- Translation for convenience -

Annual General Meeting of Heidelberger Druckmaschinen Aktiengesellschaft on July 28, 2016

Joint report

of the Management Board of Heidelberger Druckmaschinen AG

and

the management of Gallus Druckmaschinen GmbH

in accordance with section 293a AktG

on the conclusion of a control and profit transfer agreement between Heidelberger Druckmaschinen AG and Gallus Druckmaschinen GmbH

I. General information

Heidelberger Druckmaschinen AG, headquartered in Heidelberg, (hereinafter "**Heidelberger Druck**") and Gallus Druckmaschinen GmbH, headquartered in Langgöns, (hereinafter "**Gallus Druck**"), a wholly owned subsidiary of Heidelberger Druck, intend to conclude a control and profit transfer agreement (hereinafter "**Agreement**") in which Gallus Druck undertakes to place its management under Heidelberger Druck and to transfer its entire profits to Heidelberger Druck. In turn, Heidelberger Druck undertakes to absorb Gallus Druck's losses.

The Management Board of Heidelberger Druck and the management of Gallus Druck jointly submit the following report on the conclusion of the Agreement in accordance with section 293a AktG.

II. Parties

The parties to the Agreement are Heidelberger Druck and Gallus Druck.

1. Heidelberger Druck

Heidelberger Druck is a listed stock corporation headquartered in Heidelberg, entered into the commercial register of the Mannheim District Court under HRB 330004. Heidelberger Druck employs around 12,000 people worldwide in total and generated consolidated sales of around € 2.5 billion in the 2015/2016 reporting year. The purpose of the Company according to its

Articles of Association is the manufacture, sale and trade of printing presses and other products in the print media industry and the performance of services and advisory services that relate to this. The purpose of the Company also includes other products, services, and advisory services in the area of mechanical engineering, electronics, electrical engineering, and the metal industry."

2. Gallus Druck

Gallus Druck is a limited liability company headquartered in Langgöns, entered into the commercial register of the Gießen District Court under HRB 1762. The purpose of the company according to its company agreement is the manufacture, sale and maintenance of machinery for the graphic arts.

Gallus employs more than 120 people at its production site in Langgöns. In the financial year 2015/2016, Gallus Druck generated a net profit of around € 1.7 million. Its balance sheet as of March 31, 2016 reported total assets of around € 33.5 million with equity of € 2.149 million. The annual financial statements of Gallus Druck are included in the consolidated financial statements of Heidelberger Druck.

III. Agreement on control and profit transfer agreement

1. Conclusion and entry into effect of the Agreement

Heidelberger Druck and Gallus Druck intend to conclude a control and profit transfer agreement. The approval of the Annual General Meeting of Heidelberger Druck is required in order for this Agreement to become effective. The Management Board and the Supervisory Board of Heidelberger Druck therefore propose to the Annual General Meeting scheduled for July 28, 2016 that it approve the version of the Agreement submitted to the Annual General Meeting.

Furthermore, the Agreement requires the approval of the shareholder meeting of Gallus Druck in order to become effective. It is intended that the Agreement will be submitted to the shareholder meeting of Gallus Druck scheduled for August 1, 2016 for its approval.

Finally, in order to become effective the Agreement must be entered in the commercial register of Gallus Druck in accordance with section 294 (2) AktG. Given the intended retroactive effect of the profit transfer agreement, this applies from the financial year of Gallus Druck in which the profit transfer agreement becomes effective by way of entry in the commercial register, i.e. provisionally from April 1, 2016.

2. Legal and business reasons for concluding the Agreement

The goal of the Agreement is to make Heidelberger Druck and Gallus Druck a single entity for corporation and trade tax purposes.

As a result of forming such a relationship, it will initially be possible to attribute the profits and losses of Gallus Druck, as the company controlled, directly to Heidelberger Druck, as the controlling company, for tax law purposes, thereby enabling both companies to optimize their tax positions.

For Gallus Druck, in addition to the positive effects of the business integration, the Agreement will in particular result in benefits through financial security, as Heidelberger Druck is undertaking to settle any losses that may arise. The obligation to transfer profits is not expected to have a notable impact as Heidelberger Druck, as the sole shareholder, already receives its full profits. Currently, however, the distribution to Heidelberg Druck is subject to taxation whereas, in the future given this corporation and trade tax arrangement, the two companies will form a single tax entity.

For Heidelberger Druck the Agreement results in the obligation to absorb the losses of Gallus Druck. Beyond this, there will be no particular consequences for the shareholders of Heidelberger Druck, in particular there will be no settlement or compensation payments to minority shareholders as defined by sections 304, 305 AktG. Moreover, concluding the Agreement will not mean any changes in shareholdings for the parties to the Agreement.

3. Notes on specific regulations

a. 1 Control

The contractual control component is included in section 1 of the Agreement. According to this, Gallus Druck is under the administration of Heidelberger Druck. Thus, even beyond its rights under company law, Heidelberger Druck is therefore comprehensively entitled to issue instructions to the management of Gallus Druck in the greater interests of the Group. Regardless of the right to issue instructions, the management and representation of Gallus Druck are the responsibility of the managers of Gallus Druck. The contractual regulation is based on the legal model of sections 291 (1), 308 AktG.

The Agreement supports the formation of a single entity for VAT purposes between Heidelberger Druck and Gallus Druck. A requirement for the formation of a single entity for VAT purposes is the financial, economic and organizational integration of the company controlled (Gallus Druck) into the controlling company (Heidelberger Druck). The organizational integration must be separately verified. However, the tax authorities generally assume organizational integration when a control agreement exists.

b. 2 Profit transfer

Section 1 of the Agreement regulates the commitment by Gallus Druck to transfer its entire profits to Heidelberger Druck, as the controlling company, in accordance with the provisions of section 301 AktG as amended. The regulation is based on the legal model of section 301 AktG. The profit transfer – like the loss absorption under section 3 – is a central requirement for forming a single income tax entity, and is what enables the potential settlement of losses by offsetting the tax results of the companies forming the entity.

Section 2 (2) of the Agreement states that, during the term of this Agreement, other revenue reserves recognized must be reversed by Gallus Druck at the behest of Heidelberger Druck and transferred as profit. With the approval of Heidelberger Druck, Gallus Druck can transfer sums from the net income for the year to other revenue reserves (section 272 (3) HGB) to the extent permitted by commercial law and economically justifiable in line with prudent business judgment. In accordance with section 2 (4) of the Agreement, the entitlement to profit transfer arises as of the end of the financial year of Gallus Druck. It becomes due at the value date at this time.

c. 3 Loss absorption

Section 3 of the Agreement regulates the loss absorption commitment of Heidelberger Druck by way of express reference to the provision of section 302 AktG, as currently amended. Heidelberger Druck therefore undertakes to absorb the losses of Gallus Druck for the duration of the Agreement. The obligation to settle losses does not apply if the net loss for the year is settled by withdrawing amounts from other revenue reserves in accordance with section 272 (3) sentence 2 HGB that were transferred to these reserves during the term of the profit transfer agreement. The obligation to settle losses ensures that the accounting equity of Gallus Druck at the time of the Agreement taking effect is not diminished during the term of the Agreement. The obligation to settle losses serves to safeguard the proprietary interests of Gallus Druck and its creditors for the duration of the existence of the profit transfer agreement.

d. 4 Start, duration, effective date

Section 4 of the Agreement regulates the start, duration and effective date of the Agreement. In accordance with section 4 (1), the Agreement becomes effective on entry in the commercial register of Gallus Druck. In relation to section 1 of the Agreement, the regulation applies to the period after entry of this agreement in the commercial register of Gallus Druck. Moreover, it applies retroactively from the start of the financial year of Gallus Druck in which the Agreement is entered in the commercial register of Gallus Druck.

In accordance with section 4 (2) sentence 1, the Agreement is concluded for a period of five years, counting from the time it becomes effective in accordance with section 4 (1) sentence 3. If this period of five years ends during an ongoing financial year of Gallus Druck, the minimum term of the agreement in accordance with section 4 (1) sentence 1 extends until the end of this financial year. Thereafter, the agreement continues indefinitely unless it is terminated in writing with notice of one month in compliance with the above minimum term. The minimum term of five years is a basic requirement for the recognition of the intended single entity for income tax purposes (section 14 (1) sentence 1 no. 3 KStG).

In addition to a minimum term for the Agreement of five years (cf. section 14 (1) sentence 1 no. 3 KStG), a requirement for the recognition of a single entity for income tax purposes is that Gallus Druck, as a dependent company, is financially integrated into Heidelberger Druck, as the controlling company, such that the majority of voting rights in the dependent company are attributed to the controlling company without interruption from the start of the financial year. Furthermore, the profit transfer agreement must actually be carried out during its term. Regardless of the exclusion of the right of ordinary termination, the Agreement can be terminated for cause without notice in accordance with section 4 (3) sentence 1. The right of termination for cause exists by law and cannot be contractually excluded. Cause always exists if, when weighing all the circumstances of the terminating party, it cannot be reasonably expected to continue the contractual arrangement. In accordance with section 4 (3) sentence 2, cause also exists in particular if Heidelberger Druck no longer holds a majority of voting rights in Gallus Druck, Heidelberger Druck sells or contributes its shares in Gallus Druck, Heidelberger Druck, or Gallus Druck is merged, hived off, or liquidated, or an external shareholder invests in Gallus Druck for the first time as defined by section 307 AktG.

Termination of the profit transfer agreement before the end of the statutory minimum term in accordance with section 14 (1) sentence 1 no. 3 KStG results in the non-recognition of the entity for tax purposes from the outset, except in the event of cause for termination recognized by tax law. In particular, this includes the grounds for termination provided as examples in section 4 (3) of the draft agreement.

e. 5 Closing provisions

The severability clause contained in section 5 (1) of the Agreement is intended to ensure the preservation of the essential content of the Agreement if individual provisions of the Agreement, contrary to expectations, are found to be partially or entirely void, unenforceable, or to contain loopholes. This is a typical regulation included in control and profit transfer agreements. In accordance with section 5 (2) of the Agreement, the provisions of sections 14 and 17 KStG as currently amended, or the corresponding successor regulations, apply to the interpretation of the individual provisions of this agreement. If individual provisions of the Agreement conflict with section 3, section 3 takes precedence over these provisions. This, too, is a typical contractual component.

IV. No settlement or compensation rights, no review

As Heidelberger Druck holds all shares in Gallus Druck and Gallus Druck therefore has no minority shareholders, regulations on settlement or compensation rights (section 304, 305 AktG) are not necessary. Similarly, no review of the Agreement by a court-appointed auditor (contract auditor) in accordance with sections 293b et seq. AktG is required.

Heidelberg, June

The Management Board of Heidelberger Druckmaschinen AG

Dr. Gerold Linzbach   Dirk Kaliebe   Stephan Plenz   Harald Weimer

Langgöns, June

The Managing Director of Gallus Druckmaschinen GmbH

Udo Gabriel