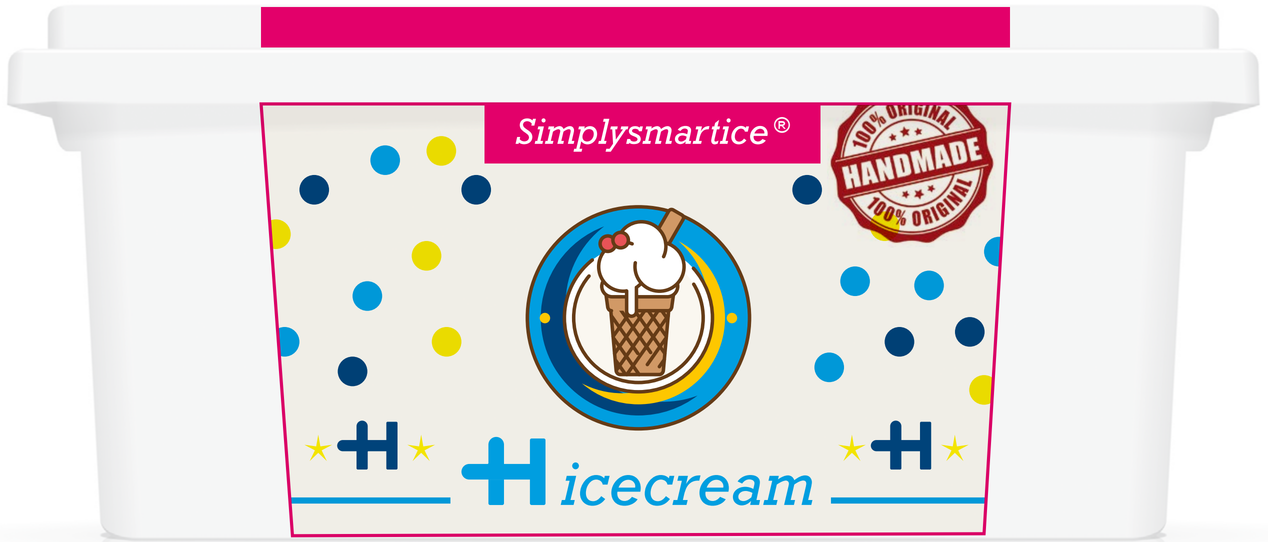
Interim statement Q1
2018/2019



HEIDELBERG Interim statement Q1 2018/2019

Label Printing.

The art of giving brands and products a face.

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INTERIM STATEMENT FOR THE FIRST QUARTER OF 2018/2019

Figures

- Incoming orders up significantly at € 665 million; order backlog grows by around 18 percent year-on-year among others thanks to new subscription model in particular
- Net sales up significantly year-on-year at € 541 million
- EBITDA excluding restructuring result higher than in the same quarter of the previous year at € 20 million; EBIT excluding restructuring result positive at € 2 million
- Net result after taxes marginally improved compared to previous year at € –15 million
- Cash flow slightly positive; free cash flow € –45 million
- Leverage still well below target of 2 at 1.4
- Focus remains on annual and medium-term targets

Facts

- Successful start to subscription model: target of 30 contracts by the end of the financial year
- Primefire series production launched: first series presses to go to Switzerland and US
- Gallus Innovation Days: Labelfire and new Smartfire delight more than 800 attendees
- Financing structure optimized further: partial repayment of the corporate bond means future interest expense reduction
- Heidelberg Digital Unit founded: e-commerce sales to be increased significantly
- First sales of Wallbox: charging system for e-cars now also delivered directly to customers (B2C)
- Research and development center in Heidelberg sold: contribution to process and structural cost optimization

Notes
The segments were reorganized as of April 1, 2018 as part of the digital transformation of the company.
The figures for the 2017/2018 financial year were restated accordingly.

Key figures at a glance

Figures in € millions	Q1 2017/2018	**Q1 2018/2019**
Incoming orders	629	665
Order backlog	603	714
Net sales	495	541
EBITDA [1]	14	20
in percent of sales	2.8	3.7
Result of operating activities (EBIT) excluding restructuring result	– 3	2
Restructuring result	0	0
Financial result	– 13	– 16
Net result before taxes	– 15	– 14
Net result after taxes	– 16	– 15
Equity	382	332
Net debt [2]	234	278
Leverage [3]	1.2	1.4
Cash flow	1	3
Free cash flow	– 13	– 45
Earnings per share in €	– 0.06	– 0.05
Number of employees at end of quarter (excluding trainees)	11,445	11,549

[1] Result of operating activities before interest and taxes and before depreciation and amortization, excluding restructuring result
[2] Net total of financial liabilities and cash and cash equivalents and current securities
[3] Ratio of net debt to EBITDA excluding restructuring result for the last four quarters

Overall assessment of business development

Heidelberger Druckmaschinen AG (Heidelberg) has successfully made further progress with the company’s digital transformation in the first quarter of the current 2018/2019 financial year. A number of contracts have already been signed under the new subscription model. The goal is for around 30 contracts by the end of the financial year, which will mean sales potential of around € 150 million over the contract period. Under Heidelberg’s pay-per-use model, the customer only pays for productive industrial performance, i.e. for the number of printed sheets. The price paid per sheet includes all the equipment, all necessary consumables, a comprehensive service geared to availability and consulting to further enhance performance. With this business model, Heidelberg is aiming to become more independent of growth by selling and installing printing capacity alone, and to benefit from recurring revenue in the field of consumables and services and increased customer productivity. One of the most comprehensive subscription contracts to date was entered into with a customer in Turkey at the end of the first quarter of 2018/2019. The contract comprises two presses, with a sheet format 70 x 100 cm and for the first time 120 x 160 cm. A standard subscription model contract runs for five years and generates recurring revenue over the entire term. The customer pays a basic monthly price for an agreed printing volume plus an additional variable component if this is exceeded.

The first Primefire 106 series presses, the industrial digital printing press with Inkjet technology for the packaging market, were delivered to customers in Switzerland and the US as planned. The order book is full until the end of 2019.

At Gallus Innovation Days 2018 in St. Gallen at the end of June 2018, more than 800 international visitors witnessed the benefits of the Labelfire, the digital high-end label printing machine, which was presented with a digital finishing unit. The new Gallus Smartfire label printing system – the gateway to professional digital label printing – likewise debuted for the first time.

Also in June 2018, Heidelberg resolved a partial cash repayment of its corporate bond in the amount of around € 55 million. Repayment was effected as of July 18, 2018 and will ease the financial result from the next financial year. Heidelberg is planning to further reduce its financing interest to around € 20 million in the medium term. Thanks to its syndicated credit facility of around € 320 million, which was recently agreed anew until 2023, even after the partial repayment of the corporate bond, Heidelberg still has a financial framework of around € 730 million for investment in its digital transformation.

In founding the Heidelberg Digital Unit (HDU), Heidelberg has reorganized its e-commerce activities and its digital marketing, and intends to bundle and harmonize its different sales channels to increase its e-commerce sales substantially. The printing presses connected to the cloud and Heidelberg’s data and software expertise are the foundation for continuous customer service and, above all, for true value added.

Heidelberg Wallbox, the high-performance charging system for electric cars is the first product to be offered to end consumers. The target group is private individuals in addition to companies and local authorities. The product is now also being marketed via online retail platforms and electrical goods wholesalers.

The sale of the research and development building in Heidelberg, which was effected in the first quarter, brought the planned infrastructure projects at the Heidelberg and Wiesloch-Walldorf production sites to a successful conclusion. Thus, another key contribution was made to improving operational performance, in part by reducing process and structural costs as part of the operational excellence initiative.

In the context of Heidelberg's digital transformation, the segments, functional responsibilities and the regional market and service organization were restructured at the beginning of the 2018/2019 financial year. The businesses bundled in the previous segments Heidelberg Digital Technology and Digital Business & Services have been restructured into the Heidelberg Digital Technology and Heidelberg Lifecycle Solutions segments. The Heidelberg Financial Services segment will continue to exist unchanged.

Despite persistent negative exchange rate effects, sales increased significantly to € 541 million in the first quarter of the 2018/2019 financial year. Incoming orders were also significantly higher than in the same quarter of the previous year at € 665 million. Compared to the end of the financial year on March 31, 2018 (€ 604 million), the order backlog increased by around 18 percent to € 714 million as of June 30, 2018. The significant increase is thanks to the new subscription contracts, which will be reflected in sales throughout the term of the respective contracts.

The first quarter of the 2018/2019 financial year saw additional staff costs as a result of the new collective bargaining agreement but nevertheless closed with a positive operating result.

Net sales and results of operations

Interim consolidated income statement

Figures in € millions	Q1 2017/2018	**Q1 2018/2019**
Net sales	495	541
Change in finished goods and work in progress/other own work capitalized	84	70
Total operating performance	**579**	**611**
EBITDA excluding restructuring result	14	20
Result of operating activities (EBIT) excluding restructuring result	– 3	2
Restructuring result	0	0
Result of operating activities	**– 3**	**2**
Financial result	**– 13**	**– 16**
Net result before taxes	**– 15**	**– 14**
Taxes on income	0	1
Net result after taxes	**– 16**	**– 15**

- At € 541 million, NET SALES were up around 9 percent on the previous year's figure of € 495 million. At exchange rates similar to the previous year, sales would have increased by around 11 percent. In particular, the Heidelberg Digital Technology segment contributed to this with higher sales in sheetfed and label business, especially in China.
- EBITDA EXCLUDING THE RESTRUCTURING RESULT rose by € 20 million as against the same quarter of the previous year (€ 14 million); despite the additional staff costs as a result of the new collective bargaining agreement, EBIT EXCLUDING THE RESTRUCTURING RESULT was positive at € 2 million (previous year: € –3 million). The EBITDA margin excluding the restructuring result climbed to 3.7 percent after 2.8 percent in the same quarter of the previous year.

- Owing to the non-recurring transaction and prepayment fees of around € 4 million to be taken into account in connection with the partial repayment of the 2015 corporate bond, the **FINANCIAL RESULT** deteriorated to € −16 million (previous year: € −13 million), but will be improved by lower interest payments in the future.
- Taking into account taxes on income, the **NET RESULT AFTER TAXES** improved slightly to € −15 million, compared to the previous year's figure (€ −16 million).

Equity and liabilities

Figures in € millions	31-Mar-2018	30-Jun-2018
Equity	341	332
Provisions	878	846
of which: pension provisions	523	523
Financial liabilities	438	481
Trade payables	237	234
Other equity and liabilities	362	363
Total equity and liabilities	**2,256**	**2,256**

- As of June 30, 2018, equity recorded the same level as at the end of the reporting year on March 31, 2018.
- The equity ratio remained at around 15 percent.
- Financial liabilities were up, mainly as a result of financing measures in connection with the relocation of our innovation center.
- Net debt currently amounting to € 278 million is financed by basic funding until 2023.
- Leverage (the ratio of net debt to EBITDA excluding restructuring result for the last four quarters) was again maintained well below the target level of 2 at 1.4.

Net assets

Assets

Figures in € millions	31-Mar-2018	30-Jun-2018
Non-current assets	810	821
Inventories	622	692
Trade receivables	370	295
Receivables from sales financing	66	62
Cash and cash equivalents	202	204
Other assets	186	182
Total assets	**2,256**	**2,256**

- As of June 30, 2018, total assets were unchanged in comparison to the end of the financial year on March 31, 2018.
- As expected, inventories have increased since March 31, 2018 on account of the higher order backlog.
- The level of trade receivables, which had risen in the previous quarter due to the high sales volume, decreased as expected in the first quarter.
- Receivables from sales financing declined due to the repayments received and refinancing on the part of customers.
- Thanks to systematic asset and net working capital management, net working capital held firm at € 606 million as of June 30, 2018 compared to the end of the financial year (March 31, 2018: € 610 million) and the same quarter of the previous year (June 30, 2017: € 604 million).

Financial position
Interim consolidated statement of cash flows

Figures in € millions	Q1 2017/2018	**Q1 2018/2019**
Net result after taxes	-16	-15
Cash flow	1	3
Other operating changes	7	-35
of which: net working capital	45	8
of which: receivables from sales financing	3	4
of which: other	-40	-47
Cash used in investing activities	-21	-13
Free cash flow	-13	-45
in percent of sales	-2.6	-8.3

- Cash flow was again slightly positive at € 3 million.
- Various other operational changes primarily related to payments for staff provisions and non-recurring lease payments for buildings.
- Capital expenditure predominantly included the construction of the new innovation center at the Wiesloch-Walldorf production site, the capitalization of development costs and the recognition of subscription printing presses.
- In total, free cash flow was negative in the first three months at € -45 million.
- The three pillars of our financing portfolio – capital market instruments (corporate bond and convertible bonds), the syndicated credit line plus other instruments and promotional loans – are well balanced. The corporate bond was reduced from € 205 million to around € 150 million as a result of its partial repayment as at July 18, 2018.
- Heidelberg's credit facilities, which currently total around € 730 million, have balanced diversification and a balanced maturity structure until 2023.

Segments

The segments were reorganized as of April 1, 2018 as part of the digital transformation of the company. The figures for the 2017/2018 financial year were restated accordingly.

Segment key figures

Figures in € millions	Heidelberg Digital Technology [1]		Heidelberg Lifecycle Solutions [2]		Heidelberg Financial Services		**Heidelberg Group**	
	Q1 2017/2018	**Q1 2018/2019**	Q1 2017/2018	**Q1 2018/2019**	Q1 2017/2018	**Q1 2018/2019**	Q1 2017/2018	**Q1 2018/2019**
Incoming orders	401	387	227	277	1	1	629	665
Sales	272	314	222	226	1	1	495	541
EBITDA excluding restructuring result [3]	– 9	– 3	22	22	1	1	14	20
EBIT excluding restructuring result	– 22	– 16	18	17	1	1	– 3	2

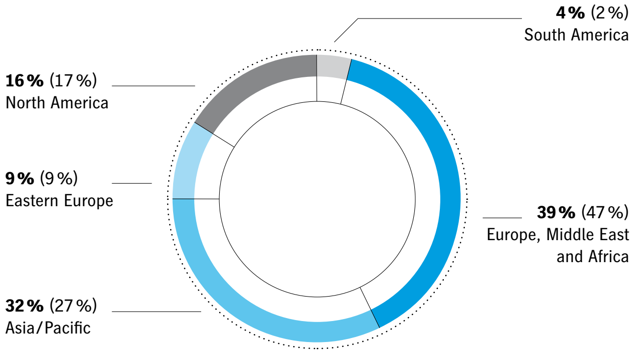
[1] Until March 31, 2018: Heidelberg Digital Technology
[2] Until March 31, 2018: Heidelberg Digital Business and Services
[3] Result of operating activities before interest and taxes and before depreciation and amortization, excluding restructuring result

- Heidelberg Digital Technology segment benefited from higher sales in sheetfed and label business, primarily in China. Earnings improved largely as a result of volume.
- Sales and revenue remained stable year-on-year in Heidelberg Lifecycle Solutions segment.

Regions
Sales by region

Figures in € millions	Q1 2017/2018	**Q1 2018/2019**
EMEA	231	211
Asia/Pacific	133	172
Eastern Europe	46	49
North America	77	89
South America	8	20
Heidelberg Group	**495**	**541**

Q1 2018/2019
Share of Heidelberg Group sales (in parentheses: previous year)



- EMEA still the strongest region with a share of sales of around 39 percent. The previous year's high sales level was not repeated in the first quarter of 2018/2019.
- The North America region benefited in particular from good sales in the US, Canada fell short of the previous year's sales, Mexico holding stable.
- Sales in the Asia/Pacific region increased significantly, above all as a result of business with China.
- The Brazilian market continued its recovery in the South America region. Other smaller markets increased their sales as well.

Outlook

The outlook for the current financial year and the medium-term forecast are unchanged and can be found on pages 52/53 of the 2017/2018 Annual Report.

Financial section
Interim consolidated income statement

Figures in € millions	1-Apr-2017 to 30-Jun-2017	**1-Apr-2018 to 30-Jun-2018**
Net sales	495	541
Change in inventories	74	62
Other own work capitalized	10	8
Total operating performance	**579**	**611**
Other operating income	25	19
Cost of materials	266	283
Staff costs	223	233
Depreciation and amortization	17	18
Other operating expenses	101	94
Result of operating activities [1]	**– 3**	**2**
Financial income	1	2
Financial expenses	14	18
Financial result	**– 13**	**– 16**
Net result before taxes	**– 15**	**– 14**
Taxes on income	0	1
Net result after taxes	**– 16**	**– 15**
Basic earnings per share according to IAS 33 (in € per share)	**– 0.06**	**– 0.05**
Diluted earnings per share according to IAS 33 (in € per share)	**– 0.06**	**– 0.05**

[1] Result of operating activities excluding restructuring result: € 2 million (April 1, 2017 to June 30, 2017: € – 3 million)

Restructuring result (€ 0 million; April 1, 2017 to June 30, 2017: € 0 million) = restructuring income (€ 3 million; April 1, 2017 to June 30, 2017: € 1 million) less restructuring expenses (€ 3 million; April 1, 2017 to June 30, 2017: € 1 million).

Interim consolidated statement of financial position as of June 30, 2018

Assets

Figures in € millions	31-Mar-2018	**30-Jun-2018**
Non-current assets		
Intangible assets	263	274
Property, plant and equipment	526	531
Investment property	9	9
Financial assets	12	7
Receivables from sales financing	38	36
Other receivables and other assets	25	15
Deferred tax assets	66	68
	939	940
Current assets		
Inventories	622	692
Receivables from sales financing	28	26
Trade receivables	370	295
Other receivables and other assets	87	92
Income tax assets	8	7
Cash and cash equivalents	202	204
	1,317	1,316
Total assets	**2,256**	**2,256**

Equity and liabilities

Figures in € millions	31-Mar-2018	**30-Jun-2018**
Equity		
Issued capital	713	713
Capital reserves, retained earnings and other reserves	– 386	– 366
Net result after taxes	14	– 15
	341	332
Non-current liabilities		
Provisions for pensions and similar obligations	523	523
Other provisions	142	104
Financial liabilities	403	445
Other liabilities	32	34
Deferred tax liabilities	6	4
	1,106	1,110
Current liabilities		
Other provisions	213	219
Financial liabilities	35	36
Trade payables	237	234
Income tax liabilities	3	3
Other liabilities	321	322
	809	814
Total equity and liabilities	**2,256**	**2,256**

Interim consolidated statement of cash flows as of June 30, 2018

Figures in € millions	1-Apr-2017 to 30-Jun-2017	**1-Apr-2018 to 30-Jun-2018**
Net result after taxes	– 16	– 15
Depreciation and amortization/write-downs/reversals[1]	17	18
Change in pension provisions	2	2
Change in deferred tax assets/deferred tax liabilities/tax provisions	– 2	– 2
Result from disposals	0	0
Cash flow	**1**	**3**
Change in inventories	– 73	– 68
Change in sales financing	3	4
Change in trade receivables/payables	92	76
Change in other provisions	– 32	– 36
Change in other items of the statement of financial position	17	– 11
Other operating changes	**7**	**– 35**
Cash generated by/used in operating activities	**8**	**– 32**
Intangible assets/property, plant and equipment/investment property		
Investments	– 24	– 25
Income from disposals	1	2
Financial assets/company acquisitions		
Investments	– 8	0
Cash investment	10	10
Cash used in investing activities	**– 21**	**– 13**
Change in financial liabilities	– 3	46
Cash used in/generated by financing activities	**– 3**	**46**
Net change in cash and cash equivalents	**– 16**	**1**
Cash and cash equivalents at the beginning of the reporting period	**218**	**202**
Changes in the scope of consolidation	0	1
Currency adjustments	– 4	0
Net change in cash and cash equivalents	– 16	1
Cash and cash equivalents at the end of the reporting period	**198**	**204**
Cash generated by/used in operating activities	8	– 32
Cash used in investing activities	– 21	– 13
Free cash flow	**– 13**	**– 45**

[1] Relates to intangible assets, property, plant and equipment, investment property and financial assets

Financial calendar 2018/2019

November 8, 2018	Publication of Half-Year Figures 2018/2019
February 7, 2019	Publication of Third Quarter Figures 2018/2019
June 6, 2019	Press Conference, Annual Analyst and Investor Conference
July 25, 2019	Annual General Meeting

Subject to change

This interim statement was published on August 7, 2018.

Important note
This interim statement contains forward-looking statements based on assumptions and estimates by the management of Heidelberger Druckmaschinen Aktiengesellschaft. Although the Management Board is of the opinion that these assumptions and estimates are realistic, actual future developments and results may deviate substantially from these forward-looking statements due to various factors. These factors could, for instance, include changes in the overall economic situation, exchange rates and interest rates, as well as changes within the print media industry. Heidelberger Druckmaschinen Aktiengesellschaft provides no guarantee and assumes no liability for future developments and results deviating from the assumptions and estimates made in this interim statement. Heidelberg neither intends nor assumes any obligation to update the assumptions and estimates made in this interim statement to reflect events or developments occurring after the publication of this interim statement.

In individual cases, rounding may result in discrepancies concerning the totals and percentages contained in this interim statement.

This report is a non-binding English convenience translation of the German interim statement of Heidelberger Druckmaschinen Aktiengesellschaft.
The Company disclaims responsibility for any misunderstanding or misinterpretation due to this translation.

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