- Translation for convenience -

Annual General Meeting of

Heidelberger Druckmaschinen Aktiengesellschaft

on July 25, 2019

Report of the Management Board to the Annual General Meeting on the partial utilization of Authorized Capital 2015 with shareholders' pre-emptive subscription rights disapplied

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 by issuing up to 51,487,555 new shares in exchange for cash or non-cash contributions by July 23, 2020 (Authorized Capital 2015). Authorized Capital 2015 was entered in the commercial register of the Mannheim Local Court on October 2, 2015. One element of Authorized Capital 2015 (Article 3 (5) of the Articles of Association) is the authorization of the Management Board, with the approval of the Supervisory Board, to disapply shareholders' pre-emptive subscription rights in the case of capital increases in exchange for cash contributions if the issue amount is not significantly less than the quoted market price. However, this authorization applies only under the condition that the shares issued with pre-emptive subscription rights disapplied in accordance with section 186 (3) sentence 4 AktG do not exceed 10% of the share capital, either at the time of this authorization becoming effective or – if lower – at the time of this authorization being exercised.

Exercising the authorization provided by Article 3 (5) of the Articles of Association, the Management Board resolved on March 12, 2019, with the approval of the "Capital Measure 2019" committee created by the Supervisory Board for these purposes and acting on behalf of the Supervisory Board on the same date, to partially utilize Authorized Capital 2015 and increase the share capital of the Company with shareholders' pre-emptive subscription rights disapplied in accordance with section 203 (1) and (2) and section 186 (3) sentence 4 AktG by €65,904,069.12, from €713,562,818.56 to €779,466,887.68, through the issue of 25,743,777 new no-par value bearer shares each with a notional interest in the share capital of €2.56 and with dividend rights from April 1, 2018 in exchange for cash contributions. This corresponds to an increase of just under 10% based on the share capital of the Company at the date on which the authorization was entered in the commercial register and around 9.24% based on the share capital at the date on which Authorized Capital 2015 was partially utilized. As such, this was consistent with the volume limit for shares issued with pre-emptive subscription rights disapplied as set out in Authorized Capital 2015; the Company had not previously conducted any other measures that counted towards this volume limit.

The issue price was €2.68 per new share. As such, the determination of the price was consistent with the requirements of section 203 (1) and (2) and section 186 (3) section 4 AktG, which provide for the disapplication of pre-emptive subscription rights for shares equivalent to up to 10% of the share capital in the case of capital increases from Authorized Capital 2015 in exchange for cash contributions. The issue price of the new shares may not be significantly less than the quoted market price of the shares of the Company.

The highest turnover of shares of Heidelberger Druckmaschinen Aktiengesellschaft typically takes place in XETRA trading, meaning that the XETRA prices are particularly representative and constitute an appropriate reference point. The relevant quoted market price was defined as the higher of (i) the price of the Company's shares currently available in the XETRA trading system on the date of the relevant Management Board resolution, and (ii) the volume-weighted average XETRA price of the Company's shares on the last 20 trading days prior to the date of the resolution by the Management Board. The quoted market price calculated in this manner was €1.61. The defined issue price contains a premium of €1.07 or around 40% compared with this price. This took into account the fact that, in accordance with section 9 (1) AktG, no-par value bearer shares may not be issued at a lower price than their notional interest in the share capital (in the present case: €2.56).

All of the new shares were assumed by Masterwork Machinery S.à r.l., Luxembourg, entered in the Luxembourg business register under B231608, as part of a private placement. Masterwork Machinery S.à r.l. is a wholly-owned subsidiary of Masterwork Group Co., Ltd., Tianjin City, PR China, which is listed on the stock exchange of Shenzhen (PR China). Details of the further investment structure at the date on which the capital increase became effective can be found in the voting right notification by Ms Li Li, PR China, published by Heidelberger Druckmaschinen Aktiengesellschaft on March 26, 2019 in accordance with section 40 (1) WpHG with the intention of dissemination throughout Europe. The gross issuing proceeds from the capital increase totaled around €69 million. The funds generated by the Company as a result will strengthen its equity base and will be used in particular to accelerate the implementation of the digital agenda (e.g. for the digitization of products, processes and business models) and for general corporate finance. The capital increase became effective when its implementation was entered in the commercial register of the Mannheim Local Court on March 22, 2019.

In disapplying shareholders' pre-emptive subscription rights, the Company made use of the statutory option provided by section 203 (1) and (2) and section 186 (3) sentence 4 AktG of disapplying pre-emptive subscription rights for cash capital increases of listed stock corporations in accordance with Article 3 (5) of the Articles of Association. In the management's view, the disapplication of pre-emptive subscription rights was necessary in order to allow the Company to take advantage of a market opportunity arising at the date of the partial utilization of Authorized Capital 2015 flexibly and at short notice and to generate the highest possible issuing proceeds. This also meant that the Company obtained a new strategic anchor shareholder for the long term in the form of Masterwork. The expansion of the partnership with Masterwork that has been in place since 2014 is intended to harness additional potential in the growth segment of packaging printing, particularly in the world's largest individual market, China.

For these reasons, the disapplication of pre-emptive subscription rights was in the Company's interest. By setting a price at above the quoted market price and limiting the scope of the shares issued with pre-emptive subscription rights disapplied to just under 10% of the previous share capital, the interests of the shareholders were also taken into account to an appropriate extent, as the liquidity of trading in the Company's shares means that shareholders are fundamentally able to maintain their relative equity interest in the Company by purchasing additional shares on the stock exchange at similar or even more favorable conditions. Issuing the new shares at a price in excess of the relevant quoted market price also served to ensure that the capital increase did not lead to any substantial economic dilution of the shareholders' equity interests.

In light of these considerations, the disapplication of pre-emptive subscription rights for the partial utilization of Authorized Capital 2015 in accordance with its conditions was objectively justified on the whole.

Subject to the proposed resolution under agenda item 7 on the creation of new authorized capital and the annulment of the existing authorized capital, the Management Board remains authorized until July 23, 2020, on the basis of the authorization resolution of the Annual General Meeting on July 24, 2015, to increase the share capital of the Company in accordance with Article 3 (5) of the Articles of Association with the approval of the Supervisory Board on one or more occasions up to a total of €65,904,071.68 by issuing up to 25,743,778 new no-par bearer shares in exchange for cash or non-cash contributions.