- Translation for convenience -

Annual General Meeting of

Heidelberger Druckmaschinen Aktiengesellschaft

on July 25, 2019

Re agenda item 6: Report of the Management Board to the Annual General Meeting in accordance with sections 221 (4) sentence 2, 186 (4) sentence 2 AktG

The proposed authorization to issue option, convertible, and/or participation bonds and profit participation rights, including combinations of these instruments (hereinafter referred to collectively as “bonds”) in the total nominal amount of up to €200,000,000.00 and the creation of contingent capital of up to €77,946,688.00 will give the Company the opportunity to finance itself quickly and flexibly via the capital markets over the next five years by issuing the aforementioned instruments. The proposed authorization replaces the authorization dated July 24, 2015, which the Company did not utilize. For the details of the authorization, see the proposed resolution of the Management Board and the Supervisory Board regarding agenda item 6.

The Contingent Capital 2019 that is planned for resolution in the amount of €77,946,688.00 as proposed by the Management Board and the Supervisory Board corresponds to around 10.0% of the share capital and, together with Contingent Capital 2014 in accordance with Article 3 (3) of the Articles of Association, around 16.2% of the share capital.

As a matter of principle, shareholders have statutory pre-emptive subscription rights when bonds are issued (section 221 (4) in conjunction with section 186 (1) AktG). However, the Management Board should be able to disapply shareholders’ pre-emptive subscription rights in the cases set out in the authorization. The disapplication of pre-emptive subscription rights by the Management Board requires the approval of the Supervisory Board in any case. The authorization to disapply pre-emptive subscription rights is provided for four case groups as well as when participation bonds and profit participation rights that are designed as obligations are issued:

- The first case group relates to fractional amounts that can arise on account of the subscription ratio. The authorization to disapply shareholders’ pre-emptive subscription rights for fractional amounts makes it easier to settle the issue of pre-emptive subscription rights when fractional amounts arise due to the issue volume or in order to present a practicable subscription ratio. The Company will sell the bonds excluded from pre-emptive subscription rights at arm's-length conditions in a manner that minimizes any impact on the price.

- The second case group provides for the option of offering the bonds not only to shareholders of the Company, but also to the bearers (or creditors) of convertible or option bonds of Heidelberger Druckmaschinen Aktiengesellschaft or its Group companies to the extent they would be entitled after exercising their option or conversion rights or satisfying their conversion obligation. This gives the Company the option of granting dilution protection to the benefit of the bearers (or creditors) of the convertible or option bonds to the extent expected by the capital markets and typically set out in the bond or option conditions when issuing bonds under the authorization proposed in agenda item 6 even without cash compensation or the reduction of the conversion or option price.

- The third case group provides for the option of disapplying pre-emptive subscription rights when the bonds are issued in exchange for cash contributions and the issue price of the bonds is not significantly less than the notional fair value of the bonds calculated using recognized financial methods or the fair value of the bonds calculated using a recognized market-oriented method at the date on which the issue price is finalized. The authorization utilizes the option for the simplified disapplication of pre-emptive subscription rights provided by section 221 (4) sentence 2 in conjunction with section 186 (3) sentence 4 AktG. This will allow the Company to take advantage of opportunities arising on the financial and capital markets quickly and flexibly, as well as saving the time and expense of settling pre-emptive subscription rights. Ensuring that the conditions of issuance are in line with market conditions will lead to a high inflow of funds. In the interests of expanding its shareholder base, the Company will also have the opportunity of offering the bonds to institutional investors in Germany and abroad in particular. As the law requires a subscription period of at least two weeks, an issue with pre-emptive subscription rights would limit the possibilities for responding to favorable market conditions at short notice. In addition, the successful placement of an issue with pre-emptive subscription rights is subject to additional risks due to the uncertainty as to the extent in which the subscription rights will be exercised. The issue of the bonds at a price that is closely based on the quoted market price of the shares also serves to provide dilution protection for shareholders, as each shareholder has the option of purchasing the shares required to maintain their equity interest at largely comparable conditions via the stock exchange. One example of a recognized market-oriented method for calculating the fair value is accelerated bookbuilding. Taking into account the current market conditions, the Management Board will endeavor to minimize any discount to the fair value. Option or conversion rights or conversion obligations for the bonds issued with shareholders' pre-emptive subscription rights disapplied may only be granted for shares amounting to up to 10% of the share capital at the date on which this authorization becomes effective or, if lower, when this authorization is exercised. However, the above limit of 10% of the share capital also includes shares and pre-emptive subscription rights for shares issued, sold or substantiated since the resolution on the authorization with shareholders' pre-emptive subscription rights disapplied in accordance with section 186 (3) sentence 4 AktG mutatis mutandis; it also includes shares issued or to be issued to serve option, conversion, and/or participation bonds and profit participation rights, if the above bonds and profit participation rights were issued during the term of this authorization with pre-emptive subscription rights disapplied in accordance with section 186 (3) sentence 4 AktG mutatis mutandis.

– The fourth case group relates to the disapplication of shareholders' pre-emptive subscription rights if the bonds are to be issued in exchange for non-cash contributions. This is intended to allow the Company to offer bonds as consideration instead of cash payments, either in part or in full, for the purposes of business combinations or the acquisition of companies, parts of companies, equity investments in companies (including increasing existing equity investments) or other assets. The authorization is intended to provide the Company with the necessary scope to quickly and flexibly take advantage of opportunities to acquire companies, parts of companies, equity investments in companies and other assets and to conduct business combinations in international competition. The option of offering bonds as consideration can be useful when acquiring companies or equity investments. However, offering bonds as consideration may also be in the Company's interest when acquiring other assets. This typically involves items of property, plant and equipment or intangible assets. Furthermore, the authorization is intended to allow for the holders of securitized or unsecuritized monetary receivables to be granted bonds instead of cash payment, e.g. when the Company initially undertakes to pay a cash amount when acquiring a company but subsequently opts to grant bonds instead. The granting of bonds serves to relieve the Company's liquidity situation and can be used to optimize its financial structure. There are currently no plans to acquire companies, parts of companies, equity investments in companies or other assets in exchange for the issue of bonds. After examining the available alternatives, the Management Board will decide on a case-by-case basis whether to utilize the option of issuing bonds with shareholders' pre-emptive subscription rights disapplied – with the approval of the Supervisory Board – for the purposes of any business combination or acquisition of companies, parts of companies, equity investments in companies or other assets. This is not disadvantageous to the Company, as the issue of bonds in exchange for non-cash contributions requires the value of the respective non-cash contribution to be proportionate to the value of the new bonds issued for this purpose. In measuring the value of the bonds granted as consideration, the Management Board typically applies the notional fair value of the bonds calculated using recognized financial methods, derived from the quoted market price of the shares of Heidelberger Druckmaschinen Aktiengesellschaft, or the fair value of the bonds calculated using a recognized market-oriented method.

> However, there is no rigid formula based on the notional fair value calculated in this manner, particularly with a view to preventing the results of negotiations from being jeopardized by fluctuations in the quoted market price.

The total amount of the shares issued with pre-emptive subscription rights disapplied in exchange for cash and non-cash contributions must not exceed 10% of the share capital, either at the time of the authorization becoming effective or – if lower – at the time of the authorization being exercised. The above 10% limit includes shares and subscription rights for shares issued, sold or substantiated during the term of the authorization with shareholders' pre-emptive subscription rights disapplied. It also includes shares issued or to be issued to serve option, conversion, and/or participation bonds and profit participation rights, if the above bonds and profit participation rights were issued during the term of the authorization with pre-emptive subscription rights disapplied.

Due to the far less pronounced dilutive effect, the disapplication of pre-emptive subscription rights is also permitted for the issue of participation bonds and/or profit participation rights when these (i) do not grant any option or conversion rights or substantiate any conversion obligations, (ii) are designed as obligations, and (iii) the interest and the issue amount of the participation bonds or profit participation rights are in line with current market conditions at the time of issue. Participation bonds and profit participation rights are considered to be designed as obligations when they do not substantiate membership rights or grant an interest in liquidation proceeds or profit-oriented interest. Interest is not profit-oriented if it merely depends on the interest not resulting in a net loss for the year or net accumulated losses or not exceeding the amount of the dividend payable to the shareholders or a defined portion of the dividend. In these cases, the disapplication of pre-emptive subscription rights does not constitute relevant interference in the rights of the shareholders. Participation bonds and profit participation rights designed as obligations are largely approximate to regular corporate bonds, for the issue of which shareholders have no statutory pre-emptive subscription rights.

To facilitate settlement, the bonds can also be assumed by one or more banks with the obligation to offer them to shareholders for subscription in line with standard practice for corporate finance (indirect subscription right within the meaning of section 186 (5) AktG). Companies operating under section 53 (1) sentence 1 or section 53b (1) sentence 1 or (7) of the *Gesetz über das Kreditwesen* (German Banking Act) are considered to be equivalent to banks. In this case, the statutory pre-emptive subscription rights are not materially limited, but are merely utilized to facilitate settlement by the bank(s) and not by the Company.