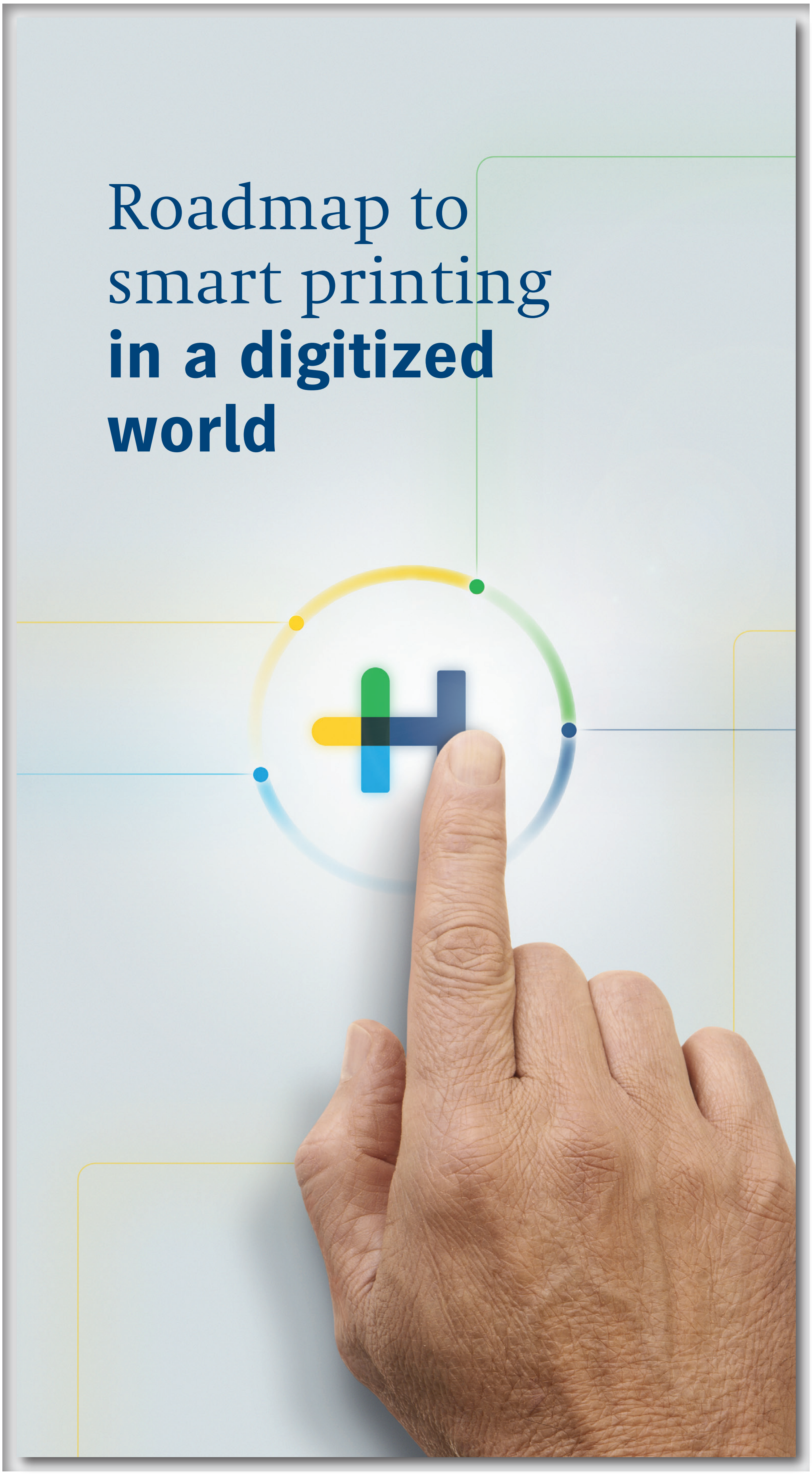
Non-consolidated financial statements 2015/2016

Roadmap to smart printing **in a digitized world**



HEIDELBERG

Heidelberger Druckmaschinen Aktiengesellschaft

Figures in € millions	2011/2012	2012/2013	2013/2014	2014/2015	**2015/2016**
Incoming orders	1,186	1,238	1,130	1,070	1,090
Net sales	1,228	1,289	1,130	1,051	1,072
Foreign sales share in percent	84	84	83	81	82
Result of operating activities	– 56	– 53	– 15	– 57	140
in percent of sales	– 5	– 4	– 1	– 5	13
Net loss	– 30	– 77	– 109	– 127	86
in percent of sales	– 2	– 6	– 10	– 12	8
Investments [1]	28	53	35	41	40
Research and development costs	109	102	100	102	107
Total assets	2,257	2,038	1,995	1,953	1,956
Fixed assets	1,308	1,335	1,257	1,252	1,317
Equity	849	772	665	606	692
Subscribed capital	600	600	600	659	659
Equity ratio in percent	38	38	33	31	35
Earnings per share in € [2]	– 0.13	– 0.33	– 0.47	– 0.49	0.33
Share price at financial year-end in € [3]	1.50	1.80	2.23	2.49	1.99
Market capitalization at financial year-end	352	421	522	641	512
Average number of employees for the year [4]	8,286	7,639	7,044	6,739	5,399

[1] Not including financial assets
[2] Number of shares at the reporting date excluding treasury shares
[3] Xetra closing price, source: Bloomberg
[4] Number of employees excluding trainees

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MANAGEMENT REPORT

Basic information on Heidelberger Druckmaschinen Aktiengesellschaft

Business model of Heidelberger Druckmaschinen Aktiengesellschaft

Company profile

Heidelberger Druckmaschinen Aktiengesellschaft is the parent company of the Heidelberg Group. The Company has been a major provider for the global printing industry for many years and develops, manufactures and distributes products and services for commercial and packaging printing. In addition to manufacturing printing presses and equipment for printing plate imaging, the Company sells service parts and remarketed equipment and offers comprehensive services, as well as making its precision engineering expertise available to other companies within the framework of contract manufacturing. We offer our customers all the components tailored to their requirements for successful business operations; we are advancing the digitization of the industry, providing integrated and reliable production processes, financially optimal investments and smooth access to all necessary materials. Heidelberger Druckmaschinen Aktiengesellschaft also carries out Group functions.

Sites

Heidelberger Druckmaschinen Aktiengesellschaft operates the following five sites in Germany: Heidelberg, Wiesloch-Walldorf, Brandenburg, Neuss and Kiel. The Company's headquarters relocated from Heidelberg to Wiesloch-Walldorf in the reporting year. In addition, the Amstetten production site was hived off as Heidelberg Manufacturing Deutschland GmbH, Wiesloch, as of April 1, 2015. The Heidelberg site has the research and development department and several training centers. Sheetfed offset printing presses are manufactured at specialized production sites operating as part of a production network and at Heidelberg Manufacturing Deutschland GmbH, Wiesloch. Rotationally symmetrical and profiled parts are supplied by the Brandenburg plant, and model parts, electronic components and experimental components are produced at the Wiesloch-Walldorf plant. Here we also assemble the vast majority of our sheetfed offset printing presses. The Wiesloch-Walldorf production site is also home to development work and prepress services. Following the transfer of development activities to Masterwork Machinery GmbH, Neuss, in the year under review, the Neuss site now provides services for the postpress packaging product area only (folding-box gluers and die-cutters). The fifth production site is Kiel. It performs development work and provides prepress services.

Heidelberger Druckmaschinen Aktiengesellschaft actively shaping the future of print

As the industry environment continues to change rapidly, printers must continuously boost their own efficiency and respond ever more quickly and more flexibly to the global requirements of end customers. The goal is to shape the digitization of one's own business model and involve print contractors in this process. Heidelberger Druckmaschinen Aktiengesellschaft is driving the digitization of the industry and further expanding the growth segments of packaging, digital and services.

Under the motto "Simply Smart", the Company is introducing the digitized future of the industry at drupa 2016 in Düsseldorf. The focus will firstly be on integrating and automating offset customers' entire value chains with the possibilities and growing offerings of the digital domain in order to increase the competitive capability of print shops. In the future these systems will work more and more autonomously with the right services. Secondly, new digital printing offerings (software and the new "Fire" family) will target advanced business models for customers. Heidelberger Druckmaschinen Aktiengesellschaft delivers "smart" products and services that are presented under the headings "Smart Print Shop", "Smart Services" and "Smart Collaboration".

The market volume in the new machinery business in sheetfed offset is stable at around € 2.3 billion p. a. despite pronounced short-term fluctuations in investment behavior due to economic developments. The Heidelberg Group is the market leader in this area with a market share of over 40 percent in new machinery and the largest installed base. Thanks to the adjustment of structures in recent years, the sheetfed offset area can respond more flexibly to fluctuations. The focus is primarily on maintaining the leading market and technology positions, including by increasing networking and digitization in this market segment. Against this backdrop, the goal for the years ahead is to improve the margin through price increases and reductions in production costs, and to continuously look for further optimization potential. The continuous adjustment of (cost) structures and vertical integration in line with the maturity of these products in the life cycle is therefore still essential.

Organization

In line with its internal reporting structure, the operating activities of Heidelberger Druckmaschinen Aktiengesellschaft are divided into the following SEGMENTS: Heidelberg Equipment, Heidelberg Services and Heidelberg Financial Services.

Within the segments, the Company is divided into BUSINESS AREAS (BAs). Each business area formulates plans for how best to leverage the potential offered by their respective submarket. The Production, Sales and Administration functions, which continue to be organized centrally, derive targets on the basis of these plans and implement them. This organizational approach allows us to define our strategies at the level of the respective submarkets while generating synergies within the functions and upholding the principle of “one face to the customers”.

Research and development

Heidelberger Druckmaschinen Aktiengesellschaft has to provide its customers with the right product at the right time. “Listening”, as a feature of the enhanced customer focus, characterizes the culture of innovation at the Company. While printing was once predominantly an artisanal technique for reproducing the same thing over and over as efficiently as possible, today the requirements of our customers have changed fundamentally. What matter are flexibility, which means always being able to print new versions again at low expense, the integration of processes into a consistent end-to-end process, automation through “smart products” that communicate with each other and operate autonomously, and the plannability of resource utilization and equipment availability. With our ideas and products we want to inspire our customers, surprise them and deliver value added that leads to success. This is the purpose of research and development at Heidelberger Druckmaschinen Aktiengesellschaft.

As part of our strategic reorientation, we view DIGITAL BUSINESS as an important growth market for Heidelberger Druckmaschinen Aktiengesellschaft. To expand our share of this market further, we are investing in new business applications and cooperating with innovative partners who are the leaders in their respective segment. Being able to offer integrated offset and digital solutions – including for industrial digital printing – for different market segments in future is unique within the industry and will support our aim to be the preferred partner in the industry.

At drupa 2016, Heidelberger Druckmaschinen Aktiengesellschaft will be presenting its entire digital printing offering under a single family name, the “Fire” product line. The Speedmaster range (sheetfed offset) is primarily for preserving the competitive capability of a print shop’s core business (operational excellence), while the digital printing portfolio particularly targets innovative business models and pioneering printing applications (business innovation). Now that the entire product family has the same name, Heidelberger Druckmaschinen Aktiengesellschaft is simultaneously increasing the clarity of its full range and the brand’s recognition value for customers.

Under the motto “Simply Smart”, the Company is introducing the digital future of the print media industry with the networking of all processes to benefit customers at drupa 2016. The new Speedmaster generation can be integrated into this digitized process world more easily and more quickly.

A total of 790, or around 15 percent, of our employees are active in the area of research and development. In the year under review, we invested € 107 million, or 10.0 percent of our sales, in research and development.

Economic report

With the implementation of portfolio optimization measures, we have already achieved key strategic targets. The next phase is to continue to adapt our portfolio and structures to future requirements in order to safeguard profitability in the long term.

An assessment of the business activity of Heidelberger Druckmaschinen Aktiengesellschaft requires a differentiation between its function as the largest operating company and its function as the holding company and parent of the Heidelberg Group.

Heidelberger Druckmaschinen Aktiengesellschaft's business represents an excerpt of the overall business activity of the Heidelberg Group and is managed on the basis of the Group's key performance indicators. Only the consolidated financial statements of the Heidelberg Group can provide a comprehensive analysis of these performance indicators.

Heidelberger Druckmaschinen Aktiengesellschaft's function as the holding company and parent of the Heidelberg Group is reflected in its financial result.

Economic environment and industry development

Global economic momentum remained weak in 2015 with growth of 2.4 percent. Forecasts were gradually adjusted downward during the year – for the economy as a whole and in major industrial sectors. In the emerging and developing countries, growth has slowed to 3.5 percent according to initial estimates. In industrialized countries, gross domestic product increased by an average of 1.9 percent. In the EURO ZONE, the economy continued to recover during 2015. The gross domestic product rose by 1.5 percent in real terms.

The US ECONOMY remained robust in 2015. The growth in economic output was again heavily driven by consumer spending at 2.4 percent in real terms. At the end of the year the Fed slightly increased the prime rate for the first time in seven years.

Despite expansionary fiscal policy, JAPAN'S economic output increased by only 0.5 percent. Private consumption was weak and exports also weighed on the overall economic result.

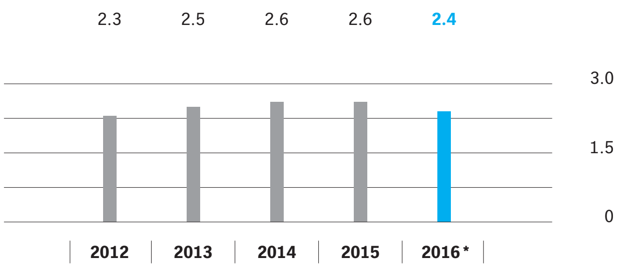
The economic situation in the emerging and developing countries was highly mixed in 2015. Many countries dependent on raw material exports, such as BRAZIL and RUSSIA, thus found themselves in recession. The ailing economy in China was again cause for concern in 2015. According to official figures, China's economy expanded by 6.9 percent. This is accompanied by significantly reduced growth in industrial production, although the basis for growth (GDP) has increased by approximately 150 percent in the last decade.

The German economy began 2015 with a stable start to the year. Economic growth remained steady until the end of the year, with the result that gross domestic product grew by 1.4 percent on average over the year in real terms.

2015 fell short of original expectations for German engineering. The real growth in production remained flat at the previous year's level. Exports of machinery and equipment increased by nominally 2.6 percent compared to the previous year. Incoming orders were up by 1 percent year-on-year in 2015 in real terms. This increase applies equally to domestic and foreign demand.

Change in global GDP [1)]

Figures in percent



* Forecast

[1)] Data determined in accordance with the straight aggregate method

The chain-weighted method would deliver the following results:
2012: 2.5 %; 2013: 2.6 %; 2014: 2.7 %; 2015: 2.9 %; 2016: 2.6 %

Source: Global Insight (WMM); calendar year; as of April 2016

The market for printed products is stable with a global print volume of more than € 400 billion per year. While print volumes are continuing to grow overall in the emerging economies, print service providers in the industrialized nations are facing a highly dynamic and rapidly changing market environment. The increasing substitution of printed products and business stationery by the Internet and the impact of demographic change on the buying and reading habits of the population are leading to a decline in annual sales. However, finishing and customization increase the value of individual printed products, as these applications preserve the appeal of print media in the communications mix. There is also growth in packaging and label printing.

Technologically, two-thirds of the print volume is already created using sheetfed offset, flexographic and digital printing processes today, and the trend is rising. To address this print production volume relevant to Heidelberger Druckmaschinen Aktiengesellschaft, we offer products, services and solutions for these printing technologies. Sheetfed offset printing accounts for around 40 percent of the printing volume, and is still the most frequently used printing technology. Since 2000, digital printing has steadily increased its share of the global printing volume to more than 10 percent. Flexo printing, the most important technology on the packaging market, continues to benefit from the stable and significant growth in packaging and labels, and holds a share of around 13 percent of global print volumes.

The change in the printing industry is also shown by the fact that the industrialization of the industry across all segments is driving forward structural change. Globally, we are seeing the growth of ever larger, usually international print media groups, combined with a decline in small and medium-sized businesses. The consolidation process is not yet over on many markets. Shorter production times, workflow automation and the regular review and fine-tuning of cost efficiency are increasingly a part of day-to-day life for printing operations. Achieving operational excellence is an important way of achieving the economies of scale necessary to compete.

But business innovations and new business models, often in conjunction with intelligent data management, can frequently be seen as well. This is especially true in digital printing. Print shops are attempting to reposition themselves – away from being copiers and towards being innovative and consulting service providers.

Business development

After a successful reorientation, we ended the financial year 2015/2016 with a significant profit. As forecasted, we achieved our goal of moderately increasing operating profitability (EBITDA) on a comparable basis as against the previous year.

Sales increased by around 2 percent in the reporting year to € 1,072 million (previous year: € 1,051 million). Taking into account the spin-off of the Amstetten production site, sales increased by around 3 percent over the previous year. Our forecast from the previous year, in which we predicted that sales would remain at a stable level, was therefore correct. The realignment of the postpress business area in the past financial year involved a shift in our focus from in-house production to sales and marketing and service. The postpress business areas (postpress commercial and postpress packaging) have therefore been allocated to the Heidelberg Services segment since April 1, 2015. The figures for financial year 2014/2015 were restated accordingly. The figures for the previous year therefore show a shift in sales of around € 31 million from Heidelberg Equipment to Heidelberg Services. Total sales in the Equipment segment rose year-on-year to € 840 million (previous year: € 815 million); without the adjustment of prior-year figures the segment would have been on a par with the previous year’s level. Total sales in the Heidelberg Services segment were largely unchanged year-on-year at € 232 million due to the adjustment of prior-year figures (previous year: € 236 million). Incoming orders rose to € 1,090 million (previous year: € 1,070 million).

The increase in the carrying amount of the equity investment in Heidelberg Americas Inc., Kennesaw, USA, and the income from selling the premises of the former head office of Heidelberger Druckmaschinen Aktiengesellschaft at Kurfürstenanlage 52 to 58 in Heidelberg, compensated for the subsequent expenses in connection with portfolio adjustments that resulted mainly from partial retirement agreements, and led to a strong increase in EBITDA to € 166 million (previous year: € – 26 million). Even without taking into account the special and one-time effects, the moderate improvement in EBITDA forecast in the previous year was achieved.

In the year under review we further optimized the financing structure and thus achieved further diversification of our instruments and maturities. This will lead to lower interest payments and an improved financial result in the future.

The improvement in EBITDA more than compensated for the negative financial result in the past financial year, allowing the net result after taxes to improve as against the previous year to € 86 million (previous year: € –127 million). This includes the extraordinary result from spinning off the Amstetten production site of around € 5 million.

Net assets, financial position and results of operations

In the financial year 2015/2016, in addition to the rise in sales of € 21 million, operating profitability (EBITDA) increased to a positive amount in the mid-double-digit million euro range, even without taking into account the special and one-time effects described in the section on business performance. Despite the one-time effects in the reporting year from the optimization of the financial structure, the financial result improved again compared to the previous year. The positive EBITDA more than compensated for the financial result in the past financial year, allowing the net result after taxes to improve as against the previous year from € –127 million to € 86 million. The net result after taxes developed positively compared to the previous year, even without the special and one-time effects.

Income statement

Figures in € millions	2014/2015	**2015/2016**
Net sales	1,051	1,072
Total operating performance	1,064	1,078
EBITDA [1]	–26	166
in percent of sales	–2 %	15 %
EBIT [2]	–57	140
in percent of sales	–5 %	13 %
Financial result	–64	–55
Result from ordinary activities	–121	85
in percent of sales	–12 %	8 %
Extraordinary result	0	5
Taxes on income	–6	–4
Net loss/profit for the year	–127	86
in percent of sales	–12 %	8 %

[1] Result of operating activities before depreciation and amortization
[2] Result of operating activities

Sales increased by € 21 million in the reporting year. Sales developed differently within the individual regions. The North America region was the main contributor to the overall sales growth of Heidelberger Druckmaschinen Aktiengesellschaft with a sales increase of € 24.5 million. In addition to robust business in the US and Canada, the Mexican market performed well. Within the EMEA region, the Italian market also posted a good performance thanks to a government investment program. Germany is still the largest single market in terms of sales and generated sales at the same level as the previous year. The EMEA region achieved sales growth of € 14.1 million. The Asia/Pacific region was dominated by sales in China and Japan at the same level as the previous year. The sales growth in this region of € 6.3 million is due essentially to the positive developments on the markets of India, Thailand and Taiwan. In addition to the ongoing political and economic problems in Ukraine and Russia, weak business performance on the Polish market had a negative effect on sales for the Eastern Europe region (€ –14.7 million) in the reporting year. The sales decline in the South America region of € –9.7 million is due essentially to the single market of Brazil, as a result of the ongoing economic crisis and the consequent devaluation of the Brazilian real. The growth in other operating income to € 288 million (previous year: € 228 million) resulted mainly from the increase in the carrying amount of the equity investment in Heidelberg Americas Inc., Kennesaw, USA, of € 122 million. This special effect firstly reflects the positive development within the Heidelberg Group in general and, secondly, the positive development of the North America region in particular. A lower reversal of provisions of € 42 million (previous year: € 99 million) compared to the previous year, which includes among other things a reduction in the provision for voluntary social benefits, and lower income from currency translation of € 51 million (previous year: € 61 million) had a counter-effect on other operating income.

Staff costs decreased to € 417 million (previous year: € 511 million) in connection with the reduction in the number of employees for the spin-off of the Amstetten production site, the positive effects of the reorganization of the Company pension scheme and the one-time effects in profit or loss from portfolio adjustments in the financial year 2014/2015.

The decline in other operating expenses of € 52 million to € 260 million is due essentially to a lower transfer to provisions (€ – 24 million). The additions include the non-recurring cost of portfolio adjustments of around € 3 million (previous year: € 18.0 million). In addition, the costs of currency translation declined by € 12 million.

EBITDA rose from € – 26 million in the previous year to € 166 million. The result of operating activities improved to € 140 million in the year under review after € – 57 million in the previous year.

Portfolio adjustments reduced earnings by around € 6 million in the year under review (previous year: around € 68 million).

In May 2015, we issued a new corporate bond and were therefore able to further reduce the existing 2011 corporate bond in the reporting year. The one-time effects incurred in the financial year 2015/2016 in connection with issuing the new corporate bond and the partial repayment of the existing 2011 corporate bond reduced the financial result in the reporting year, but will lead to improvements in the future. The financial result is also increasingly being squeezed by the steady decline in the interest rate for pension obligations. In the reporting year, expenses were reduced by the fact that legislators changed the interest rate for the calculation of pension obligations from a seven-year to a ten-year average rate. As a result, the ever growing expense from interest effects was temporarily reduced. This had a positive effect on the financial result. The financial result improved by € 9 million as against the previous year to € – 55 million. The improvements include the increase in net investment income of € 12 million and a reduction in net interest income of € 3 million as a result of the special effects described above. The increase in investment income is primarily due to the reduction in the losses assumed under the profit transfer agreement with Heidelberg Postpress Deutschland GmbH, Wiesloch.

Tax expenses declined to around € 4 million in the year under review, mainly as a result of the withholding taxes incurred (previous year: € 6 million). In net terms the changes described in the reporting year led to a net result after taxes of € 86 million, which was influenced by special and one-time effects.

Balance sheet structure

Figures in € millions	31-Mar-2015	as a percentage of total assets	**31-Mar-2016**	as a percentage of total assets
Fixed assets	1,252	64	1,317	67
Current assets [1]	701	36	639	33
Total assets	**1,953**	**100**	**1,956**	**100**
Equity	606	31	692	35
Special reserves	1	0	1	0
Provisions	386	20	357	18
Liabilities [1]	960	49	906	47
Total equity and liabilities	**1,953**	**100**	**1,956**	**100**

[1] Including deferred income/prepaid expenses

TOTAL ASSETS are virtually unchanged year-on-year at € 1,956 million in the reporting year. The increase in fixed assets is largely attributable to financial assets. Current assets decreased as against the previous year due to the decline in inventories and reduced cash and cash equivalents. This was offset in current assets by the increase in receivables from affiliated companies. On the equity and liabilities side, equity increased as a result of the net profit. The reduction in provisions is due essentially to the decrease in staff obligations and in other provisions. Within provisions, provisions for pensions and similar obligations increased as against the previous year. The partial repayment of the 2011 corporate bond, the reduction of other liabilities and trade payables led to the reduction of liabilities compared to the previous year. This was offset by the increase in liabilities to affiliated companies.

In the reporting year, there were disposals of PROPERTY, PLANT AND EQUIPMENT with residual carrying amounts € 69 million, essentially due to spinning off the Amstetten production site as Heidelberg Manufacturing Deutschland GmbH, Wiesloch, and the sale of the premises of the former head office of Heidelberger Druckmaschinen Aktiengesellschaft at Kurfürsten-Anlage 52 to 58, Heidelberg. Additions predominantly related to other equipment, operating and office equipment.

The carrying amounts of FINANCIAL ASSETS increased by € 120 million as against the previous year (€ 917 million). This stems from the capital increase at Heidelberg Manufacturing Deutschland GmbH, Wiesloch, for spinning off the Amstetten production site and from the acquisition of shares in two companies for a total amount of € 100 million. In the context of the regular review of the carrying amounts of equity investments, there was also an increase of € 122 million. This was offset by capital reductions of € 68 million at three subsidiaries and write-downs on three subsidiaries of € 27 million in total. In addition, loans to affiliated companies were down by € 8 million in the reporting year.

The decline in CURRENT ASSETS including prepaid expenses of € 62 million to € 639 million is due essentially to the reduction of inventories (€ – 43 million) for the spin-off of the Amstetten production site. In addition, as of the reporting date, cash and cash equivalents were down by € – 35 million and trade receivables by € – 15 million. This was offset by the increase in receivables from affiliated companies (€ + 25 million). Despite the increase in sales, the capital commitment was reduced again, essentially by the spin-off of the Amstetten production site and our continuing net working capital program.

EQUITY increased by € 86 million as a result of the net profit to € 692 million. The equity ratio was 35 percent as of the end of the reporting period (previous year: 31 percent) and was therefore at a good level.

PROVISIONS fell by € 29 million to € 357 million. In the reporting year, the interest on pension obligations and the measurement of plan assets at fair value essentially led to an increase in pension obligations of € 14 million to € 195 million. Other provisions fell to € 162 million (previous year: € 205 million). The reduction in other provisions was essentially the result of lower staff obligations (€ – 32 million). Within pension obligations and other provisions, obligations were reduced by the spin-off of the Amstetten production site.

LIABILITIES including deferred income fell by € 54 million to € 906 million in the year under review. The 2015 corporate bond issued in the reporting year and the partial repayment of the 2011 corporate bond contributed to a net reduction in liabilities of € 35 million. In addition, trade payables and other liabilities plus advance payments on orders declined by € 32 million at the reporting date. This was offset by the increase in liabilities to banks and to affiliated companies of € + 14 million in total.

Financing structure: Further diversification of financing sources and maturities

The three pillars of our financing portfolio – corporate bonds, the syndicated credit line and other instruments such as convertible bonds and a development loan from the European Investment Bank (EIB) – are well balanced. Net debt is financed by basic funding beyond 2022.

After the extensive refinancing activities in recent years, the EIB loan with its long-term focus rounds out the Company's financing mix until 2024 and thereby systematically aids the continuing innovation strategy in the field of digitization. In June 2016 we will repay the 2011 corporate bond ahead of schedule in full, thus further reducing interest expenses.

With its range of instruments, Heidelberger Druckmaschinen Aktiengesellschaft currently has total credit facilities of around € 700 million.

(Note: Amount of total credit facility as of June 2016 after full repayment of the 2011 corporate bond; not including other financial liabilities.)

We supplement our financing with operating leases where economically appropriate. Other off-balance-sheet financing instruments do not have any significant impact on the Company's economic position. Heidelberger Druckmaschinen Aktiengesellschaft therefore continues to have a stable liquidity framework. In future, we will continue to work on the diversification of sources and maturities to further reduce interest expenses and to clearly reduce our dependency on individual instruments or due dates.

Events after the end of the reporting period

In April 2016, Heidelberger Druckmaschinen Aktiengesellschaft called an initial tranche of € 50 million from the development loan of € 100 million agreed with the European Investment Bank on March 31, 2016 in order to support Heidelberg's research and development activities, particularly in the field of digitization and the expansion of its digital printing portfolio. This will amortize by April 2023.

As announced on March 14, 2016, Heidelberger Druckmaschinen Aktiengesellschaft repaid a further amount of around € 64.5 million of the 2011 corporate bond ahead of schedule on April 15, 2016. The repayment was made in cash.

Given its solid liquidity position, the Company announced on May 10, 2016 that it would repay the outstanding amount of this bond of around € 50 million in full, ahead of schedule and in cash, as of June 10, 2016.

In accordance with the resolution of the Shareholder Meeting of Heidelberger Druckmaschinen Vermögensverwaltungsgesellschaft mbH, this company ceased to be the general partner of Heidelberger Druckmaschinen Real Estate GmbH & Co. KG as of April 1, 2016. The limited partner HDM AG will therefore assume all assets, equity and liabilities of Heidelberger Druckmaschinen Real Estate GmbH & Co. KG as of April 1, 2016 by way of accrual.

Employees

At the reporting date, Heidelberger Druckmaschinen Aktiengesellschaft had a total of 5,363 employees (excluding trainees) across its five production sites, 1,267 fewer than in the previous year. The reduction in the number of employees is essentially due to the spin-off of the Amstetten production site. This affected around 800 employees. In addition, restructuring measures affecting the number and structure of employees were carried out in the financial year. Structural adjustments in sheetfed offset resulted in further employees leaving the Company. Socially responsible solutions were found in most cases. Even in a period of workforce reduction, we have largely ensured the retention of employees in key functions and other key performers through human resources policy instruments such as programs for management trainees.

Human resources activities in the year under review focused on supporting Group-wide change processes and ensuring that they are reflected in the workforce and management structure. One of the main tasks of the Human Resources department was to actively support the change process in the Company with suitable HR tools. Furthermore, the age structure of the Company is subject to active demographic management. After a phase of restructuring and the implementation of the related HR measures, this now comprises the aging workforce on the one hand, and the rejuvenation of the personnel structure on the other.

Variable remuneration components were increased at Heidelberger Druckmaschinen Aktiengesellschaft in the past financial year. Responsibilities are clearly bundled in the segment and regional structure, and the variable remuneration components for management are linked to the achievement of financial targets. Defined earnings targets are assigned various weightings in a scorecard depending on the respective function. The financial goals of the Heidelberg Group are taken into account in the variable remuneration for all senior executives. Our sales and marketing executives are also measured against the most important earnings targets. In the centralized units, additional targets are agreed in a balanced scorecard that defines qualitative and quantitative goals.

Our training rate is around 4 percent. On September 1, 2015, some 60 trainees started their professional career at Heidelberger Druckmaschinen Aktiengesellschaft. In Germany, we provide training in 15 occupations and offer various dual bachelor programs in the areas of technology, media and business.

Number of employees per site

	2014/2015	**2015/2016**
Heidelberg	1,124	986
Wiesloch-Walldorf	3,929	3,696
Amstetten	821	0
Brandenburg	477	424
Kiel	224	226
Neuss	55	31
	6,630	**5,363**
Trainees	332	228
	6,962	**5,591**

Sustainability

For Heidelberger Druckmaschinen Aktiengesellschaft, sustainability means taking ecology, economy and social responsibility into account simultaneously. Sustainability targets form part of our environmental standards and our standards of conduct – with regard to our products and our production processes alike.

Compliance with standards of conduct and environmental standards is mandatory. The environmental policy of the Company is published on Heidelberg's Web site under Company > Sustainability. Suppliers and contracting parties are included in our targets at all our production sites and are asked to comply with similar standards.

Heidelberger Druckmaschinen Aktiengesellschaft puts its social commitment into practice primarily in education projects and by supporting integrated social facilities at its respective production sites. As part of its involvement in the "Knowledge Factory – Companies for Germany" initiative, Heidelberger Druckmaschinen Aktiengesellschaft is involved in the "Education" working group and supports projects that give children hands-on experience of technology and science.

Risks and opportunities

Risk and opportunity management

Internal control system

Dealing responsibly with business risks and opportunities is a fundamental of good corporate governance. The Management Board ensures adequate risk and opportunity management and risk controlling throughout the Company. Clear values, principles and guidelines help the Management Board and senior executives to manage the Company. The principles, processes and measures of the internal control system (ICS) ensure that management decisions are implemented effectively, that control systems work profitably, that laws and internal regulations are observed, and that accounting is undertaken properly. The ICS that was established for this purpose is based on the framework for internal control systems of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Internal auditors examine compliance with all guidelines and accounting standards on a regular basis using random samples.

Manuals, guidelines and operating instructions are available at all times. These form the basis for the internal control system of Heidelberger Druckmaschinen Aktiengesellschaft. It is the responsibility of all senior executives to establish an ICS for their respective area of responsibility.

The **PRINCIPLE OF DUAL CONTROL** applies to all transactions. Every declaration of intent that is binding for Heidelberger Druckmaschinen Aktiengesellschaft in Germany and abroad or that exposes the Group to a risk must be authorized by at least two individuals. Adequate **FUNCTIONAL SEPARATION** is ensured through the organizational separation of administrative, implementation, invoicing and authorization functions. Limits and responsibilities are set out in an **AUTHORIZATION TABLE** and must be observed when authorizing transactions. Within the framework of our planning process, the responsible division heads confirm that all significant risks have been recognized in full, and that the ICS has been complied with.

The effectiveness of the internal control system at the processing level is monitored by the internal auditors using random sampling. The effectiveness of the risk management system is also regularly monitored by the internal auditors. The Management Board informs the Supervisory Board on a regular basis about existing risks and their development. Finally, the Audit Committee also deals with the effectiveness of the ICS, the risk management system and the internal audit system, examines their functionality and arranges for regular reporting, in some cases from the directly responsible executives, on audit planning and findings.

Risk and opportunity management system

Risk and opportunity management is firmly integrated within strategic and operational planning and controlling at Heidelberger Druckmaschinen Aktiengesellschaft. The risk early identification system satisfies the legal requirements of the German Corporate Sector Supervision and Transparency Act (KonTraG).

A cross-sector committee (Risk Committee) is required to regularly analyze risks and opportunities from all angles. This applies in particular to non-quantifiable risks. The Risk Committee consists of Management Board members and selected senior executives from various fields of business. It draws up the risk catalog with approximately 30 of the most significant risks, and, among other things, they determine the materiality thresholds and the ranking of the risks. In addition, its members continuously work on improving the risk management process.

Risks are quantified in accordance with the key parameters “probability of occurrence”, “extent of loss upon occurrence” and “expected risk development during the planning period”. The Company’s guidelines and organizational directives stipulate a strictly formal process, by means of which individual risks and the Company’s overall risk are systematically identified and opportunities are tracked, assessed and quantified. All operating units and divisions are integral components of this process. Information on risks is collected locally. The risk-significant areas of observation and the risk survey methodology are set out in the guidelines. The classification into risk categories is based on the potential impact on the net result after taxes and the free cash flow of the individual units. Reporting thresholds are set on a uniform basis. All significant areas, such as Production, Procurement, Research and Development, Human Resources, IT, Legal and Finance, receive a risk form that they are required to complete and return. Risk Controlling compiles the risks thus reported in a risk catalog three times a year at Group level and assigns them to risk categories. The reports are circulated to the entire Management Board and the Audit Committee of the Supervisory Board. The central Corporate Treasury unit manages the Company’s financing activities and secures its liquidity. Liquidity risks are systematically minimized throughout the Company. The potential funding needs and the resulting potential liquidity risks are pinpointed at an early stage with the help of monthly rolling liquidity planning. Corporate Treasury identifies risks arising from changes in interest rates or exchange rates, on the basis of which it introduces appropriate measures and strategies in order to counteract these risks. These measures also cover derivatives, specifically currency forwards, currency options and interest rate swaps. Details of these instruments and the impact of hedging transactions can be found in note 27 of the notes to the non-consolidated financial statements. The functional and physical separation of trading, processing and risk controlling in the Corporate Treasury department is regularly reviewed by Internal Audit in accordance with the Minimum Requirements for Risk Management (MaRisk) formulated by the German Federal Financial Supervisory Authority (BaFin).

Accounting-related internal control and risk management system

Accidental or deliberate accounting errors could theoretically result in a view of the net assets, financial position and results of operations that does not correspond to reality. Heidelberger Druckmaschinen Aktiengesellschaft systematically counters this risk and other risks that may arise from it. Through its ICS, and using systematic controls and set processes in particular that also require audits based on random sampling, the Company takes every conceivable measure to prevent errors in the annual financial statements and in the management report of Heidelberger Druckmaschinen Aktiengesellschaft.

The annual financial statements and the management report of Heidelberger Druckmaschinen Aktiengesellschaft are prepared by the central Financial Steering & Reporting department. This department also regularly monitors whether the books and records were correctly maintained, thereby ensuring that the financial information complies with regulatory requirements.

The Internal Audit team, which has access to all data, also examines individual areas of the Company on a test basis. In doing so, it examines, among other things, whether the internal control system has been implemented in this regard or whether transactions have been controlled, and whether the principles of the separation of functions and dual control are adhered to in all areas. The latter is mandatory, for example, for every order that is placed, for every invoice that is issued, and for every investment decision that is made. Compliance with all other internal guidelines and directives that have an impact on accounting operations is also monitored.

Risks are also reduced by means of a number of automated controls. Authorization models have been implemented within the uniform Company-wide IT system. If an area is examined by Internal Audit, these authorization models and their implementation are also reviewed. Automated controls and plausibility checks ensure the completeness and accuracy of data inputs, and in some cases data is validated on a fully automated basis and discrepancies are brought to light.

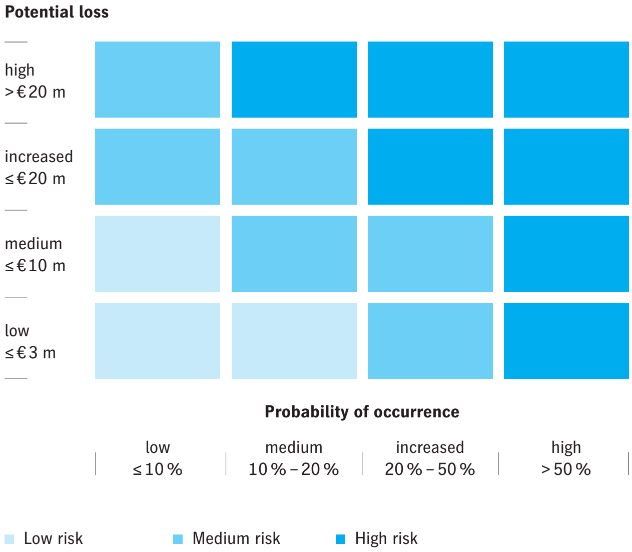
Collectively, these procedures ensure that reporting on the business activities of the Company is consistent and compliant with the approved accounting guidelines. The effectiveness of the internal control system for accounting is also regularly monitored by our Internal Audit team.

Risk and opportunity report

Risks with a probability of more than 50 percent are integrated into our planning process and are therefore not discussed in the risk report. Here we distinguish between probability and possible loss between low, medium and high risks.

Risks and opportunities are recognized and evaluated in the context of the key financial performance indicators of the Heidelberg Group. Our management processes focus on financial performance indicators, but we also monitor and evaluate early warning indicators that suggest a rise in non-quantifiable risks.

Risk matrix



General statement by the Management Board on risks and opportunities

No **RISKS** to Heidelberger Druckmaschinen Aktiengesellschaft **AS A GOING CONCERN** are discernible at Heidelberger Druckmaschinen Aktiengesellschaft. This applies both to business activities already implemented and to operations that we are planning or have already introduced. In order to determine our overall risk, we bundle individual risks with similar content; opportunities are not offset.

We rate our **STRATEGIC RISKS** as low. Although the development of the BRIC countries is seen as an increased risk, it is assumed that the share of the print volume produced using the sheetfed offset printing method will remain stable globally. The barriers to market entry are high in sheetfed offset printing, therefore no significant competition from new providers is anticipated. Secondly, the precise transportation of paper sheets at high speeds remains a core competency of Heidelberger Druckmaschinen Aktiengesellschaft and the Company is therefore an ideal partner for providers of new technologies. Furthermore, the Company has a strong global sales and service network. Heidelberger Druckmaschinen Aktiengesellschaft is strategically well positioned, not just in sheetfed offset printing processes, but also in digital printing processes, which are seeing global increases in the print volumes produced. Partnerships allow us to combine the innovative strength of our partners with our own in order to respond more quickly to current market conditions.

The Management Board and the Supervisory Board deal with risks that could arise from the organization or management or from planned changes. For further information, please see our detailed "Corporate Governance Declaration" on the Internet.

Opportunities for Heidelberger Druckmaschinen Aktiengesellschaft result in particular from the strategic measures aimed at sustainable profitable growth, such as the strengthening of service business through acquisitions and the development of new digital products. The strategic reorientation with a view to profitable business areas and growth fields and the further streamlining of Company structures have already mostly been completed. Financial stability and liquidity, which are secured over the long term, with a diversified financing structure, improved financing costs, and an optimized maturity profile offer future opportunities for active portfolio management and growth as well. A more positive development of the economy and the industry than is currently forecasted, especially in the BRIC nations, could also lead to an increase in the investment volume on the part of our customers. An improvement in the earnings situation per our forecasts presents the opportunity that ratings and thus funding options will continue to improve.

Operational risks from the economy, market, industry and competition – economic and market risks

In the business planning for our Heidelberg Equipment and Heidelberg Services segments, we are assuming moderate growth in the global economy. If the global economy were to grow less than expected, or if key markets were to suffer an unexpected economic downturn, there would be a risk that the planned sales performance will not be achieved, particularly in the Heidelberg Equipment segment. The Heidelberg Services segment is considerably less cyclical as it depends on the installed base and the volume for printed products to a greater extent than new machinery business.

We are paying special attention to the BRIC countries. One challenge is how to deal with the current economic situation in these emerging markets. Above all, the economy of the raw material exporters Brazil and Russia was particularly impacted by lower raw material prices. Economic growth in China has slowed, and the recent decline in exports point to a further slowdown in economic growth. Nevertheless, incoming orders in China have developed at a stable level in the last four quarters. The moderate growth in industrialized countries is expected to continue at a slightly faster rate.

Overall, we consider the operational risks from the economy and the markets to be medium.

Political risks

The political and economic uncertainties in the Middle East and the related refugee crisis can impair Heidelberger Druckmaschinen Aktiengesellschaft's business in the Europe, Middle East and Africa regions. In addition, the debt crisis in Europe (e. g. Greece) and a possible exit of the UK from the EU is a major and unquantifiable potential risk to political and economic development in Europe.

This risk is currently considered to be medium.

Industry and competition risks

In the year under review, manufacturers continued to reduce capacities to a significant extent. This also applies to us as a result of our reorganization, particularly in the Heidelberg Equipment segment. For the coming year, VDMA economists forecast that the production level of the previous year can be maintained despite the many economic and political risks in China in particular. In light of this, the risk of not achieving the planned sales and margin targets in the sheetfed area is considered increased.

The industrialization of the sector is still on the rise, with the result that mostly international print media service providers are growing in industrialized countries while the number of medium and small printing companies is shrinking. On the emerging markets – particularly in the Asia/Pacific region – we anticipate further growth in the printing volume, whereas in the industrialized nations we generally see a growing need for individualized and elaborately processed printed products.

In light of this, in our core business, sheetfed offset printing, our activities have been dedicated in particular to reducing manufacturing costs in order to improve profitability, but also to reducing set-up times and increasing the energy efficiency of machinery so as to offer print shops quantifiable cost and competitive advantages.

As part of our strategic reorientation, we view digital business as an important growth market for Heidelberger Druckmaschinen Aktiengesellschaft. The Company is therefore investing in new business applications and cooperating with innovative partners who are the leaders in their respective segment.

But Heidelberger Druckmaschinen Aktiengesellschaft sees itself not just as a provider of equipment, but also as a partner to its customers, offering a comprehensive service for effective and reliable production processes and easy access to necessary consumables.

In our research and development activities, we always work in close cooperation with partners such as customers, suppliers, other companies and universities. This enables Heidelberger Druckmaschinen Aktiengesellschaft to meet the requirements of its customers and markets in a targeted and comprehensive way. Partnerships also allow us to combine the innovative strength of our partners with our own in order to respond more quickly to current market conditions and reduce our product risks. Before the Company invests in possible new ventures, the risks and opportunities are weighed on the basis of various scenarios. We then protect the results of our research and development work with our own property rights, thereby reducing risks in relation to research and development.

The development of key foreign currencies such as the US dollar and the Japanese yen in relation to the euro may also have a major impact on our competition and thus directly on our sales volumes. A continued weak yen could lead to a considerable intensification of competition with our Japanese counterparts. By contrast, the appreciation of the US dollar strengthens the competitiveness of German companies. Following the decoupling of the Swiss franc from the minimum euro exchange rate, currency-related risks in particular could also arise for our business operations in Switzerland. We are seeking to reduce the influence of exchange rate developments by expanding our procurement and production outside the euro zone.

The risk that prices in the industry could come under pressure from increased competition, thereby threatening our sales and margin targets, has decreased in our view. Nonetheless, there is a risk that price increases on the market, particularly for new machinery, may be possible only to a limited extent – especially given that the euro may be strong moving ahead.

Overall, we consider our operational risks from the industry and the competition to be medium.

Risks from global sales partnerships

As Heidelberger Druckmaschinen Aktiengesellschaft is continuing to focus on global strategic partnerships, the termination of a SALES PARTNERSHIP in the various areas could entail risks to business development. Through the acquisition of the Printing Systems Group, previously a major sales partner, we reduced our risks from global sales partnerships. We consider this risk to be low.

Legal and compliance risks

As part of its general business operations, Heidelberger Druckmaschinen Aktiengesellschaft is involved in judicial and extra-judicial LEGAL DISPUTES whose outcome cannot be predicted with certainty. There are legal disputes over warranty claims in connection with equipment sales. Legal risks also include antitrust risks, though their probability of occurrence is considered very low. Provisions are recognized accordingly for risks resulting from legal disputes, provided utilization is likely and the probable amount of the provision required can be reliably estimated. Additional risks – with a probability of less than or equal to 50 percent – are discussed appropriately in the risk report and are monitored closely. Heidelberger Druckmaschinen Aktiengesellschaft reduces LEGAL RISKS from individual agreements by utilizing standardized master agreements wherever possible. The Company's interests in the area of patents and licenses are protected in a targeted manner. We limit additional risks by means of systematic controls of adherence to our comprehensive guidelines in all areas. We currently consider our legal and compliance risks to be medium.

Liquidity risks

LIQUIDITY RISKS arise from a potential lack of funds to service debt in terms of maturity and volume. Heidelberger Druckmaschinen Aktiengesellschaft has further diversified its financing structure and maturity profile and optimized its financing costs in recent quarters. Heidelberger Druckmaschinen Aktiengesellschaft further diversified and optimized its financing structure with the full repayment of the 2011 corporate bond (partial repayment of around € 65 million in April 2016 and repayment of the remaining approximately € 50 million in June 2016) and the conclusion of a loan agreement with the European Investment Bank for research and development of digitization. Overall, the Company has total credit facilities with balanced diversification and a balanced maturity structure until beyond 2022, which minimizes liquidity risks.

The simultaneous improvement in operating profitability meant that our leverage was reduced. The details of the financing structure are described in the "Financial Position" section on pages 8 and 9. Note 23 explains in more detail that financing is linked to standard financial covenants that we have committed to comply with over the term of the financing. If our results of operations and financial position were to deteriorate to such a degree that compliance with these financial covenants cannot be guaranteed and we were unable to modify them, this would have an adverse financial impact on the Company. There are currently no indications of such a development. We consider this risk to be low.

Interest rate, currency and exchange rate risks and opportunities

INTEREST RATE RISKS arise from potential changes in market interest rates and affect floating rate liabilities. Fluctuations in interest rates may have either a positive or a negative impact on earnings. A major hike in interest rates by the Federal Reserve could pose a risk to Heidelberger Druckmaschinen Aktiengesellschaft as this would impact global interest rates. However, given the current low interest environment in the euro area, the Company has only a minor interest rate risk.

In the year under review, the lower interest rate (as compared to the previous year) used for the discounting of pension obligations led to an increase in pension obligations. A rise in the interest rates used to discount pension obligations would indirectly have a correspondingly positive effect on equity. The interest rate used in calculations was changed from a seven-year to a ten-year average rate in the reporting year. This legal adjustment resulted in an interest rate of 4.25 percent, which otherwise would have been 3.70 percent.

CURRENCY FLUCTUATIONS can also have either a positive or negative effect on equity.

Owing to our global operating activities, Heidelberger Druckmaschinen Aktiengesellschaft is exposed to potential risks from EXCHANGE RATE DEVELOPMENTS. The Company has hedged against the risk of fluctuating exchange rates of its principal foreign currencies for foreign currency volumes. Nonetheless, there are still exchange rate risks that are constantly analyzed and evaluated.

We currently consider our interest rate, currency and exchange rate risks and opportunities to be medium.

Sales financing risks

In SALES FINANCING, there are still risks of default due to industry, customer, residual value and country risks. The majority of our portfolio consists of receivables from customers located in emerging countries, particularly Brazil. As a result of the persistently weak economy in Brazil, we still have a relatively high share of overdue contracts. However, these are monitored very closely with intensive receivables management. Overall, losses on sales financing were below the average level for previous years in the past financial year. Our proven and successful strategy of many years of externalizing financing arrangements generally helps us to reduce sales financing risks. We still rate our sales financing risks as medium.

Supplier risks

Risk management is a fixed component of our supplier management. We work closely with our systems suppliers on a contractual basis and reduce risks relating to supplier defaults and late deliveries of components or low-quality components. We work continuously on our supply methods, design efficient procurement processes with our key suppliers and thereby ensure the reliable supply of parts and components of the highest quality. A flexible material supply at the optimal inventory level is essential, especially in case of fluctuating demand. In order to keep capital commitment as low as possible, we optimize inventories along the entire value chain. We have continued our purchasing activities in foreign currencies during the year under review in order to reduce risks associated with exchange rate fluctuations. As Heidelberger Druckmaschinen Aktiengesellschaft generates around two-thirds of its sales outside the euro zone, it is continuing to expand its global procurement, thereby making Heidelberger Druckmaschinen Aktiengesellschaft less dependent on exchange rate effects. In the consumables area of the Heidelberg Services segment, we generally pursue a dual vendor strategy, which prevents unilateral dependencies. We deviate from this only in cases where mutual exclusivity is assured, and then, under appropriate market and competitive conditions, we also assume the sale of our partners' entire product range. At present, we consider our supplier risks to be low.

Production risks

Although Heidelberger Druckmaschinen Aktiengesellschaft has implemented very high technical standards and safety standards, the risk of a business interruption at the production sites cannot be entirely ruled out. Such interruptions can result from external factors that are beyond the Company's control, such as natural disasters. A failure or interruption of manufacturing facilities could have a significant negative impact on Heidelberger Druckmaschinen Aktiengesellschaft. Specific risks in this context are covered by insurance policies with typical insured sums. We consider this risk to be low.

IT risks

Heidelberger Druckmaschinen Aktiengesellschaft relies on a wide range of IT systems. A serious system or application failure could have a direct impact on production or, for example, on the processing of the supply chain, resulting in corresponding business interruptions. However, we do not presently anticipate any serious risk of failure in our IT SYSTEMS. The probability of losses resulting from attacks on these systems has been reduced through extensive preventative measures. We made the necessary investments in our IT infrastructure in the year under review, thereby increasing overall system security. Moreover, in the year under review the conditions were created for a fundamental renewal of the IT infrastructure in the network area in terms of safety and performance. At present, we still consider our IT risks to be low.

Opportunities from strategic measures and economic development

Opportunities for the Company result in particular from its STRATEGIC MEASURES. This includes the continued transformation from being a technology-oriented company to being a more customer-oriented one with a focus on expansion in the growth areas of digital, service and software with a continuous improvement in cost structures.

With our new digital printing presses and other products that we will develop as part of our cooperation and in our own research and development activities in the future, we see the opportunity to establish ourselves in the area of digital printing. We anticipate growth potential in the more profitable and less cyclical area of Services and Consumables from our global service and logistics network and from the integration of independent providers into this network and increased value added for customers.

Above and beyond this, a major opportunity for Heidelberger Druckmaschinen Aktiengesellschaft lies in the possibility of MORE POSITIVE ECONOMIC PERFORMANCE than is currently forecasted. In the BRIC nations, too, there is a possibility that economic growth will be higher than anticipated. In China, for example, reform efforts by the government could improve the country's economic stability and initiate a further growth phase. The economic upturn in the advanced economies could lead to a rise in the investment volume there as well. A shift in exchange rates in our favor would also have a positive effect on Heidelberger Druckmaschinen Aktiengesellschaft's sales and earnings planning. There are opportunities – and risks – that social and political changes, government intervention, customs regulations and changes in legislation could influence our business development in several countries.

Future prospects

Moderate global economic growth of 2.4 percent in real terms is expected for 2016. Despite the further slowdown in China, a slight acceleration in growth is forecast for the emerging and developing countries overall. Russia and Brazil are also not likely to come out of recession in 2016. The moderate growth in industrialized countries is expected to continue at a slightly faster rate. This should be made possible by a slight recovery in Japan, the euro zone and Canada. Both the US and the UK – assuming that it remains in the European Union – should be able to maintain the solid growth pace of 2015.

For 2016 the Council of Economic Experts expects a growth rate in adjusted gross domestic product of 1.9 percent in Germany. No significant stimulus is expected from exports. Furthermore, strong private consumer spending is expected that will contribute to the increase in gross domestic product.

For German engineering in 2016, VDMA economists forecast that the production level of the previous year can be maintained despite the many negative factors influencing global demand. Widespread geopolitical unrest and crises, coupled with the lack of a clear growth trends, are leading to a cautious stance among many potential investors worldwide. Momentum has slowed significantly for a number of key developing and emerging countries that have allowed high export growth in the German engineering sector in recent years.

The development of global printing volumes is assumed to be stable and is expected to increase moving ahead thanks to the growth in the emerging nations, although media consumption and structural changes within the printing industry will continue to change in the industrialized nations. However, the investment behavior of the majority of our customers is also influenced by country-specific and general economic developments. The effects on the Heidelberg Equipment segment are generally considerably more pronounced and more direct than on the Heidelberg Services segment, which is less cyclical in nature. Owing to the economic risks and the ongoing consolidation of print shops in some industrialized nations, we are not anticipating an increase in the market volume for new sheetfed offset presses in the coming years. Accordingly, we have adjusted the structures here, further reduced production costs and will optimize this area continuously. At the same time, we have geared our portfolio towards profitability and further expanded the growth areas Services and Digital in the past financial year.

Against this backdrop, we are assuming that we will achieve SALES at the same level as the previous year in the current financial year 2016/2017, without taking into account the extended definition of sales in accordance with the German Accounting Directive Implementation Act (BilRUG). As in the previous year, the share of sales is again expected to be higher in the second half of the financial year than in the first half.

The accelerated expansion of the digital and service business will continue to be the focus of portfolio alignment and will further increase profitability in the medium term. Given the associated inputs, we are assuming EBITDA in the current financial year 2016/2017 to be at the level of the previous year on the same basis.

Thanks to the continuous optimization of our financing framework, the financing costs are to be reduced further in the financial year 2016/2017, thus improving the financial result. Thus, Heidelberger Druckmaschinen Aktiengesellschaft is aiming for a moderate increase in its NET RESULT AFTER TAXES on a like-for-like basis in the 2016/2017 financial year.

Important note
These annual financial statements contain forward-looking statements based on assumptions and estimates by the management of Heidelberger Druckmaschinen Aktiengesellschaft. Even though the management is of the opinion that these assumptions and estimates are accurate, actual future developments and results may deviate substantially from these forward-looking statements due to various factors, such as 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 these annual financial statements. Heidelberger Druckmaschinen Aktiengesellschaft neither intends nor assumes any obligation to update the assumptions and estimates made in these annual financial statements to reflect events or developments occurring after the publication of these annual financial statements.

Legal disclosures

Remuneration Report – Management Board and Supervisory Board

The Supervisory Board discussed the appropriateness of Management Board compensation and the structure of the compensation system during the year under review. This was also done in connection with the agreement and review of agreements on objectives with Management Board members. With the introduction of the new compensation system in financial year 2012/2013, the procedure and the parameters for measuring the variable compensation elements were defined and, in respect of the multi-year variable compensation elements, adjusted to reflect the requirements of the loan agreement and its financial covenants. This practice continued in the year under review.

The overall structure and amount of compensation of the Management Board are determined at the recommendation of the Personnel Matters Committee by the Supervisory Board of Heidelberger Druckmaschinen Aktiengesellschaft and reviewed at regular intervals. In each case, Management Board compensation amounts to a maximum of 280 percent of fixed annual basic compensation, divided into 100 percent for fixed annual basic compensation and a maximum of 180 percent for the variable compensation elements, i. e. a maximum of 90 percent each for the one-year variable compensation and multi-year variable compensation.

The remuneration of the Management Board consists firstly of a fixed annual salary paid in equal installments at the end of each month, one-year variable compensation and multi-year variable compensation, which is calculated on the achievement of certain three-year objectives using defined parameters, and secondly of benefits in kind and Company pension provisions (in addition to share-based pension benefits).

The one-year variable compensation is dependent on the Group's success in the respective financial year, the benchmarks for which have been defined as EBIT and free cash flow. In addition, each member of the Management Board receives a personal, performance-based bonus that is determined by the Supervisory Board at the recommendation of the Personnel Matters Committee, taking into account their particular duties and responsibilities in addition to any individual objectives agreed. If objectives are achieved in full, the personal bonus can amount to up to 30 percent of the basic annual salary; the Company bonus can also account for up to 30 percent or 60 percent if objectives are exceeded. With respect to their personal annual bonuses for the year under review, the Supervisory Board and the Management Board had again agreed to give priority to the annual financial objectives, at least until the restructuring has been fully completed. Until further notice – starting with financial year 2012/2013 – the 30 percent of the personal bonus will be added on to the Company bonus subordinate to the financial objectives on which it is based.

The Supervisory Board determines the objectives for the multi-year variable compensation for the forthcoming financial years based on the respective business situation. Objectives are therefore set each financial year for the coming financial year, and for a new three-year period for the multi-year variable compensation. The achievement of objectives is also checked and ascertained each year. However, the multi-year variable compensation for the achievement of objectives will be disbursed only after the end of the respective three-year period. Multi-year variable compensation can amount to 90 percent of the basic annual salary if objectives are met in full.

Once an agreed minimum objective is attained, a minimum threshold of 25 percent is applied, with the result that the achievement of an objective is assessed within a corridor of 25 percent to 100 percent.

This means that the previous structure of Management Board compensation was unchanged in the year under review.

The members of the Management Board have undertaken to each invest 10 percent of both the one-year variable and multi-year variable compensation (before deduction of personal taxes) in shares of the Company that they may dispose of only after a holding period of 24 months. As such, the one-year variable compensation and the multi-year variable compensation alike provide an additional long-term performance incentive, increasingly gearing the compensation structure towards sustainable business development. The corresponding shares of the one-year variable compensation paid for financial year 2014/2015 and the multi-year variable compensation for financial years 2012/2013, 2013/2014 and 2014/2015 were invested in shares of the Company by Dr. Gerold Linzbach, Dirk Kaliebe and Stephan Plenz immediately following the Annual General Meeting. In accordance with section 15a of the German Securities Trading Act, this investment was reported to the German Federal Financial Supervisory Authority by all three Management Board members and published on the Company's Web site on July 28, 2015.

Benefits in kind consist primarily of the value of the use of a company car deductible in accordance with tax provisions and, in the previous year, the value for tax purposes of expenditure for other means of transportation (rail) and the assumption of accommodation costs.

Payments of the individual members of the Management Board (HGB):

Figures in € thousands		Non-performance-related elements		Performance-related elements		Total compensation
		Basic salary	Benefits in kind	One-year variable compensation	Multi-year variable compensation	
Dr. Gerold Linzbach	**2015/2016**	550	6	395	495	1,446
	2014/2015	550	8	495	495	1,548
Dirk Kaliebe	**2015/2016**	390	14	401 [1]	351	1,156
	2014/2015	390	15	351	351	1,107
Stephan Plenz	**2015/2016**	390	12	376 [1]	351	1,129
	2014/2015	390	12	351	351	1,104
Harald Weimer	**2015/2016**	390	12	376 [1]	234	1,012
	2014/2015	325	24	293	97	739
Total	**2015/2016**	1,720	44	1,548	1,431	4,743
	2014/2015	1,655	59	1,490	1,294	4,498

[1] Including premium: Dirk Kaliebe: € 50 thousand; Stephan Plenz and Harald Weimer: € 25 thousand each

Benefits granted to individual members of the Management Board [1)]

Figures in € thousands	Dr. Gerold Linzbach Chief Executive Officer				Dirk Kaliebe Chief Financial Officer and Financial Services			
	2015/2016	2014/2015	2015/2016 (Min)	2015/2016 (Max)	**2015/2016**	2014/2015	2015/2016 (Min)	2015/2016 (Max)
Fixed compensation	550	550	550	550	390	390	390	390
Fringe benefits	6	8	6	6	14	15	14	14
Total	556	558	556	556	404	405	404	404
One-year variable compensation	395	495	138	495	401 [2)]	351	98	401 [2)]
Multi-year variable compensation	495	495	124	495	351	351	88	351
Tranche 2014/2015 [3)]	–	495	–	–	–	351	–	–
Tranche 2015/2016 [3)]	495	–	124	495	351	–	88	351
Total fixed and variable compensation components	1,446	1,548	818	1,546	1,156	1,107	590	1,156
Cost of benefits	264	659	264	264	137	137	137	137
Total compensation	1,710	2,207	1,082	1,810	1,293	1,244	727	1,293

Figures in € thousands	Stephan Plenz Member of the Board Equipment				Harald Weimer Member of the Board Services			
	2015/2016	2014/2015	2015/2016 (Min)	2015/2016 (Max)	**2015/2016**	2014/2015	2015/2016 (Min)	2015/2016 (Max)
Fixed compensation	390	390	390	390	390	325	390	390
Fringe benefits	12	12	12	12	12	24	12	12
Total	402	402	402	402	402	349	402	402
One-year variable compensation	376 [2)]	351	98	376 [2)]	376 [2)]	293	98	376 [2)]
Multi-year variable compensation	351	351	88	351	351	332	88	351
Tranche 2014/2015 [3)]	–	351	–	–	–	332	–	–
Tranche 2015/2016 [3)]	351	–	88	351	351	–	88	351
Total fixed and variable compensation components	1,129	1,104	588	1,129	1,129	974	588	1,129
Cost of benefits	137	137	137	137	137	114	137	137
Total compensation	1,266	1,241	725	1,266	1,266	1,088	725	1,266

1) In accordance with section 4.2.5 (3) of the German Corporate Governance Code in the version published on June 12, 2015
2) Including premium: Dirk Kaliebe: € 50 thousand; Stephan Plenz and Harald Weimer: € 25 thousand each
3) Term: 3 years

Allocation

Figures in € thousands	Dr. Gerold Linzbach Chief Executive Officer		Dirk Kaliebe Chief Financial Officer and Financial Services		Stephan Plenz Member of the Board Equipment		Harald Weimer Member of the Board Services	
	2015/2016	2014/2015	**2015/2016**	2014/2015	**2015/2016**	2014/2015	**2015/2016**	2014/2015
Fixed compensation	550	550	390	390	390	390	390	325
Fringe benefits	6	8	14	15	12	12	12	24
Total	556	558	404	405	402	402	402	349
One-year variable compensation	395	495	401 [1]	351	376 [1]	351	376 [1]	293
Multi-year variable compensation	495	426	345	333	345	333	–	–
Tranche 2012/2013 [2]	–	426	–	333	–	333	–	–
Tranche 2013/2014 [2]	495	–	345	–	345	–	–	–
Total fixed and variable compensation components	1,446	1,479	1,150	1,089	1,123	1,086	778	642
Cost of benefits [3]	264	659	137	137	137	137	137	114
Total compensation	1,710	2,138	1,287	1,226	1,260	1,223	915	756
of which: agreed personal investment	89	92	75	68	72	68	38	29

[1] Including premium: Dirk Kaliebe: € 50 thousand; Stephan Plenz and Harald Weimer: € 25 thousand each
[2] Term: 3 years
[3] Not yet accrued in the financial year

POST-EMPLOYMENT BENEFITS for members of the Management Board are as follows:

DR. GEROLD LINZBACH has been appointed as an ordinary member of the Management Board, the Chief Executive Officer, and Personnel Director for the duration of five years. His pension agreement provides for a defined contribution for pension provisions that is essentially consistent with the defined contribution plan for executive staff. On July 1 of each year, the Company pays a corresponding contribution based on the relevant basic salary retroactively for the previous financial year into an investment fund. In deviation from the 35 percent usually set for members of the Management Board, the fixed pension contribution for Dr. Gerold Linzbach is only 22 percent of his respective basic salary. In return for this reduced pension contribution, at the start of his employment he was granted a performance-based pension commitment to be paid in cash at the end of his contractual term in office on August 31, 2017; this will be paid pro rata temporis in the event of his early departure.

DIRK KALIEBE, STEPHAN PLENZ and HARALD WEIMER have each been appointed as ordinary members of the Management Board for periods of three years. The pension agreements for Dirk Kaliebe, Stephan Plenz and Harald Weimer each provide for a defined contribution for pension provisions that is essentially consistent with the defined contribution plan for executive staff. On July 1 of each year, the Company pays a corresponding contribution based on the relevant basic salary retroactively for the previous financial year into an investment fund. The annual contribution is 35 percent of the corresponding basic salary.

The pension agreements for all members of the Management Board stipulate that the amount paid can rise depending on the earnings situations of the Company. The exact amount of the pension also depends on the investment success of the fund. The pension can be drawn as an early pension from the age of 60. In the event of a member of the Management Board leaving the Company, the pension will be paid from the age of 65 or 60 respectively, principally as a non-recurring payment of pension capital. In addition, the agreements also provide for disability and surviving dependents' benefits (60 percent of the disability payment or the pension) contingent on the amount of the last basic compensation. In deviation from the defined contribution plan for executive staff, the percentage in the event of a disability pension is based on the length of service with the Company, with a maximum pension percentage of 60 percent due to the attributable time – with the exception of Dr. Gerold Linzbach – having already been reached for Dirk Kaliebe, Stephan Plenz and Harald Weimer. If the contract of employment expires prior to the start of benefit payments, the claim to the established pension capital at that point in time remains valid. The other pension benefits (disability and surviving dependents' benefits) earned in accordance with section 2 of the German Company Pension Act (BetrAVG) remain valid on a pro rata temporis basis. Moreover, the statutory vesting periods have been met for Dirk Kaliebe, Stephan Plenz and Harald Weimer.

In terms of EARLY TERMINATION BENEFITS, all service agreements provide for the following uniform regulations in the event of the effective revocation of a Management Board member's appointment or a justifiable resignation by a member of the Management Board: The service agreement ends after the statutory notice period in accordance with section 622 (1), (2) of the German Civil Code (BGB). In event of the effective revocation of a Management Board member's appointment, the member receives a severance payment at the time of termination of the service agreement in the amount of his or her previous total compensation under the service agreement for two years, but not exceeding the amount of the compensation for the originally agreed remainder of the service agreement. This does not affect the right to extraordinary termination for cause in accordance with section 626 BGB. The severance payment is paid in quarterly installments in line with the originally agreed residual term, but in not more than eight quarterly installments. Other payments received by a then former member of the Management Board, which this former member has agreed to disclose to the Company, must be offset in accordance with sections 326 (2) sentence 2 and 615 (2) BGB mutatis mutandis during the originally agreed residual term. If a member of the Management Board becomes unable to work due to disability, the benefits stipulated in the respective pension agreement will be paid.

The compensation of the members of the SUPERVISORY BOARD is governed by the Articles of Association and determined by the Annual General Meeting.

Each member of the Supervisory Board receives fixed compensation of € 40,000.00. The Chairman of the Supervisory Board receives three times this amount, the Deputy Chairman twice this amount. The members of the Management Committee, the Audit Committee, and the Committee on Arranging Personnel Matters of the Management Board receive additional compensation for work on these committees. Each committee member receives com-

Pension provisions of the individual members of the Management Board [1)]

Figures in € thousands		Accrued pension capital as of the reporting date	Pension contribution for the reporting year [2)]	Defined benefit obligation	Service cost
Dr. Gerold Linzbach	**2015/2016**	1,818	260	1,842	264
	2014/2015	1,551	655	1,575	659
Dirk Kaliebe	**2015/2016**	1,254	137	1,505	137
	2014/2015	1,086	137	1,250	137
Stephan Plenz	**2015/2016**	1,172	137	1,411	137
	2014/2015	1,006	137	1,168	137
Harald Weimer	**2015/2016**	336	137	432	137
	2014/2015	195	114	294	114

[1)] The pension entitlement achievable up until the age of 65 (Dirk Kaliebe; Stephan Plenz; Harald Weimer) or until the end of the term of office (Dr. Gerold Linzbach) depends on personal salary development, the respective EBIT and the return generated, and hence cannot be determined precisely in advance. If the pension option is utilized and the current assumptions continue to apply, the retirement pension resulting from the accrued pension capital is expected to be as follows: Dr. Gerold Linzbach: approx. 5 percent (not including the performance-based pension commitment), Dirk Kaliebe: approx. 37 percent, Stephan Plenz: approx. 35 percent and Harald Weimer: approx. 23 percent of the respective last fixed salary

[2)] For Dr. Gerold Linzbach, Dirk Kaliebe, Stephan Plenz and Harald Weimer, the pension contribution for the reporting year is calculated on the basis of the pensionable income on March 31, without taking into account the not yet determined earnings-related contribution.

pensation of € 1,500.00 per meeting for participation in a meeting of these committees. The Chairman of the Audit Committee receives compensation of € 4,500.00 per meeting; the Chairman of the Management Committee and the Chairman of the Committee on Arranging Personnel Matters of the Management Board receive compensation of € 2,500.00 per meeting. The members of the Supervisory Board also receive an attendance fee of € 500.00 per meeting for attending a meeting of the Supervisory Board or one of its committees. Furthermore, the expenses incurred by members of the Supervisory Board and value added tax thereon will be reimbursed. In order to boost the Supervisory Board's role as a controlling body, compensation does not include a variable, performance-based component. The Supervisory Board currently consists of 12 members.

The members of the union and Works Council have declared that they will transfer their Supervisory Board compensation to the Hans Böckler Foundation in accordance with the guidelines of IG Metall.

Compensation of the Supervisory Board (excluding VAT)

Figures in €				**2015/2016**				2014/2015
	Fixed annual compensation	Attendance fees	Committee compensation	Total	Fixed annual compensation	Attendance fees	Committee Compensation	Total
Dr. Siegfried Jaschinski [1]	106,667	7,000	12,500	126,167	40,000	5,500	7,500	53,000
Rainer Wagner [2]	80,000	8,000	12,000	100,000	80,000	6,000	10,500	96,500
Ralph Arns [3]	40,000	4,500	0	44,500	30,000	1,500	0	31,500
Edwin Eichler	40,000	4,000	0	44,000	40,000	2,500	0	42,500
Mirko Geiger	40,000	7,500	7,500	55,000	40,000	6,000	7,500	53,500
Karen Heumann [4]	3,333	0	0	3,333	0	0	0	0
Jörg Hofmann [5]	0	0	0	0	13,333	1,000	0	14,333
Robert J. Köhler [6]	20,000	500	0	20,500	120,000	5,000	5,000	130,000
Kirsten Lange [7]	40,000	3,500	0	43,500	6,667	1,500	0	8,167
Dr. Herbert Meyer	40,000	5,500	22,500	68,000	40,000	5,000	22,500	67,500
Beate Schmitt	40,000	5,000	4,500	49,500	40,000	3,500	3,000	46,500
Lone Fønss Schrøder [8]	0	0	0	0	33,333	500	0	33,833
Prof. Dr.-Ing. Günther Schuh	40,000	4,500	4,500	49,000	40,000	3,500	3,000	46,500
Peter Sudadse [5]	0	0	0	0	13,333	1,500	0	14,833
Christoph Woesler	40,000	4,500	0	44,500	40,000	3,000	0	43,000
Roman Zitzelsberger [3]	40,000	4,500	0	44,500	30,000	1,500	0	31,500
Total	570,000	59,000	63,500	692,500	606,666	47,500	59,000	713,166

[1] Chairman of the Supervisory Board since June 2, 2015
[2] Deputy Chairman of the Supervisory Board
[3] Member of the Supervisory Board since July 24, 2014
[4] Member of the Supervisory Board since March 24, 2016
[5] Member of the Supervisory Board until July 24, 2014
[6] Chairman of the Supervisory Board until May 17, 2015
[7] Member of the Supervisory Board since February 2, 2015
[8] Member of the Supervisory Board until January 31, 2015

Takeover disclosures in accordance with section 289 (4) of the German Commercial Code

In accordance with section 289 (4) sentence 1 nos. 1–9 of the German Commercial Code (HGB), we address all points that could be relevant in the event of a public takeover bid for Heidelberger Druckmaschinen Aktiengesellschaft:

As of March 31, 2016, the **ISSUED CAPITAL** (share capital) of Heidelberger Druckmaschinen Aktiengesellschaft amounted to € 659,040,714.24 and was divided into 257,437,779 no-par-value bearer shares that are not subject to any restriction on transferability. As of the end of the reporting period, the Company held 142,919 treasury shares, from which no rights arise for the Company in accordance with section 71 b of the German Stock Corporation Act (AktG).

The **APPOINTMENT AND DISMISSAL OF MEMBERS OF THE MANAGEMENT BOARD** is based on sections 84 ff. AktG in conjunction with sections 30 ff. of the German Codetermination Act (MitbestG).

AMENDMENTS TO THE ARTICLES OF ASSOCIATION are made in accordance with the provisions of sections 179 ff. and 133 AktG in conjunction with Article 19 (2) of Heidelberg's Articles of Association. In accordance with Article 19 (2) of the Articles of Association, unless otherwise stipulated by law, resolutions of the Annual General Meeting are passed with a simple majority of the votes cast and, if a capital majority is required by law in addition to a majority of votes, with a simple majority of the share capital represented in the passing of the resolution. In accordance with Article 15 of the Articles of Association, the Supervisory Board is authorized to make amendments and additions to the Articles of Association that affect their wording only.

Heidelberg may acquire **TREASURY SHARES** only in accordance with section 71 (1) nos. 1 to 6 AktG. With the approval of the Supervisory Board, the Management Board is authorized to use the treasury shares held at the end of the reporting period as follows while disapplying shareholders' preemptive subscription rights:

- for the disposal of treasury shares if sold in exchange for cash and at a price not significantly less than the stock market price as defined more precisely in the authorization; the volume of shares thus sold together with other shares issued with preemptive subscription rights disapplied since July 18, 2008 must not exceed the lesser of 10 percent of the share capital on July 18, 2008 in total or – if the amount is lower – 10 percent of the share capital at the time the authorization is exercised;
- to offer and transfer treasury shares to third parties if companies, equity investments in companies or parts of companies are thereby acquired, or if mergers are thereby implemented;
- to end or settle mediation proceedings under company law.

This authorization may be executed in full or in part in each case.

The Management Board also is authorized, with the approval of the Supervisory Board, to withdraw treasury shares without a further resolution by the Annual General Meeting. This authorization may be executed in full or in part in each case.

On July 26, 2012, the Annual General Meeting authorized the Management Board, with the approval of the Supervisory Board, to issue bearer or registered warrants or convertible bonds, profit-sharing rights or participating bonds, or a combination of these instruments (collectively referred to as "bonds") up to a total nominal amount of € 150,000,000.00, dated or undated, on one or several occasions by July 25, 2017, and to grant or impose on the bearers or creditors of option warrants or option profit-sharing rights or option participating bonds, option rights or obligations, or to grant or impose on the bearers or creditors of convertible bonds, convertible profit-sharing rights or convertible participating bonds, conversion rights or obligations to bearer shares of the Company with a pro rata amount of share capital of originally up to € 119,934,433.28 in total, in accordance with the further conditions of these bonds. Shareholders' preemptive subscription rights may be disapplied in accordance with the further conditions of this authorization. For this purpose, the share capital was contingently increased by originally up to € 119,934,433.28. Due to the conversion of five partial debentures resulting from the convertible bond issued in July 2013, the share capital was increased by € 488,547.84 utilizing Contingent Capital 2012. Accordingly, the available Contingent Capital 2012 then amounted to only € 119,445,885.44. On July 24, 2015, the Annual General Meeting resolved the cancellation of Contingent Capital 2012 to the extent that it is not intended to serve rights under the 2013 convertible bond. The share capital of Heidelberger Druckmaschinen Aktiengesellschaft is now contingently increased by up to € 58,625,953.28, divided into 22,900,763 bearer shares, (**CONTINGENT CAPITAL 2012**) for this purpose; details of Contingent Capital 2012 can be found in Article 3 (3) of the Articles of Association. On July 24, 2014, the Annual General Meeting authorized the Management Board, with the approval of the Supervisory Board, to issue bearer or registered warrants or convertible bonds, profit-sharing rights or participating bonds, or a combination of these instruments (collectively referred to as “bonds”) up to a total nominal amount of € 58,625,953.28, dated or undated, on one or several occasions by July 23, 2019, and to grant or impose on the bearers or creditors of option warrants or option profit-sharing rights or option participating bonds option rights or obligations, or to grant or impose on the bearers or creditors of convertible bonds, convertible profit-sharing rights or convertible participating bonds conversion rights or obligations to bearer shares of the Company with a pro rata amount of share capital of up to € 58,625,953.28 in total, in accordance with the further conditions of these bonds. Shareholders’ preemptive subscription rights may be disapplied in accordance with the further conditions of this authorization. For this purpose, the share capital of Heidelberger Druckmaschinen Aktiengesellschaft was originally contingently increased by up to € 58,625,953.28. On July 24, 2015, the Annual General Meeting resolved the cancellation of Contingent Capital 2014 to the extent that it is not intended to serve rights under the 2015 convertible bond. The share capital of Heidelberger Druckmaschinen Aktiengesellschaft is now contingently increased by up to € 48,230,453.76, divided into 18,840,021 bearer shares (**CONTINGENT CAPITAL 2014**), for this purpose; details of Contingent Capital 2014 can be found in Article 3 (4) of the Articles of Association.

On July 24, 2015, the Annual General Meeting authorized the Management Board, with the approval of the Supervisory Board, to issue warrants, convertible bonds and/or participating bonds as well as profit-sharing rights including combinations of these instruments (collectively also referred to as “bonds”) up to a total nominal amount of € 200,000,000.00 dated or undated, on one or several occasions by July 23, 2020, and to grant or impose on the bearers or creditors of option warrants or option profit-sharing rights or option participating bonds, option rights or obligations, or to grant or impose on the bearers or creditors of convertible bonds, convertible profit-sharing rights or convertible participating bonds conversion rights or obligations to up to 51,487,555 bearer shares of the Company with a pro rata amount of share capital of up to € 131,808,140.80 in total, in accordance with the further conditions of these bonds. Shareholders’ preemptive subscription rights may be disapplied in accordance with the further conditions of this authorization. The share capital of Heidelberger Druckmaschinen Aktiengesellschaft was contingently increased by up to € 131,808,140.80, divided into 51,487,555 bearer shares (**CONTINGENT CAPITAL 2015**), for this purpose; details of Contingent Capital 2015 can be found in Article 3 (5) of the Articles of Association.

The Annual General Meeting on July 26, 2012 had authorized the Management Board, with the approval of the Supervisory Board, to increase the share capital of the Company by up to € 119,934,433.28 on one or several occasions in exchange for cash or non-cash contributions in the period up to and including July 25, 2017 (**AUTHORIZED CAPITAL 2012**). The disapplication of preemptive subscription rights was permitted in accordance with the further conditions of authorization. As a result of the capital increase against contributions in kind from the Gallus transaction that came into effect on August 14, 2014, Authorized Capital 2012 was reduced from € 119,934,433.28 to € 61,054,433.28. On July 24, 2015, the Annual General Meeting canceled Authorized Capital 2012 effective from the date of registration of Authorized Capital 2015, to the extent it had not been used so far.

In accordance with the resolution of the Annual General Meeting on July 24, 2015, the Management Board was authorized, with the approval of the Supervisory Board, to increase the share capital of the Company by up to € 131,808,140.80 on one or more occasions against cash or non-cash contributions by July 23, 2020 (**AUTHORIZED CAPITAL 2015**). The Management Board was authorized, with the approval of the Supervisory Board, to determine the further content of share rights and the conditions for the issue of shares. Details of Authorized Capital 2015 can be found in Article 3 (6) of the Articles of Association.

The credit facility signed on March 25, 2011 and extended until June 2019 by way of an agreement with several banks in July 2015, a bilateral loan agreement with IKB Deutsche Industriebank Aktiengesellschaft dated April 8, 2014 and a bilateral loan agreement with the European Investment Bank dated March 31, 2016 contain, in the versions applicable at the end of the reporting period, standard **CHANGE OF CONTROL CLAUSES** that grant the contracting parties additional rights to information and termination in the event of a change in the Company’s control or majority ownership structure.

The terms of the corporate bond that was placed on March 31, 2011 and issued on April 7, 2011 include a change of control clause that requires Heidelberger Druckmaschinen Aktiengesellschaft to buy back the respective debt instruments (or parts thereof) from bondholders on demand if certain conditions named in that clause materialize. In this case, the buyback price would be 101 percent of the total nominal amount of the respective debt instruments plus interest accrued but not yet paid.

The terms of the convertible bond that was placed on July 3, 2013 and issued on July 10, 2013 also include a change of control clause. If there is a change of control as described in the bond terms, the bondholders may demand early repayment within a defined period. Heidelberg would then be obliged to pay a change of control exercise price to the bondholders who demanded early repayment. This exercise price corresponds to the notional amount of the bond adjusted using a mathematical technique described in greater detail in the bond terms.

The terms of the convertible bond that was placed on March 25, 2015 and issued on March 30, 2015 also include a change of control clause. If there is a change of control as described in the bond terms, the bondholders may demand early repayment within a defined period. Heidelberg would then be obliged to pay a change of control exercise price to the bondholders who demanded early repayment. This exercise price corresponds to the notional amount of the bond adjusted using a mathematical technique described in greater detail in the bond terms.

The terms of the corporate bond that was placed on April 17, 2015 and issued on May 5, 2015 include a change of control clause that requires Heidelberger Druckmaschinen Aktiengesellschaft to buy back the respective debt instruments (or parts thereof) from bondholders on demand if certain conditions named in that clause materialize. In this case, the buyback price would be 101 percent of the total nominal amount of the respective debt instruments plus interest accrued but not yet paid.

A technology licensing agreement with a manufacturer and supplier of software products also contains a change of control clause; this grants each party a right of termination with notice of 90 days if at least 50 percent of the shareholdings or voting rights of the other party are acquired by a third party.

An agreement with a manufacturer and supplier of digital production printing systems for the sale of these systems also includes a change of control clause. This clause grants each party the right to terminate the agreement with notice of three months from the time of receipt of notification from the other party that a change in control has occurred or is possibly imminent, or from the time that such a change in control becomes known. A change of control under the terms of this agreement is considered to have occurred if a third party acquires at least 25 percent of the voting rights of the party concerned or the ability to influence the activities of the party concerned on a contractual basis or based on articles of association or similar provisions that grant the third party corresponding rights.

Furthermore, an agreement concluded by Heidelberg with a manufacturer and supplier of inkjet printing systems, inkjet consumables, inkjet printheads and related services contains a change-of-control clause. The agreement relates to the development, manufacture and distribution of an inkjet digital printing machine including consumables and the provision of services for the machine. The change-of-control clause grants each party the right to terminate the agreement if a change of control happens at the other party. A change of control under this agreement occurs when (from the perspective of the terminating party) a third party acquires more than 50 percent of the voting rights of the other party and this third party offers products and/or services that significantly compete with the major products and services of the terminating party.

Corporate Governance Declaration

The Corporate Governance Declaration in accordance with section 289 a HGB has been made permanently available at www.heidelberg.com under Company > About us > Corporate Governance.

Financial statements 2015/2016

Income statement 2015/2016

Figures in € thousands	Note	1-Apr-2014 to 31-Mar-2015	**1-Apr-2015 to 31-Mar-2016**
Net sales	4	1,051,363	1,071,899
Change in inventories		– 2,389	– 18,608
Other own work capitalized		14,730	25,096
Total operating performance		**1,063,704**	**1,078,387**
Other operating income	5	227,826	288,244
Cost of materials	6	494,288	523,315
Staff costs	7	511,210	416,987
Amortization and write-downs of intangible non-current assets and depreciation and write-downs of property, plant and equipment		30,638	26,366
Other operating expenses	8	312,152	260,265
Result of operating activities		**– 56,758**	**139,698**
Result from financial assets	9	44,034	56,274
Other interest and similar income	10	6,679	6,633
Interest and similar expenses	11	114,837	117,682
Financial result		**– 64,124**	**– 54,775**
Result from ordinary activities		**– 120,882**	**84,923**
Extraordinary result	12	–	5,396
Taxes on income	13	5,636	4,405
Net loss/profit for the year		**– 126,518**	**85,914**
Loss carryforward from the previous year	19	–	– 126,518
Net accumulated losses		**– 126,518**	**– 40,604**

Statement of financial position as of March 31, 2016

Assets

Figures in € thousands	Note	31-Mar-2015	31-Mar-2016
Non-current assets	14		
Intangible assets		40,938	57,721
Property, plant and equipment		294,108	222,460
Financial assets		917,183	1,036,887
		1,252,229	1,317,068
Current assets			
Inventories	15	378,678	335,258
Receivables and other assets	16	164,870	180,082
Cash and cash equivalents	17	141,500	106,243
		685,048	621,583
Prepaid expenses	18	15,270	17,035
		1,952,547	**1,955,686**

Equity and liabilities

Figures in € thousands	Note	31-Mar-2015	31-Mar-2016
Equity	19		
Subscribed capital [1]		659,041	659,041
Treasury shares		– 366	– 366
Issued capital		658,675	658,675
Capital reserves		52,937	52,937
Retained earnings		21,343	21,343
Net accumulated losses		– 126,518	– 40,604
		606,437	692,351
Special reserves	20	461	1,189
Provisions			
Provisions for pensions and similar obligations	21	180,575	195,198
Other provisions	22	204,910	161,741
		385,485	356,939
Liabilities	23	953,132	900,520
Deferred income		7,032	4,687
		1,952,547	**1,955,686**

[1] Contingent capital as of March 31, 2016 in the amount of € 238,665 thousand (previous year: € 178,072 thousand)

Statement of changes in non-current assets

Figures in € thousands					Cost
	1-Apr-2015	Additions	Disposals	Reclassifications	**31-Mar-2016**
Intangible assets					
Internally generated rights, similar rights and assets	9,182	17,810	–	–	26,992
Purchased software, rights of use and other rights	80,920	2,820	– 5,703	–	78,037
	90,102	**20,630**	**– 5,703**	**–**	**105,029**
Property, plant and equipment					
Land and buildings	230,109	183	– 55,218	14	175,088
Technical equipment and machinery	518,108	1,925	– 207,165	2,411	315,279
Other equipment, operating and office equipment	557,818	12,099	– 140,281	4,966	434,602
Advance payments and assets under construction	8,811	5,541	– 1,226	– 7,391	5,735
	1,314,846	**19,748**	**– 403,890**	**0**	**930,704**
Financial assets					
Shares in affiliated companies	1,803,654	100,092	– 70,749	–	1,832,997
Loans to affiliated companies	87,276	–	– 7,622	–	79,654
Equity investments	3,928	–	–	–	3,928
Securities classified as non-current assets	2	–	–	–	2
Other loans	2,628	290	– 294	–	2,624
	1,897,488	**100,382**	**– 78,665**	**–**	**1,919,205**
	3,302,436	**140,760**	**– 488,258**	**–**	**2,954,938**

					Cumulative depreciation and amortization		Carrying amounts
1-Apr-2015	Additions	Disposals	Reclassifications	Reversals	**31-Mar-2016**	31-Mar-2015	**31-Mar-2016**
–	–	–	–	–	–	9,182	26,992
49,164	3,482	–5,338	–	–	47,308	31,756	30,729
49,164	**3,482**	**–5,338**	**–**	**–**	**47,308**	**40,938**	**57,721**
157,499	2,440	–46,099	–	–	113,840	72,610	61,248
409,879	5,564	–165,281	–	–	250,162	108,229	65,117
453,360	14,880	–123,998	–	–	344,242	104,458	90,360
–	–	–	–	–	–	8,811	5,735
1,020,738	**22,884**	**–335,378**	**–**	**–**	**708,244**	**294,108**	**222,460**
979,746	26,964	–3,040	–	–121,905	881,765	823,908	951,232
–	–	–	–	–	–	87,276	79,654
542	–	–	–	–	542	3,386	3,386
–	–	–	–	–	–	2	2
17	3	–9	–	–	11	2,611	2,613
980,305	**26,967**	**–3,049**	**–**	**–121,905**	**882,318**	**917,183**	**1,036,887**
2,050,207	**53,333**	**–343,765**	**–**	**–121,905**	**1,637,870**	**1,252,229**	**1,317,068**

Notes to the non-consolidated financial statements 2015/2016

1 Preliminary remarks

The annual financial statements of Heidelberger Druckmaschinen Aktiengesellschaft are prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG).

The classification of the income statement is based on the total cost (nature of expense) method. Certain items of the income statement and the statement of financial position have been combined to improve the clarity of presentation. In these cases, a breakdown of the individual items with additional information and notes is presented below.

In the reporting year, Heidelberger Druckmaschinen Aktiengesellschaft spun off the business activities of the Amstetten production site, Germany, as Heidelberg Manufacturing Deutschland GmbH, Wiesloch, Germany, effective April 1, 2015. The spin-off was carried out in the framework of an asset deal. The assets (€ 90.4 million) and liabilities (€ 35.8 million) were sold at fair value. The equity investment in Heidelberg Manufacturing Deutschland GmbH is capitalized at a carrying amount of € 42.6 million. Comparisons with the previous year are limited as a result of this.

The figures shown in the tables are presented in thousands of euros (€ thousands).

2 Currency translation

Business transactions in foreign currencies are generally measured at the exchange rate at the time of first-time recognition and at the hedge rate in the cases of hedges. At the reporting date, assets and liabilities denominated in foreign currencies are translated at the currently applicable average spot exchange rate. Unrealized gains resulting from changes in exchange rates are recognized only if the underlying asset or liability has a remaining term of one year or less. Information on derivative financial instruments for hedging currency risks is presented under note 27.

For the list of shareholdings, the assets and liabilities in financial statements prepared in foreign currency are translated at the year-end exchange rates, while expenses and income are translated at the average exchange rates for the year.

3 General accounting principles

The cost of acquisition also includes additional costs of acquisition that can be directly allocated. In addition to direct costs and overhead costs for materials and production, the cost of production also includes special costs of production, production-related depreciation of non-current assets and an appropriate share of the costs for general administration and social security.

Impairment losses recognized on current and non-current assets in previous years are retained if the reasons for their recognition still apply.

Exercising the option of section 248 (2) HGB, internally generated intangible assets are capitalized at production cost and amortized on a straight-line basis over their expected useful life.

Purchased intangible assets are capitalized at acquisition cost and amortized on a straight-line basis over their expected useful life.

Property, plant and equipment is carried at acquisition or production cost less depreciation and impairment losses (if permanent). Depreciation is recognized solely in line with the straight-line method on the basis of the individual technical and economic useful lives. Additions during a financial year are depreciated pro rata temporis on the basis of the number of months for which they have been held. In accordance with section 6 (2a) of the German Income Tax Act (EStG), omnibus items are recognized for depreciable movable non-current assets with an acquisition cost of more than € 150 and up to € 1,000 that were acquired or manufactured after December 31, 2007. These items are depreciated on a straight-line basis over a period of five years.

Amortization of intangible assets and depreciation of property, plant and equipment is calculated primarily on the basis of the following useful lives (in years):

	2014/2015	**2015/2016**
Development costs	5 to 12	5 to 12
Software/other rights	3 to 9	3 to 9
Buildings	15 to 50	15 to 50
Technical equipment and machinery	12 to 31	12 to 31
Other equipment, operating and office equipment	5 to 27	5 to 27

Under financial assets, shares in affiliated enterprises, equity investments and securities are carried at acquisition cost or, if permanently impaired, at the lower fair value. Interest-bearing loans are carried at their nominal value. Interest-free loans are discounted at net present value.

Inventories are carried at cost. The carrying amounts for all asset groups are based on the weighted average cost method. The cost of production is measured at full cost, meaning that those costs eligible for recognition as assets in accordance with section 255 (2) sentences 2 to 3 HGB are included. If lower replacement prices or net values are applicable at the end of the reporting period, these are taken into account. Sufficient account is taken of the risks of holding inventory that result from prolonged storage and reduced salability through reductions in value.

Receivables and other assets are carried at nominal amount (acquisition cost). All discernible individual risks and the general credit risk are taken into account by appropriate valuation allowances. Low-interest-bearing receivables with a remaining term of more than one year are discounted to their present value.

Cash and cash equivalents are carried at their nominal amount.

Tax-exempt allowances and taxable subsidies for investments are recognized as a special reserve for investment grants. Tax-exempt allowances and taxable subsidies are offset in line with depreciation.

In addition to pension benefits, various pension commitments and general works council agreements, provisions for pensions and similar obligations also include temporary financial assistance in the event of death, as guaranteed under labor law. By way of agreement with the Group Works Council of February 27, 2015, Heidelberger Druckmaschinen Aktiengesellschaft introduced a new pension system effective from January 1, 2015 with greater incentives for private retirement provision. This agreement changed the defined benefit plan to a defined contribution plan. The new general works agreement applies to future pensions for active employees at Heidelberger Druckmaschinen Aktiengesellschaft. The pension credit is paid out in 12 annual installments, or optionally the employee can choose 14 annual installments with an increased initial installment. Alternatively, the employee can access his pension credit as a pension for life and, under certain conditions, have this paid out as a one-time capital payment. The payout option installment/pension of 60 percent/40 percent is a further actuarial assumption for the calculation of the pension provision. Provisions are measured on the basis of actuarial calculations, using the 2005G Heubeck mortality tables as the biological basis for calculation. The measurement method used for active employees is the proportionally declining projected unit credit method, which also takes into account forecast increases in salaries and pensions. For pensioners and former employees with vested rights, the present value of future pension benefits is recognized as the settlement amount. Beneficiaries who have already passed the actuarial retirement age are treated as pensioners. If the conditions for full pension vesting are met, pension calculations are based on the date at which employees began work for employees who joined before their 30th birthday. The option provided under section 253 (2) sentence 2 HGB was exercised in determining the discount rate. This means that provisions for pensions or similar long-term obligations can be discounted at a flat rate using an average market interest rate for the past ten (previous year: seven) financial years assuming a remaining term of 15 years. The discount rate used as of the end of the reporting year is based on the expected discount rate as of March 31, 2016 of 4.25 percent (previous year: discount rate published by Deutsche Bundesbank as of March 31, 2015 of 4.37 percent), as the use of the discount rate calculated and published by Deutsche Bundesbank as of March 31, 2016 (4.24 percent) would have led to only minor changes in the settlement amount.

Obligations under pension commitments are predominantly covered by assets that are intended solely to serve pension obligations and that cannot be accessed by other creditors (plan assets). The plan assets measured at fair value are offset against pension obligations in line with section 246 (2) sentence 2 HGB. The fair value of the net reinsurance assets is equal to the amortized cost (plan assets plus profit participation) according to the notifications of the insurance company. Income from plan assets is netted against interest expenses from the interest on pension obligations and the expenses or income from the change in the discount rate and reported under net interest income.

Provisions for obligations under partial retirement relate to employees who are either already in partial retirement as of the end of the reporting period, have concluded a partial retirement contract, or can make use of the partial retirement regulation in the future. Provisions are measured in accordance with actuarial principles on the basis of a matched-term discount rate. This is calculated as the average market interest rate for the past seven financial years and was 2.00 percent as of March 31, 2016 (previous year: 2.75 percent). Provisions for partial retirement obligations are still based on the 2005G Heubeck mortality tables. The provision includes step-up amounts and settlement obligations of the Company incurred by the end of the reporting period.

Other provisions are measured taking into account all discernible, reportable risks and uncertain liabilities. They are measured at the settlement amount that is deemed necessary based on prudent business judgment. Provisions with a remaining term of more than one year are discounted at the average market interest rate for the past seven financial years corresponding to their remaining term. Provisions are also recognized for warranties without legal liability.

Liabilities are recognized at their settlement amount.

Prepaid expenses and deferred income are recognized for expenditures and revenues that represent expenses and income for a certain period after the end of the reporting period.

The carrying amounts of contingent liabilities match the extent of liability as of the end of the reporting period.

Derivative financial instruments are used to hedge currency risks. The hedges for the receivables and liabilities recognized at the reporting date take the form of a portfolio hedge. The effective portion of the valuation units recognized is measured using the gross hedge presentation method.

Notes to the income statement

4 Net sales

	2014/2015	2015/2016
Europe, Middle East and Africa	467,914	481,980
Asia/Pacific	298,215	304,532
Eastern Europe	112,012	97,352
North America	111,404	135,891
South America	61,818	52,144
	1,051,363	**1,071,899**

€ 879 million or around 82 percent of total sales were generated outside Germany.

	2014/2015 [1)]	2015/2016
Heidelberg Equipment	815,154	840,033
Heidelberg Services	236,209	231,866
	1,051,363	**1,071,899**

1) Postpress has been allocated to the Heidelberg Services segment since April 1, 2015. The prior-year figures were restated accordingly.

5 Other operating income

	2014/2015	2015/2016
Increases in value of shares in affiliated companies	–	121,905
Income from currency translation	62,307	50,574
Income from affiliated companies	43,845	46,179
Reversal of provisions [1)]	98,892	41,941
Income from operating facilities	5,560	5,466
Income from the reversal of special reserves for investment grants	251	533
Other income	16,971	21,646
	227,826	**288,244**

1) Included in previous year: Effect of the reorganization of the Company pension scheme and the effect of the adjustment of measurement parameters of € 84,005 thousand in total

The decline in income from currency translation of € 11.7 million is offset by correspondingly lower expenses of € 12.2 million.

Other operating income includes prior-period income of € 53.1 million from the reversal of provisions and book gains from the sale of property, plant and equipment. The increase in the value of shares in affiliated companies is explained in note 14.

The sale of the premises of the former head office of Heidelberger Druckmaschinen Aktiengesellschaft at Kurfürstenanlage 52 to 58, Heidelberg, to a property developer was completed in the reporting year. The sale resulted in income of a low eight-figure amount, which is reported in other operating income.

6 Cost of materials

	2014/2015	2015/2016
Cost of raw materials, consumables and supplies, and of goods purchased and held for resale	421,745	457,460
Cost of purchased services	72,543	65,855
	494,288	**523,315**

7 Staff costs and employees

	2014/2015	**2015/2016**
Wages and salaries	425,815	354,756
Social security costs and expenses for pensions and support	85,395	62,231
of which: for pensions	(6,114)	(1,563)
	511,210	**416,987**

The decline in wages and salaries is mostly due to the spin-off of our Amstetten production site as an independent company.

Furthermore, expenses for our portfolio adjustments of € 20.4 million were incurred in the reporting year (previous year: € 47.9 million).

The elimination of a direct insurance commitment significantly reduced expenses for pensions in the reporting period.

The interest component of the pension entitlements is reported in the financial result (see note 11).

Average number of employees	2014/2015	**2015/2016**
Wiesloch-Walldorf	3,814	3,719
Heidelberg	1,309	989
Amstetten	843	–
Brandenburg	495	424
Kiel	223	225
Neuss	55	42
	6,739	5,399
Trainees	393	280
	7,132	**5,679**

The number of employees does not include interns, graduating students, dormant employees or employees in the non-work phase of partial retirement.

8 Other operating expenses

	2014/2015	**2015/2016**
Expenses from currency translation	60,709	48,542
Expenses for other external services	54,510	47,893
Rental and leasing	38,912	37,757
Special direct selling expenses	34,840	34,631
Maintenance	27,049	22,348
Net amount from additions to and utilization of provisions, relating to several types of expense	33,770	9,387
Non-manufacturing overhead costs	4,977	5,603
Travel costs	5,125	4,783
Insurance expense	4,866	4,652
Advertising costs	1,126	1,756
Other taxes	514	691
Write-downs on receivables and other assets	629	381
Other costs	45,125	41,841
	312,152	**260,265**

The fall in other operating expenses is essentially due to a lower transfer to provisions. The additions include the non-recurring cost of portfolio adjustments of € 2.5 million (previous year: € 18.0 million).

Furthermore, the € 12.2 million lower costs of currency translation are offset by € 11.7 million lower income from currency translation.

9 Result from financial assets

	2014/2015	2015/2016
Income from investments		
Income from profit transfer agreements	65,526	60,423
Income from other investments	8,403	24,171
	73,929	84,594
of which: from affiliated companies	(72,129)	(81,332)
Income from other securities and long-term loans	7,340	7,059
of which: from affiliated companies	(7,340)	(7,059)
Write-downs on financial assets and on securities classified as current assets	–6,835	–26,967
Expenses from profit transfer agreements	–30,400	–8,412
of which: from affiliated companies	(–30,400)	(–8,412)
	44,034	**56,274**

Expenses from profit transfer agreements also include income of € 39.7 million (previous year: € 33.1 million) in indirect distributions from foreign Group companies to German Group companies.

Income from other securities and long-term loans relates to interest on four long-term loans extended to German subsidiaries.

Write-downs on financial assets and on securities classified as current assets relate exclusively to financial assets (see note 14).

10 Other interest and similar income

	2014/2015	2015/2016
Other interest and similar income	6,679	6,633
of which: from affiliated companies	(5,855)	(6,291)
	6,679	**6,633**

11 Interest and similar expenses

	2014/2015	2015/2016
Interest and similar expenses	114,837	117,682
of which: due to affiliated companies	(6,131)	(1,888)
of which: due to accrued interest	(77,277)	(40,832)
	114,837	**117,682**

The decline in accrued interest is essentially due to the lower interest effect on pension obligations (see note 21).

12 Extraordinary result

	2014/2015	2015/2016
Extraordinary income	–	5,396
	–	**5,396**

The assets and liabilities were sold at fair value when spinning off the Amstetten production site as Heidelberg Manufacturing Deutschland GmbH as of April 1, 2015. This led to extraordinary income of € 5.4 million.

13 Taxes on income

	2014/2015	2015/2016
Taxes on income	5,636	4,405
	5,636	**4,405**

Tax expense in the year under review mainly resulted from withholding tax for dividends received.

Notes to the statement of financial position

14 Non-current assets

The carrying amounts of intangible assets increased by € 16.8 million in net terms in the year under review. The main reason for the increase was the capitalization of development costs within the meaning of section 248 (2) HGB.

The carrying amounts of property, plant and equipment fell by € 71.6 million in the year under review. This is essentially due to the spinning off of the Amstetten production site as Heidelberg Manufacturing Deutschland GmbH and the sale of the premises of the former head office in Heidelberg.

Additions in property, plant and equipment predominantly related to other equipment, operating and office equipment.

Financial assets rose by € 119.7 million. The additions of € 100.4 million mainly relate to the acquisition of shares in two companies and the capital increase at an affiliated company. This was mainly offset by capital reductions at three subsidiaries in the amount of € 67.7 million. In the context of the regular review of the carrying amounts of equity investments, the carrying amount of one subsidiary was increased by € 121.9 million, while write-downs totaling € 27.0 million were recognized for three other subsidiaries on account of presumed permanent impairment. The increase in the value of one subsidiary is essentially due to the economic recovery of our US sales company.

15 Inventories

	31-Mar-2015	31-Mar-2016
Raw materials, consumables and supplies	61,623	64,617
Work and services in progress	228,095	184,407
Finished goods and goods held for resale	88,948	86,217
Advance payments	12	17
	378,678	**335,258**

16 Receivables and other assets

	31-Mar-2015	of which with a remaining term of more than 1 year	31-Mar-2016	of which with a remaining term of more than 1 year
Trade receivables	38,337	–	23,343	166
Receivables from affiliated companies	62,268	–	87,686	–
Other assets	64,265	–	69,053	–
	164,870	**–**	**180,082**	**166**

Receivables from affiliated companies include short-term loans of € 87.6 million (previous year: € 61.9 million) in the reporting year.

Other assets primarily include receivables from Heidelberg Pension Trust e. V., tax refund claims, a short-term time deposit and receivables from employees. € 1.9 million of the tax refund claims arose only after the end of the financial year (previous year: € 2.4 million).

17 Cash and cash equivalents

Cash and cash equivalents in the amount of € 106.2 million (previous year: € 141.5 million) primarily relate to short-term cash investments with a term of up to three months and bank balances. Bank balances are exclusively held for short-term cash management purposes.

18 Prepaid expenses

In accordance with section 250 (3) HGB, prepaid expenses include the difference between the issue and settlement amount of liabilities in the amount of € 10.7 million (previous year: € 4.7 million).

19 Equity

	1-Apr-2015	Net profit	**31-Mar-2016**
Subscribed capital	659,041	–	659,041
Treasury shares	– 366	–	– 366
Issued capital	658,675	–	658,675
Capital reserves	52,937	–	52,937
Retained earnings			
Other retained earnings	21,343	–	21,343
	21,343	–	21,343
Net accumulated losses	– 126,518	85,914	– 40,604
Equity	**606,437**	**85,914**	**692,351**

Share capital / number of shares outstanding / treasury stock

The shares are bearer shares and grant a proportionate interest of € 2.56 in the fully paid-in share capital of Heidelberger Druckmaschinen Aktiengesellschaft.

As in the previous year, the share capital of Heidelberger Druckmaschinen Aktiengesellschaft amounts to € 659,040,714.24 and is divided into 257,437,779 shares. For information on the issue of new shares from Authorized Capital 2012 in the previous year, please see the comments on the non-cash capital increase under "Authorized capital".

As in the previous year, the Company held 142,919 treasury shares as of March 31, 2016. The amount of these shares allocated to share capital is € 366 thousand (previous year: € 366 thousand), with a notional interest in the share capital of 0.06 percent as of March 31, 2016 (previous year: 0.06 percent).

The shares were acquired in March 2007. The pro rata cost of the acquisition was € 4,848 thousand. Pro rata transaction fees of € 5 thousand were also incurred. The total proportionate cost of acquisition was therefore € 4,853 thousand. These shares may only be utilized to reduce the capital of Heidelberger Druckmaschinen Aktiengesellschaft or for employee share participation programs and other forms of share distribution to the employees of the Company or a subsidiary or be offered for purchase to individuals who are or were employed by Heidelberger Druckmaschinen Aktiengesellschaft or one of its associates.

Contingent capital

Contingent Capital 2012

On July 26, 2012, the Annual General Meeting authorized the Management Board, with the approval of the Supervisory Board, to issue bearer or registered warrants or convertible bonds, profit-sharing rights or participating bonds, or a combination of these instruments (collectively referred to as "bonds") up to a total nominal amount of € 150,000,000.00, dated or undated, on one or several occasions by July 25, 2017, and to grant or impose on the bearers or creditors of option warrants or option profit-sharing rights or option participating bonds option rights or obligations, or to grant or impose on the bearers or creditors of convertible bonds, convertible profit-sharing rights or convertible participating bonds conversion rights or obligations to bearer shares of the Company with a pro rata amount of share capital of originally up to € 119,934,433.28 in total, in accordance with the further conditions of these bonds. Shareholders' preemptive subscription rights may be disapplied in accordance with the further conditions of this authorization. For this purpose, the share capital was contingently increased by originally up to € 119,934,433.28 (CONTINGENT CAPITAL 2012).

On July 10, 2013, Heidelberger Druckmaschinen Aktiengesellschaft issued an unsecured, unsubordinated convertible bond with an option for conversion into shares in Heidelberger Druckmaschinen Aktiengesellschaft (2013 convertible bond). This convertible bond has an original issue volume of € 60,000,000.00, a term of four years (maturity date: July 10, 2017) and a coupon of 8.50 percent per annum, which is distributed at the end of every quarter. Due to the conversion of five partial debentures on November 18, 2013, 190,839 new shares were issued from Contingent Capital 2012. Accordingly, the available Contingent Capital 2012 then amounted to only € 119,445,885.44. The original total nominal amount of the 2013 convertible bond decreased by € 500,000.00, from € 60,000,000.00 to € 59,500,000.00.

Since July 30, 2014, Heidelberger Druckmaschinen Aktiengesellschaft has been entitled to repay the 2013 convertible bond prematurely in full at the nominal value plus accrued interest. This requires that the share price multiplied by the applicable conversion ratio on 20 of the 30 consecutive trading days on the Frankfurt Stock Exchange before the announcement of the date of the early repayment exceeds 130 percent of the nominal value as of each of these 20 trading days.

On July 24, 2015, the Annual General Meeting resolved the cancellation of Contingent Capital 2012 to the extent that it is not intended to serve rights under the 2013 convertible bond. The share capital of Heidelberger Druckmaschinen Aktiengesellschaft is now contingently increased by up to € 58,625,953.28 by Contingent Capital 2012; details of Contingent Capital 2012 can be found in Article 3 (3) of the Articles of Association. The resolution became effective on entry of the amendment to the Articles of Association in the commercial register of the Mannheim Local Court on October 2, 2015.

Contingent Capital 2014

On July 24, 2014, the Annual General Meeting authorized the Management Board, with the approval of the Supervisory Board, to issue bearer or registered warrants or convertible bonds, profit-sharing rights or participating bonds, or a combination of these instruments (collectively referred to as “bonds”) up to a total nominal amount of € 58,625,953.28, dated or undated, on one or several occasions by July 23, 2019, and to grant or impose on the bearers or creditors of option warrants or option profit-sharing rights or option participating bonds option rights or obligations, or to grant or impose on the bearers or creditors of convertible bonds, convertible profit-sharing rights or convertible participating bonds conversion rights or obligations to bearer shares of the Company with a pro rata amount of share capital of originally up to € 58,625,953.28 in total, in accordance with the further conditions of these bonds. Shareholders’ preemptive subscription rights may be disapplied in accordance with the further conditions of this authorization. For this purpose, the share capital of Heidelberger Druckmaschinen Aktiengesellschaft was contingently increased by originally up to € 58,625,953.28 (CONTINGENT CAPITAL 2014).

On March 30, 2015, Heidelberger Druckmaschinen Aktiengesellschaft issued an unsecured, unsubordinated convertible bond with an option for conversion into shares in Heidelberger Druckmaschinen Aktiengesellschaft (2015 convertible bond). This convertible bond has an issue volume of € 58,600,000, a term of seven years (maturity date: March 30, 2022) and a coupon of 5.25 percent per annum, which is distributed at the end of every quarter.

From April 20, 2018, Heidelberger Druckmaschinen Aktiengesellschaft will be entitled to repay the 2015 convertible bond prematurely in full at the nominal value plus accrued interest. This requires that the share price multiplied by the applicable conversion ratio on 20 of the 30 consecutive trading days on the Frankfurt Stock Exchange before the announcement of the date of the early repayment exceeds 130 percent of the nominal value as of each of these 20 trading days. Each bondholder in the 2015 convertible bond is entitled to demand the repayment of all or some of his bonds for which the conversion right was not exercised and for which early repayment was announced by Heidelberger Druckmaschinen Aktiengesellschaft as of March 30, 2020 at the set nominal amount plus interest incurred by March 30, 2020 (exclusively).

On July 24, 2015, the Annual General Meeting resolved the cancellation of Contingent Capital 2014 to the extent that it is not intended to serve rights under the 2015 convertible bond. The share capital of Heidelberger Druckmaschinen Aktiengesellschaft is now contingently increased by up to € 48,230,453.76 by Contingent Capital 2014; details of Contingent Capital 2014 can be found in Article 3 (4) of the Articles of Association. The resolution became effective on entry of the amendment to the Articles of Association in the commercial register of the Mannheim Local Court on October 2, 2015.

Contingent Capital 2015

On July 24, 2015, the Annual General Meeting authorized the Management Board, with the approval of the Supervisory Board, to issue warrants, convertible bonds and/or participating bonds as well as profit-sharing rights including combinations of these instruments (collectively also referred to as “bonds”) up to a total nominal amount of € 200,000,000.00 dated or undated, on one or several occasions by July 23, 2020, and to grant or impose on the bearers or creditors of option warrants or option profit-sharing rights or option participating bonds, option rights or obligations, or to grant or impose on the bearers or creditors of convertible bonds, convertible profit-sharing rights or convertible participating bonds conversion rights or obligations to up to 51,487,555 bearer shares of the Company with a pro rata amount of share capital of up to € 131,808,140.80 in total, in accordance with the further conditions of these bonds. Shareholders’ preemptive subscription rights may be disapplied in accordance with the further conditions of this authorization. The share capital of Heidelberger Druckmaschinen Aktiengesellschaft was contingently increased by up to € 131,808,140.80 (CONTINGENT CAPITAL 2015) for this purpose; details of Contingent Capital 2015 can be found in Article 3 (5) of the Articles of Association.

Authorized capital

In accordance with the resolution of the Annual General Meeting on July 24, 2015, the Management Board was authorized to increase, with the approval of the Supervisory Board, the share capital of the Company by up to € 131,808,140.80 on one or several occasions against cash or non-cash contributions by July 23, 2020 (AUTHORIZED CAPITAL 2015). The Management Board was authorized, with the approval of the Supervisory Board, to determine the further content of share rights and the conditions for the issue of shares. Details on Authorized Capital 2015 can be found in Article 3 (6) of the Articles of Association. The authorization became effective on entry of the amendment to the Articles of Association in the commercial register of the Mannheim Local Court on October 2, 2015.

In accordance with the resolution of the Annual General Meeting on July 26, 2012, the Management Board was authorized, with the approval of the Supervisory Board, to increase the share capital of the Company by up to € 119,934,433.28 on one or more occasions against cash or non-cash contributions by July 25, 2017 (AUTHORIZED CAPITAL 2012).

In the previous year, Ferd. Rüesch AG, St. Gallen, Switzerland, contributed its 70 percent interest in Gallus Holding Aktiengesellschaft, St. Gallen, Switzerland, as a contribution in kind to Heidelberger Druckmaschinen Aktiengesellschaft against the issue of new shares. The capital increase against contribution in kind from Authorized Capital 2012 was implemented with preemptive rights disapplied. As consideration for the interest in Gallus Holding Aktiengesellschaft contributed, Heidelberger Druckmaschinen Aktiengesellschaft granted Ferd. Rüesch Aktiengesellschaft a total of 23,000,000 new no-par value shares and an additional seven-figure euro cash payment. The issue price of the new shares was € 2.70 per new share. The capital increase became effective on entry of the amendment to the Articles of Association in the commercial register of the Mannheim Local Court on August 14, 2014. As a result, the share capital increased by € 58,880,000 to € 659,040,714.24.

Authorized Capital 2012 was reduced accordingly from € 119,934,433.28 to € 61,054,433.28.

On July 24, 2015, the Annual General Meeting canceled Authorized Capital 2012 effective from the date of registration of Authorized Capital 2015, to the extent it had not been used so far.

Capital reserves and appropriation of profits of Heidelberger Druckmaschinen Aktiengesellschaft

The capital reserves reported in the previous year in the amount of € 52,937 thousand were originally recognized in accordance with section 272 (2) nos. 1 and 2 HGB and section 237 (5) AktG.

The HGB net profit generated in the 2015/2016 financial year of € 85,914 will be offset against the loss carryforward from the previous year of € 126,518; the net accumulated loss for the 2015/2016 financial year of € 40,604 will be carried forward to new account.

Heidelberger Druckmaschinen Aktiengesellschaft has received the following notifications from shareholders exceeding or falling below voting right thresholds in accordance with section 21 (1) or (1a) and section 25 or 25a (1) of the German Securities Trading Act (WpHG). The list contains the most recent shareholder notifications in each case:

1. Union Investment Privatfonds GmbH

Publication in accordance with section 26 (1) WpHG with the intention of dissemination throughout Europe; voting right notification; 1. Information on issuer: Heidelberger Druckmaschinen AG, Kurfürsten-Anlage 52 – 60, 69115

Heidelberg, Germany; 2. Reason for notification: Other reason: Acquisition of voting rights through fund assets under management; 3. Information on reporting entity: Union Investment Privatfonds GmbH, Frankfurt/Main, Germany; 5. Date of threshold event: May 18, 2016; 6. Total voting rights: new: share of voting rights (total 7.a.): 5.12 percent; share of instruments (total 7.b.1. + 7.b.2.): 0 percent; total shares (total 7.a. + 7.b.): 5.12 percent; total number of voting rights of issuer: 257,437,779; last notification: share of voting rights (total 7.a.): 3.21 percent; share of instruments (total 7.b.1. + 7.b.2.): 1.46 percent; total shares (total 7.a. + 7.b.): 3.21 percent; 7. Details of voting right holdings: a. Voting rights (sections 21, 22 WpHG): attributed (section 22 WpHG): 13,170,994; 5.12 percent; 8. Information in relation to reporting entity: reporting entity (3.) is neither controlled, nor does reporting entity control other entities with voting rights of the issuer (1.) relevant to reporting.

2. UBS Group AG/UBS AG

UBS Group AG, Zurich, Switzerland, informed us in accordance with section 21 (1) WpHG and section 22 (1) sentence 1 no. 1 WpHG on October 27, 2015 that on October 22, 2015 the share in the voting rights of Heidelberger Druckmaschinen AG, Kurfürsten-Anlage 52 – 60, 69115 Heidelberg, Germany, held by UBS Group AG, Zurich, Switzerland, fell below the reporting threshold of 3 percent and amounted to 2.65 percent (6,819,208 voting rights). UBS Group AG also informed us that 2.65 percent (6,819,208 voting rights) of the total voting rights in Heidelberger Druckmaschinen AG were allocated to it in accordance with section 22 (1) sentence 1 no. 1 WpHG.

UBS AG, Zurich, Switzerland, informed us in accordance with section 21 (1) WpHG and section 22 (1) sentence 1 no. 1 WpHG on October 27, 2015 that on October 22, 2015 the share in the voting rights of Heidelberger Druckmaschinen AG, Kurfürsten-Anlage 52 – 60, 69115 Heidelberg, Germany, held by UBS Group AG, Zurich, Switzerland, fell below the reporting threshold of 3 percent and amounted to 2.65 percent (6,819,208 voting rights). UBS AG also informed us that 0.15 percent (386,441 voting rights) of the total voting rights in Heidelberger Druckmaschinen AG were allocated to it in accordance with section 22 (1) sentence 1 no. 1 WpHG.

3. Universal-Investment-Gesellschaft mit beschränkter Haftung

Universal-Investment-Gesellschaft mit beschränkter Haftung, Frankfurt/Main, Germany, informed us in accordance with section 21 (1) WpHG and section 22 (1) sentence 1 no. 6 WpHG and section 22 (1) sentence 1 no. 6 in conjunction with sentence 2 WpHG on July 1, 2015 that on June 26, 2015 the share in the voting rights of Heidelberger Druckmaschinen AG, Kurfürsten-Anlage 52 – 60, 69115 Heidelberg, Germany, held by Universal-Investment-Gesellschaft mit beschränkter Haftung, Frankfurt/Main, Germany, fell below the reporting threshold of 3 percent and amounted to 2.94 percent (7,567,582 voting rights). Furthermore, Universal-Investment-Gesellschaft mit beschränkter Haftung notified us that 1.08 percent (2,774,584 voting rights) of the total voting rights in Heidelberger Druckmaschinen AG were attributable to it in accordance with section 22 (1) sentence 1 no. 6 WpHG and 0.05 percent (117,038 voting rights) of the total voting rights in Heidelberger Druckmaschinen AG were attributable to it in accordance with section 22 (1) sentence 1 no. 6 in conjunction with sentence 2 WpHG.

4. UBS Group AG/UBS AG

Publications in accordance with section 26 (1) voting right notification in accordance with section 25a WpHG: We received the following notification in accordance with section 25a WpHG on May 5, 2015: 1. Issuer: Heidelberger Druckmaschinen AG, Kurfürsten-Anlage 52 – 60, 69115 Heidelberg, Germany 2. Reporting entity: UBS Group AG, Zurich, Switzerland 3. Type of threshold event: Fallen below 4. Threshold affected: 5 percent 5. Date of threshold event: April 28, 2015 6. Reportable share of voting rights: 4.96 percent (12,759,370 voting rights) based on the total number of voting rights of the issuer of: 257,437,779 7. Details of share of voting rights: 7.1 Share of voting rights on account of (financial/other) instruments in accordance with section 25a WpHG: 1.21 percent (3,109,560 voting rights) of which held indirectly: 1.21 percent (3,109,560 voting rights) 7.2 Share of voting rights on account of (financial/other) instruments in accordance with section 25 WpHG: 0.14 percent (371,958 voting rights) of which held indirectly: 0.14 percent (371,958 voting rights) 7.3 Share of voting rights in accordance with sections 21, 22 WpHG: 3.60 percent (9,277,852 voting rights) 8. Details of (financial/other) instruments in accordance with section 25a WpHG: 8.1 Chain of controlled companies: UBS AG 8.2 ISIN or designation of (financial/other) instruments: equity swaps Maturing: n/a; Expiry: February 5, 2018, March 27, 2017, December 20, 2016, April 1, 2016, June 30, 2015.

Publications in accordance with section 26 (1) voting right notification in accordance with section 25a WpHG: We received the following notification in accordance with section 25a WpHG on May 5, 2015: 1. Issuer: Heidelberger Druckmaschinen AG, Kurfürsten-Anlage 52 – 60, 69115 Heidelberg, Germany; 2. Reporting entity: UBS AG, Zurich, Switzerland; 3. Type of threshold event: Fallen below; 4. Threshold affected: 5 percent; 5. Date of threshold event: April 28, 2015; 6. Reportable share of voting rights: 4.96 percent (12,759,370 voting rights) based on the total number of voting rights of the issuer of: 257,437,779; 7. Details of share of voting rights: 7.1 Share of voting rights on account of (financial/other) instruments in accordance with section 25a WpHG: 1.21 percent (3,109,560 voting rights) of which held indirectly: 0.00 percent (0 voting rights); 7.2 Share of voting rights on account of (financial/other) instruments in accordance with section 25 WpHG: 0.14 percent (371,958 voting rights) of which held indirectly: 0.00 percent (0 voting rights); 7.3 Share of voting rights in accordance with sections 21, 22 WpHG: 3.60 percent (9,277,852 voting rights) 8. Details of (financial/other) instruments in accordance with section 25a WpHG: ISIN or designation of (financial/other) instruments: equity swaps maturing: n/a; Expiry: February 5, 2018, March 27, 2017, December 20, 2016, April 1, 2016, June 30, 2015.

5. Mr. Ferdinand Rüesch, Switzerland/Ferd. Rüesch AG, St. Gallen, Switzerland

Correction of a publication in accordance with section 26 (1) WpHG: Mr. Ferdinand Rüesch, Switzerland, informed us in accordance with section 21 (1) WpHG and section 22 (1) sentence 1 no. 1 WpHG on August 25, 2014 that on August 14, 2014 the share in the voting rights of Heidelberger Druckmaschinen AG, Kurfürsten-Anlage 52 – 60, 69115 Heidelberg, Germany, held by Mr. Ferdinand Rüesch, Switzerland, rose above the reporting thresholds of 3 percent and 5 percent and amounted to 9.02 percent (23,210,000 voting rights). Mr. Ferdinand Rüesch also informed us that 9.02 percent (23,210,000 voting rights) of the total voting rights in Heidelberger Druckmaschinen AG are allocated to him in accordance with section 22 (1) sentence 1 no. 1 WpHG. Names of the controlled entities whose own share in the voting rights amount to more than 3 percent and from which 3 percent or more are attributed: Ferd. Rüesch AG.

Ferd. Rüesch AG, St. Gallen, Switzerland, informed us in accordance with section 21 (1) WpHG on August 25, 2014 that on August 14, 2014 the share in the voting rights of Heidelberger Druckmaschinen AG, Kurfürsten-Anlage 52 – 60, 69115 Heidelberg, Germany, held by Ferd. Rüesch AG, St. Gallen, Switzerland, rose above the reporting thresholds of 3 percent and 5 percent and amounted to 9.02 percent (23,210,000 voting rights).

6. Dimensional Fund Advisors LP

Dimensional Fund Advisors LP, Austin, Texas, USA, informed us in accordance with sections 21 (1), 22 (1) sentence 1 no. 6 in conjunction with sentence 2 WpHG on January 23, 2013 that on January 17, 2013 the share in the voting rights of Heidelberger Druckmaschinen AG, Kurfürsten-Anlage 52 – 60, 69115 Heidelberg, Germany, held by Dimensional Fund Advisors LP, Austin, Texas, USA, rose above the reporting threshold of 3 percent and amounted to 3.01 percent (7,057,336 voting rights). The aforementioned voting rights are attributable to Dimensional Fund Advisors LP in accordance with section 22 (1) sentence 1 no. 6 WpHG (2.91 percent, corresponding to 6,825,563 voting rights) and section 22 (1) sentence 1 no. 6 in conjunction with sentence 2 WpHG (0.11 percent, corresponding to 263,533 voting rights).

7. Dimensional Holdings Inc.

Dimensional Holdings Inc., Austin, Texas, USA, informed us in accordance with sections 21 (1), 22 (1) sentence 1 no. 6 in conjunction with sentence 2 WpHG on January 23, 2013 that on January 17, 2013 the share in the voting rights of Heidelberger Druckmaschinen AG, Kurfürsten-Anlage 52 – 60, 69115 Heidelberg, Germany, held by Dimensional Holdings Inc., Austin, Texas, USA, rose above the reporting threshold of 3 percent and amounted to 3.01 percent (7,057,336 voting rights). The aforementioned voting rights are attributable to Dimensional Holdings Inc. in accordance with section 22 (1) sentence 1 no. 6 in conjunction with sentence 2 WpHG.

20 Special reserves

	31-Mar-2015	**31-Mar-2016**
Special reserves for investment grants for non-current assets		
Taxable subsidies	391	225
Tax-exempt allowances	70	964
	461	**1,189**

Taxable subsidies are funds under the regional economic promotion program for investing at the Brandenburg production site.

Tax-exempt allowances are composed of allowances in accordance with the German Investment Allowance Act of 1999/2005/2007/2010 relating to the Brandenburg production site.

21 Provisions for pensions and similar obligations

Pension provisions are calculated on the basis of the following actuarial premises:

Discount rate:	4.25 %
Salary increase rate:	2.75 %
Pension increase rate:	1.60 %
Fluctuation:	1.00 %

In the 2005/2006 financial year, Heidelberger Druckmaschinen Aktiengesellschaft established a contractual trust arrangement (CTA) with the trustee Heidelberg Pension-Trust e. V., Heidelberg, to secure external financing and insolvency insurance for its pension obligations. The assets transferred cannot be accessed by any creditors and serve solely to fulfill the pension obligations. They are invested in a special fund. The fund assets primarily consist of fixed income bonds, shares, fund units, and cash and cash equivalents. The plan assets were measured at fair value and offset against the pension provisions.

In addition to the CTA, there are pension plan reinsurance policies that also qualify as plan assets. These were also measured at fair value and offset against the pension provisions.

The fair value of the offset assets was € 455.9 million as of the end of the reporting period at an acquisition cost of € 590.5 million. The settlement amount of the offset liabilities was € 649.4 million as of the end of the reporting period. The discount rate on the basis of the average market interest rates of the past seven financial years was 3.70 percent as of March 31, 2016. The settlement amount for pension obligations as of March 31, 2016 on the basis of this discount rate would therefore be € 51.5 million (difference) higher.

The plan assets measured at fair value resulted in expenses of € 12.3 million in the year under review (previous year: income of € 19.7 million). Expenses due to the increase in provisions for pensions as a result of interest amounted to € 38.3 million in the year under review (previous year: € 75.2 million).

22 Other provisions

	31-Mar-2015	**31-Mar-2016**
Tax provisions	1,235	479
Other provisions		
Sales obligations	26,576	24,089
Staff obligations	141,926	110,184
Miscellaneous	35,173	26,989
	203,675	161,262
	204,910	**161,741**

Sales obligations primarily relate to guarantees. Staff obligations mainly exist in connection with vacation and working time credit, bonuses, partial retirement programs and our portfolio adjustments. The latter account for a total of € 47.0 million (previous year: € 55.8 million).

23 Liabilities

	31-Mar-2015	of which with a remaining term of			**31-Mar-2016**	of which with a remaining term of		
		up to 1 year	between 1 and 5 years	more than 5 years		up to 1 year	between 1 and 5 years	more than 5 years
Bonds	473,100	–	473,100	–	438,019	–	232,619	205,400
of which convertible	(118,100)	(–)	(118,100)	(–)	(118,100)	(–)	(118,100)	(–)
Amounts due to banks	41,643	12,405	29,238	–	47,060	17,636	29,424	–
Advance payments on orders	15,195	15,195	–	–	10,261	10,261	–	–
Trade payables	49,444	48,994	450	–	38,981	38,981	–	–
Liabilities to affiliated companies	328,232	328,232	–	–	337,263	337,263	–	–
Other liabilities								
From taxes	5,769	5,769	–	–	5,352	5,352	–	–
For social security contributions	1,508	512	813	183	1,307	494	813	–
Miscellaneous	38,241	33,241	5,000	–	22,277	22,277	–	–
	45,518	39,522	5,813	183	28,936	28,123	813	–
	953,132	**444,348**	**508,601**	**183**	**900,520**	**432,264**	**262,856**	**205,400**

Liabilities to affiliated companies include short-term loans in the amount of € 336.7 million (previous year: € 327.6 million) and trade payables of € 0.6 million (previous year: € 0.6 million).

As part of the refinancing agreed on March 25, 2011, an uncollateralized bond of € 304 million with a term of seven years and a coupon of 9.25 percent p. a. was issued by Heidelberger Druckmaschinen Aktiengesellschaft on April 7, 2011 (2011 corporate bond).

On December 10, 2013, Heidelberger Druckmaschinen Aktiengesellschaft increased the 2011 corporate bond by € 51 million to € 355 million. The increase was made at the same conditions as the issue of the bond in 2011; the issue price was 105.75 percent.

On May 5, 2015 Heidelberger Druckmaschinen Aktiengesellschaft issued a further uncollateralized corporate bond of € 205 million with a term of seven years and a coupon of 8.00 percent p. a. (2015 corporate bond). As a result of the full utilization of the net issue proceeds from the convertible bond issued on March 30, 2015 and this further corporate bond, the existing 2011 corporate bond was reduced early in the first quarter of the reporting year to around € 115 million.

On July 10, 2013, Heidelberger Druckmaschinen Aktiengesellschaft issued an unsecured, unsubordinated convertible bond with an option for conversion into shares in Heidelberger Druckmaschinen Aktiengesellschaft (2013 convertible bond). This convertible bond has an original issue volume of € 60 million and is convertible into approximately 22.9 million no-par value shares. As a result of the conversion of five partial debentures on November 18, 2013 (see note 19), the original total nominal amount of the convertible bond decreased by € 0.5 million from € 60 million to € 59.5 million.

On March 30, 2015, Heidelberger Druckmaschinen Aktiengesellschaft issued an unsecured, unsubordinated convertible bond with an option for conversion into shares in Heidelberger Druckmaschinen Aktiengesellschaft (2015 convertible bond). This convertible bond has a volume of € 58.6 million and is convertible into approximately 18.84 million no-par value shares. The convertible bond was issued in denominations of € 100,000. It has a term of seven years, was issued at 100 percent of the nominal value and is 100 percent repayable. The coupon is 5.25 percent p. a. and is distributed at the end of each quarter. The initial exercise price is € 3.1104 per underlying share at an initial conversion ratio of 32,150.2058.

Also in connection with the refinancing agreed on March 25, 2011, a new revolving credit facility concluded with a syndicate of banks for € 500 million maturing at the end of 2014 entered into effect parallel to the 2011 corporate bond.

The convertible bond issued on July 10, 2013 reduced the revolving credit facility to around € 416 million. The increase in the 2011 corporate bond on December 10, 2013 reduced the credit facility to around € 340 million. In parallel with this, it was agreed that the credit facility with the existing banking syndicate would be extended ahead of schedule to mid-2017 and reduced further to around € 277 million on December 31, 2014.

An amortizing loan of € 20 million maturing in December 2018 was issued in April 2014. The borrowing of this loan initially reduced the revolving credit facility to around € 319 million, and the agreement with the syndicate banks of December 2013 reduced it further to around € 277 million on December 31, 2014.

In July 2015 it was then agreed with a banking syndicate to prolong the revolving credit facility with a volume of initially € 250 million, which is reduced over its term to € 235 million, ahead of schedule to the end of June of 2019.

On March 31, 2016 a loan of € 100 million, provisionally repayable at the beginning of 2024, was agreed with the European Investment Bank in order to support Heidelberg's development activities, particularly in the field of digitization and the expansion of its digital printing portfolio. The development loan is callable in tranches with a term of seven years (for further information see the Supplementary Report).

The financing agreements for the revolving credit facility with the banking syndicate and the loan from the European Investment Bank have customary contractual assurances concerning the financial position of the Heidelberg Group (financial covenants).

With this financing portfolio, Heidelberg has total credit facilities with balanced diversification and a balanced maturity structure until beyond 2022.

Collateral in connection with the revolving credit facility and the European Investment Bank loan was provided by us and by certain Group companies as part of a collateral concept. The following types of collateral are attributable to Heidelberger Druckmaschinen Aktiengesellschaft:

- provision of land charges without certificate
- pledging of industrial property rights, shares in affiliated companies and bank accounts
- transfer of current and non-current assets global transfer of certain receivables
- global assignment of certain receivables

The other liabilities to banks primarily relate to three long-term loans.

24 Deferred taxes

There was an excess of assets in deferred taxes in the year under review. The option provided by section 274 (1) HGB to recognize the resulting tax relief as deferred tax assets was not exercised.

The tax relief results from temporary differences in the statement of financial position items other loans, inventories, provisions for pensions and similar obligations, other provisions and tax loss carryforwards at the level of the Company as the parent company. There was also tax relief resulting from temporary differences at companies included in the tax entity. Deferred tax liabilities resulted from temporary differences in the statement of financial position items intangible assets, property, plant and equipment, trade receivables, other assets, trade payables and other liabilities. An effective tax rate of 28.36 percent was applied for corporation tax plus solidarity surcharge and trade tax in the calculation of deferred taxes.

25 Research and development costs

Research and development costs of € 107.0 million were incurred for the year under review. This includes development costs capitalized in the reporting year of € 17.8 million.

26 Contingent liabilities

	31-Mar-2015	**31-Mar-2016**
Exposure from issuance and transfer of bills of exchange	33,762	27,259
of which: to affiliated companies	(33,762)	(27,259)
Warranties, guarantees, provision of collateral for third-party liabilities	168,667	145,895
of which: to affiliated companies	(–)	(–)
	202,429	**173,154**

Some of the revolving credit facility in place as of March 31, 2016 (see note 23) can be passed on locally to Group companies via the syndicate banks. The credit lines actually utilized by our Group companies as of the end of the reporting period of € 6.3 million are reported under contingent liabilities. In addition, there were credit lines of € 27.7 million available to the Group companies under the revolving credit facility as of the end of the reporting period that were not utilized. As part of the collateral concept, which also forms the basis for the revolving credit facility in place as of March 31, 2016 and the European Investment Bank loan, Heidelberger Druckmaschinen Aktiengesellschaft and some Group companies are jointly and severally liable for the liabilities assumed with the collateral contributed. In addition to the liability on the basis of the individual collateral listed under note 23, we are also liable as guarantor.

The other obligations from warranties and guarantees essentially relate to rent obligations for subsidiaries and warranties for third parties for assumed customer finance. The risk of utilization of contingent liabilities is considered low as there are no indications of corresponding credit problems.

27 Derivative financial instruments

Heidelberger Druckmaschinen Aktiengesellschaft centrally manages and controls the Heidelberg Group's interest rate and foreign currency risk. Generally speaking, derivative financial instruments are used to hedge the currency and interest rate risks from business operations and from financing transactions. The aim of this is to reduce the fluctuations in earnings and cash flows relating to changes in exchange and interest rates.

The partners in the external contracts for the derivative financial instruments are all banks of excellent credit standing. The internal contracts are concluded with our Group companies.

These transactions related solely to currencies in the year under review. They are concluded largely on behalf of our foreign subsidiaries in connection with the purchase of German products. In order to quantify the effects of currency and interest rate risks on the income statement, the impact of hypothetical changes in exchange and interest rates is calculated regularly in the form of sensitivity analyses and corresponding measures are derived from this.

The nominal volumes and market values of foreign currency derivatives were as follows as of the end of the reporting period:

Figures in € thousands	Nominal volumes		Fair values	
	31-Mar-2015	**31-Mar-2016**	31-Mar-2015	**31-Mar-2016**
Forward exchange transactions	684,435	633,869	4,727	– 1,082
Currency options	0	40,000	0	0

The nominal volumes result from the total of all the purchase and sale amounts of the underlying hedged items.

The fair values were calculated using standardized measurement methods (discounted cash flow method and option pricing model) that use the relevant market data as input parameters for calculation at the end of the reporting period.

Derivative financial instruments for hedging currency risks

Forward exchange transactions with a nominal volume of € 175.2 million (previous year: € 228.0 million) were concluded with external partners to hedge currency risks from the receivables and liabilities of Heidelberger Druckmaschinen Aktiengesellschaft recognized at the end of the reporting period. The hedges were portfolio hedges in the amount of the net total per currency of receivables and liabilities (net positions) with terms of up to one year. At the end of the reporting period, the nominal volumes of net receivable currency-related positions hedged hereunder were € 6.0 million (previous year: € 7.7 million) while net liability positions amounted to € 142.8 million (previous year: € 155.0 million). In line with the gross hedge presentation method, the offsetting changes in value of both the hedged items and the hedge instrument were recognized. The foreign currency receivables and liabilities were translated at the rates as of the end of the reporting period. Forward exchange transactions are measured using the appropriate forward rates. At the end of the reporting period, other assets with a total amount of € 0.5 million (previous year: € 3.2 million) were capitalized for forward exchange transactions with positive fair values and other liabilities of € 1.3 million (previous year: € 1.3 million) were expensed for forward exchange transactions with negative fair values.

To hedge purchases of products in euros, foreign Group companies conclude internal forward exchange transactions with Heidelberger Druckmaschinen Aktiengesellschaft for periods of up to one year. To hedge these internal derivatives and the highly likely additional requirements of Group companies for internal derivatives on account of product sales planning for a period of up to two years, Heidelberger Druckmaschinen Aktiengesellschaft concludes currency forwards and options with external partners. At the end of the reporting period, internal currency hedges with a nominal volume of € 226.8 million (previous year: € 248.3 million) were offset by external currency hedges with a nominal volume of € 271.8 million (previous year: € 208.2 million). Other provisions of € 0.4 million (previous year: € 0.3 million) were recognized for anticipated losses. The recognized anticipated losses are largely offset by the opposing effects arising from operating hedged items. The effectiveness of hedge accounting is reviewed prospectively using the critical terms match method.

28 Off-balance-sheet transactions/ other financial obligations

	2014/2015	**2015/2016**
Obligations for rental and lease payments	136,756	63,524
of which: to affiliated companies	(53,234)	(–)
Long-term purchase commitments for raw materials, consumables and supplies	15,116	5,211
of which: to affiliated companies	(–)	(–)
Purchase commitments from capital investment orders	3,128	4,474
of which: to affiliated companies	(–)	(200)
	155,000	**73,209**

Obligations from rental and lease payments contain € 49.6 million (previous year: € 117.5 million) from sale and leaseback agreements. The sale and leaseback agreements relate to the Kiel production site (2010/2011 financial year), the Print Media Academy (1999/2000 financial year), the World Logistics Center (1999/2000 financial year) and the Heidelberg Research and Development Center (2006/2007 financial year). In the 2009/2010 financial year, operating properties at the Wiesloch-Walldorf production site (land, buildings, exterior facilities) were sold to Heidelberger Druckmaschinen Real Estate GmbH & Co. KG, a wholly owned and fully consolidated subsidiary. The future rental payments reported in the previous year to Heidelberger Druckmaschinen Real Estate GmbH & Co. KG in the amount of € 53.2 million over the basic term of the lease are no longer included as a result of the accrual to Heidelberger Druckmaschinen Aktiengesellschaft as of April 1, 2016 (for further information see the Supplementary Report). The other rental and lease payment obligations essentially relate to other real estate and operating and office equipment.

The decline in long-term purchase commitments for raw materials, consumables and supplies is mainly due to the spinning off of the business activities of the Amstetten production site as Heidelberg Manufacturing Deutschland GmbH.

Additional information

29 Declaration of compliance in accordance with section 161 AktG

The Management Board and the Supervisory Board of Heidelberger Druckmaschinen Aktiengesellschaft issued the declaration of compliance in accordance with section 161 of the German Stock Corporation Act (AktG) and made it permanently accessible to shareholders on our Web site WWW.HEIDELBERG.COM under Company > About Us > Corporate Governance. Previous declarations of compliance are also permanently available at this address.

30 Executive bodies of the Company

The information on the members of the Supervisory Board and the Management Board in accordance with section 285 no. 10 HGB is listed in an annex to the notes to the nonconsolidated financial statements.

The basic features of the remuneration system and the amounts paid to the members of the Management Board and the Supervisory Board are presented in the management report.

The total cash remuneration (= total remuneration) of the Management Board for the year under review including remuneration in kind amounted to € 4,743 thousand (previous year: € 4,498 thousand), including the basic salary with non-cash remuneration of € 1,764 thousand (previous year: € 1,714 thousand), variable single-year remuneration of € 1,548 thousand (previous year: € 1,490 thousand) and variable multi-year remuneration of € 1,431 thousand (previous year: € 1,294 thousand).

As in the previous year, members of the Management Board held no stock options at the end of the reporting period.

The total cash remuneration (= total remuneration) for former members of the Management Board and their surviving dependents amounted to € 3,630 thousand (previous year: € 3,591 thousand); this includes € 911 thousand (previous year: € 911 thousand) in obligations to former members of the Management Board of Linotype-Hell Aktiengesellschaft and their surviving dependents, which were assumed in the 1997/1998 financial year under the provisions of universal succession.

Provisions of € 44,490 thousand (previous year: € 45,939 thousand) have been recognized for pension obligations to former members of the Management Board and their surviving dependents. Of this figure, € 7,835 thousand (previous year: € 8,158 thousand) relates to the pension obligations of the former Linotype-Hell Aktiengesellschaft, which were assumed in the 1997/1998 financial year under the provisions of universal succession.

As in the previous year, former members of the Management Board held no stock options at the end of the reporting period.

No loans or advances were granted to members of the Company's Management Board or Supervisory Board in the reporting period; contingent liabilities were not entered into for the members of the Management Board or the Supervisory Board. A loan to a member of the Management Board dating back to before his Board membership (as of March 31, 2014: around € 515 thousand) was repaid in full in the previous year.

For the year under review, the members of the Supervisory Board were granted fixed annual remuneration plus an attendance fee of € 500 per meeting day and remuneration for work on the Executive Committee, the Audit Committee and the Committee on Arranging Personnel Matters totaling € 693 thousand (previous year: € 713 thousand); these payments do not include value added tax.

31 Auditors' fees

As details of the full auditors' fees can be found in the consolidated financial statements of Heidelberger Druckmaschinen Aktiengesellschaft, we have exercised the exemption options provided by section 285 no. 17 HGB.

32 List of shareholdings

The full list of shareholdings of Heidelberger Druckmaschinen Aktiengesellschaft in accordance with section 285 no. 11 HGB, which forms part of the notes to the nonconsolidated financial statements, is included as an annex.

Heidelberg, May 23, 2016

HEIDELBERGER DRUCKMASCHINEN AKTIENGESELLSCHAFT
The Management Board

Dr. Gerold Linzbach | Dirk Kaliebe

Stephan Plenz | Harald Weimer

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company, and the management report of the Company includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Heidelberg, May 23, 2016

HEIDELBERGER DRUCKMASCHINEN
AKTIENGESELLSCHAFT
The Management Board

Dr. Gerold Linzbach   Dirk Kaliebe

Stephan Plenz   Harald Weimer

Auditor’s report

We have audited the annual financial statements, comprising the statement of financial position, the income statement, and the notes to the non-consolidated financial statements together with the bookkeeping system, and the management report of Heidelberger Druckmaschinen Aktiengesellschaft, Heidelberg, for the financial year from April 1, 2015 to March 31, 2016. The bookkeeping and the preparation of the annual financial statements and the management report in accordance with German commercial law are the responsibility of the Management Board of the Company. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with section 317 of the German Commercial Code and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company’s Management Board, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. The management report is consistent with the annual financial statements and, as a whole, provides an accurate view of the Company’s position and accurately presents the opportunities and risks of future development.

Mannheim, May 24, 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Martin Theben	ppa. Stefan Hartwig
German Public Auditor	German Public Auditor

List of shareholdings

List of shareholdings in accordance with section 285 no. 11 of the German Commercial Code
(part of the notes to the non-consolidated financial statements)

(Figures in € thousands)

Name	Country/Domicile		Shareholding in percent	Equity	Net result after taxes
Affiliated companies included in the consolidated financial statements					
Germany					
Gallus Druckmaschinen GmbH	D	Langgöns-Oberkleen	100	2,149	1,657
Heidelberg Boxmeer Beteiligungs-GmbH [3), 10)]	D	Wiesloch	100	127,091	17,253
Heidelberg China-Holding GmbH [3)]	D	Wiesloch	100	58,430	31,557
Heidelberg Consumables Holding GmbH [3)]	D	Wiesloch	100	20,025	1,742
Heidelberg Manufacturing Deutschland GmbH [3)]	D	Wiesloch	100	42,561	– 5,925
Heidelberg Postpress Deutschland GmbH [3), 10)]	D	Wiesloch	100	25,887	– 81
Heidelberg Print Finance International GmbH [3), 10)]	D	Wiesloch	100	34,849	954
Heidelberg Web Carton Converting GmbH [5)]	D	Weiden	100 [2)]	5,251	470
Heidelberger Druckmaschinen Real Estate GmbH & Co. KG	D	Walldorf	100	116,310	6,255
Heidelberger Druckmaschinen Vermögensverwaltungs-gesellschaft mbH	D	Walldorf	100	22	– 2
Heidelberger Druckmaschinen Vertrieb Deutschland GmbH [3)]	D	Wiesloch	100	54,901	8,434
Outside Germany [4)]					
Baumfolder Corporation	USA	Sidney, Ohio	100	1,977	70
BluePrint Products NV	BE	Sint-Niklaas	100	2,292	816
Europe Graphic Machinery Far East Ltd.	PRC	Hong Kong	100	476	228
Gallus Ferd. Rüesch AG	CH	St. Gallen	100 [1)]	32,498	– 34,429
Gallus Holding AG	CH	St. Gallen	100	83,932	– 4,511
Gallus Inc.	USA	Philadelphia, Pennsylvania	100 [2)]	5,149	1,588
Heidelberg Americas, Inc.	USA	Kennesaw, Georgia	100	117,491	61,673
Heidelberg Asia Pte. Ltd.	SGP	Singapore	100	8,449	166
Heidelberg Baltic Finland OÜ	EST	Tallinn	100	3,602	614
Heidelberg Benelux BV	NL	HA Almere	100	– 1,212	1,388
Heidelberg Benelux BVBA	BE	Brussels	100	13,364	135
Heidelberg Boxmeer B.V.	NL	Boxmeer	100	42,243	5,758
Heidelberg Canada Graphic Equipment Ltd.	CDN	Mississauga	100	3,832	522
Heidelberg China Ltd.	PRC	Hong Kong	100	4,420	– 6,510
Heidelberg do Brasil Sistemas Graficos e Servicos Ltda.	BR	São Paulo	100	1,733	– 2,086
Heidelberg France S.A.S.	F	Roissy-en-France	100	6,775	1,057
Heidelberg Grafik Ticaret Servis Limited Sirketi	TR	Istanbul	100	4,344	– 186
Heidelberg Graphic Equipment (Shanghai) Co. Ltd.	PRC	Shanghai	100	89,571	6,763
Heidelberg Graphic Equipment Ltd. – Heidelberg Australia –	AUS	Notting Hill, Melbourne	100	21,756	197
Heidelberg Graphic Equipment Ltd. – Heidelberg New Zealand –	NZ	Auckland	100	3,285	300
Heidelberg Graphic Equipment Ltd. – Heidelberg UK –	GB	Brentford	100	23,058	10,310
Heidelberg Graphic Systems Southern Africa (Pty) Ltd.	ZA	Johannesburg	100	2,117	218
Heidelberg Graphics (Beijing) Co. Ltd.	PRC	Beijing	100	1,454	947

Name	Country/Domicile		Shareholding in percent	Equity	Net result after taxes
Heidelberg Graphics (Thailand) Ltd.	TH	Bangkok	100	7,814	878
Heidelberg Graphics (Tianjin) Co. Ltd.	PRC	Tianjin	100	11,848	9,071
Heidelberg Graphics Taiwan Ltd.	TWN	Wu Ku Hsiang	100	6,378	279
Heidelberg Group Trustees Ltd.	GB	Brentford	100	0	0
Heidelberg Hong Kong Ltd.	PRC	Hong Kong	100	14,167	71
Heidelberg India Private Ltd.	IN	Chennai	100	5,217	450
Heidelberg International Finance B.V.	NL	Boxmeer	100	43	– 2
Heidelberg International Ltd. A/S	DK	Ballerup	100	58,625	10,279
Heidelberg International Trading (Shanghai) Co. Ltd.	PRC	Shanghai	100	1,072	905
Heidelberg Italia S.r.L.	IT	Bollate	100	27,730	2,780
Heidelberg Japan K.K.	J	Tokyo	100	35,818	4,331
Heidelberg Korea Ltd.	ROK	Seoul	100	2,855	473
Heidelberg Magyarország Kft.	HU	Kalasch	100	5,230	463
Heidelberg Malaysia Sdn Bhd	MYS	Petaling Jaya	100	– 1,833	– 1,470
Heidelberg Mexico Services, S. de R.L. de C.V.	MEX	Mexico City	100	1,105	– 270
Heidelberg Mexico, S. de R.L. de C.V.	MEX	Mexico City	100	9,628	1,479
Heidelberg Philippines, Inc.	PH	Makati City	100	4,914	335
Heidelberg Polska Sp z.o.o.	PL	Warsaw	100	8,428	960
Heidelberg Praha spol s.r.o.	CZ	Prague	100	2,620	504
Heidelberg Print Finance Australia Pty Ltd.	AUS	Notting Hill, Melbourne	100	26,869	334
Heidelberg Print Finance Korea Ltd.	ROK	Seoul	100	17,332	370
Heidelberg Print Finance Osteuropa Finanzierungsvermittlung GmbH [6)]	A	Vienna	100	11,961	– 84
Heidelberg Schweiz AG	CH	Bern	100	693	2,402
Heidelberg Shenzhen Ltd.	PRC	Shenzhen	100	8,491	2,208
Heidelberg Slovensko s.r.o.	SK	Bratislava	100	1,739	0
Heidelberg Spain S.L.U.	ES	Cornella de Llobregat	100	8,220	– 47
Heidelberg Sverige AB	S	Solna	100	7,633	– 719
Heidelberg USA, Inc.	USA	Kennesaw, Georgia	100	70,465	39,149
Heidelberger CIS OOO	RUS	Moscow	100	– 6,268	– 1,008
Heidelberger Druckmaschinen Austria Vertriebs-GmbH	A	Vienna	100	26,680	8,480
Heidelberger Druckmaschinen Osteuropa Vertriebs-GmbH [6)]	A	Vienna	100	7,379	8,011
Heidelberger Druckmaschinen WEB-Solution CEE Ges.m.b.H.	A	Vienna	100	2,046	0
Hi-Tech Coatings International B.V.	NL	Zwaag	100	9,173	286
Hi-Tech Coatings International Limited	GB	Aylesbury, Bucks	100	6,761	1,533
Linotype-Hell Ltd.	GB	Brentford	100	4,332	0
Modern Printing Equipment Ltd.	PRC	Hong Kong	100	1,938	– 348
MTC Co., Ltd.	J	Tokyo	99.99	8,126	1
PSG Holding BV	NL	HA Almere	100	46,674	– 296
P.T. Heidelberg Indonesia	ID	Jakarta	100	7,924	543

Name	Country/Domicile		Shareholding in percent	Equity	Net result after taxes
Affiliated companies not included in the consolidated financial statements owing to immateriality for the net assets, financial positions and results of operations					
Germany					
D. Stempel AG i.A. [7]	D	Heidelberg	99.23	26	– 52
Heidelberg Catering Services GmbH [3]	D	Wiesloch	100	386	0
Heidelberg Direkt Vertriebs GmbH [7), 10]	D	Wiesloch	100	338	33
Menschick Trockensysteme GmbH	D	Renningen	100 [8]	510	– 105
Neo7even GmbH	D	Siegen	100	906	– 1,129
Sporthotel Heidelberger Druckmaschinen GmbH [3), 10]	D	Wiesloch	100	26	0
Outside Germany [4]					
Cerm Benelux NV	BE	Oostkamp	100	1,071	450
Fujifilm Sverige AB	S	Stockholm	100	3,049	1,259
Gallus Ferd. Rüesch (Shanghai) Co. Ltd.	PRC	Shenzhen	100 [8]	99	– 135
Gallus India Private Limited	IN	Mumbai	100 [8]	228	– 29
Gallus Mexico S. de R.L. de C.V.	MEX	Mexico City	100 [8]	– 9	– 154
Gallus Oceania Pty. Ltd. [9]	AUS	Bayswater	100 [8]	91	321
Gallus Printing Machinery Corp.	USA	Philadelphia, Pennsylvania	100 [8]	– 1,764	– 372
Gallus South East Asia Pte. Ltd.	SGP	Singapore	100 [8]	– 424	701
Gallus-Group UK Ltd.	GB	Royston	100 [8]	345	104
Grafimat BVBA	BE	Brussels	100	– 13	– 200
Heidelberg Asia Procurement Centre Sdn Bhd	MYS	Petaling Jaya	100	105	– 12
Heidelberg Hellas A.A.E.	GR	Metamorfosis	100	2,994	37
Heidelberg Postpress Slovensko spol. s r.o.	SK	Nové Mesto nad Váhom	100	79	– 5,782
Heidelberg Used Equipment Ltd. [7]	GB	Brentford	100	879	98
Heidelberger Druckmaschinen Ukraina Ltd.	UA	Kiev	100	– 1,784	873
Inline Cutting L.L.C.	USA	Baltimore, Maryland	100 [8]	– 1,516	0

Name	Country/Domicile		Shareholding in percent	Equity	Net result after taxes
Associated companies and joint ventures not accounted for using the equity method owing to immateriality for the net assets, financial positions and results of operations					
Outside Germany [4]					
Heidelberg Middle East FZ Co.	AE	Dubai	50	658	0
Print Media Academy Ceska Republika a.s.	CZ	Pardubice	24	75	3
Other shareholdings (>5 %)					
Germany					
InnovationLab GmbH	D	Heidelberg	8.33	1,987	564
SABAL GmbH & Co. Objekt FEZ Heidelberg KG	D	Munich	99.90	– 5,243	– 400

[1] Indirect equity investment through Gallus Holding AG
[2] Indirect equity investment through Gallus Ferd. Rüesch AG
[3] Before profit/loss transfer
[4] Disclosures for companies outside Germany in accordance with IFRS
[5] Formerly Gallus Stanz- und Druckmaschinen GmbH
[6] Before profit/loss transfer and capital transactions
[7] Prior-year figures, since financial statements not yet available
[8] Indirect equity investment (Gallus Group)
[9] Formerly Gallus Australia Pty. Ltd.
[10] Place of business relocated from Heidelberg to Wiesloch

The Supervisory Board

Robert J. Koehler
until May 17, 2015
Former Chairman of the Management Board of SGL Carbon SE, Wiesbaden
Chairman of the Supervisory Board
a) Klöckner & Co. SE
Freudenberg SE
Freudenberg & Co. KG
b) Benteler International AG, Austria (Chairman)

Dr. Siegfried Jaschinski
since June 2, 2015
Member of the Management Board and Partner of Augur Capital AG, Frankfurt am Main
a) Schnigge Wertpapierhandelsbank AG
b) Veritas Investment GmbH

Rainer Wagner*
Chairman of the Central Works Council, Heidelberg/Wiesloch-Walldorf
Deputy Chairman of the Supervisory Board

Ralph Arns*
Deputy Chairman of the Central Works Council, Heidelberg/Wiesloch-Walldorf

Edwin Eichler
Independent business consultant of Eichler M+B Consulting, Weggis, Switzerland, and Chief Executive Officer of SAPINDA Holding B.V., Amsterdam/the Netherlands
a) SGL Carbon SE
SMS Group GmbH
Schmolz & Bickenbach AG, Switzerland
b) Hoberg & Driesch GmbH & Co. KG (Advisory Board)
Member of the University Council at the Technical University of Dortmund
Fr. Lürssen Werft GmbH & Co. KG (Advisory Board)

Mirko Geiger*
First Senior Representative of IG Metall, Heidelberg
a) ABB AG

Karen Heumann
since March 24, 2016
Founder and spokesperson of the Executive Board of thjnk AG, Hamburg
a) NDR Media and Studio Hamburg
aufeminin.com, France
b) Commerzbank AG (Member of the Northern Regional Advisory Board)

Kirsten Lange
Managing Director of Voith Hydro Holding GmbH & Co. KG, Heidenheim

Dr. Herbert Meyer
Independent business consultant, Königstein/Taunus and Member of the Auditor Oversight Commission (AOC), Berlin
a) MainFirst Bank AG
d.i.i. Investment GmbH
b) Verlag Europa Lehrmittel GmbH & Co. KG (Member of the Advisory Board)

Beate Schmitt*
Full-time member of the Works Council, Heidelberg/Wiesloch-Walldorf

Prof. Dr.-Ing. Günther Schuh
Professor and holder of the chair in production engineering at RWTH Aachen University, Aachen; member of the Management Board of e.GO Mobile AG
a) KEX Knowledge Exchange AG (Chairman)
b) Gallus Holding AG, Switzerland (Member of the Administration Board)
Brose Fahrzeugteile GmbH & Co. KG (Member of the Advisory Board)

Christoph Woesler*
Head of Procurement Electric/Electronics
Chairman of the Speakers Committee for the Executive Staff, Wiesloch-Walldorf

Roman Zitzelsberger*
Regional head of IG Metall Baden-Württemberg, Stuttgart
a) Daimler AG

* Employee representative
a) Membership in other Supervisory Boards
b) Membership in comparable German and foreign control bodies of business enterprises

Committees of the Supervisory Board (as of March 31, 2016)

MANAGEMENT COMMITTEE

Dr. Siegfried Jaschinski (Chairman)
Rainer Wagner
Ralph Arns
Mirko Geiger
Kirsten Lange
Prof. Dr.-Ing. Günther Schuh

MEDIATION COMMITTEE UNDER ARTICLE 27 PARAGRAPH 3 OF THE CODETERMINATION ACT

Dr. Siegfried Jaschinski
Rainer Wagner
Ralph Arns
Dr. Herbert Meyer

COMMITTEE ON ARRANGING PERSONNEL MATTERS OF THE MANAGEMENT BOARD

Dr. Siegfried Jaschinski (Chairman)
Rainer Wagner
Beate Schmitt
Prof. Dr.-Ing. Günther Schuh

AUDIT COMMITTEE

Dr. Herbert Meyer (Chairman)
Dr. Siegfried Jaschinski
Mirko Geiger
Rainer Wagner

NOMINATION COMMITTEE

Dr. Siegfried Jaschinski (Chairman)
Edwin Eichler
Kirsten Lange

STRATEGY COMMITTEE

Dr. Siegfried Jaschinski (Chairman)
Rainer Wagner
Edwin Eichler
Mirko Geiger
Kirsten Lange
Dr. Herbert Meyer
Prof. Dr.-Ing. Günther Schuh

The Management Board

Dr. Gerold Linzbach
Frankfurt am Main
Chief Executive Officer and
Chief Human Resources Officer
** Heidelberg Americas, Inc., USA
(Chairman of the Board of Directors)
Heidelberg USA, Inc., USA
(Chairman of the Board of Directors)

Dirk Kaliebe
Sandhausen
Chief Financial Officer and
Head of the Heidelberg
Financial Services Segment
* Heidelberger Druckmaschinen Vertrieb Deutschland GmbH
** Gallus Holding Aktiengesellschaft, Switzerland
(Member of the Administration Board)
Heidelberg Americas, Inc., USA
Heidelberg USA, Inc., USA

Stephan Plenz
Sandhausen
Head of the Heidelberg
Equipment Segment
** Gallus Holding AG, Switzerland
(Chairman of the Administration Board)
Heidelberg Graphic Equipment (Shanghai) Co. Ltd., China (Chairman of the Board of Directors)

Harald Weimer
Nussloch
Head of the Heidelberg
Services Segment
* Heidelberger Druckmaschinen Vertrieb Deutschland GmbH (Chairman)
** Heidelberger Druckmaschinen Austria Vertriebs-GmbH (Member of the Advisory Board)
Heidelberger Druckmaschinen Osteuropa Vertriebs-GmbH (Member of the Advisory Board)
Heidelberg Graphic Equipment Ltd., Australia
Heidelberg Japan K.K., Japan

* Membership in Supervisory Boards
** Membership in comparable German and foreign control bodies of business enterprises

Financial calendar 2016/2017

June 8, 2016	Press Conference, Annual Analysts' and Investors' Conference
July 28, 2016	Annual General Meeting
August 10, 2016	Publication of First Quarter Figures 2016/2017
November 9, 2016	Publication of Half-Year Figures 2016/2017
February 9, 2017	Publication of Third Quarter Figures 2016/2017
June 8, 2017	Press Conference, Annual Analysts' and Investors' Conference
July 27, 2017	Annual General Meeting

Subject to change

Publishing information

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