HEIDELBERG

Q3

People Make Machines Smart

Interim Statement // Third Quarter of 2023/2024

Interim statement for the third quarter of 2023/2024

- HEIDELBERG confirms forecast in challenging 2023/2024 financial year
- Incoming orders weaker in the third quarter after two strong previous quarters, the result of economic trends and upcoming trade show
- 9M sales 2.5 percent down on previous year's period, adjusted for negative currency effects at previous year's level
- Adjusted EBITDA margin after first three quarters up on the previous year at 8.0 percent (7.2 percent), also slightly improved in the third quarter compared to the same quarter of the previous year
- Free cash flow after nine months negative due to NWC increase; major operating improvements year over year, including positive special items of € 92 million

Key figures overview

Figures in € millions		9M		Q3
	2022/2023	**2023/2024**	2022/2023	**2023/2024**
Results of operations				
Incoming orders	1,859	1,692	630	508
Order backlog [1)]	995	786	995	786
Net sales	1,729	1,686	609	594
Adjusted EBITDA [2)]	125	135	33	34
in percent of sales	7.2	8.0	5.5	5.7
EBITDA [2)]	144	135	41	34
Result of operating activities (EBIT)	85	78	21	15
Net result after taxes	54	34	10	1
Earnings per share in €	0.18	0.11	0.04	0.00
Financial position				
Cash generated from operating activities	–72	–38	–28	–23
Free cash flow	–16	–54	–4	–26
Net assets				
Equity [1)]	457	488	457	488
Net financial position [1)]	–26	–21	–26	–21
Number of employees [1)] (excluding trainees)	9,548	9,565	9,548	9,565

1) As of the end of the reporting period, December 31, 2023
2) Result of operating activities before interest, taxes, depreciation and amortization
3) Net total of cash and cash equivalents and current securities less financial liabilities

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

Note on this report

HEIDELBERG has reported adjusted EBITDA as a most significant controlling performance indicator since April 1, 2023. In previous years, EBITDA had included a number of positive and negative special items. From the 2023/2024 financial year, it is therefore being shown after adjustment for material non-operating transactions. In particular, these include the sale of non-operating assets, write-downs, restructuring expenses, income and expenses from acquisitions and disposals, and exceptional events with a significant impact on the Company. There were no special items requiring adjustment in the current financial year.

Overall assessment of business development

Despite the challenging economic environment, Heidelberger Druckmaschinen AG (HEIDELBERG) performed well in the first nine months of the 2023/2024 financial year (April 1 to December 31, 2023). Sales amounted to € 1,686 million and, adjusted for exchange rate effects of around € –46 million, reached the previous year's level (€ 1,729 million). Meanwhile, the EBITDA margin adjusted for special items increased in the same period and amounted to 8.0 percent (previous year: 7.2 percent). In light of this performance, the company has confirmed the forecast issued for the 2023/2024 financial year.

After two strong previous quarters, incoming orders in the third quarter reflected the weak macroeconomic trends. According to economists, restrictive central bank monetary policy particularly slowed economic growth and had a negative impact on investments. Overall, the VDMA is still seeing a significant slowdown in investment demand in the German mechanical and plant engineering sector. This development was also reflected at HEIDELBERG in all business segments. In addition, some customers also adopted a "wait-and-see" attitude regarding the leading industry trade fair drupa, which starts at the end of May. Accordingly, incoming orders in the EMEA and North America regions were rather subdued after two strong previous quarters, while the Asia/Pacific and Eastern Europe regions showed a stable trend. In total, incoming orders after nine months amounted to € 1,692 million (previous year: € 1,859 million).

However, sales remained largely stable in the third quarter compared to the same period of the previous year due to the order backlog and came to € 1,686 million after nine months. Adjusted for exchange rate effects of € –46 million, they reached the level of the same period in the previous year (€ 1,729 million). Growth was generated in Packaging Solutions in particular, while sales in the Print Solutions segment declined.

After nine months, the adjusted EBITDA margin increased significantly by 80 basis points from 7.2 percent in the same period of the previous year to 8.0 percent. There were no special items to be adjusted in the reporting period. In addition to product and country mix effects, price adjustments to compensate for increases in the cost of materials and energy also had a positive impact in the nine-month period. This was offset by the declining volume and lower capacity utilization in some parts of the value chain. On the other hand, measures to increase profitability from the value enhancement program initiated at the beginning of the current financial year had a positive effect on the adjusted EBITDA margin.

Cash generated from operating activities also improved after nine months, increasing by € 34 million to € –38 million. The increase in net working capital (NWC) during the year had a negative impact, although it was lower than in the same period of the previous year. After nine months, free cash flow amounted to € –54 million and was therefore below the previous year's figure (€ –16 million), which included positive special items from the sale of two properties and the reversal of a cash investment totaling € 92 million. Adjusted for these effects, free cash flow after nine months improved significantly year over year.

Net sales and results of operations

Interim consolidated income statement

Figures in € millions		9M		Q3
	2022/2023	**2023/2024**	2022/2023	**2023/2024**
Net sales	**1,729**	**1,686**	**609**	**594**
Change in inventories / other own work capitalized	66	84	– 8	– 3
Total operating performance	**1,795**	**1,770**	**601**	**591**
Other operating income and expenses	232	261	81	93
Cost of materials	818	788	271	268
Staff costs	600	586	209	195
EBITDA [1]	**144**	**135**	**41**	**34**
Adjusted EBITDA [1]	**125**	**135**	**33**	**34**
in % of sales	7.2	8.0	5.5	5.7
Depreciation and amortization	59	57	20	19
Result of operating activities (EBIT)	**85**	**78**	**21**	**15**
Financial result	– 20	– 26	– 6	– 8
Net result before taxes	**65**	**52**	**14**	**7**
Taxes on income	11	18	4	7
Net result after taxes	**54**	**34**	**10**	**1**

1) Operating result before interest, taxes, depreciation and amortization

- After three quarters, sales were down slightly in nominal terms on the same period of the previous year at € 1,686 million (€ 1,729 million); adjusted for negative exchange rate effects, the figure came to € 1,732 million. In the third quarter of the current financial year, sales also reached the previous year's level (€ 609 million) after adjustment for exchange rate effects of € – 13 million. Packaging Solutions increased its sales by roughly 8 percent, while sales declined in Print Solutions.
- Adjusted EBITDA rose to € 135 million after nine months (same quarter of the previous year: adjusted figure of € 125 million), while the adjusted EBITDA margin was 8.0 percent, with no special items requiring adjustment in the current financial year. Adjusted for positive special items from the sale of the properties in St. Gallen in the first quarter of 2022/2023 of around € 12 million and a contribution to the joint venture with Masterwork in the third quarter of 2022/2023 of € 7 million, it amounted to 7.2 percent in the same period of the previous year. In the third quarter of the current financial year, adjusted EBITDA amounted to € 34 million, compared to € 33 million in the same quarter of the previous year. The EBITDA margin improved from 5.5 percent to 5.7 percent.
- Adjusted EBITDA benefited from improved price realization in the reporting period, whereas declining volumes in parts of production and thus lower capacity utilization had a negative impact, particularly in the third quarter. The use of measures to provide more flexible working hours had a positive effect on staff costs, which in the previous year had included the recognition of an inflation compensation bonus of around € 15 million. Overall, measures to increase profitability from the value enhancement program initiated at the beginning of the current financial year also had a positive impact.
- The financial result amounted to € – 8 million in the third quarter (same quarter of the previous year: € – 6 million) and € – 26 million after three quarters (same period of the previous year: € – 20 million) and was mainly impacted by an increase in interest expenses for pensions compared to the same period of the previous year.

- Including income taxes of € 7 million (same quarter of the previous year: € 4 million), the net result after taxes came to € 1 million in the third quarter (same quarter of the previous year: € 10 million) and € 34 million after nine months (same period of the previous year: € 54 million).

Net assets

Assets

Figures in € millions	31-Mar-2023	**31-Dec-2023**
Non-current assets	917	893
Inventories	643	733
Trade receivables	290	267
Receivables from sales financing	40	37
Cash and cash equivalents	153	127
Other assets	177	184
	2,221	**2,242**

- Inventories increased by € 90 million to € 733 million compared to the beginning of the financial year as a result of the increase in production volume during the year and higher material prices. Despite the absolute increase in inventories, net working capital (NWC) increased by just € 70 million to € 585 million (March 31, 2023: € 515 million), in part because of the positive impact of the decline in trade receivables. This put the ratio of NWC to sales over the last 12 months at 24.4 percent.
- Cash and cash equivalents fell to € 127 million compared to the start of the financial year, mainly due to the negative free cash flow.

Equity and liabilities

Figures in € millions	31-Mar-2023	**31-Dec-2023**
Equity	514	488
Provisions	934	960
of which: pension provisions	683	730
Financial liabilities	102	148
Trade liabilities	225	220
Other equity and liabilities	446	425
	2,221	**2,242**

- Equity decreased to € 488 million at the end of the quarter, while the equity ratio stood at 21.8 percent. This was mainly due to the increase in pension provisions as a result of the reduction in the actuarial interest rate for pensions in Germany as of December 31, 2023 to 3.1 percent (March 31, 2023: 3.7 percent). This effect is recognized directly in equity.
- Pension provisions increased accordingly as at the end of the reporting period, December 31, 2023. Provisions amounted to a total of € 960 million (March 31, 2023: € 934 million). The seasonal use of provisions for personnel reduced this figure.
- Financial liabilities increased to € 148 million as at the end of the reporting period, while the net financial position amounted to € –21 million (same quarter of the previous year: € –26 million; March 31, 2023: € 51 million).
- Since the successful refinancing process at the end of July 2023, HEIDELBERG's financing structure has mainly consisted of a syndicated credit line (around € 350 million) maturing in July 2027 and a few small loans, providing a solid foundation for the Company's further strategic development.

Financial position

Interim consolidated statement of cash flows

Figures in € millions		9M		Q3
	2022/2023	**2023/2024**	2022/2023	**2023/2024**
Cash used by operating activities	–72	–38	–28	–23
of which: net working capital	–115	–72	–45	–39
of which: receivables from sales financing	1	3	–5	0
of which: other operating changes	42	32	23	16
Cash generated by/used in investing activities	55	–16	24	–3
Free cash flow	–16	–54	–4	–26
in percent of sales	–0.9	–3.2	–0.6	–4.4

- Cash generated from operating activities (operating cash flow) improved significantly by € 34 million to € –38 million after nine months compared to the same period of the previous year. The improvement is due in particular to a lower increase in net working capital during the year (€ 72 million), which nevertheless resulted in negative operating cash flow after nine months.
- Operating cash flow also improved in the third quarter, but was also negative at € –23 million due to the increase in net working capital.
- The cash outflow from investing activities after nine months was at € –16 million. The figure for the same period of the previous year (inflow of € 55 million), did benefit from special items in the amount of € 92 million. These inflows resulted from the sale of properties in the first quarter (St. Gallen, Switzerland, € 33 million) and in the third quarter of the previous year (Brentford, UK, € 39 million) and from the reversal of a cash investment of around € 20 million in the second quarter of the previous year.
- Accordingly, free cash flow after three quarters amounted to € –54 million (same period of the previous year: € –16 million). Adjusted for the positive special items in the same period of the previous year, free cash flow improved significantly. In the third quarter of the current financial year, it amounted to € –26 million after € –4 million in the same quarter of the previous year. Adjusted for the positive special item of € 39 million from the sale of the property in Brentford in the third quarter of the previous year, however, it also improved significantly.

Segments

Print Solutions

Figures in € millions	9M		Q3	
	2022/2023	**2023/2024**	2022/2023	**2023/2024**
Incoming orders	977	822	295	259
Order backlog	479	365	479	365
Sales	898	804	332	271
Adjusted EBITDA 1)	68	72	22	11
EBITDA 1)	79	72	26	11

1) Result of operating activities before interest, taxes, depreciation and amortization

— The **Print Solutions** segment recorded a noticeable decline in incoming orders in the first nine months and third quarter of the current 2023/2024 financial year. Sales were also below the previous year's level in both periods under review. After nine months, adjusted EBITDA benefited from both product mix effects and a high service share in sales, and remained stable despite lower sales.

Packaging Solutions

Figures in € millions	9M		Q3	
	2022/2023	**2023/2024**	2022/2023	**2023/2024**
Incoming orders	862	862	331	247
Order backlog	506	414	506	414
Sales	812	874	274	320
Adjusted EBITDA 1)	65	76	15	26
EBITDA 1)	73	76	18	26

1) Result of operating activities before interest, taxes, depreciation and amortization

— In the **Packaging Solutions** segment, the recovery of the Asian market had a very positive effect on incoming orders. Other parts of the world were more cautious in the third quarter due to the economic situation and a "wait-and-see" attitude regarding the leading industry trade fair drupa, which starts at the end of May. By contrast, sales increased significantly in the nine-month period and in the quarter under review thanks to the high order backlog. Adjusted EBITDA also increased accordingly.

Technology Solutions

Figures in € millions	9M		Q3	
	2022/2023	**2023/2024**	2022/2023	**2023/2024**
Incoming orders	20	8	3	2
Order backlog	10	8	10	8
Sales	20	8	3	2
Adjusted EBITDA 1)	– 8	– 13	– 4	– 3
EBITDA 1)	– 8	– 13	– 4	– 3

1) Result of operating activities before interest, taxes, depreciation and amortization

— After nine months, sales in the **Technology Solutions** segment were around € 12 million down from the previous year. This reflected the continued hesitancy on the market. Adjusted EBITDA was down from the previous year due to the expansion of the sales network and ongoing development projects.

Regions

Incoming orders by region

Figures in € millions	9M		Q3	
	2022/2023	**2023/2024**	2022/2023	**2023/2024**
EMEA	774	644	283	190
Asia/Pacific	435	443	134	128
Eastern Europe	177	210	55	64
North America	415	325	143	107
South America	58	69	15	19
HEIDELBERG Group	**1,859**	**1,692**	**630**	**508**

Sales by region

Figures in € millions	9M		Q3	
	2022/2023	**2023/2024**	2022/2023	**2023/2024**
EMEA	687	675	238	210
Asia/Pacific	430	421	158	149
Eastern Europe	200	179	60	77
North America	361	363	132	131
South America	50	48	21	26
HEIDELBERG Group	**1,729**	**1,686**	**609**	**594**

- In the **EMEA** region, incoming orders were around 17 percent down on the previous year's figure after nine months, and around a third lower in the third quarter. In addition to the general economic slowdown, the end of government-funded investment programs in some markets and a "wait-and-see attitude" with regard to the drupa trade fair, which begins in May, also contributed to this situation. However, sales were only about 2 percent below the same period of the previous year in the first three quarters and around 12 percent in the third quarter.
- Despite significant negative currency effects totaling around € 35 million, the **Asia/Pacific** region was able to slightly increase incoming orders in the first three quarters compared to the same period of the previous year. Catch-up effects following the COVID-19 restrictions in the previous year were particularly noticeable in China, and so incoming orders after three quarters were around 11 percent above the sluggish prior-year period. Momentum in the region slowed significantly in the third quarter of the current financial year, with the region as a whole down around 5 percent on the previous year. Despite this, China still reported an increase of around 10 percent. After nine months, the region's sales were around 2 percent below the previous year's figure, but included some € 34 million in negative currency effects. In the third quarter, it lost around 5 percent compared to the same quarter of the previous year.
- Incoming orders in the **Eastern Europe** region continued the recovery enjoyed in recent quarters and rose by around 19 percent year over year after three quarters and by around 16 percent in the third quarter. Compared to the first nine months of the previous year, sales fell by around 11 percent, but increased significantly in the third quarter by almost a third compared to the same quarter of the previous year.
- In the **North America** region, incoming orders fell by around 22 percent in the first nine months compared to the same period of the previous year. The US in particular recorded a significant decline, with negative currency effects of around € 13 million also having an impact. Incoming orders lost momentum in the third quarter. After the first three quarters and in the third quarter, sales were at the same level as in the same period of the previous year and included around € 13 million in negative currency effects.
- Incoming orders in the **South America** region increased year over year in the reporting period, particularly in the third quarter. In the first nine months of the year, sales did not quite reach the level of the same period in the previous year, but did pick up by around 22 percent to about € 26 million in the third quarter.

Risk and opportunity report

As of December 31, 2023, there were no fundamental changes in the assessment of the risks and opportunities of the HEIDELBERG Group compared to the presentation in the Annual Report 2022/2023.

Outlook

Taking into account the expectations and assumptions published and presented in the Annual Report 2022/2023 on pages 71 and 72, the Company continues to expect sales for fiscal 2023/2024 to be in line with the previous year's figure (previous year: € 2.435 billion). The adjusted EBITDA margin is also expected to be similar to the previous year's figure (7.2 percent).

Financial section

Interim consolidated income statement

Figures in € millions		9M		Q3
	2022/2023	**2023/2024**	2022/2023	**2023/2024**
Net sales	1,729	1,686	609	594
Change in inventories / other own work capitalized	66	84	– 8	– 3
Total operating performance	**1,795**	**1,770**	**601**	**591**
Other operating income	56	38	14	16
Cost of materials	818	788	271	268
Staff costs	600	586	209	195
Depreciation and amortization	59	57	20	19
Other operating expenses	288	299	95	109
Result of operating activities [1]	**85**	**78**	**21**	**15**
Financial income	2	5	1	2
Financial expenses	22	31	7	10
Financial result	**– 20**	**– 26**	**– 6**	**– 8**
Net result before taxes	**65**	**52**	**14**	**7**
Taxes on income	11	18	4	7
Net result after taxes	**54**	**34**	**10**	**1**
Basic earnings per share according to IAS 33 (in € per share)	**0.18**	**0.11**	**0.04**	**0.00**
Diluted earnings per share according to IAS 33 (in € per share)	**0.18**	**0.11**	**0.04**	**0.00**

1) Result of operating activities before interest, taxes, depreciation and amortization

Interim consolidated statement of financial position as of December 31, 2023

Figures in € millions	31-Mar-2023	**31-Dec-2023**
Non-current assets		
Intangible assets	210	215
Property, plant and equipment	683	657
Investment property	9	10
Financial assets	15	11
Receivables from sales financing	24	22
Other receivables and other assets [1]	17	19
Income tax assets	0	0
Deferred tax assets	70	69
	1,028	**1,004**
Current assets		
Inventories	643	733
Receivables from sales financing	16	16
Trade receivables	290	267
Other receivables and other assets	83	87
Income tax assets	7	9
Cash and cash equivalents	153	127
	1,192	**1,238**
Total assets	**2,221**	**2,242**

Figures in € millions	31-Mar-2023	**31-Dec-2023**
Equity		
Issued capital	779	779
Capital reserves, retained earnings and other reserves	– 357	– 324
Net result after taxes	91	34
	514	488
Non-current liabilities		
Provisions for pensions and similar obligations	683	730
Other provisions	55	37
Financial liabilities	44	24
Contractual liabilities	**19**	**24**
Income tax liabilities	44	44
Other liabilities	8	11
Deferred tax liabilities	1	1
	855	872
Current liabilities		
Other provisions	195	193
Financial liabilities	58	124
Contractual liabilities	244	235
Trade liabilities	225	220
Income tax liabilities	18	14
Other liabilities	**112**	**96**
	852	882
Total equity and liabilities	**2,221**	**2,242**

Interim consolidated statement of cash flows as of December 31, 2023

Figures in € millions		9M
	2022/2023	2023/2024
Net result after taxes	54	34
Depreciation, amortization, write-downs and write-ups [1)]	59	58
Change in pension provisions	–17	–3
Change in deferred tax assets / deferred tax liabilities	–4	0
Result from disposals	–12	0
Change in inventories	–109	–95
Change in trade receivables	–41	24
Change in trade liabilities	3	–5
Change in advance payments	32	3
Change in sales financing	1	3
Change in other provisions	–24	–19
Change in other items of the statement of financial position	–14	–37
Cash used in operating activities	**–72**	**–38**
Intangible assets / property, plant and equipment / investment property		
Investments	–40	–38
Income from disposal	77	16
Financial assets		
Investments	–1	0
Income from disposal	0	2
Cash generated by / used in investing activities before cash investment	**35**	**–20**
Cash investments	20	4
Cash generated by / used in investing activities	**55**	**–16**
Borrowing of financial liabilities	86	91
Repayment of financial liabilities	–120	–61
Cash used in financial activities	**–34**	**30**
Net change in cash and cash equivalents	**–50**	**–24**
Cash and cash equivalents at the beginning of the reported period	**146**	**153**
Currency adjustments	–2	–2
Net change in cash and cash equivalents	–50	–24
Cash and cash equivalents at the end of the reported period	**94**	**127**
Cash used in operating activities	–72	–38
Cash generated by / used in investing activities	55	–16
Free cash flow	**–16**	**–54**

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

Financial calendar 2023/2024

June 11, 2024
Press Conference, Annual Analysts' and Investors' Conference

July 25, 2024
Annual General Meeting

August 1, 2024
Publication of First Quarter Figures 2024/2025

Subject to change
This interim statement was published on February 7, 2024.

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.

Contact

Investor Relations
Tel.: +49–6222–82 67120
investorrelations@heidelberg.com

Publishing information

Heidelberger Druckmaschinen
Aktiengesellschaft
Kurfürsten-Anlage 52–60
69115 Heidelberg
www.heidelberg.com

Heidelberger Druckmaschinen Aktiengesellschaft

Kurfürsten-Anlage 52–60
69115 Heidelberg

www.heidelberg.com