- Translation for convenience -

Annual General Meeting of

Heidelberger Druckmaschinen Aktiengesellschaft

on July 25, 2019

Re agenda item 7: Report of the Management Board to the Annual General Meeting in accordance with sections 203 (1) and (2), 186 (4) sentence 2 AktG

The existing authorization of the Management Board to increase the share capital by up to €65,904,071.68 with the approval of the Supervisory Board (Article 3 (5) of the Articles of Association) was utilized to almost 50% by the date on which this Annual General Meeting was convened and expires on July 23, 2020. The Management Board and the Supervisory Board are proposing the replacement of the existing authorized capital with a new authorization in the amount of €185,609,612.80 (Authorized Capital 2019). The authorization is to apply until July 24, 2024. Authorized Capital 2019 will enable the Company to raise new equity quickly, flexibly and cost-effectively in line with international standards. It will also be available 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 creation of Authorized Capital 2019 is intended to ensure that the Company always has the necessary instruments for capital procurement at its disposal irrespective of specific plans for utilization and the cycle of its annual general meetings.

Authorized Capital 2019 in the amount of €185,609,612.80 as proposed by the Management Board and the Supervisory Board corresponds to around 23.8% of the share capital.

As a matter of principle, shareholders have statutory pre-emptive subscription rights when Authorized Capital 2019 is utilized. 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.

– 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 new shares 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 new shares from authorized capital 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 shares from Authorized Capital 2019 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 shares are issued in exchange for cash contributions and the issue price is not significantly less than the quoted market price. The authorization utilizes the option for the simplified disapplication of pre-emptive subscription rights provided by section 203 (1) sentence 1 in conjunction with section 186 (3) sentence 4 AktG. This will allow the Company to take advantage of opportunities arising on the capital markets quickly and flexibly, as well as saving the time and expense of settling pre-emptive subscription rights. Ensuring that the issue amount is 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 shares of the Company to institutional investors in Germany and abroad in particular. As the law requires a subscription period of at least two weeks, an issue of shares 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 of shares 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 new shares at a price that is close to the quoted market price 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 the same conditions via the stock exchange. Taking into account the current market conditions, the Management Board will also endeavor to minimize any discount to the quoted market price. The authorization to disapply pre-emptive subscription rights is limited to 10% of the share capital of the Company. This includes shares and pre-emptive subscription rights for shares issued, sold or substantiated since the resolution on this 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 provides for the disapplication of shareholders' pre-emptive subscription rights in the case of capital increases in exchange for non-cash contributions. This is intended to allow the Company to offer shares from authorized capital as consideration instead of cash payments 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 shares as consideration is significant when acquiring companies or equity investments. However, offering shares 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 shares 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 shares instead. The granting of shares 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 new shares. After examining the available alternatives, the Management Board will decide on a case-by-case basis whether to utilize the option of issuing shares 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 new shares in exchange for non-cash contributions requires the value of the respective non-cash contribution to be proportionate to the value of the new shares issued for this purpose. In measuring the value of the shares granted as consideration, the Management Board typically applies the quoted market price for shares of Heidelberger Druckmaschinen Aktiengesellschaft. However, there is no rigid formula based on the quoted market price, particularly with a view to preventing the results of negotiations from being jeopardized by fluctuations in the quoted market price.

To facilitate the settlement of statutory pre-emptive subscription rights, the new shares 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 utilized to facilitate settlement by the bank(s) and not by the Company.

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.

There are currently no specific plans for the utilization of authorized capital. Corresponding anticipatory resolutions with the option of disapplying pre-emptive subscription rights are standard practice both nationally and internationally. In each individual case, the Management Board will carefully examine whether to exercise the authorization to increase the Company's share capital with shareholders' pre-emptive subscription rights disapplied. This option will only be exercised if the Management Board and the Supervisory Board consider this to be in the interest of the Company and its shareholders.

The Management Board will report to the Annual General Meeting on any utilization of Authorized Capital 2019.