FINANCIAL STATEMENTS 2009/2010

HEIDELBERG

HEIDELBERGER DRUCKMASCHINEN AKTIENGESELLSCHAFT

Figures in € millions

	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010
Incoming orders	1,938	2,035	1,909	1,295	**997**
Net sales	1,777	1,965	1,914	1,553	**1,016**
Foreign sales share in percent	86	86	84	81	**84**
Result from operating activities	55	117	67	– 47	**– 99**
– in percent of sales	3	6	4	– 3	**– 10**
Net profit	85	196	132	70	**– 106**
– in percent of sales	5	10	7	5	**– 10**
Investments [1]	86	102	126	106	**70**
Research and development costs	185	206	183	154	**99**
Total assets	2,530	2,623	2,769	2,992	**2,873**
Fixed assets	1,581	1,628	1,684	1,812	**1,851**
Shareholders' equity	538	564	564	561	**455**
Subscribed capital	213	204	200	200	**200**
Equity ratio in percent	21	22	20	19	**16**
Dividend distribution [2]	54	75	74	0	**0**
Dividend per share in € [2]	0.65	0.95	0.95	0.00	**0.00**
Earnings per share in € [3]	1.03	2.47	1.70	0.90	**– 1.36**
Share price at financial year-end in €	36.40	34.30	17.01	3.64	**5.33**
Market capitalization at financial year-end	3,023	2,735	1,328	284	**416**
Annual average number of employees	10,388	10,706	11,039	10,988	**10,146**

[1] Excluding financial assets
[2] According to the proposal on the allocation of the unappropriated profits
[3] Excluding treasury stock

HEIDELBERG 2009/2010

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THE HEIDELBERG SHARE

Following last year's worldwide extended stock market downswing, which was caused by the financial market crisis, share prices were on the rise again during the reporting year, with government economic stimulus packages showing an initial impact. Nevertheless, volatility remained particularly high on the capital markets. Uncertainty continued to reign on the potential for a return of an economic slump. Whereas share prices in the emerging markets at times rose considerably in 2009, the share indexes of the industrialized countries remained clearly below their former record levels. Investors initially focused on the risks associated with further cyclical trends. A stable upward trend only became evident during the first quarter of 2010 in these countries as well. Demand was on the rise and low interest rates favorably impacted the stock market. But most importantly, there was a general return of investor confidence.

During the previous year, when the stock markets followed the downward spiral of the financial market crisis, the price of the Heidelberg share suffered even more dramatic price declines than the DAX and MDAX. The development of the Company's share price stabilized once the additional financing for Heidelberg was secured. The share in large part subsequently followed the trend of the DAX. Overall, the share's price thereby climbed 46 percent for the entire financial year.

During the previous year, due to the low share price, Heidelberg fell to 43rd place in the index ranking of Frankfurt's stock exchange (Deutsche Börse) based on the criterion "Market Capitalization Based on Free Float". As of the end of the financial year, Heidelberg only attained 52nd place. Compared with the extremely low figure of € 284 million in the previous year, as of March 31, 2010 Heidelberg's market capitalization rose again to € 416 million.

The Annual General Meeting for financial year 2008/2009 was held on July 23, 2009 at Mannheim's Rosengarten Congress Center. Approximately 1,700 shareholders representing approximately 57 percent of the share capital participated. The shareholders agreed to all proposals of the Management Board by a large majority.

The Annual General Meeting decided not to pay any dividend for the previous year. Since underlying conditions continued to be extremely difficult and we suffered a substantial net loss, we will again propose to our shareholders that no dividend be paid for the reporting year.

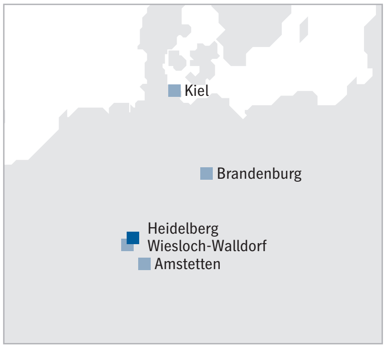
MANAGEMENT REPORT

THE COMPANY AND UNDERLYING CONDITIONS

Heidelberger Druckmaschinen Aktiengesellschaft

Heidelberger Druckmaschinen Aktiengesellschaft is the parent company of the Heidelberg Group. With a global market share of more than 40 percent in sheetfed offset printing, the Group is the internationally leading equipment supplier to the print media industry.

In addition to manufacturing printing presses and equipment for printing plate imaging, the Company also specializes in the sale of service parts, remarketed equipment, comprehensive service, and in carrying out Group functions.



Locations of Heidelberger Druckmaschinen Aktiengesellschaft

Locations

Heidelberger Druckmaschinen Aktiengesellschaft operates five production sites in Germany, which are shown on the map on the right. Administration, development, a print media demonstration center, and several training centers are located in Heidelberg.

Sheetfed offset printing presses are manufactured within the framework of a production network at specialized plants. Precisely processed castings are delivered from Amstetten; turned and profiled parts are supplied by the Brandenburg plant; and model parts, electronic components, and experimental parts are produced at Wiesloch-Walldorf, the world's biggest printing press manufacturing facility, where we also assemble nearly all our sheetfed offset printing presses. The fifth German plant is situated in Kiel, which specializes in development activity and prepress services.

Heidelberg 2010 Program and Reorganization

We developed our **Heidelberg 2010 program** during financial year 2008/2009 to ensure that we are in a better position to address periods of economic downturn in the future. We already reached our goal of generating savings of several hundred million euros annually with Heidelberg 2010 in the financial year. Heidelberg completed the reorganization that had been announced in November 2009, thereby pinpointing additional efficiency-boosting potential. Since April 1, 2010 the Group has been organized into the divisions Heidelberg Equipment, Heidelberg Services, and Heidelberg Financial Services. With the Heidelberg Equipment Division the Company intends to further expand its market-leader position in the advertising printing segment as well as in packaging printing and its finishing services. The new Heidelberg Services Division underscores the Company's determination to become the preferred partner of the print shops for the print media industry in the service segment as well.

In the course of the Company's reorganization, processes were optimized and the overall organization slimmed down. We will reduce the number of jobs in administration and sales by up to 450 positions worldwide. A large portion of these cutbacks will occur at the German local units of Heidelberger Druckmaschinen Aktiengesellschaft. We additionally plan to continue maintaining our capacities in line with our industry's uncertain business developments in 2010. We will therefore eliminate up to 400 jobs at Wiesloch-Walldorf, predominantly in production. We have already begun discussions with staff representatives and the union.

The expenses for special items by Heidelberger Druckmaschinen Aktiengesellschaft within the framework of the reorganization of the Group amounted to approximately € 24 million during the financial year.

NUMBER OF EMPLOYEES PER LOCATION

Number of employees

	31-Mar-09	31-Mar-10
Heidelberg	2,181	1,809
Wiesloch-Walldorf	5,849	4,956
Amstetten	1,140	1,013
Brandenburg	658	614
Kiel	335	318
Trainees	556	552
Total	10,719	**9,262**

Employees

At financial year-end, our five local units had a total of 9,262 employees, i.e. our total staff was reduced by approximately 1,500 positions during the financial year. Adjusted for trainees and including temporary hirings, over the course of the past two financial years we downsized by a total of almost 2,300 jobs. In addition, employees agreed to forgo payments called for under the collective bargaining agreements as well as additional excess payments. Moreover, we agreed to a working time account through December 31, 2012 in order to be in a position to cope with possible peaks in demand as well.

Recent years have been subject to very severe cyclical fluctuations. Thanks to constructive negotiations with staff representatives in Germany, which we concluded in early October 2009, Heidelberg continues to be in a position to react flexibly to fluctuations in demand in the future.

Structural and strategic changes in an enterprise result in a substantial increase in the informational needs of the staff – all the more so if it becomes necessary to terminate jobs. We have extensively informed our employees concerning the required measures and their background as well as progress made and results achieved in the negotiations. We promptly provided employees with information concerning additional measures – including the possibility for the affected employees to shift to a transfer company – in both the Intranet as well as in newsletters from the Chairman of the Management Board and in brochures – the latter which were produced in conjunction with the works council. This transfer company was established in close cooperation with the German Federal Employment Agency. Its goal is to mediate new jobs for employees. Over 99 percent of the employees in Germany that we had to dismiss took advantage of the opportunity of shifting to the transfer company as of March 1, 2010. They will be ensured employment in this company for up to twelve months, during which time they may acquire additional qualifications for new job positions.

Despite the crisis, Heidelberg continues to place high value on outstanding training. Thus, 182 trainees began their vocational training on September 1, 2009 at the various local units; some 3,000 young people and young adults had applied for these positions. The extremely low dropout rate of less than one percent speaks for the quality of training at Heidelberg – the equivalent average figure for Germany as a whole is approximately 25 percent.

Sustainability

Growing numbers of print shops view environmental protection as an important issue – also for the marketing of their products, because demand is growing for printed products that are made in an environmentally friendly manner. Heidelberg was already fully committed to resource-conserving production 20 years ago. Our environmental management system has won awards on numerous occasions. All internal processes are conceived to ensure that resource consumption, waste, and polluting emissions are reduced to the greatest possible extent. Moreover, our development staff is working on reducing environmental pollution resulting from our solutions in print shops to an unavoidable minimum in every respect.

In this connection, the salvage quota at Heidelberger Druckmaschinen Aktiengesellschaft, which shows the share of the waste that is reusable, amounted to 95 percent – again up slightly over the previous year.

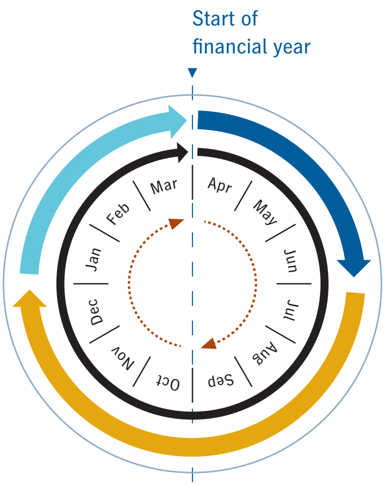
All the Company's locations have been organized in accordance with the internationally recognized environmental management norm ISO 14001. This norm focuses on an environmentally friendly approach not only to product development, but to the production of printing presses and prepress equipment as well.

Management and Control

As soon as it became clear that the Company would be severely affected by the financial and economic crisis, our strategy as well as our management and control system spotlighted rapid and sustained cost reductions. In creating our Heidelberg 2010 program in 2008, our focus was on securing our strategic competitive advantages to the greatest possible extent despite the cost-reduction measures. For example, although we considerably reduced our selling costs, we nevertheless maintain the most tightly meshed sales network in our industry, especially in promising emerging markets.

The management of risks and opportunities is an integral part of our **strategic planning**, of our medium-term planning process, and of all the controlling and reporting processes during the financial year. We considerably shortened the

PLANNING CLOCK



- Strategic planning
- Medium-term planning
- Operative planning
- Continuous management

planning cycles of our control system the previous year. We further increased the frequency of our comparison of targets vs. actual performance for all developments that are of significance for our business development. Based on the figures that were obtained as well as a wide range of data from the corporate environment we continually draw up various scenarios in order to counteract risks and take advantage of opportunities. Both our risk and our opportunity management make use of our **dual track approach**, under which on a local basis, concrete risks and opportunities are directly recorded, quantified, and reported onwards. On the other hand, however, we ensure to an even greater extent than in the past that all management bodies at all levels frankly and proactively address qualitative risks and opportunities. As we mentioned above, the focus on financial goals entails an increase in qualitative risks – for example, in the human resource area due to the substantial job cutbacks. On the one hand, our guidelines and organizational directives stipulate a stringent and formal **process**, on the basis of which we systematically record both individual risks and the overall risk to the Company, thereby also noting, assessing, and quantifying opportunities. And on the other hand, all cross-sector units are required to regularly address risks and opportunities, even over and above the formal process.

We undertake exceptionally close monitoring of **financial risks** not only due to the financial market crisis. The centralized Corporate Treasury unit manages and secures the Company's financing and liquidity. We systematically minimize **liquidity risks** throughout the Company. We pinpoint early on, the potential funding needs of companies and the resulting potential liquidity risks with the help of our rolling liquidity planning system that is generated every other week. Corporate Treasury identifies risks resulting from changes in interest or exchange rates, on the basis of which it introduces appropriate measures and strategies in order to minimize the risks. Some of these measures also include derivative financial instruments – specifically, forward exchange transactions, currency options, and interest-rate swaps. Details on these measures and on the impact of the hedging of foreign currency and interest-rate transactions can be found in the Notes to the Financial Statements on page 63 ff.

Internal Accounting Control System

Deliberate or accidental errors in accounting could theoretically result in an unrealistic view of assets, financial position, and the results of operations. We systematically undertake countermeasures to avoid this risk, as well as additional risks that could arise. The control system that we created for this purpose is based on the framework for internal control systems of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). We set our highest priority on preventing errors to the greatest possible extent in the unconsolidated financial statements of Heidelberger Druckmaschinen Aktiengesellschaft by means of systematic controls and established processes which, among others, stipulate examinations based on spot checks. We do this by adequately ensuring:

> that the presentation of the annual financial statements of Heidelberger Druckmaschinen Aktiengesellschaft is in accordance with commercial law provisions (German Commercial Code); and
> that the information prepared for external financial reporting is reliable and relevant to the reader's decision-making.

The unconsolidated financial statements of Heidelberger Druckmaschinen Aktiengesellschaft are prepared by the FR (Finance & Reporting) department. This department also regularly monitors whether the account books are properly maintained in drawing up the financial statements, thereby ensuring that the financial information corresponds to regulatory requirements. The internal auditors, who have access to all data, additionally examine individual areas and subsidiaries on the basis of spot checks. In doing so, the auditors examine whether the internal control system has been implemented or transactions controlled, and whether dual control is adhered to in all areas. The latter is stipulated and binding – for example, for every order that is placed, for every invoice that is presented, and for every investment that is made. The observance of all other internal guidelines and directives that have an impact on accounting operations are also monitored.

Risks are also reduced by a number of automated controls. Authorization models have been entered into the IT system, which is uniformly applicable throughout the Company. If a unit is examined by the internal auditors, these authorization models and their implementation are reviewed as well. Automated controls and plausibility checks ensure the completeness and correctness of data inputs, and in some cases data is validated and discrepancies brought to light on a fully automatic basis.

Not only plausibility controls have been implemented, but also controls on whether tax calculations are appropriate and approved, and on whether tax items are correctly recorded in the annual financial figures. Overall, these procedures ensure that reporting on the business activities of the Company is in accordance with the approved accounting directives. The effectiveness of the internal accounting control system is regularly monitored by the internal auditors.

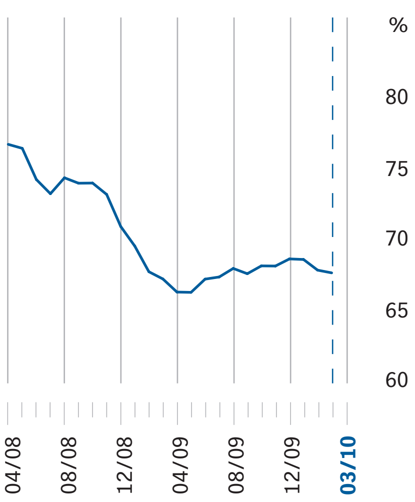
GROSS DOMESTIC PRODUCT [1]

Change from previous year in percent

	2007	2008	2009
World	3.9	1.7	**– 2.1**
US	2.1	0.4	– 2.4
EU	2.9	0.6	– 4.2
Germany	2.6	1.0	– 4.9
UK	2.6	0.6	– 5.0
Eastern Europe	5.6	3.1	– 4.0
Russia	8.1	5.6	– 7.9
Asia [2]	8.7	5.8	4.5
China	13.0	9.6	8.7
India	9.1	6.1	6.6
Japan	2.3	– 1.2	– 5.2
Latin America	6.5	5.1	– 0.6
Brazil	6.1	5.1	– 0.4

1) Source: Global Insight: WMM; April 2010
2) Excluding Japan

CAPACITY UTILIZATION IN THE US PRINTING INDUSTRY



Source: Global Insight

ECONOMIC DEVELOPMENT

Business Environment and Industry Development

The current and expected expenditures for print ads have a significant impact on the investments of commercial print shops. The amount companies spend on advertising heavily depends on economic growth. The development of the gross domestic product (GDP) therefore plays a crucial role for us in our principal markets. We present an overview of developments in the table on the left.

High levels of government spending and private consumer spending revitalized the global economy at the end of 2009. Some emerging markets returned to a growth trend at mid-year 2009, when economic stimulus packages began having an impact.

In the **US**, the first country to experience the crisis, the impact on the economy has been greater than in past recessionary periods. The situation remains difficult, especially for companies. Capacities continue to fall far short of full utilization. Moreover, low levels of profits are preventing necessary investments. In **Europe**, although most economies only felt the impact of the crisis considerably later than in the US, the effect was extremely severe. Nevertheless, the end of the year saw a slight overall improvement in Europe.

Although in the short term the declines in exports in the rest of **Asia** were also immense, this region was impacted by the crisis to a considerably lesser extent and for a shorter period of time than had been anticipated. Contributing to this effect, among others, was the huge economic stimulus package launched by **China**.

The printing industry is directly dependent on advertising, and thereby on the overall economy. Advertising products account on average for over 60 percent of print shop production. A glance at the capacity utilization of print shops makes clear the considerable extent to which companies cut back on expenditures during the crisis, especially in their advertising outlays. In the industrialized countries at least, this resulted in a historic low volume of expenditures. Beginning in the second half of 2008, all the business activity indicators of the printing industry literally collapsed – as the graph shows, those for business expectations as well. The course of the various indexes now reflects at least stabilization at a low level.

Up to now, exchange rate developments – which represent an advantage for European exporting companies and a disadvantage for our Japanese competitors – have hardly had a favorable impact because print shops' propensity to invest has been so low. However, we believe that European suppliers will benefit to a greater extent from the expected turnaround in the market.

Business Development

The impact of the financial market and the economic crisis heavily influenced Heidelberg's business development during the financial year. Declining advertising outlays, the low capacity utilization of print shops in the industrialized countries, and uncertain business prospects resulted in persistent reluctance to invest by our customers.

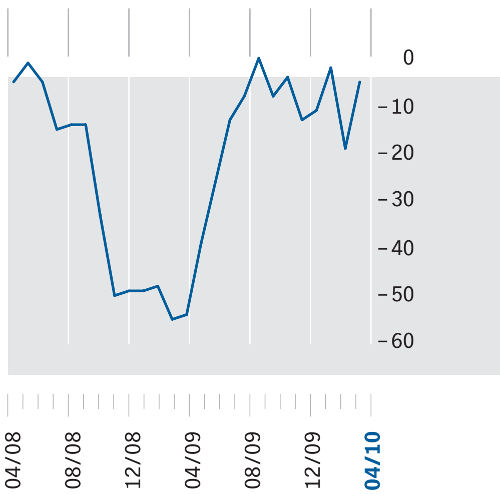
This was so significant during much of the financial year that incoming orders declined by over 23 percent from the previous year, with the overall volume of orders amounting to € 997 million. Fortunately, the market picked up during the second half of the financial year, with incoming orders totaling € 571 million – approximately 34 percent higher than during the first half of the year.

Heidelberg's sales volume of € 1,016 million was the lowest in a number of years. Sales at least rose slightly again during the second half of the financial year, growing by over 20 percent for the last six months compared with a figure of only around € 460 million during the first half of the year.

Sales in all of our regions fell short of the previous year's figures, with North America and our biggest region, EMEA, suffering especially dramatic declines.

BUSINESS EXPECTATIONS – GERMAN PRINT SECTOR

Balance of responses in percent



Source: Ifo Institute for Economic Research

Results of Operations, Net Assets, and Financial Position

We began implementing the Heidelberg 2010 program already in the previous year. Beginning in the financial year, we intended to cut costs by several hundred million euros and thereby reduce the Company's break-even point as quickly as possible. Although we almost wholly attained our cost-cutting goals during the financial year, we were only able to partially compensate for the renewed marked sales decline of over € 500 million. The resulting negative profit contribution as well as the expenses for additional measures to boost efficiency within the framework of our reorganization burdened the **result of operating activities** during the financial year, which at € – 99 million declined noticeably again compared to the previous year's loss of € – 47 million.

The **financial result** of Heidelberger Druckmaschinen Aktiengesellschaft of € – 127 million worsened considerably during the financial year, primarily because of lower profits, higher expenses from profit and loss pooling agreements, and higher expenses over the previous year in connection with the financing. Furthermore, the loss had an unfavorable effect here in connection with the sale of the corporate income tax credit. Further causes of the decline of the financial result comprise not only considerably higher assumptions of losses of subsidiaries, but

INCOME STATEMENT

Figures in € millions

	2008/2009	**2009/2010**
Net sales	1,553	**1,016**
Result of operating activities	– 47	**– 99**
– in percent of sales	– 3 %	– 10 %
Financial result	28	– 127
Result from ordinary activities	– 19	**– 226**
– in percent of sales	– 1 %	– 22 %
Extraordinary income	0	**122**
Taxes on income	89	– 2
Net profit/loss	70	**– 106**
– in percent of sales	5 %	– 10 %

also write-downs of € 29 million in the carrying values of shares in affiliated companies due to reduced earnings prospects. A write-down by a controlled entity within the framework of the above-mentioned assumptions of losses amounting to € 30 million further burdened the financial result. By contrast, due to successfully implemented restructuring measures at one of our subsidiaries we posted a write-up of € 25 million – which, however, was booked to the result of operating activities.

Extraordinary income amounted to € 122 million and resulted from the liquidation of hidden reserves in connection with the sale of business properties at the Wiesloch-Walldorf site to a wholly-owned subsidiary.

Due to the high level of losses before taxes, during the financial year tax expense was a low € 2 million, which was due to foreign withholding taxes.

Overall this led to a € 106 million **net loss** during the financial year, compared with a profit of € 70 million the previous year.

Total assets declined by 4 percent, or approximately € 120 million, to € 2,873 million during the financial year. The decline of assets results primarily from our successful asset management in the area of working capital. Among liabilities and net worth, most of the reduction came from other provisions and shareholders' equity.

Fixed assets increased on balance by € 39 million – primary the result of the sale of the business properties at the Wiesloch-Walldorf site. The additions to fixed assets primarily comprise capital increases at subsidiaries. Significant asset disposals concern the above-mentioned business properties. Since our capacities were considerably underutilized throughout the financial year, we were able to limit our expenditures for investments in tangible and intangible assets to urgently required replacement investments.

Current assets mainly declined due to the optimization measures in the area of working capital – the result not only of our successful asset management in inventories, but of the sale of the corporate income tax credit as well.

Shareholders' equity at financial year-end is considerably below the previous year's figure. The net loss caused a decline in this area, resulting in shareholders' equity of € 455 million and an equity ratio of 16 percent – the latter down by three percentage points from the previous year.

Compared with the previous year, **provisions** fell from € 1,134 million to € 1,027 million, largely due to the implementation of our Heidelberg 2010 program. In addition to the scheduled usage, a partial release of € 39 million was booked during the financial year, which was formed the previous year in connection with our Heidelberg 2010 package of measures. This was made possible by the agreement of the Management Board and staff representatives to a reconciliation of interests and employee termination benefits plan in October 2009. Furthermore, the provision for foreign currency derivatives was adjusted to the changed market environment during the financial year.

Liabilities including deferred income rose over the previous year from € 1,290 million to € 1,386 million. The increase was largely attributable to liabilities to banks. By contrast, liabilities to affiliated enterprises declined – primarily as a result of the buyback of the convertible bond amounting to approximately € 280 million, which had been issued by our Dutch finance company, Heidelberg International Finance B.V. Most of the investors in the convertible bond exercised their right to accelerated repayment during the third quarter of the financial year. The repayment amount was refinanced largely by the loan from the Reconstruction Loan Corporation (KfW), which was granted for this purpose within the framework of our new financing concept.

BALANCE SHEET STRUCTURE

Figures in € millions

	31-Mar-2009	in percent of total assets	31-Mar-2010	in percent of total assets
Fixed assets	1,812	61	1,851	64
Current assets [1]	1,180	39	1,022	36
Total assets	2,992	100	**2,873**	**100**
Shareholders' equity	561	19	455	16
Special items	7	0	5	0
Provisions	1,134	38	1,027	36
Liabilities [1]	1,290	43	1,386	48
Equity and liabilities	2,992	100	**2,873**	**100**

[1] Including accruals and deferred income

The impact of the financial market and economic crisis on our business and our results has led to a considerable decline in the Company's capital base over the last two financial years. Over the same period, financial liabilities, and thereby demand for borrowed funds, rose. Already at the beginning of the financial year, we therefore undertook comprehensive discussions with the banks that are providing the financing. The basis for these discussions was a detailed financing concept. The negotiations were concluded and the corresponding credit agreements were signed in August 2009. Through the middle of 2012, we have access to credit facilities totaling € 1,400 million, comprised of three integral parts: a loan in the original amount of € 300 million from the Special Program of the KfW (Reconstruction Loan Corporation) for large companies; a € 550 million line of credit that is 90 percent supported by guarantee pledges from the Federal Government and the States of Baden-Wuerttemberg and Brandenburg; and a syndicated line of credit from a bank underwriting syndicate totaling € 550 million. Within the framework of the refinancing of our convertible bond, during the fourth quarter of the financial year a total of € 291 million was borrowed in full under the KfW loan facility.

The financing package is supported by comprehensive collateral, including land charges, shareholdings in subsidiaries, and a pledge of brand names and patents.

The financing contracts contain financial covenants customary in the market with reference to the financial position of the Company, which relate to five key financial figures. In order to adapt the originally contracted financial covenants to a level that corresponds to the changed economic environment, in March 2010 Heidelberg obtained consent to an amendment request ("amendment of the originally contracted financial covenants") from the relevant banks.

Heidelberger Druckmaschinen Aktiengesellschaft manages the Group's financing and secures its liquidity. Since May 2006, all consolidated subsidiaries have been directly linked with the in-house bank of Heidelberger Druckmaschinen Aktiengesellschaft through an internal account. Furthermore, cross-border payments are executed via our "Payment Factory". Our internal and external payments are consequently cost-effective. This is an important prerequisite for optimizing the Group's global **liquidity management** and reducing external borrowed funds.

Research and Development

With our program BiRD (Best in Research and Development), since 2008 we have been upgrading all our research and development procedures. We thereby ask such questions as: Where can we make improvements? Where can we save valuable resources? How can we work together more efficiently? In order to find answers that we can then implement, we use, among others, benchmarks from successful companies – not only those in the engineering industry. In this way, we pursue our target – even with a considerably reduced budget – of providing customers with precisely those innovations that secure competitive advantages for them. We simultaneously increase efficiency and minimize risks in the research and development area.

During the financial year, we invested € 99 million in the research and development of our complex mechatronic systems as well as the series production of our product portfolio – € 55 million less than the previous year. We merged various development activities and reduced the number of employees under the Heidelberg 2010 package of measures by 1,029. At financial year-end, 11 percent of our staff was thereby active in the R & D area.

Events Occurring after the Financial Year-End

No significant events occurred following the financial reporting date.

RISKS, OPPORTUNITIES, AND FUTURE PROSPECTS

DEVELOPMENT OF RISK GROUPS

Risk and Opportunity Report

The overall risk situation has improved considerably from the previous year. This resulted primarily from the fact that the financing of the Company is secured through July 2012, and that we considerably reduced the Company's break-even point. No risks that could threaten the existence of the Company are evident either at the present time or in the foreseeable future. This applies to both the results of our already implemented economic activity as well as to operations that we plan or have already introduced.

In order to determine our overall risk, we focus on individual risks that belong together substantively. In doing to, we do not offset potential opportunities from risks. The illustration on the left shows the development of these risk groups compared with the previous year. As in the past, the impact of the economic and financial market crisis defines the risks to the Company. If a sustained economic upswing in the industrialized countries is delayed beyond what we anticipate, we would fail to attain our sales targets in the Heidelberg Equipment Division and the Heidelberg Services Division. Risks in the risk group "Industry and Competitive Risks" increased from the previous year. The excess capacities of equipment suppliers to the printing industry as well as the vigorous fight for market share could result in heavy price competition in various market segments. The risk of a price decline contrasts with the opportunity that a competitor could be squeezed out of the market, which would result in a considerable reduction in excess capacities and a substantial improvement in the competitive environment. Financial risks have fallen because Heidelberg's financing is secured through 2012. The risks in connection with performance increased because we see a significantly greater risk associated with human resources due to the considerable job cutbacks. Moreover, the risk of a supplier's failure to deliver is greater. Fortunately, the products risk group continues to have a low risk. Our comprehensively networked solutions precisely meet the requirements of our target groups, especially in view of the dramatic changes in the market environment. Our product platforms are the most modern in the market, so it is unlikely that a competitor could develop superior solutions. Our offerings in consumables and services are also unique in the market.

Due to our comprehensive product portfolio with needs-based solutions for various target groups, the risks that arise from our **overall strategy** are minor, at least at the moment. We continuously examine the need to modify our overall strategy. We are focusing on less cyclical areas such as packaging printing as well as services and consumables. Moreover, these divisions were not at all, or at most hardly, affected by the substitution of traditional print products with other media. There is a small risk that even in the face of increasing marketing and advertising outlays, companies will rely considerably less on the commercial printing sector in the future. Sheetfed offset printing, our core business, will continue to be the prevalent printing process, even in the future. Digital printing can only serve as a substitute for small-format offset printing to a minor extent. With the exception of small print runs, our printing presses with their very high degree of flexibility and high speed are superior to digital printing – in terms of cost as well.

Advertising and packaging printing, which are key business areas for Heidelberg, account for over half of the overall volume of printing. In particular the emerging markets are contributing to an increase in the volume that is printed each year. Market saturation with printed products in the emerging markets is still quite low. It is currently not clear whether in the long term a per capita printing volume will be attained that is similar to that in the industrialized countries, or whether electronic media will replace print media to a greater extent in these countries. Nevertheless, the large population of the emerging markets alone will ensure further growth.

Risks arising from the economy and the market continued at the previous year's high level. Our business development would be considerably burdened by a further delay in the economic turnaround in the industrialized countries. The enormous national debt of some countries represents some risk for additional cyclical trends – for example Greece. A consequence could be a strong increase in inflation, which would put a brake on the economic upswing. On the other hand there is an opportunity that demand for our products might recover more rapidly than we assumed in our planning due to favorable economic developments. Our rapid expansion of the Services, Consumables, and Packaging printing business areas are making the Company's result less cyclically sensitive in the medium term.

Our presence in 170 countries represents a considerable opportunity for us to rapidly further expand our market share in all business areas. The fact that we have the most extensive service and sales network in our industry and that we are the only European manufacturer to produce locally in China gives us important competitive advantages in one of our strategically important markets. Moreover,

Risks Arising from the Economy and the Market: Risks that could result due to general economic, political, or social influences.

Industry and Competitive Risks: Risks arising from changes in the competitive structure, in the behavior of competitors, in competitive advantages, or in strategic advantages of other suppliers.

Product Risks: Risks in connection with research and development and the market launch of new products.

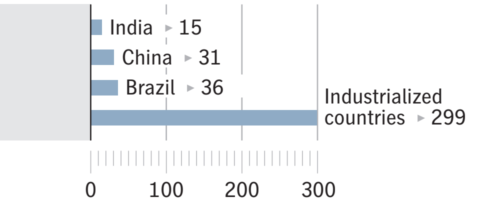
Financial Risks: Liquidity and financing risks, risks arising from sales financing, from exchange rate developments, as well as from tax and legal issues.

Risks Arising from Performance: Risks arising from the areas of human resources and procurement as well as producer's risks, environmental risks, IT risks, and risks from investments.

In past years, already thin advertising budgets flowed increasingly to online advertising. After effectiveness studies showed that print ads have a considerably greater impact – all the more so if they are personalized and mailed – advertising strategies could move back in the direction of print again to a greater extent.

PER CAPITA PRINT VALUE (IN 2009)

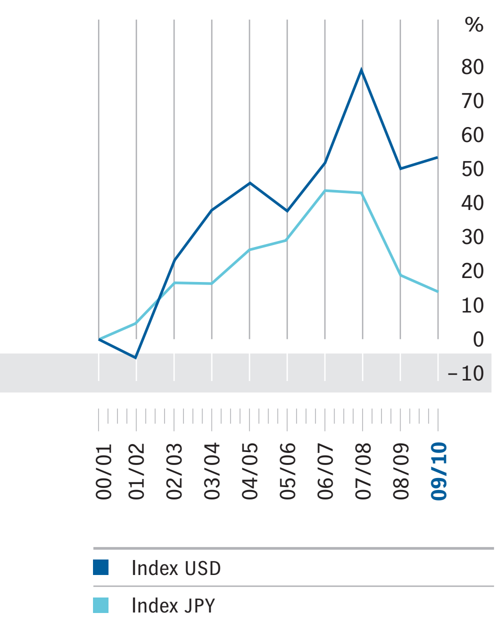
Figures in €



Sources: industry statistics, PIRA, Jakkoo Pöyry, Primir (Gamis), Global Insight

INCREASED VALUE OF THE EURO

Closing exchange rates at year-end



(Source of exchange rates: Bloomberg)

having a production facility in China reduces the danger that import duties or increased regulation of the market might burden our business. By closely monitoring current developments on-the-spot in order to undertake countermeasures early on if necessary, we minimize the risk that could arise in some other emerging markets due to economic or political instability. In principle, the risk comprises possible government intervention, tougher customs regulations, and changes in legislation that could hamper our business development in some markets.

The **risks of industry and competition** have increased in our industry due to the noticeable excess capacities. In the section General Statement we describe the risks and opportunities that result from cutthroat competition.

Exchange rate fluctuations represent both opportunities as well as certain risks for us. So far, we have not been able to take full advantage of the currently favorable exchange rate structures because the propensity of print shops to invest has been too weak. There is an opportunity that we could benefit from the current exchange rate structures in the medium term as well. If the exchange rate structures shift back in favor of Japanese manufacturers, this could considerably intensify the competition with Japanese competitors, especially in the 70×100 format models. Our market position – as well as that of our European competitors – would be weakened. By expanding our purchasing and production outside the euro zone, we reduce the risks from such a development in the medium term. During the financial year, we began to produce printing presses in this format category in China as well.

Since our new products are proving to be successful in the market, especially in view of the difficult underlying conditions, and because they provide true cost and competitive advantages for customers, the **risks in the product area** declined from the previous year. We have meanwhile installed printing presses in our newly developed biggest format category, the Speedmaster XL 145 and Speedmaster XL 162, in all key markets. Customers are highly satisfied. We expect to noticeably expand our market share in packaging printing during the current financial year. Our integrated solutions offer a considerable advantage, for these solutions make it possible for customers to optimize both their processes as well as their packaging.

In order to avoid undesirable developments, by necessity our priority in all R & D projects focuses on the benefit to the customer. We work closely together with concept customers in all phases of product development. A panel of experts from the areas of R & D, product management, controlling, manufacturing, and service determine in advance the direction of further product development. Among other things, the panel members make decisions based on market analyses as well as economic viability considerations from the Company's point of view. The decisions are also based on our technology roadmap, which we apply in order to describe the long-term development goals that we need to attain in order to satisfy future customer requirements. We secure the results of our research and development activity with the Company's own proprietary rights.

As a consequence of the economic crisis and structural changes, print shops must optimize their organization and enhance their efficiency. They must also specialize and offer comprehensive services well beyond mere printing. We offer comprehensive solutions, including services and consumables for all the important trends in the market – whether Web-to-Print, Lean Manufacturing, or Ecological Printing.

Changes in the behavior of the end consumers could further enhance the competitive advantages offered by our solutions. Demand for very high-quality printed matter is increasing further worldwide, while the significance of environment-friendly production is simultaneously growing rapidly as well.

As we describe in the General Statement on Risks and Opportunities, **financial risks** declined because the financing of the Company is secured. We discuss the details of the new financial structure in the explanations regarding the Financial Position on page 12 ff.

The financing package concluded during the financial year includes five financial covenants that are customary in the market. Heidelberg has contracted to adhere to these over the term of the financing. If the future income and financial position of the Company develops so unfavorably that these financial covenants cannot be met, this would have an adverse financial effect for us. Determination of the financial covenants is based on our current five-year planning, with the projected sales trend supported by external market analyses. The development of earnings takes into account the already largely implemented restructuring measures under our Heidelberg 2010 program as well as the additional cost-cutting measures resulting from the boost in efficiency that we announced at financial year-end. Based on existing information known to us, non-compliance of the financial covenants is at present not expected and is considered to be unlikely.

Since the previous year, we have been focusing even more closely on liquidity risks. As a delayed result of the financial crisis, if we should become subject to an expanded credit crunch and would find it necessary to take on increased direct debt, our risks would grow in this area. As in the past, there is a risk from sales financing that losses could occur due to industry, customer, residual value, and country risks. Our policy for forming provisions for risks from sales financing is generally conservative. We formed an appropriate risk provision to cover recognizable risks early on. We were able to further reduce the volume of past due items in receivables arising from our sales financing during the financial year following the previous year's higher level. The risks from the counter-liabilities that we took over declined. Most of our portfolio comprises claims against customers in emerging markets. Foreign currency developments are currently making it easier for our customers to repay installments either in US dollars or in euros. Depending on developments, a shift in exchange rate structures could represent either a risk or an opportunity in this area. We systematically monitor foreign currency and payment risks on the basis of guidelines that set out the fundamental strategy, the directives concerning the structural organization, and workflow management, and the regulations setting out responsibilities.

We strive to reduce the foreign currency exposure of the Company and thereby our overall dependency on exchange rate structures. We have partially hedged in the medium term the risk from possible exchange rate declines for the volume of foreign currencies we expect in the future. Nevertheless, although risks exist in this area, we would also have opportunities should the exchange rate situation improve.

We reduce legal risks arising from individual contracts by relying on standardized master contracts wherever possible. We systematically protect our interests in the area of patents and licenses. We limit additional risks – for example compliance risks – by means of systematic controls over whether our comprehensive guidelines are being followed in all areas.

The **risks arising from performance** have increased from the previous year. We pointed out in the previous year that a substantial cutback in jobs would entail difficulties for the concerned employees and also for the Company – and would also result in an increase of risks in the **human resources area**. Highly experienced teams were subject to change, and processes and procedures were redesigned. An additional factor is the risk of a loss of motivation, with Heidelberg's attractiveness as an employer possibly suffering in the longer term as well. We undertake countermeasures via modern human resources work.

Thanks to our global IT management, we do not envisage any serious risks in the **IT area**. We are prepared for a potential breakdown of our systems thanks to suitable security measures. Through comprehensive preventive measures, we have considerably reduced the danger of cyber attacks.

In the **production area**, there continues to be an opportunity that we could realize considerable reductions in cost due to the enhancement of processes under our Heidelberg Production Systems. We see some risk that short-time work and job cutbacks could initially delay production times.

We minimize **environmental risks** through an efficient environmental management system – both in the area of product design and in the manufacturing process.

Since risk management is an integral component of our supply management, as in the past we protect ourselves against many risks of **procurement** at the outset. We include our suppliers in this process. The danger of a supplier's failure to deliver due to insolvency has grown due to the effect of the economic crisis. Moreover, a renewed sudden and rapid increase in the prices of raw materials, metals, and energy entails the risk that our cost of manufacturing could be higher than planned.

We minimize risks in connection with suppliers' failures to deliver, or a delay in the delivery of components or components of substandard quality by means of a supplier monitoring system based on key data parameters, systematic observation of all significant markets, and through a material planning system with a rolling twelve-month forecast.

Although we reduced **investments** to the greatest possible extent, we do not foresee any risks of production that could result. We undertake needed replacement capital investments and make decisions with the help of our global uniform planning system, which brings together all the available information. Before each capital investment, we implement a make-or-buy analysis that is monitored by a team of engineers and financial specialists.

Future Prospects

Hardly any leading economic research institute doubts that the global economic growth during the fourth quarter of 2009 will continue into the current calendar year. However, opinions on the exact course of development differ widely. The emerging markets are the big hope for rapid and sustained growth. Only a restrained economic upswing is initially anticipated in the industrialized countries. The printing industry in these countries will therefore only slowly come out of the crisis.

Following the global recession the previous year, the global economy and the various regions and markets will again grow across-the-board – however, as the table shows, at highly divergent rates. It is clear that production output particularly in the industrialized countries will be slow to regain the high pre-crisis level. The growth in capacity utilization and corporate profits is equally sluggish. Many companies are initially taking advantage of the upswing to reduce their inventory levels and often to limit their investments to just replacement capital investments. However, an upswing of demand for commodities is evident in several markets.

Because incoming orders in the last two quarters of the financial year improved slightly and economic projections are modestly favorable, we expect modest **growth in sales** compared with the low level during the reporting year. During

GROSS DOMESTIC PRODUCT [1]

Change from previous year in percent

	2008	2009	2010
World	1.7	– 2.1	**3.0**
US	0.4	– 2.4	3.0
EU	0.6	– 4.2	0.9
Germany	1.0	– 4.9	1.5
UK	0.6	– 5.0	0.8
Eastern Europe	3.1	– 4.0	2.1
Russia	5.6	– 7.9	2.6
Asia [2]	5.8	4.5	7.2
China	9.6	8.7	10.1
India	6.1	6.6	8.0
Japan	– 1.2	– 5.2	1.5
Latin America	5.1	– 0.6	3.5
Brazil	5.1	– 0.4	4.7

[1] Source: Global Insight: WMM; April 2010
[2] Excluding Japan

the current financial year, we will again generate higher profit contributions, and the **result of operating activities** will also benefit from the cost-reduction measures under the Heidelberg 2010 program as well as from a large part of the cost reductions that we intend to implement in connection with the reorganization. For the current financial year, we are striving for a break-even operating result in an environment of stable economic development.

The immensely higher financing costs, which also include the costs for the guarantees under the Economic Stimulus Package II, will substantially burden the financial result during the current financial year. We will consequently again book a marked net loss during the current financial year.

We expect a further market recovery in the following year, financial year 2011/2012. Net sales and profit contributions will grow accordingly. Furthermore, our programs to reduce costs will then take hold in full and will contribute to a favorable development of earnings.

Important Note:
This Annual Report contains forward-looking statements based on assumptions and estimations by the Management Board of Heidelberger Druckmaschinen Aktiengesellschaft. Even though the Management Board is of the opinion that these assumptions and estimations are realistic, the actual future development and results may deviate substantially from these forward-looking statements due to various factors, such as changes in the macro-economic situation, in the exchange rates, in the interest rates, and in the print media industry. Heidelberger Druckmaschinen Aktiengesellschaft gives no warranty and does not assume liability for any damages in case the future development and the projected results do not correspond with the forward-looking statements contained in this Annual Report. Heidelberg does not intend, and does not assume any obligation, to update the forward-looking statements contained in this Annual Report to reflect events or developments that have occurred after this Annual Report was published.

REMUNERATION REPORT – MANAGEMENT BOARD AND SUPERVISORY BOARD

The total structure as well as the amount of remuneration of the Management Board are determined by the Human Resources Committee of the Supervisory Board of Heidelberger Druckmaschinen Aktiengesellschaft and monitored periodically. The remunerations of the Management Board comprise:

> a fixed annual salary;
> a variable annual remuneration;
> a share-based remuneration as a variable remuneration component with a long-term incentive component;
> remuneration in kind; and
> a Company pension.

The share-based remuneration will be replaced with a long-term variable remuneration component in the future, which will be calculated on the basis of the attainment of certain goals over a period of several years that are grounded on defined parameters. The weighting of the variable remuneration components among each other will shift in favor of long-term variable remuneration.

In the case of an operational revocation of the mandate of a member of the Management Board or of a justified resignation of a member of the Management Board, all service contracts contain the following uniform provisions: the service agreement shall be terminated upon expiration of the statutory period of notice in accordance with Section 622 (1, 2) of the German Civil Code (BGB). In the case of an operational termination of mandate, the member of the Management Board receives a severance payment at the time of termination of the service agreement in the amount of his or her previous compensation package in accordance with the service agreement for two years, at the most, however, in the amount of the remuneration for the period of the originally contracted term to termination of the service agreement including the pro rata reimbursement of long-term remuneration. The right to extraordinary notice of termination for good cause in accordance with Section 626 of the Civil Code remains in effect.

The severance payment is to be paid on a quarterly basis in accordance with the originally contracted term to maturity – at most, however, in eight quarterly installments. This payment to former members of the Management Board is subject to an offset against other remunerations, which are to be certified to the Company, during the originally contracted term to maturity as is provided for under Sections 326 (2) page 2 and 615 (2) of the Civil Code.

Fixed and Variable Remuneration; Remuneration in Kind

The members of the Management Board receive an annual **fixed remuneration** paid in equal monthly installments. Provision is also made for **variable salary components**. On the one hand, an annual corporate bonus is paid that is dependent on the Group's success during the financial year, with free cash flow and the result of operating activities serving as benchmarks. On the other hand, each member of the Management Board is eligible to receive a personal, performance-based bonus that is determined by the Chairman of the Supervisory Board in consultation with the Human Resources Committee, taking into consideration the particular duties and areas of responsibility. With full disbursement, the personal bonus amounts to 15 percent of the overall salary, the corporate bonus to 35 percent, and the fixed base pay to 50 percent of the total amount. The amount of the bonuses and thereby their share of the salary is adjusted if performance exceeds or falls short of a target. The corporate bonus (normally 70 percent of the overall bonus) is limited to a maximum of 130 percent (= 91 percent). No provision is made for overfulfillment in the case of the individual bonus (normally 30 percent of the total bonus).

In the future, the percentage of the base pay accounted for by the personal bonus will be up to 30 percent, the percentage accounted for by the corporate bonus up to 30 percent, in case of overfulfillment up to 60 percent, and the percentage of the base pay accounted for by the long-term bonus of several years up to 90 percent. The long-term bonus of several years will be available for disbursement for the first time after financial year 2011/2012. In any case, the remuneration of the Management Board may at most amount to 280 percent of the annual fixed basic compensation.

Already at the beginning of financial year 2009/2010, the members of the Company's Management Board stated in advance that they will forgo half of the bonuses to which they are entitled for financial year 2009/2010 under the terms of their contracts.

The remuneration structure for the Management Board of Heidelberger Druckmaschinen Aktiengesellschaft will continue to comply with the statutory requirements of the Stock Corporation Act (AktG), of the Act on the Appropriateness of Management Board Remuneration (VorstAG), and of the German Corporate Governance Code. In view of the above provisions, the remuneration structure will be modified accordingly as of financial year 2010/2011. Although it will continue to comprise a fixed basic compensation and several variable remuneration components, the composition of these components will differ. Although the variable components will comprise valuation bases with an annual reference, they will largely be based on a period of several years. The new remuneration system applies to all the members of the Company's Management Board. It will be introduced in more detail at the Annual General Meeting in 2010 and submitted to the shareholders for their approval in accordance with Article 120 (4) of the Stock Corporation Act.

Remuneration in kind consists largely of the use of a Company car in accordance with tax guidelines.

Details on the Previous Variable Remuneration Components with Long-Term Incentive Effects up until Now

In line with the previous remuneration structure, the members of the Management Board additionally received **variable remuneration components with long-term incentive effects** within the framework of the stock option plan and the long-term incentive plan (LTI).

Stock option plan: The stock option plan of the Company was issued for the last time with the tranche of 2004, which due to its demanding prerequisites in the past, did not result in the exercise of subscription rights. Again in the case of the final tranche in 2004, it appears highly unlikely that subscription rights will be exercised. The prerequisite for the granting of subscription rights is that eligible individuals buy shares of the Company on their own account and retain them for the length of an appropriate vesting period. Subscription rights may only be exercised if, between the date of issue and the date the subscription right is exercised, the market price of the Company's shares outperforms the value of the Dow Jones EURO STOXX Index (hereinafter referred to as the "Index") – with both share price and the Index calculated on the basis of the total shareholder return method. The target is deemed to have been reached if the performance of our share determined in this manner exceeds the Index. If subscription rights are not exercised despite the target having been reached, they may only be exercised if the target is reached again. The exercise price is defined as the average closing price of our shares on the final ten consecutive stock market trading days in Frankfurt am Main prior to the relevant subscription period for the respective subscription rights (the "exercise price"). The period of vesting commences when the subscription rights are issued and ends three years following the issue date. The period of validity of the subscription rights commences when the subscription rights are issued and ends six years after the date of issue. Overall, a total of six tranches were issued during the period 1999 to 2004. The 1999, 2000, 2001, 2002, and 2003 tranches have meanwhile expired without the stock options having been exercised. As in the previous year, during the financial year no disbursement was made from allotted stock options granted in previous years.

Long Term Incentive (LTI) Plan: There has not been any payment or delivery of shares under the LTI Plan because its various targets could not be met. This plan provides for granting so-called Performance Share Units (PSUs) to the members of the Management Board if they undertake an investment for their own account in the no-par shares of Heidelberger Druckmaschinen Aktiengesellschaft. The number of PSUs granted is contingent on the meeting of targets. Claims arising from the final number of PSUs are satisfied either by means of a payment or by the delivery of Heidelberg shares. With an investment for own account of 1,500 shares, each member of the Management Board may receive 4,500 PSUs. The PSUs under the LTI 2006 and the LTI 2007, respectively, were designated on April 1, 2006 and April 1, 2007, respectively; as in the previous year, no additional PSUs were issued during the reporting year. The targets realized by the Company during the term of validity are defined on the one hand as the arithmetic average of the free cash flow rate (free cash flow divided by net sales), and on the other hand by the arithmetic average of the achieved EBIT percentage (EBIT divided by net sales). For example, based on an equal weighting of the two targets, a member of the Management Board who undertakes an investment for own account of 1,500 shares, with an average EBIT percentage rate of 10 percent and an average free cash flow rate of 6 percent over a period of three years, would receive an allocation of 100 percent of the conditionally committed PSUs, or 4,500 PSUs. The PSUs of the LTI 2006 expired on March 31, 2009, and those of the LTI 2007 expired on March 31, 2010. Since the targets of the LTI 2006 and LTI 2007 were not attained, no disbursement was or is being made.

Detailed Remuneration of the Members of the Management Board

BERNHARD SCHREIER

Figures in € thousands

	2008/2009	**2009/2010**
Performance-neutral components		
Base salary	500	500
Remuneration in kind	30	6
Performance-based remuneration		
Bonus for the financial year	150	250[3]
Cash remuneration	680	**756**
Components with long-term incentive effects	–	**–**
Remunerations	680	**756**
Number of PSUs under the LTI	9,000	4,500
Number of PSUs under the stock option program	31,500	10,500
Pension plan		
Expected pension per annum at retirement age [1]	371	371
Defined benefit obligation	3,380	4,485
Pension plan according to IFRS [2]	291	310

[1] In accordance with the situation for pension-capable remuneration as of March 31
[2] Service cost and interest cost
[3] Already at the beginning of the reporting year, the members of the Management Board stated in advance that they will forgo half of the bonuses to which they are entitled for financial year 2009/2010 under the terms of their contracts

Bernhard Schreier's term of office as a regular member of the Management Board runs for three years.

In Mr. Schreier's current service and pension contract, the following provisions have been excluded by mutual agreement:

> Inclusions to the pension before reaching retirement age if the contract is cancelled or is not extended by the Company without giving cause that would have entitled the Company to terminate employment without notice.
> Change of Control Clause in the form of a special right of employment termination should the Company have a new majority shareholder.

Pension plan: The pension commitment provides for a pension related to the amount of the last basic remuneration as well as survivors' benefits, thereby deviating from the pension commitments for most employees, whose benefits are based on a table related to income groups, which is adjusted regularly in accordance with the development of the cost of living. The percentage rate thereby depends on the number of years of service in the Company, with the percentage rates of increase graduated per year of service. Based on the pension contract and as a result of the years of service with the Company, the maximum pension percentage rate of 75 percent has already been reached. The pension will be paid beginning at age 65 or at the onset of employment disability. Ongoing payments will be adjusted in the same percentage relationship as the basic pay of salary group B9 for civil servants in Germany. No provision is made for a guaranteed adjustment by at least 3 percent every two years, as is the case with employee remuneration. A pension will also be paid if, before reaching retirement age, the contract is cancelled or is not extended by the Company without giving cause that would have entitled the Company to terminate employment without notice. A claim for committed benefits under the Company's pension provisions remains in force even in the case of an early termination of employment. Otherwise, the statutory full vesting periods are deemed to have been fulfilled. The payment of the retirement pension is fully secured by a reinsurance policy, with the resultant claim against Mr. Schreier pledged as collateral.

DIRK KALIEBE

Figures in € thousands

	2008/2009	**2009/2010**
Performance-neutral components		
Base salary	292	330
Remuneration in kind	18	18
Performance-based remuneration		
Bonus for the financial year	88	165[3]
Cash remuneration	398	**513**
Components with long-term incentive effects	–	–
Remunerations	398	**513**
Number of PSUs under the LTI	9,000	4,500
Number of PSUs under the stock option program	20,250	6,750
Pension plan		
Accrued pension capital at financial year-end	262	366
Pension contribution for the reporting year[1]	88	96
Defined benefit obligation	371	519
Pension plan according to IFRS[2]	103	118

[1] In accordance with the situation for pension-capable remuneration as of March 31, excluding the yet-to-be-determined profit-related share
[2] Service cost and interest cost
[3] Already at the beginning of the reporting year, the members of the Management Board stated in advance that they will forgo half of the bonuses to which they are entitled for financial year 2009/2010 under the terms of their contracts

Dirk Kaliebe's term of office as a regular member of the Management Board runs for three years.

As of October 1, 2009, Mr. Kaliebe's fixed annual salary increased from € 310,000 to € 350,000.

Pension plan: The pension contract for Mr. Kaliebe provides for a pension commitment based on a defined contribution that is largely in line with the pension provisions based on a defined contribution for executive staff (BVR). Each year, on July 1 the Company deposits to an investment fund 30 percent (in BVR: 3 percent) of his basic salary, applicable retroactively for the prior financial year. Depending on corporate earnings, this amount can be higher. The precise level of the pension, in turn, depends on the financial success of the investment fund. The pension may be paid as an early pension payment beginning at age 60. In any case, in the event of termination of employment with the Company, the pension will be paid at the age of 65, or respectively 60, principally in the form of a one-time payment of pension capital. Provision is also made for a disability and survivors' benefit (60 percent of the disability payment or the pension) contingent on the amount of the last basic remuneration. In the case of a disability benefit, the percentage rate depends on the length of service with the Company – thereby differing from the BVR – with a maximum pension percentage rate of 60 percent due to attributable time. Should the service contract expire prior to the beginning of benefit payments, the claim to the established pension capital at that point in time remains valid. The other pension benefits (disability and survivors' benefits) earned in accordance with Section 2 of the Law to Improve Company Pension Plans (BetrAVG) remain valid on a pro rata basis. Otherwise, the statutory full vesting periods are considered to have been met.

Marcel Kießling has been a member of the Management Board since January 1, 2010. His term of office as a regular member of the Management Board runs for three years.

Pension plan: The pension contract for Mr. Marcel Kießling provides for a pension commitment based on a defined contribution that is largely in line with the pension provisions based on a defined contribution for executive staff (BVR). Each year, on July 1 the Company deposits into an investment fund 38 percent (in BVR: 3 percent) of his basic salary, applicable retroactively for the prior financial year. Depending on corporate earnings, this amount can be higher. The precise level of the pension, in turn, depends on the financial success of the investment fund. The pension may be paid as an early pension payment beginning at age 60. In any case, in the event of termination of employment with the Company, the pension will be paid at the age of 65, or respectively 60, principally in the form of a one-time payment of pension capital. Provision is also made for a disability and survivors' benefit (60 percent of the disability payment or pension) contingent on the amount of the last basic remuneration. In the case of a disability benefit, the percentage rate depends on the length of service with the Company – thereby differing from the BVR – with a maximum pension percentage rate of 60 percent due to attributable time. Should the service contract expire prior to the beginning of benefit payments, the claim to the established pension capital at that point in time remains valid. The other pension benefits (disability and survivors' benefits) earned in accordance with Section 2 of the Law to Improve Company Pension Plans (BetrAVG) remain valid on a pro rata basis. Otherwise, the statutory full vesting periods are considered to have been met.

MARCEL KIESSLING

Figures in € thousands

	1-Jan-2010 to 31-Mar-2010 **2009/2010**
Performance-neutral components [1]	
Base salary	75
Remuneration in kind	26
Performance-based remuneration [1]	
Bonus for the financial year	38 [4]
Cash remuneration	**139**
Components with long-term incentive effects	**–**
Remunerations	**139**
Number of PSUs under the LTI	1,800
Number of PSUs under the stock option program	6,750
Pension plan	
Accrued pension capital at financial year-end	153
Pension contribution for the reporting year [2]	34
Defined benefit obligation	271
Pension plan according to IFRS [3]	41

[1] For the period of membership on the Management Board during the period January 1 – March 31, 2010
[2] In accordance with the situation for pension-capable remuneration as of March 31, excluding the yet-to-be-determined profit-related share
[3] Service cost and interest cost
[4] Already at the beginning of the reporting year, the members of the Management Board stated in advance that they will forgo half of the bonuses to which they are entitled for financial year 2009/2010 under the terms of their contracts

STEPHAN PLENZ

Figures in € thousands

	1-Jul-2008 to 31-Mar-2009 2008/2009	**2009/2010**
Performance-neutral components		
Base salary	225	313
Remuneration in kind	7	9
Performance-based remuneration		
Bonus for the financial year	68	156[3]
Cash remuneration	300	**478**
Components with long-term incentive effects	–	**–**
Remunerations	300	**478**
Number of PSUs under the LTI	3,600	1,800
Number of PSUs under the stock option program	20,250	6,750
Pension plan		
Accrued pension capital at financial year-end	178	290
Pension contribution for the reporting year [1]	76	103
Defined benefit obligation	299	457
Pension plan according to IFRS [2]	82	120

[1] In accordance with the situation for pension-capable remuneration as of March 31 excluding the yet-to-be-determined profit-related share
[2] Service cost and interest cost
[3] Already at the beginning of the reporting year, the members of the Management Board stated in advance that they will forgo half of the bonuses to which they are entitled for financial year 2009/2010 under the terms of their contracts

Stephan Plenz has been a member of the Management Board since July 1, 2008. His term of office as a regular member of the Management Board runs for three years.

As of January 1, 2010, Mr. Plenz's fixed annual salary increased from € 300,000 to € 350,000.

Pension plan: The pension contract for Stephan Plenz provides for a pension commitment based on a defined contribution that is largely in line with the pension provisions based on a defined contribution for executive staff (BVR). Each year, on July 1 the Company deposits into an investment fund 33 percent (in BVR: 3 percent) of his basic salary, applicable retroactively for the prior financial year. Depending on corporate earnings, this amount can be higher. The precise level of the pension, in turn, depends on the financial success of the investment fund. The pension may be paid as an early pension payment beginning at age 60. In any case, in the event of termination of employment with the Company, the pension will be paid at the age of 65, or respectively 60, principally in the form of a one-time payment of pension capital. Provision is also made for a disability and survivors' benefit (60 percent of the disability payment or pension) contingent on the amount of the last basic remuneration. In the case of a disability benefit, the percentage rate depends on the length of service with the Company – thereby differing from the BVR – with a maximum pension percentage rate of 60 percent due to attributable time. Should the service contract expire prior to the beginning of benefit payments, the claim to the established pension capital at that point in time remains valid. The other pension benefits (disability and survivors' benefits) earned in accordance with Section 2 of the Law to Improve Company Pension Plans (BetrAVG) remain valid on a pro rata basis. Otherwise, the statutory full vesting periods are considered to have been met.

JÜRGEN RAUTERT

Figures in € thousands

	2008/2009	1-Apr-2009 to 26-Nov-2009 **2009/2010**
Performance-neutral components [1]		
Base salary	344	262
Remuneration in kind	11	8
Performance-based remuneration [1]		
Bonus for the financial year	103	175 [4]
Cash remuneration	458	**445**
Severance payment (performance-neutral)	–	**2,133**
Components with long-term incentive effects	–	**–**
Remunerations	458	**2,578**
Remunerations (excluding severance payments)	458	**445**
Number of PSUs under the LTI	9,000	4,500
Number of PSUs under the stock option program	–	–
Pension plan		
Expected pension per annum at retirement age [2]	205	205
Defined benefit obligation	1,790	3,084
Pension plan according to IFRS [3]	177	206

1) For the time of membership on the Management Board during the period April 1 – November 26, 2009
2) In accordance with the situation for pension-capable remuneration as of March 31
3) Service cost and interest cost
4) Already at the beginning of the reporting year, the members of the Management Board stated in advance that they will forgo half of the bonuses to which they are entitled for financial year 2009/2010 under the terms of their contracts

Dr. Jürgen Rautert was a member of the Management Board through November 26, 2009. He resigned his position as a Management Board member on November 26, 2009. His service contract, including further payment of his monthly basic compensation totaling € 29,167, was terminated by mutual agreement upon expiry of the service contract period as of December 31, 2009.

In this connection, Dr. Rautert received a severance payment amounting to € 700,000, or two annual base salary payments. He will further receive bonuses up to the original time of the termination of the contract on June 30, 2012 – in other words, for financial years 2009/2010, 2010/2011, and 2011/2012, as well as proportionately for financial year 2012/2013 – however, only to the extent that bonus payments are made to active members of the Company's Management Board. The waiver of one-half of the initially reduced bonus opportunities in financial year 2009/2010 and the following financial year within the framework of the new remuneration structure, therefore, will also apply to Dr. Rautert. Beginning on September 1, 2013, Dr. Rautert will begin receiving pension payments on the basis of 60 percent of his pension-applicable annual salary. Until he reaches the earliest-possible pension-eligible age in August 2013, beginning on January 1, 2012 Dr. Rautert will receive monthly transition payments amounting to the gross amount of € 14,584.

In addition, Dr. Rautert is to receive reimbursement of € 3,373.53 for attorney's costs that arose in connection with his resignation from the Company.

The annulment agreement with Dr. Rautert provides, finally, for a comprehensive covenant not to compete and consideration provisions in case Dr. Rautert takes up other employment.

Basic Characteristics of the Supervisory Board's Remuneration

The remuneration of the Supervisory Board is governed by the Articles of Association and approved by the Annual General Meeting. It comprises two components: a fixed annual remuneration of € 18,000, and a variable component that depends on the dividend. The variable remuneration amounts to € 750 for each € 0.05 in dividends per share paid in excess of € 0.45. In other words, the members of the Supervisory Board only receive an additional variable remuneration if the dividend exceeds € 0.50. Whereas fixed remuneration is paid after the financial year-end, the variable remuneration is only payable following the conclusion of the Annual General Meeting that approves the actions of the Supervisory Board for the relevant financial year. The Chairperson, his or her Deputy, as well as Committee Chairpersons and members of the Supervisory Board, receive remuneration increased by specific multipliers in view of their additional responsibilities. The Chairman of the Supervisory Board receives double the normal Supervisory Board remuneration, with the Deputy Chairman and the Committee Chairmen receiving 1.5 times and the members of the Supervisory Board Committees 1.25 times the normal Supervisory Board remuneration. A member of the Supervisory Board who holds more than one position only receives remuneration for the position with the greatest amount. Members of the Supervisory Board who only serve on the Board for part of the financial year receive pro rata remuneration. The same applies respecting the application of the multipliers if a member of the Supervisory Board is only active for a portion of the financial year for which he or she is entitled to increased remuneration. The members of the Supervisory Board also receive a lump-sum payment of € 500 for each meeting day as reimbursement for expenses during the exercise of their responsibilities unless proof is supplied for higher outlays. In addition, any value added tax levied against the remuneration of the Members of the Supervisory Board shall be reimbursed.

The remuneration of the Supervisory Board (excluding VAT) is as follows:

THE REMUNERATION OF THE SUPERVISORY BOARD (EXCLUDING VAT)

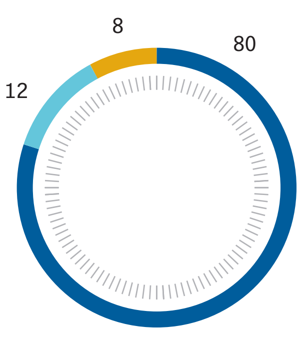
Figures in €

			2008/2009			**2009/2010**
	Fixed remuneration	Variable remuneration	Total	Fixed remuneration	Variable remuneration	**Total**
Dr. Mark Wössner [1]	39,493	0	39,493	40,646	0	40,646
Rainer Wagner [2]	31,000	0	31,000	32,000	0	32,000
Martin Blessing [3]	8,000	0	8,000	0	0	0
Dr. Werner Brandt [4]	19,375	0	19,375	26,000	0	26,000
Edwin Eichler [4]	14,500	0	14,500	19,000	0	19,000
Wolfgang Flörchinger	20,000	0	20,000	20,500	0	20,500
Martin Gauß	24,500	0	24,500	26,500	0	26,500
Mirko Geiger	26,500	0	26,500	28,000	0	28,000
Gunther Heller	20,000	0	20,000	20,500	0	20,500
Dr. Jürgen Heraeus [3]	9,000	0	9,000	0	0	0
Jörg Hofmann	19,509	0	19,509	20,000	0	20,000
Dr. Siegfried Jaschinski	19,500	0	19,500	20,000	0	20,000
Robert J. Koehler	20,000	0	20,000	20,000	0	20,000
Uwe Lüders [3]	7,000	0	7,000	0	0	0
Dr. Gerhard Rupprecht	23,500	0	23,500	26,000	0	26,000
Beate Schmitt	20,000	0	20,000	20,500	0	20,500
Prof. Dr.-Ing. Günther Schuh [4]	15,000	0	15,000	20,000	0	20,000
Dr. Klaus Sturany	31,879	0	31,879	32,000	0	32,000
Peter Sudadse	20,000	0	20,000	20,000	0	20,000
Total	388,756	0	388,756	391,646	0	**391,646**

[1] Chairman of the Supervisory Board
[2] Deputy Chairman of the Supervisory Board
[3] On the Supervisory Board until July 18, 2008
[4] On the Supervisory Board since July 18, 2008

SHAREHOLDER STRUCTURE

Figures in percent



Information According to Section 289 (4) of the German Commercial Code

In accordance with Section 289 (4) nos. 1 – 9 of the Commercial Code, in the Management Report we address all points that may be of significance should a public takeover bid occur for Heidelberg.

The **subscribed capital** (share capital) of Heidelberger Druckmaschinen Aktiengesellschaft amounted to € 199,791,191.04 at financial year-end and is apportioned among 78,043,434 no-par bearer shares. The shares are not subject to restricted transfer rights. In accordance with Section 71b of the Stock Corporation Act, the Company is not entitled to any rights arising from the 400,000 own shares it is holding. The Company's Management Board is not aware of any other limitations to voting rights or to the transfer of shares.

As of the March 31, 2010 reporting date, **free float** was nearly 80 percent. In accordance with Section 21 (1) of the Securities Trading Act (Wertpapierhandelsgesetz), on September 20, 2002 the Munich-based firm Allianz SE informed us that it maintained a 12.03 percent **indirect participation** in the capital of the Company as of that date. On May 25, 2009 RWE Aktiengesellschaft, Essen, informed us that its participation amounted to 8.008 percent as of that date. No shareholder has **special rights** that would grant a power of audit. Furthermore, no separate control over voting rights or audit privileges of employees participating in the capital are held that have not been directly exercised.

The **appointment and recall of the members of the Company's Management Board** occur in connection with Sections 84 ff. of the Stock Corporation Act in association with Sections 30 ff. of the Codetermination Act. **Changes in the Articles of Association** occur in accordance with the provisions of Sections 179 ff. (133) of the Stock Corporation Act in association with Section 19 (3) of Heidelberg's Articles of Association. According to Section 19 (3) of the Articles of Association, unless statutory provisions stipulate otherwise, decisions are deemed to be approved by a simple majority of submitted votes. If legal provisions require a majority of shareholdings in addition to a majority of votes, then decisions are deemed to be approved by a simple majority of shareholdings that are represented. According to Section 15 of the Articles of Association, the Supervisory Board is authorized to revise or add to the current version of the Articles of Association.

Heidelberg may only acquire its own shares in accordance with Section 71 (1) nos. 1 – 6 of the Stock Corporation Act. With the consent of the Supervisory Board, the Management Board is authorized to undertake the following actions vis-à-vis the Company's own shares held as of March 31, 2010 under exclusion of the subscription right of the shareholders:

> to sell the Company's own shares if the transaction is for cash and at a price as defined in the authorization that is not substantially below the stock market price; the volume of shares thereby sold together with shares that have been issued since July 18, 2008 under exclusion of subscription rights may not exceed a total of 10 percent of the existing share capital, or – if this value is less – 10 percent of the share capital existing at the time the authorization is exercised;
> to offer and transfer the Company's own shares to third parties if investments are thereby acquired in companies or divisions of companies, or if mergers are thereby implemented;
> to offer and transfer the Company's own shares to members of the Company's Management Board as well as to members of senior management within the framework of the Company's stock option program; this program was approved by the Company's Annual General Meeting on September 29, 1999 under Agenda Item 8;
> to make use of the Company's own shares in fulfillment of obligations arising from convertible bonds and/or bonds with warrants that have been, or will be, issued by a member of the Heidelberg Group; and
> to make use of the Company's own shares in order to terminate or similarly execute expedited shareholder action under corporate law.

This authorization may be executed either in full or in part.

The Management Board is further authorized, with the consent of the Supervisory Board, to recall the Company's own shares without the need for additional authorization from the Annual General Meeting. This authorization may be executed either in full or in part.

With the consent of the Supervisory Board, up to July 1, 2011 the Management Board may increase the share capital of the Company at one time or in stages through the issue of new shares against cash or contributions in kind, by up to a maximum amount of up to € 59,937,356.80; the subscription right of the shareholders may be excluded. Details concerning "**Authorized Capital 2008**" can be found in Section 3 (6) of the Articles of Association.

With the consent of the Supervisory Board, up to July 1, 2014 the Management Board is authorized to increase the share capital of the Company at one time or in stages through the issue of new shares against cash or contributions in kind, up to a maximum amount of € 39,958,236.16; the subscription right of shareholders may be excluded. Details concerning "**Authorized Capital 2009**" can be found in Section 3 (9) of the Articles of Association.

The share capital of the Company is increased on a contingent basis as follows:

- On September 29, 1999, the Annual General Meeting authorized the Management Board to grant subscription rights to the Company's shares ("stock options") to members of the Company's Management Board, to members of the management units of the Company's affiliated enterprises, and to members of senior management of the Company and of affiliated enterprises. For this purpose, share capital was increased by up to € 10,996,288.00 on a contingent basis; details on "**Contingent Capital**" are included in Section 3 (3) of the Articles of Association. The Company has the option of making a cash settlement in place of issuing shares to those entitled to participate. As of March 31, 2010, total still exercisable subscription rights issued by the Management Board on the basis of this authorization totaled 493,860 options, of which 30,750 options have been designated for the Management Board.
- A resolution by the Annual General Meeting of July 21, 2004 authorized the Management Board, in agreement with the Supervisory Board, to issue bearer options and/or convertible bonds up to July 20, 2009 in the total nominal amount of up to € 500,000,000.00, with a maximum term of 20 years, thereby granting options and/or the conversion rights to new shares up to a maximum amount of € 21,992,570.88; the subscription right of the shareholders may be excluded. The share capital was therefore increased on a contingent basis by up to € 21,992,570.88. For details, please refer to the "**Contingent Capital II**" segment of Section 3 (4) of the Articles of Association. Heidelberg has made partial use of this authorization. The convertible bond that was issued via a wholly owned subsidiary of the Group was repaid in full on March 30, 2010. Details of this transaction can be found in Note 22 of the financial statements.
- On July 20, 2006, the Annual General Meeting authorized the Management Board, in agreement with the Supervisory Board, to issue bearer warrants and/or convertible bonds through July 19, 2011 in a total nominal amount of up to € 500,000,000.00 with a maximum term of 30 years, thereby granting option and/or conversion rights to new shares in a pro rata amount of the share capital in the total amount of up to € 21,260,979.20. The subscription right of the shareholders may be excluded. The share capital was accordingly increased by up to € 21,260,979.20 on a contingent basis. Details concerning "**Contingent Capital 2006**" can be found in Section 3 (5) of the Articles of Association.

> On July 18, 2008, the Annual General Meeting authorized the Management Board, in agreement with the Supervisory Board, to issue up to July 17, 2013 bearer convertible bonds and/or bonds with warrants, profit sharing rights, and/or profit participating bonds or combinations of these instruments either with or without a limit to the term with a total nominal amount of up to € 500,000,000.00, and to grant the bearers and creditors, respectively, of bonds or conversion and option rights, to bearer shares of the Company, with a pro rata share of the share capital totaling up to € 19,979,118.08 subject to the conditions governing the bonds. The subscription rights of the shareholders may be excluded. The share capital was thereby increased on a contingent basis by up to € 19,979,118.08. Details are included in the "**Contingent Capital 2008/I**" segment of Section 3 (7) of the Articles of Association.

> On July 18, 2008, the Annual General Meeting authorized the Management Board, in agreement with the Supervisory Board, to issue up to July 17, 2013 bearer convertible bonds and/or bonds with warrants, participation rights and/or income bonds or combinations of these instruments either with or excluding a limit to the period of validity, in the total nominal amount of up to € 500,000,000.00 either with or without a limit on the term with a total nominal amount of up to € 19,979,118.08 subject to the conditions governing the bonds. The subscription rights of the shareholders may be excluded. The share capital was thereby increased on a contingent basis by up to € 19,979,118.08. Details are included in the "**Contingent Capital 2008/II**" segment of Section 3 (8) of the Articles of Association.

All syndicated credit lines of Heidelberger Druckmaschinen Aktiengesellschaft have standard "**Change of Control**" clauses that grant the contracting parties additional rights to information and cancellation should a change occur in the control over or the majority ownership structure in the Company. Equally standard provisions granting the contracting parties the right of cancellation and early repayment are provided for in the two remaining borrower's note loans.

And finally, a technology license agreement with a manufacturer and supplier of software products includes a “Change of Control” provision that grants each party a 90-day right of cancellation should at least 50 percent of the shares or of the voting rights of the other party be acquired by a third party.

No compensation agreements have been entered into by the Company that would affect members of the Company’s Management Board or the employees in case of a takeover bid.

Information According to Section 289a of the German Commercial Code/ Statement of Corporate Governance

The Statement of Corporate Governance may be viewed at any time on our Internet Web site at **www.heidelberg.com** in the section “Investor Relations” under “Corporate Governance”.

FINANCIAL STATEMENTS 2009/2010

OF HEIDELBERGER DRUCKMASCHINEN AKTIENGESELLSCHAFT

Income statement 2009/2010

> INCOME STATEMENT

Figures in € thousands

	Note	1-Apr-2008 to 31-Mar-2009	1-Apr-2009 to 31-Mar-2010
Net sales	4	1,552,937	1,016,158
Change in inventories		131,731	– 52,576
Other own work capitalized		44,678	10,562
Total operating performance		1,729,346	974,144
Other operating income	5	140,491	208,021
Cost of materials	6	652,145	445,004
Personnel expenses	7	784,938	540,740
Depreciation and amortization of intangible assets and property, plant, and equipment		45,875	45,319
Other operating expenses	8	434,007	249,863
Result from operating activities		– 47,128	– 98,761
Result from financial assets	9	55,822	– 62,238
Other interest and similar income	10	27,329	23,314
Interest and similar expenses	11	55,409	88,555
Financial result		27,742	– 127,479
Result from ordinary activities		– 19,386	– 226,240
Extraordinary income	12	0	122,387
Taxes on income	13	– 89,190	1,874
Net loss/profit (previous year)		69,804	– 105,727
Profit carry forward from the previous year		9,377	527
Withdrawals from capital reserves	19	0	10,981
Withdrawals from revenue reserves	19		
from the legal reserve		0	20,451
from the reserve for treasury stock		5,346	0
from other revenue reserves		0	74,444
Transfers to revenue reserves	19		
to the reserve for treasury stock		0	– 676
to other revenue reserves		– 34,000	0
Distributable profit		50,527	0

Balance sheet as of March 31, 2010

> ASSETS

Figures in € thousands

	Note	31-Mar-2009	31-Mar-2010
Fixed assets	14		
Intangible assets		12,131	38,543
Tangible assets		448,511	339,985
Financial assets		1,351,201	1,472,085
		1,811,843	1,850,613
Current assets			
Inventories	15	580,785	511,757
Receivables and other assets	16	574,007	480,272
Securities	17	1,456	2,132
Cash and cash equivalents		16,897	3,433
		1,173,145	997,594
Prepaid expenses	18	7,260	24,578
		2,992,248	2,872,785

> EQUITY AND LIABILITIES

Figures in € thousands

	Note	31-Mar-2009	31-Mar-2010
Shareholders' equity	19		
Subscribed capital		199,791	199,791
Capital reserve		30,981	20,000
Revenue reserves		279,215	234,996
Distributable profit		50,527	0
		560,514	454,787
Special items	20	7,069	5,039
Provisions			
Provisions for pensions and similar obligations		637,573	651,527
Other provisions	21	496,343	375,739
		1,133,916	1,027,266
Liabilities	22	1,286,572	1,382,267
Deferred income		4,177	3,426
		2,992,248	2,872,785

> STATEMENT OF CHANGES IN FIXED ASSETS

Figures in € thousands

	Cost				
	1-Apr-2009	Additions	Disposals	Transfers	31-Mar-2010
Intangible assets					
Software, rights of use, and other rights	85,011	32,237	– 2,679	70	114,639
Advance payments	96	0	0	– 96	0
	85,107	32,237	– 2,679	– 26	114,639
Tangible assets					
Land and buildings	577,764	228	– 298,906	– 20	279,066
Technical equipment and machinery	523,911	8,219	– 9,566	19,739	542,303
Other equipment, operating and office equipment	641,302	17,899	– 51,587	5,312	612,926
Advance payments and assets under construction	31,372	10,926	– 68	– 25,005	17,225
	1,774,349	37,272	– 360,127	26	1,451,520
Financial assets					
Shares in affiliated companies	2,037,088	125,253	– 939	0	2,161,402
Participations	3,929	0	0	0	3,929
Long-term investments	371,938	0	0	0	371,938
Other loans	4,104	1,505	– 1,009	0	4,600
	2,417,059	126,758	– 1,948	0	2,541,869
	4,276,515	196,267	– 364,754	0	4,108,028

Cumulative depreciation and amortization						Carrying amounts	
1-Apr-2009	Additions	Disposals	Transfers	Write-ups	**31-Mar-2010**	31-Mar-2009	**31-Mar-2010**
72,976	5,799	– 2,679	0	0	76,096	12,035	38,543
0	0	0	0	0	0	96	0
72,976	5,799	– 2,679	0	0	76,096	12,131	38,543
386,085	5,106	– 211,981	– 151	0	179,059	191,679	100,007
447,191	9,272	– 9,479	14	0	446,998	76,720	95,305
492,562	25,142	– 32,363	137	0	485,478	148,740	127,448
0	0	0	0	0	0	31,372	17,225
1,325,838	39,520	– 253,823	0	0	1,111,535	448,511	339,985
1,061,420	28,637	0	0	– 25,000	1,065,057	975,668	1,096,345
542	0	0	0	0	542	3,387	3,387
3,579	337	0	0	0	3,916	368,359	368,022
317	76	– 124	0	0	269	3,787	4,331
1,065,858	29,050	– 124	0	– 25,000	1,069,784	1,351,201	1,472,085
2,464,672	74,369	– 256,626	0	– 25,000	2,257,415	1,811,843	1,850,613

Notes to the annual financial statements 2009/2010

1 Preliminary remarks

The presentation of the annual financial statements is based on the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The German Accounting Legislation Modernization Act (BilMoG) came into effect on May 29, 2009. To the extent that the adoption of the provisions amended by BilMoG were not yet mandatory for the 2009/2010 financial year, the option for early adoption was not exercised; for this reason, unless stated otherwise, legal information provided in these notes relates to the version of the German Commercial Code prior to BilMoG.

The classification of the income statement is based on the total cost method. Certain income statement and balance sheet items have been combined to improve the clarity of presentation. In addition to this, we present below a breakdown of individual items with supplemental explanations and notes.

The figures shown in the tables are fundamentally presented in € thousands.

2 Currency translation

Business transactions in foreign currencies are evaluated at the exchange rate in effect at the time of their initial entry, in case of coverage through hedging activities at the hedging rate. With respect to current receivables and liabilities, losses from exchange-rate fluctuations are booked directly to the income statement at the financial year-end exchange rate.

For the presentation of shareholdings the financial statements drawn up in foreign currencies with regard to assets and liabilities are translated at the financial year-end exchange rate and with regard to expenses and income at the average annual exchange rate.

3 Accounting policies

Acquisition costs also include directly allocable ancillary costs of acquisition. Manufacturing costs take into account pro rata variable overhead costs as well as the direct cost of materials, and salaries and wages.

Impairment losses recognized on current and non-current assets in previous years were retained if the reasons for these losses still exist.

Intangible assets for which capitalization is limited to acquisitions are capitalized at cost and amortized on a straight-line basis over their expected useful life.

Tangible assets are carried at cost less depreciation and impairment losses (if permanent). Since April 1, 2008, depreciation has been recognized solely in line with the straight-line method on the basis of individual technical and economic useful lives. Assets acquired during a financial year are depreciated pro rata temporis on the basis of the number of months for which they have been held. Low-value assets with a cost of between € 60 and € 410 that were acquired between April 1, 2007 and December 31, 2007 are depreciated over a period of five years. In accordance with Section 6 (2a) of the German Income Tax Act (EStG), omnibus items are recognized for depreciable movable non-current assets with a cost of between € 150 and € 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.

In financial assets, shares in affiliated enterprises, participations, and securities are carried at cost or, if permanently impaired, at the lower of market or 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 were based on the weighted average cost method. Costs were measured at full cost; those costs eligible for recognition as assets in accordance with Section 255 (2) sentences 2 to 5 HGB were therefore included. If lower replacement prices are applicable at the balance sheet date 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 (cost). All discernible individual risks and the general credit risk were taken into account by appropriate valuation allowances. Non-interest-bearing receivables in other assets are discounted to their present value.

Securities classified as current assets are carried at the lower of cost or market at the reporting date; this relates exclusively to treasury stock.

Tax-exempt allowances and taxable subsidies for investments are accrued to fixed assets as special items for investment subsidies. The tax-exempt allowances and taxable subsidies are offset in line with depreciation.

Provisions for pensions and similar obligations take into account temporary financial assistance in case of death that is insured under labor law, in addition to payments under our pension system. The determination is undertaken on the basis of actuarial calculations according to the partial value method based on an interest rate of 3.5 percent and taking into consideration the current 2005G Heubeck standard tables. If the prerequisites are met for full pension vesting, for employees who began work before their 30th birthday the date of initial employment is used in the calculations as the basis – at the earliest, however, their 20th birthday.

Obligations similar to vested pensions under social security provisions and collective bargaining agreements are accrued in installments at their partial value under application of an interest rate of 3.5 percent and assessed in accordance with the current 2005G Heubeck standard tables.

The measurement of other provisions takes into account all discernible, reportable risks and uncertain liabilities. The measurement is based on prudent business judgment. Provisions are also recognized for warranties without legal liability.

Liabilities are accrued at their repayment amount and obligations similar to bonds at their net present value.

Prepaid expense and deferred income items are formed for expenditures and revenues that represent expenses and income for a certain period of time following the closing of the books.

Valuations of contingent liabilities correspond to the extent of liability at financial year-end.

Notes to the income statement

4 Sales

	2008/2009	2009/2010
Europe, Middle East and Africa	814,423	466,012
Eastern Europe	136,300	96,159
North America	135,611	53,740
Latin America	124,519	87,201
Asia/Pacific	342,084	313,046
	1,552,937	1,016,158

€ 849,541 thousand or 84 percent of total sales were generated abroad.

The sales generated by Heidelberger Druckmaschinen Aktiengesellschaft relate almost exclusively to the Press Division of the Heidelberg Group.

5 Other operating income

	2008/2009	2009/2010
Release of provisions	23,791	73,497
Income from affiliated companies	62,351	51,592
Write-ups		
Investments classified as current assets (treasury stock)	0	676
Shares in affiliated companies	0	25,000
Income from operating facilities	7,524	6,375
Income from the release of special items		
for investment subsidies	2,267	1,881
with an equity portion	27,632	0
Other income	16,926	49,000
	140,491	208,021

At € 38.9 million, the largest single item in the release of provisions is the partial release of the provision recognized in the previous year for the **Heidelberg 2010** package of measures. The basis of this is the agreement between the management and workforce representatives on the reconciliation of interests and an employee termination benefits plan at the German locations on October 7, 2009.

The reversal of the write-down on shares in affiliated enterprises is described in note 14. The rise in other income essentially resulted from the reimbursement of social security premiums for reduced working hours (see note 7).

Other operating income includes prior-period income of € 73.5 million from the release of provisions.

6 Cost of materials

	2008/2009	**2009/2010**
Expenses for raw materials, consumables, and supplies and for goods purchased	521,174	369,912
Cost of purchased services	130,971	75,092
	652,145	445,004

The decline in cost of materials essentially resulted from the decline in sales.

7 Personnel expenses and employees

	2008/2009	**2009/2010**
Wages and salaries	620,388	372,714
Social security and other pension costs	164,550	168,026
– of which: for pensions	(66,196)	(61,470)
	784,938	540,740

The decline in personnel expenses was primarily due to reduced working hours. In addition, the figure for the previous year had included expenses of € 128.7 million for the **Heidelberg 2010** package for the headcount reduction. In the year under review, the item "Wages and salaries" also included € 23.5 million for further efficiency enhancement measures as part of our new segment structure from April 1, 2010.

In contrast to reimbursements from money for reduced working hours, the reimbursement of social security premiums for reduced working hours cannot be netted in accordance with Section 246 (2) HGB. Reimbursed social security premiums for reduced working hours are therefore reported under other operating income.

Average number of employees	2008/2009	**2009/2010**
Heidelberg	2,199	1,981
Wiesloch-Walldorf	6,011	5,511
Amstetten	1,162	1,075
Brandenburg	676	639
Kiel	335	322
	10,383	9,528
Trainees	605	618
	10,988	10,146

Not included in the number of employees are trainees, graduating students, dormant employees, and employees in the exemption phase of their partial retirement.

8 Other operating expenses

	2008/2009	**2009/2010**
Costs of other third-party services	107,628	63,802
Special direct sales expenses	52,258	45,098
Rental and leasing expenses	32,999	37,951
Maintenance	40,303	20,796
Net transfers to and utilization of provisions, regarding several expense types	17,101	13,489
Insurance costs	7,713	6,603
Travel expenses	8,029	3,961
Write-downs on receivables and other assets	5,519	3,231
Advertising costs	23,457	2,990
Non-production-related overhead costs	6,821	1,836
Other taxes	1,153	514
Other costs	131,026	49,592
	434,007	249,863

Other operating expenses also include expenses of € 1.6 million (previous year: € 19.5 million) from the **Heidelberg 2010** package and € 6.9 million for other structural measures. The rise in rental expenses was due to a rental agreement concluded with Heidelberger Druckmaschinen Real Estate GmbH & Co. KG in the current financial year (see note 12). The decline in other types of expenses is primarily due to our extensive measures to cut costs. A further key factor was that the figures for the previous year included the costs of our appearance at the drupa trade show.

9 Result from financial assets

	2008/2009	2009/2010
Income from investments		
Income from profit transfer agreements	82,985	4,798
Income from other investments	11,933	5,236
	94,918	10,034
– of which: from affiliated companies	(94,918)	(10,034)
Income from other securities and long-term loans	17,399	19,397
Write-downs of financial assets and securities classified as current assets	– 9,382	– 29,050
Cost of loss assumption	– 47,113	– 62,619
– of which: from affiliated companies	(– 47,113)	(– 62,619)
	55,822	– 62,238

Income from profit transfer agreements includes € 2.3 million in distributions from two foreign Group companies to a German-controlled entity.

The income from other investments relates to Heidelberger Druckmaschinen Real Estate GmbH & Co. KG.

Profit distributions by a foreign Group company to a German controlled entity of € 4.5 million led to a reduction in expenses from the assumption of losses. Expenses from the assumption of losses were increased by write-downs at a German-controlled entity to a foreign Group company of € 29.7 million.

The write-downs on financial assets (see note 14) and securities classified as current assets (see note 17) are impairment losses. The income from the reversal of an impairment loss at a subsidiary is reported under other operating income (see note 5).

10 Other interest and similar income

	2008/2009	2009/2010
Interest income	27,329	23,314
– of which: from affiliated companies	(20,602)	(21,809)
	27,329	23,314

11 Interest and similar expenses

	2008/2009	2009/2010
Interest expenses	55,409	88,555
– of which: to affiliated companies	(26,844)	(8,709)
	55,409	88,555

The rise in interest and similar expenses is primarily a result of the increase in financing costs and the loss in connection with the sale of a corporate income tax credit of € 17.9 million.

12 Extraordinary income

	2008/2009	2009/2010
Extraordinary income	0	122,387
	0	122,387

In the 2009/2010 financial year, operating properties at the Wiesloch-Walldorf location (land, buildings, exterior facilities) were sold to Heidelberger Druckmaschinen Real Estate GmbH & Co. KG, a wholly owned and fully consolidated subsidiary. To the extent that Heidelberger Druckmaschinen Aktiengesellschaft has no other right of use to the properties sold, they have been used since the sale on the basis of a rental agreement concluded between the parties. The extraordinary income is the profit generated on the transaction.

13 Taxes on income

	2008/2009	2009/2010
Taxes on income	– 89,190	1,874
	– 89,190	1,874

Tax expenses in the year under review primarily relate to withholding tax deductions on interest income received from subsidiaries. Taxes on income resulted in net income in the previous year. This mainly relates to prior periods and thus results from the partial reversal of tax provisions due to the conclusion of the external audit.

Notes to the balance sheet

14 Fixed assets

Intangible assets increased by € 26.4 million in net terms in the financial year. The additions primarily relate to a right of use for the Wiesloch-Walldorf properties that was agreed in connection with their sale.

The net reduction in tangible assets was € 108.5 million. Additions and disposals are shown in the statement of changes in fixed assets. The main disposals were the Wiesloch-Walldorf properties (see note 12).

No impairment losses were recognized in the current financial year (previous year: € 0.1 million).

Financial assets increased by € 120.9 million in net terms. Capital increases at three subsidiaries (€ 125.3 million) were offset by the disposal of Heidelberg Peru S.A. (€ 0.9 million) and write-downs on five investments in the amount of € 28.6 million (previous year: € 3.8 million). A write-up of € 25.0 million on one investment was reversed as it was no longer impaired.

Financial assets still include units in a specialized investment fund in the amount of € 368.0 million. Under the terms of two trust agreements concluded in connection with a contractual trust arrangement (CTA), these assets are used exclusively to finance pension obligations.

15 Inventories

	31-Mar-2009	31-Mar-2010
Raw materials, consumables, and supplies	97,776	90,298
Products and services in progress	253,606	283,724
Finished goods and merchandise	228,410	137,477
Advance payments	993	258
	580,785	511,757

Inventories were reduced by € 69.0 million year-on-year as a result of selective measures to lower net working capital.

16 Receivables and other assets

	31-Mar-2009	of which with a remaining term of more than 1 year	31-Mar-2010	of which with a remaining term of more than 1 year
Trade receivables	45,583	0	50,082	0
Receivables from affiliated companies	327,988	0	296,664	0
Other assets	200,436	70,313	133,526	29,611
	574,007	70,313	480,272	29,611

Receivables from affiliated enterprises relate primarily to short-term loans to subsidiaries of the Heidelberg Group.

Other assets mainly include the capitalized value of insurance policies, option premiums paid, receivables from our special fund from distributions, and receivables from the German Federal Labor Agency for reduced working hours. € 0.2 million of the tax refund claims arose after the end of the financial year (previous year: € 4.7 million). The capitalized value of insurance policies relates exclusively to retirement benefits for current and former members of the Management Board. The corporate income tax credit reported under other assets in the previous year was sold in the course of the financial year.

17 Securities

	31-Mar-2009	31-Mar-2010
Treasury stock	1,456	2,132
	1,456	2,132

The treasury stock still includes 400,000 shares. The amount attributable to share capital is € 1,024 thousand with a notional share of share capital of 0.51 percent as of March 31, 2010. See note 19 for further information.

The change in treasury stock is due to the reversal of the write-up to market price as of the balance sheet date.

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 € 18.0 million (previous year: € 5.8 million).

19 Shareholders' equity

	1-Apr-2009	Appropriation of profits as per the resolution of the Annual General Meeting on July 23, 2009	Net loss for the current financial year	Change in reserves in the current financial year	31-Mar-2010
Subscribed capital	199,791	0	0	0	199,791
Capital reserves	30,981	0	0	– 10,981	20,000
Revenue reserves					
Legal reserve	20,451	0	0	– 20,451	0
Reserve for treasury stock	1,456	0	0	676	2,132
Other revenue reserves	257,308	50,000	0	– 74,444	232,864
	279,215	50,000	0	– 94,219	234,996
Distributable profit	50,527	– 50,000	– 105,727	105,200	0
Shareholders' equity	560,514	0	– 105,727	0	454,787

Share capital / number of shares outstanding / treasury stock

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

In the 2006/2007 and 2007/2008 financial years, Heidelberger Druckmaschinen Aktiengesellschaft acquired treasury stock in two share buyback programs; the last share buyback program was completed on September 4, 2007. The repurchased shares could only be utilized to reduce the Company's share capital or for employee share participation programs, as well as other forms of share distribution to the employees of the Company or a subsidiary or to individuals who are or were employed by the Company or subsidiaries. As in the previous year, the share capital of Heidelberger Druckmaschinen Aktiengesellschaft amounts to € 199,791,191.04 and is divided into 78,043,434 shares.

As of March 31, 2010, the Company holds 400,000 shares, as in the previous year. The shares were acquired in March 2007. The amount allocated to share capital is € 1,024 thousand, with a notional share of share capital of 0.51 percent as of March 31, 2010 (previous year: 0.51 percent). The cost of the acquisition was € 13,246 thousand. Additional transaction fees amounted to € 12 thousand. Accordingly, the total cost of the acquisition was € 13,258 thousand. On account of the increase in the market price, write-ups were reversed in the amount of € 676 thousand as of March 31, 2010 (previous year: write-down of € 5,346 thousand).

At the Annual General Meeting on July 18, 2008, the Management Board was again authorized to acquire treasury shares in an amount of up to 10 percent, including with use of derivatives in an amount of up to 5 percent, of the share capital available at that time or – should this amount be lower – of the share capital available at the time of the authorization's implementation for any permissible purpose up to January 15, 2010. Under certain conditions described in more detail in the resolution of the Annual General Meeting on July 18, 2008, it was also possible to use the shares while disapplying subscription rights; these options for use also applied to the treasury shares already held by the Company. The authorization of the Annual General Meeting of July 26, 2007 was canceled by the Annual General Meeting on July 18, 2008. By the time it expired on January 15, 2010, the Management Board had not utilized the authorization of the Annual General Meeting of July 18, 2008.

Convertible bond

On the basis of the authorization of the Annual General Meeting on July 21, 2004 to issue bearer bonds with warrants and/or convertible bonds with a total nominal amount of up to € 500,000,000.00 with a term of not more than 20 years, a convertible bond with a nominal amount of € 280 million was issued via the wholly owned financing subsidiary Heidelberg International Finance B.V., Boxmeer, the Netherlands, on February 9, 2005, guaranteed by Heidelberger Druckmaschinen Aktiengesellschaft. The bond was issued in € 100,000.00 denominations and matures on February 9, 2012. The bond carried a conversion right to no-par-value shares of Heidelberger Druckmaschinen Aktiengesellschaft which, at the discretion of the respective bearer, could be exercised between March 22, 2005 and January 30, 2012 in accordance with the conditions governing the bonds at a conversion price determined upon issue of € 39.63 (before possible adjustments for dividend payouts and capital measures). The interest coupon was 0.875 percent p. a. and was payable annually – for the first time on February 9, 2006. The annual yield to maturity was 3 percent. From February 9, 2009, in accordance with the conditions governing the bonds, Heidelberg was entitled to repay the convertible bond in full or in part through payment of the then accrued nominal amount plus interest accrued by the repayment date. As of February 9, 2010, the respective bearer of the convertible bond had the right to early repayment of the bond through payment of the then accrued nominal amount plus interest accrued by the repayment date.

As of July 21, 2008, in accordance with the conditions governing the bonds, the conversion price was adjusted to € 35.47 for the last time. This adjustment occurred due to the dividend distribution of € 0.95 per share for the financial year 2007/2008.

In the third quarter of financial year 2009/2010, most of the investors in our convertible bond exercised their right to early repayment in accordance with Section 4 (5) of the terms and conditions in a nominal amount of € 270,600 thousand as of February 9, 2010. The outstanding total nominal amount of the remaining bonds therefore amounted to € 9,400 thousand.

In the fourth quarter, Heidelberg International Finance B.V., Boxmeer, the Netherlands, exercised its right to early repayment of the remaining € 9,400 thousand under Section 4 (4) of the terms and conditions.

In accordance with a decision of the Annual General Meeting on July 20, 2006, the Management Board was authorized, in agreement with the Supervisory Board, to issue through July 19, 2011, either at one time or in stages, bearer warrants and/or convertible bonds in a total face value of up to € 500,000,000.00 with a term to maturity of a maximum of 30 years, as well as to grant option rights to the holders of bonds with warrants or conversion rights for the holders of convertible bonds to bearer shares of the Company in a pro rata amount of the share capital in a total amount of up to € 21,260,979.20 subject to the conditions of the option or of the convertible bond.

As, with regard to the Company's existing authorization from 2006 to issue convertible bonds and bonds with warrants, doubts had arisen about their admissibility under company law owing to verdicts of courts of law, the Management Board was granted two authorizations at the Annual General Meeting on July 18, 2008, which in principle have the same content, but which differ with regard to the option and conversion prices stipulated, for the issue of convertible bonds and/or bonds with warrants, profit-sharing rights, and/or profit participating bonds (or combinations of these instruments) with or without a limit on the term with a total nominal amount of up to € 500,000,000.00 and to grant conversion or option rights on bearer shares in the Company with a total pro rata amount of share capital of up to € 19,979,118.08 to the bearers or creditors of bonds and while disapplying subscription rights. These supplement the authorization granted on July 20, 2006 to issue bonds with warrants or convertible bonds, but do not increase the amount of share capital up to which the Management Board can arrange option rights, conversion rights, or conversion obligations.

Contingent capital

The Company has the following contingent capital:

According to Article 3 (3) of the Articles of Association and the resolution of the Annual General Meeting of September 29, 1999, the share capital of Heidelberger Druckmaschinen Aktiengesellschaft can be contingently increased by up to € 10,996,288.00 by issuing up to 4,295,425 shares (**Contingent Capital**). The sole purpose of the contingent capital is to grant subscription rights to members of the Company's Management Board, to members of the management bodies of subsidiaries, and other senior management staff of the Company and its subsidiaries.

According to Article 3 (4) of the Articles of Association and the resolution of the Annual General Meeting of July 21, 2004, the share capital can also be contingently increased by up to € 21,992,570.88 by issuing up to 8,590,848 new bearer shares with a pro rata amount of share capital of € 2.56 each (**Contingent Capital II**). Contingent Capital II is for the purpose of granting option rights or option obligations to the bearers of warrants under bonds with warrants in accordance with the option conditions; or for the purpose of granting conversion rights or conversion obligations to the bearers of convertible bonds in accordance with the convertible bond conditions, which are issued by the Company or a subsidiary Group company by July 20, 2009, as authorized by the resolution of the Annual General Meeting of July 21, 2004.

According to Article 3 (5) of the Articles of Association and the resolution of the Annual General Meeting of July 20, 2006, the share capital can be contingently increased by up to € 21,260,979.20 by issuing up to 8,305,070 new bearer shares with a pro rata amount of share capital of € 2.56 each (**Contingent Capital 2006**). This contingent capital increase will be carried out only to the extent that bearers of option or conversion rights or those obliged to exercise their conversion rights/options from bonds with warrants or convertible bonds issued or guaranteed by the Company or a subsidiary Group company exercise their option or conversion rights or fulfill their obligation regarding conversion/the exercising of options. The new shares are issued at the option or conversion price to be determined according to the enabling resolution as described under "Convertible bond".

To secure the option and/or conversion rights or obligations arising from bonds or similar instruments created on the basis of the authorizations granted at the Annual General Meeting of July 18, 2008 and presented under "Convertible bond", the following two contingent capitals have been created:

According to Article 3 (7) of the Articles of Association and the resolution of the Annual General Meeting of July 18, 2008, the share capital can be contingently increased by up to € 19,979,118.08 by issuing up to 7,804,343 new bearer shares with a pro rata amount of share capital of € 2.56 each (**Contingent Capital 2008/I**). The contingent capital increase is for the purpose of granting bearer shares to the bearers or creditors of convertible bonds and/or bonds with warrants, profit-sharing rights, and/or participating bonds (or combinations of these instruments) that were issued by the Company or one of its direct or indirect Group companies on the basis of the authorization resolved at the Annual General Meeting on July 18, 2008 under agenda item 9 a) and that grant a conversion or option right to bearer shares in the Company or that stipulate a conversion obligation.

According to Article 3 (8) of the Articles of Association and the resolution of the Annual General Meeting of July 18, 2008, the share capital can be contingently increased by up to € 19,979,118.08 by issuing up to 7,804,343 new bearer shares with a pro rata amount of share capital of € 2.56 each (**Contingent Capital 2008/II**). The contingent capital increase is for the purpose of granting bearer shares to the bearers or creditors of convertible bonds and/or bonds with warrants, profit-sharing rights, and/or participating bonds (or combinations of these instruments) that were issued by the Company or one of its direct or indirect Group companies on the basis of the authorization resolved at the Annual General Meeting on July 18, 2008 under agenda item 10 a) and that grant a conversion or option right to bearer shares in the Company or that stipulate a conversion obligation.

Authorized capital

By way of resolution of the Annual General Meeting of July 18, 2008, the Management Board is authorized, with the approval of the Supervisory Board, to increase the share capital of Heidelberger Druckmaschinen Aktiengesellschaft by up to € 59,937,356.80 on one or several occasions against cash or non-cash contributions by July 1, 2011 (Authorized Capital 2008). The subscription rights of shareholders can be disapplied in accordance with the more detailed provisions in Article 3 (6) of the Articles of Association, with the approval of the Supervisory Board. The Authorized Capital 2006 was canceled.

By way of resolution dated July 23, 2009, the Annual General Meeting authorized the Management Board, with the approval of the Supervisory Board, to increase the share capital of the Company by up to € 39,958,236.16 on one or several occasions against cash contributions by July 1, 2014 (Authorized Capital 2009). The subscription rights of shareholders can be disapplied in accordance with the more detailed provisions in Article 3 (9) of the Articles of Association, with the approval of the Supervisory Board.

Development of reserves and net profit for the year

The Annual General Meeting of July 23, 2009 resolved to transfer € 50,000 thousand of the distributable profit reported in the annual financial statements as of March 31, 2009 of € 50,527 thousand to retained earnings and to carry forward the remainder of € 527 thousand to new account.

To settle the loss generated in the year under review of € 105,727 thousand and for allocation to the reserve for treasury shares in the amount of € 676 thousand, a total of € 105,876 thousand was withdrawn from reserves after offsetting the profit carried forward of € 527 thousand. In line with Section 150 (4) no. 1 AktG, capital reserves in the amount of € 10,981 thousand, the legal reserve of € 20,451 thousand and other revenue reserves of € 74,444 thousand were utilized.

The capital reserves reported as of the balance sheet date of € 20,000 thousand were originally recognized in accordance with Section 272 (2) nos. 1 and 2 HGB and Section 237 (5) AktG.

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

Shareholders	Change in threshold	Voting share effective as of	Allocation	Share of voting rights	
Allianz Aktiengesellschaft, Munich	5 % and 10 %	20-Sep-2002	indirect		**12.03 %** [1]
Jota-Vermögensverwaltungsgesellschaft mbH, Munich	5 %	20-Sep-2002	indirect	6.04 %	
Allianz Lebensversicherungs-Aktiengesellschaft, Stuttgart	5 %	20-Sep-2002	direct/indirect indirect	6.04 % 5.98 %	
AZ-Arges Vermögensverwaltungs-gesellschaft mbH, Munich	5 %	17-Aug-2005	direct	5.98 %	
AZ-Argos 19 AG, Munich	5 %	17-Nov-2005	indirect	6.26 %	
RWE Aktiengesellschaft, Essen		25-May-2009	indirect		**8.008 %** [2] [3]
BGE Beteiligungs-Gesellschaft für Energieunternehmen mbH, Essen		25-May-2009	direct	8.008 % [3]	
Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft, Munich	3 %	18-Dec-2009	direct/indirect indirect	 0.16 %	**2.94 %** [2]
SEB Investment GmbH, Frankfurt am Main	5 %	24-Feb-2009	direct/indirect indirect	 0.404 %	**5.017 %** [2]
cominvest Asset Management GmbH, Frankfurt am Main	3 %	15-Jun-2009	direct/indirect indirect	 1.64 %	**2.97 %** [2]
Capital Research and Management Company, Los Angeles, USA	3 %	26-Nov-2009	indirect		**3.14 %** [2]
SMALLCAP World Fund, Inc., Los Angeles, USA	3 %	19-Jan-2010	direct		**3.13 %** [2]

[1] The share of the voting rights was reported to us before March 31, 2006 and accordingly relates to 85,908,480 shares (number of shares before the share buyback on March 31, 2006)

[2] The share of the voting rights was reported to us after March 31, 2008 and therefore relates to 78,043,434 shares (number of shares before the share redemption on March 31, 2008)

[3] GBV Vierzehnte Gesellschaft für Beteiligungsverwaltung mbH, Essen, merged with BGE Beteiligungs-Gesellschaft für Energieunternehmen mbH, Essen. The voting rights previously assigned to BGE through GBV transferred to BGE as of the date at which the merger of the companies took effect on May 20, 2009 by way of full legal succession

20 Special items

	31-Mar-2009	31-Mar-2010
Special items for investment allocations to fixed assets		
Taxable subsidies	4,950	3,651
Tax-exempt allowances	2,119	1,388
	7,069	5,039

Taxable subsidies are funds under the regional economic promotion program for investing in Brandenburg.

Tax-exempt allowances are composed solely of allowances in accordance with the German Investment Allowance Act of 1991/1996/1999/2005/2007 which primarily relate to the Brandenburg site.

21 Other provisions

	31-Mar-2009	31-Mar-2010
Tax provisions	122,045	95,657
Other provisions		
Obligations arising from sales activities	45,185	36,421
Obligations arising from the human resources area	248,132	195,083
Others	80,981	48,578
	374,298	280,082
	496,343	375,739

As in the previous year, tax provisions primarily include obligations from possible subsequent assessments arising from external tax audits. Sales obligations largely comprise warranties. The obligations for staff mostly relate to the **Heidelberg 2010** program and efficiency enhancement measures as part of the new segment structure from April 1, 2010, vacation and working time credit, bonuses, anniversary bonuses, and partial retirement obligations.

22 Liabilities

	31-Mar-2009	of which with a remaining term of less than 1 year	from 1 to 5 years	of more than 5 years	31-Mar-2010	of which with a remaining term of less than 1 year	from 1 to 5 years	of more than 5 years
To banks	297,273	223,449	40,139	33,685	682,236	331,572	324,841	25,823
Advance payments on orders	13,449	13,449	0	0	7,770	7,770	0	0
Trade payables	49,839	49,839	0	0	20,839	20,839	0	0
To affiliated companies	839,147	839,147	0	0	630,116	630,116	0	0
Other liabilities								
for taxes	3,703	3,703	0	0	806	806	0	0
for social security contributions	3,253	1,306	813	1,134	6,237	2,279	2,967	991
others	79,908	79,251	657	0	34,263	33,967	296	0
	86,864	84,260	1,470	1,134	41,306	37,052	3,263	991
	1,286,572	1,210,144	41,609	34,819	1,382,267	1,027,349	328,104	26,814

At the start of the year under review, extensive talks were held with a syndicate of banks on the basis of a detailed financing concept to reorganize the financing structure of the Heidelberg Group. On August 7, 2009 negotiations on the new financing concept were concluded and the corresponding credit agreements with the banks were signed. We were in receipt of the complete deeds of guarantee from the Federal Republic of Germany and the States of Baden-Wuerttemberg and Brandenburg on August 18, 2009. The financing package which provides the company with a credit line of around € 1.4 billion for the period up to the middle of 2012 consists of originally € 300 million from the Special Program of the KfW (Reconstruction Loan Corporation) for large companies, a € 550 million loan 90 percent backed by guarantee pledges from the Federal Government and the above-mentioned States, and a syndicated credit line of € 550 million granted by a banking syndicate. The KfW loan was utilized in full in the amount of € 290.6 million in the fourth quarter of the year under review as part of the refinancing of our convertible bond (see note 19). This significantly reduced our liabilities to affiliated companies.

In March 2010, Heidelberg obtained approval from the relevant banks for an amendment request to adjust the originally agreed financial covenants in line with the changing economic environment.

Various collaterals were provided by us and several Group companies in connection with the above credit agreements as part of a collateral pool concept.

As part of the collateral pool concept, we have provided collateral of € 619.9 million as follows for liabilities to banks as of the balance sheet date (up to one year: € 324.8 million; 1 to 5 years: € 295.1 million):

> provision of land charges without certificate
> pledging of trademarks, shares in affiliated companies, and bank accounts
> transfer of current and non-current assets
> global transfer of certain receivables

As of March 31, 2009, liabilities to banks secured by usufractory rights amounted to € 68.9 million (up to 1 year: € 6.6 million, 1 to 5 years: € 28.6 million, more than 5 years: € 33.7 million). As of March 31, 2010, we no longer pledged any collateral for the remaining value of € 62.4 million.

23 Contingent liabilities

	31-Mar-2009	31-Mar-2010
Liabilities arising from the issue and endorsement of bills	81,942	67,217
– of which: to affiliated companies	(81,942)	(67,217)
Guarantees, warrantees, collateral for third-party liabilities	245,329	287,555
– of which: to affiliated companies	(0)	(0)
	327,271	354,772

Some of the credit facility which is 90 percent backed by guarantee pledges from the Federal Government and States (see note 22) can be passed on locally to Group companies via the syndicate banks. The credit lines actually utilized by our Group companies as of the balance sheet date of € 76.4 million are reported under contingent liabilities. An additional amount of € 68.1 million was covered but not utilized as of the balance sheet date. As part of the collateral pool concept, on which the guaranteed credit facility is also based, 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 22, we are also liable as guarantor.

The other obligations from guarantees and warrantees essentially relate to rent obligations for subsidiaries and warranties for third parties for assumed customer finance.

24 Derivative financial instruments

Heidelberger Druckmaschinen Aktiengesellschaft centrally manages and controls the Heidelberg Group's interest rate and foreign currency risk. Derivative financial instruments are applied to hedge the currency and interest rate risks from business operations as well as from financing transactions. Most of the transactions are currency-related. They are concluded largely on behalf of our foreign subsidiaries in connection with the purchase of German products. Interest rate derivatives serve to hedge financing costs which due to their variable interest rate are subject to market fluctuations. 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 in the form of sensitivity analyses and corresponding measures are derived from this.

The foreign currency receivables and liabilities of the respective forward exchange transactions concluded for hedging are measured on the basis of a restricted global market valuation, i. e. the results of the measurement of both items are recognized individually. Other assets totaling € 11,923 thousand were capitalized for forward exchange transactions with positive market values as of the reporting date (previous year: € 2,545 thousand). Other liabilities of € 1,628 thousand were recognized for forward exchange transactions with negative market values (previous year: € 9,849 thousand). Foreign currency receivables and liabilities are translated at the exchange rate as of the reporting date, with forward exchange transactions measured at the corresponding forward rates.

Currency options are measured on the basis of option price models. Interest rate hedging contracts are measured on the basis of discounted cash flows expected in the future. These valuations are based on the relevant market data at the reporting date. The contracting parties of outstanding external contracts are exclusively top quality banks. Internal contracts were undertaken with our Group companies.

The nominal volumes and market values of foreign currency and interest rate derivatives were as follows at financial year-end:

	Nominal volumes		Fair values	
	31-Mar-2009	**31-Mar-2010**	31-Mar-2009	**31-Mar-2010**
Forward exchange transactions	1,928,353	1,222,091	– 9,477	9,832
Currency options	2,652,167	1,663,700	– 13,910	– 3,672
Interest rate swaps	157,101	172,686	– 2,668	– 2,398

Currency options are recognized at cost unless impaired. Other assets totaling € 23,882 thousand were capitalized for currency options with positive market values as of the reporting date (previous year: € 49,471 thousand). Other liabilities of € 26,573 thousand were recognized for currency options with negative market values (previous year: € 37,841 thousand). The carrying amounts of the interest rate swaps listed in the table above contain income from deferred interest in the amount of € 149 thousand and expenses from deferred interest in the amount of € 176 thousand. Of foreign currency-related transactions, a total of € 767,696 thousand (previous year: € 1,058,249 thousand) have a remaining term of more than twelve months. The remaining terms of interest rate transactions are up to four years.

A provision totaling € 8,090 thousand was recognized (previous year: € 34,486 thousand) for the risk of potential losses from derivatives. Of this amount, € 2,370 thousand related to interest rate derivatives (previous year: € 2,656 thousand), and € 5,720 thousand to forward exchange transactions and options (previous year: € 31,830 thousand). This provision is essentially offset by the opposing effects arising from underlying operating transactions.

25 Off-balance-sheet transactions/other financial obligations

	2008/2009	2009/2010
Rental and lease payments	188,384	306,014
– of which: to affiliated companies	(0)	(138,183)
Long-term purchase commitments for raw materials, consumables, and supplies	30,217	17,114
– of which: to affiliated companies	(0)	(0)
Order commitment from investment orders	21,904	11,684
– of which: to affiliated companies	(0)	(0)
	240,505	334,812

Rental and lease payment obligations include € 248.5 million (previous year: € 121.0 million) from sale-and-leaseback agreements and relate, in previous years, to the Print Media Academy (financial year 1999/2000), the World Logistics Center (financial year 1999/2000) and the Heidelberg Research and Development Center (financial year 2006/2007). In the 2009/2010 financial year, operating properties at the Wiesloch-Walldorf location (land, buildings, exterior facilities) were sold to Heidelberger Druckmaschinen Real Estate GmbH & Co. KG, a wholly owned and fully consolidated subsidiary. As a result, hidden reserves of € 122.4 million were recognized (see note 12) and the transparency of our equity situation was improved. Future rental payments of € 138.2 million over the basic term of the lease to Heidelberger Druckmaschinen Real Estate GmbH & Co. KG are offset in the amount of the net annual profits generated by this company.

The other rental and lease payment obligations essentially relate to other real estate and operating and office equipment.

Additional information

26 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 Article 161 of the German Stock Corporation Act and made it permanently accessible to the shareholders on the Web site of Heidelberger Druckmaschinen Aktiengesellschaft in the “Investor Relations” section under “Corporate Governance”. Earlier declarations of compliance were also made permanently accessible there.

27 Executive bodies of the Company

The information concerning the members of the Supervisory Board and the Management Board in accordance with Section 285 no. 10 of the German Commercial Code is presented in separate tables on pages 78, 79, and 81.

The basic features of the remuneration system and amounts of remuneration for the members of the Management Board and the Supervisory Board are presented in the Management Report (see pages 21 to 33).

Total cash remuneration of the Management Board for the year under review, including non-cash remuneration, was € 4,464 thousand (previous year: € 1,836 thousand) and also includes severance payments of € 2,133 thousand (previous year: € 0 thousand); of this figure, remuneration for bonuses amounts to € 784 thousand (previous year: € 409 thousand). No performance share units were awarded under the long-term incentive plan in the reporting year. Total remuneration in the period under review including severance payments thus amounted to € 4,464 thousand (previous year: € 1,836 thousand). As in the previous year, stock options awarded from the stock option program in previous years and LTI performance share units were not granted in the year under review.

In the reporting year, no performance share units were awarded to members of the Management Board under the long-term incentive plan. As of the balance sheet date, the Management Board members held a total of 30,750 stock options (previous year: 72,000 stock options) under the stock option plan.

Former members of the Management Board and their surviving dependents received € 3,086 thousand (previous year: € 2,982 thousand). € 873 thousand of this (previous year: € 825 thousand) relates to liabilities to former members of the Management Board of Linotype-Hell Aktiengesellschaft and their surviving dependents, which were assumed in financial year 1997/1998 within the framework of universal succession.

The pension obligations (defined benefit obligations) to former members of the Management Board and their surviving dependents amount to € 39,572 thousand (previous year: € 37,165 thousand). € 9,009 thousand of this (previous year: € 9,245 thousand) relate to the pension obligations of the former Linotype-Hell Aktiengesellschaft, acquired in financial year 1997/1998 under the provisions of universal succession. Former members of the Management Board held 21,000 stock options (previous year: 105,000 stock options) as of the balance sheet date.

No loans or advances were made to members of the Company's Management Board or the Supervisory Board in the reporting period. One member of the Management Board has a loan dating back to before Group affiliation in the amount of € 560 thousand at interest of 5.31 percent; the remaining term of the loan is 24 ½ years. This loan was granted by a foreign subsidiary to finance a home for the member at his place of business abroad. The Heidelberg Group has not undertaken any contingent liabilities for either the members of the Management Board or the Supervisory Board.

Fixed remuneration of € 392 thousand (previous year: € 389 thousand), but no variable remuneration, as in the previous year, was paid to the members of the Supervisory Board for the financial year 2009/2010; these payments do not include value added tax.

28 Stock option plan

The Annual General Meeting of September 29, 1999 approved a contingent increase of share capital by up to € 10,996,288.00 through the issue of up to 4,295,425 shares (Contingent Capital). The sole purpose of the contingent capital increase is to grant subscription rights to members of the Company's Management Board, to members of the Management Board of subsidiaries in Germany and abroad, and to other senior executives within the Heidelberg Group.

Authorization of the Management Board and Supervisory Board

The Management Board has been authorized to grant subscription rights to eligible persons within a period of five years from the time the contingent capital goes into effect. The subscription rights are to be issued by means of their entry in the Commercial Register in tranches of no more than 30 percent of the total volume per financial year. The Supervisory Board has the sole responsibility for granting subscription rights to members of the Management Board.

Vesting period/term

The subscription rights may only be exercised after the end of the vesting period. The vesting period commences when the subscription rights are issued and ends three years after the issue date. The period of validity of the subscription rights commences when the subscription rights are issued and ends six years after the date of issue. Subscription rights that have not been exercised or cannot be exercised by the end of the period of validity expire without compensation.

Exercise period and exercise waiting periods

Subscription rights may be exercised at any time after the end of the vesting period during the respective period of validity. However, the subscription rights may not be exercised during vesting periods that have been established by the Management Board and Supervisory Board in the interests of the Company, such as periods of at least ten trading days before dates on which reports on the Company's business development are published. The entire period or parts of the period between the end of a financial year and the conclusion of the respective Annual General Meeting may also be designated as exercise waiting periods.

Investment on own account

When granting subscription rights, the condition may be imposed that the eligible persons must acquire shares of the Company on their own account and that they retain the shares for the appropriate vesting period.

Condition for exercising subscription rights

Subscription rights can only be exercised if the market price of the Company's shares (as calculated on the basis of the total shareholder return method) between the issue and the exercising of the subscription rights (as defined in more detail below) outperforms the value of the Dow Jones EURO STOXX Index (hereinafter referred to as the "Index") as calculated on the basis of the total shareholder return method. The target shall be deemed to have been reached if the performance thereby determined of our share exceeds the Index. If subscription rights are not exercised despite the target having been reached, they may not be exercised again until the target has once more been reached.

Exercise price

The exercise price is defined as the average closing price of the Company's shares on the last ten consecutive trading days in Frankfurt am Main before the relevant subscription period for the respective subscription rights (the exercise price). If the closing price of the shares in the electronic trading system of Deutsche Börse Aktiengesellschaft (which is used to determine the target price) is more than 175 percent of the exercise price determined in accordance with the above section (the threshold amount) on the last day of trading before the subscription rights are exercised (the relevant market price), the exercise price shall be increased by the amount by which the relevant market price exceeds the threshold amount. Section 9 (1) AktG remains unaffected.

Non-transferability/dividend rights of the new shares

The subscription rights are not legally transferable. The new shares are entitled to a share of profits from the beginning of the financial year in which the issue occurs.

Tranches for 2003 – 2004

The principal underlying conditions for the various tranches are shown in the following table:

	End of vesting period	End of term	Exercise price in €	Number of stock options[1] 31-Mar-2009	Number of stock options[1] **31-Mar-2010**
Tranche 2003	12-Sep-2006	12-Sep-2009	22.26	1,321,620	0
Tranche 2004	18-Aug-2007	18-Aug-2010	25.42	502,485	493,860
				1,824,105	493,860

[1] Including stock appreciation rights (SARs)

Servicing subscription rights

It is currently intended to deliver the old shares that are acquired on the stock market upon exercise of the subscription rights to the authorized individuals. These individuals thereby receive the plan profit in the form of shares. However, this only applies if no cash settlement was required (for example, due to the form of the subscription rights as stock appreciation rights (SARs).

Accounting policies

We have calculated the value of the options for the 2003 – 2004 tranches on the basis of a recognized option pricing model, taking the fair value of the options at the balance sheet date into account, and have recognized appropriate provisions accordingly. The vesting periods for all tranches have now expired. However, the tranches cannot currently be exercised as the respective conditions have yet to be fulfilled.

29 Long-term incentive plan (LTI)

There is currently one remaining tranche for the long-term incentive plan (LTI), LTI 2007. LTI 2006 has expired. The LTI plan is as follows:

Participants

The Company offers participation in the LTI to selected members of the Heidelberg Group's senior management. In addition to the members of the Management Board, these include all members of the executive group. Eligibility is based on total remuneration, broken down into four groups.

Performance Share Units (PSUs) / investment on own account

The plan grants a certain number of so-called Performance Share Units (PSUs) – dependent, however, on employees undertaking an investment on their own account. As a prerequisite, participants must invest in shares of Heidelberger Druckmaschinen Aktiengesellschaft in the form of an investment on their own account. The actual number of PSUs granted depends on certain performance criteria. Claims arising from the final number of PSUs are satisfied either in the form of cash payments or by delivery of shares in the Company.

The PSUs are not legally transferable, cannot be pledged as collateral, and cannot be inherited.

The number of PSUs and the investment required for one's own account breaks down by group as follows:

	Number	Investment on own account
Group I	4,500 PSUs	1,500 shares
Group II	1,800 PSUs	600 shares
Group III	900 PSUs	300 shares
Group IV	450 PSUs	150 shares

Term of performance share units

The PSUs have a term of three years. They were granted for LTI 2006 on April 1, 2006 and for LTI 2007 on April 1, 2007. The PSUs for LTI 2006 expired on March 31, 2009 and those for the LTI 2007 will expire on March 31, 2010.

Performance criteria

Performance criteria comprise the average arithmetical free cash flow rate (free cash flow divided by net sales) achieved by the Company during the option life of the Performance Share Units as well as the arithmetical average EBIT percentage rate (EBIT divided by net sales) achieved by the Company during the option life in line with the following table:

Average EBIT percentage rate	< 7.0 %	7.0 %	8.0 %	9.0 %	10.0 %	11.0 %	>= 12.0 %
Pro rata number of PSUs (in percent of the number of PSUs awarded)	–	10.0 %	20.0 %	35.0 %	50.0 %	60.0 %	70.0 %

Average free cash flow rate	< 3.0 %	3.0 %	4.5 %	6.0 %	7.0 %	>= 8.0 %
Pro rata number of PSUs (in percent of the number of PSUs awarded)	–	10.0 %	25.0 %	50.0 %	60.0 %	70.0 %

The two targets are weighted equally. The free cash flow rate, EBIT (earnings before interest and taxes), and net sales correspond to the terms used in IFRS accounting. They are determined based on the examined consolidated financial statements in accordance with IFRS for the financial years falling within the respective assessment period. The extent to which the target is achieved is determined by linear interpolation between the values shown in the tables.

Disbursement

During the term of the LTI, the Company is authorized, at its own discretion, to determine whether an authorized party should receive one share for each performance share unit in place of cash. This decision may be made for all PSUs, for a certain number, or for a determinable number of performance share units. By resolution of the Management Board, the LTI 2006 and the LTI 2007 will both be settled in cash.

Cap

The plan provides for a cap on profit opportunities. The profit per PSU is limited to double the recorded average share price for a period of three months following the time at which the unit is issued.

Accounting policies

Measurement of the LTI is based on a recognized option pricing model, which takes into consideration the fair value of the options at financial year-end. No provisions were required for the 2007 tranche.

30 Auditors' fees

As details of the full auditors' fees can be found in the consolidated financial statements of Heidelberger Druckmaschinen AG we have exercised the facilitation options provided for under Section 285 no. 17 HGB.

31 Shareholdings

In accordance with Article 285 No. 11 of the Commercial Code, the presentation of the shareholdings of Heidelberger Druckmaschinen Aktiengesellschaft is disclosed in the electronic Federal Gazette. The principal holdings are listed on pages 76 to 77.

Heidelberg, May 25, 2010

Heidelberger Druckmaschinen Aktiengesellschaft
The Management Board

Bernhard Schreier — Dirk Kaliebe

Marcel Kießling — Stephan Plenz

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 25, 2010

Heidelberger Druckmaschinen Aktiengesellschaft
The Management Board

Bernhard Schreier

Dirk Kaliebe

Marcel Kießling

Stephan Plenz

Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement, and the notes to the financial statements, together with the bookkeeping system, and the Management Report of Heidelberger Druckmaschinen Aktiengesellschaft, Heidelberg, for the financial year from April 1, 2009 to March 31, 2010. 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 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 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 a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, May 26, 2010

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Martin Theben
Wirtschaftsprüfer
(German Public Auditor)

ppa. Stefan Sigmann
Wirtschaftsprüfer
(German Public Auditor)

> LIST OF MAJOR SHARES IN AFFILIATED COMPANIES (Figures in € thousands according to IFRS)

Name	Location		Share in shareholders' equity in percent	Shareholders' equity	Net profit after taxes	Net sales	Yearly average number of employees
Europe, Middle East and Africa							
Heidelberger Druckmaschinen Vertrieb Deutschland GmbH 1) 2)	D	Heidelberg	100	53,616	1,492	338,415	883
Heidelberg Graphic Equipment Ltd. 3)	GB	Brentford	100	22,029	– 5,381	121,524	351
Heidelberg France S.A.S.	F	Tremblay-en-France	100	168	– 13,351	96,602	243
Heidelberg Postpress Deutschland GmbH 1) 2)	D	Heidelberg	100	25,617	– 35,742	93,899	860
Heidelberg Schweiz AG	CH	Bern	100	12,972	360	84,888	163
Heidelberg International Ltd. A/S	DK	Ballerup	100	30,489	– 8,440	30,130	63
Heidelberg Sverige AB	S	Solna	100	4,346	– 5,324	19,433	48
Heidelberg Graphic Systems Southern Africa (Pty) Ltd. 3)	ZA	Johannesburg	100	2,596	– 1,486	19,309	82
Print Finance Vermittlung GmbH 1) 2)	D	Heidelberg	100	34,849	1,787	18,473	–
Eastern Europe							
Heidelberger Druckmaschinen Austria Vertriebs-GmbH	A	Vienna	100	132,656	– 5,173	48,284	89
Heidelberg Polska Sp z.o.o.	PL	Warsaw	100	7,674	– 1,466	41,856	124
Heidelberger Druckmaschinen Osteuropa Vertriebs-GmbH 4)	A	Vienna	100	150,466	– 2,507	35,900	22
Heidelberger CIS OOO	RUS	Moscow	100	– 13,522	– 2,553	32,771	205
Heidelberg Praha spol s.r.o.	CZ	Prague	100	1,150	– 2,803	12,193	68
North America							
Heidelberg USA, Inc.	USA	Kennesaw	100	82,286	– 21,310	166,835	728
Heidelberg Canada Graphic Equipment Ltd.	CDN	Mississauga	100	9,528	– 7,229	57,528	224
Heidelberg Print Finance Americas, Inc.	USA	Portsmouth	100	127,559	1,397	2,954	7

Name	Location		Share in share-holders' equity in percent	Share-holders' equity	Net profit after taxes	Net sales	Yearly average number of employees
Latin America							
Heidelberg do Brasil Sistemas Graficos e Servicos Ltda.	BR	São Paulo	100	14,105	– 622	44,995	250
Heidelberg Mexico Services S. de R.L. de C.V. [3]	MEX	Mexico City	100	– 6,220	– 1,954	29,690	123
Asia/Pacific							
Heidelberg China Ltd.	RC	Hong Kong	100	14,284	– 4,611	168,876	163
Heidelberg Japan K.K.	J	Tokyo	100	21,376	– 11	109,841	344
Heidelberg Graphic Equipment Ltd.	AUS	Melbourne	100	20,032	– 1,260	56,218	199
Heidelberg Graphic Equipment (Shanghai) Co. Ltd.	RC	Shanghai	100	21,473	4,154	48,398	259
Heidelberg Hong Kong Ltd.	RC	Hong Kong	100	16,941	259	33,329	93
Heidelberg Malaysia Sdn Bhd	MYS	Petaling Jaya	100	1,445	– 642	25,784	134
Heidelberg Asia Pte Ltd.	SGP	Singapore	100	9,556	817	25,773	123
Heidelberg Korea Ltd.	ROK	Seoul	100	4,737	489	15,526	86

[1] Result prior to profit and loss transfer to Heidelberger Druckmaschinen Aktiengesellschaft

[2] According to German Commercial Code (HGB)

[3] Pre-consolidated financial statements

[4] Result prior to profit and loss transfer to Heidelberger Druckmaschinen Austria Vertriebs-GmbH

The Supervisory Board

Dr. Mark Wössner
Member in various
Supervisory Boards, Munich
Chairman of the Supervisory Board
* Douglas Holding Aktiengesellschaft;
Loewe Aktiengesellschaft;
** AEG Power Solutions B.V., the Netherlands

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

Dr. Werner Brandt
Member of the Management Board
of SAP Aktiengesellschaft, Walldorf
* Deutsche Lufthansa Aktiengesellschaft;
** QIAGEN N.V., the Netherlands;
SAP Ireland Ltd., Ireland;
SAP Hellas S.A., Greece;
SAP (Schweiz) Aktiengesellschaft,
Switzerland;
SAP America, Inc., US;
SAP Global Marketing Inc., US;
SAP Middle East and North Africa, LLC.,
United Arab Emirates;
SAP (UK) Limited, UK;
SAP Mexico S.A. de C.V., Mexico

Edwin Eichler
Member of the Management Board
of ThyssenKrupp Aktiengesellschaft,
Duesseldorf
* Hüttenwerke Krupp Mannesmann GmbH;
ThyssenKrupp Materials
International GmbH;
ThyssenKrupp Nirosta GmbH (Chairman);
** ANSC-TKS Galvanizing Co., Ltd.,
China (Chairman);
ThyssenKrupp Acciai Speciali Terni S.p.A.,
Italy (Presidente);
ThyssenKrupp Industries and
Services Qatar LLC, Qatar;
ThyssenKrupp Steel Americas, LLC,
US (Chairman);
ThyssenKrupp Steel and Stainless USA,
LLC, US;
ThyssenKrupp Steel USA, LLC, US

Wolfgang Flörchinger ***
Member of the Works Council,
Heidelberg/Wiesloch-Walldorf

Martin Gauß ***
Chairman of the Speakers
Committee for the Executive Staff,
Heidelberg

Mirko Geiger ***
First Senior Representative of
IG Metall, Heidelberg

Gunther Heller ***
Chairman of the Works Council,
Amstetten

Jörg Hofmann ***
Regional head of IG Metall,
Baden-Wuerttemberg region,
Stuttgart
* Daimler Aktiengesellschaft;
Robert Bosch GmbH

Dr. Siegfried Jaschinski
Former Chairman of the
Management Board of Landesbank
Baden-Wuerttemberg, Stuttgart

Robert J. Koehler
Chairman of the Management Board
of SGL Carbon SE, Wiesbaden
* Benteler Aktiengesellschaft (Chairman);
Demag Cranes Aktiengesellschaft;
Klöckner & Co. SE;
LANXESS Aktiengesellschaft

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

Dr. Gerhard Rupprecht
Member of the Management Board of Allianz SE, Munich

* Fresenius SE;
Allianz Beratungs- und Vertriebs-Aktiengesellschaft (Chairman);
Allianz Lebensversicherungs-Aktiengesellschaft (Chairman);
Allianz Private Krankenversicherungs-Aktiengesellschaft (Chairman);
Allianz Versicherungs-Aktiengesellschaft (Chairman);
** Allianz Elementar Lebensversicherungs Aktiengesellschaft, Austria (Chairman);
Allianz Elementar Versicherungs-Aktiengesellschaft, Austria (Chairman);
Allianz Investment Bank Aktiengesellschaft, Austria;
Allianz Suisse Lebensversicherungs-Aktiengesellschaft, Switzerland;
Allianz Suisse Versicherungs-Aktiengesellschaft, Switzerland

Beate Schmitt ***
Member of the Works Council, Heidelberg / Wiesloch-Walldorf

Prof. Dr.-Ing. Günther Schuh
Professor and holder of the chair in production engineering at Aachen University, Aachen

* Zwiesel Kristallglas Aktiengesellschaft;
** forma vitrum Aktiengesellschaft, Switzerland (President of the Administration Board);
Gallus Holding Aktiengesellschaft, Switzerland (Member of the Administration Board);
Brose Fahrzeugteile GmbH & Co. KG (Member of the Advisory Board)

Dr. Klaus Sturany
Member in various Supervisory Boards, Dortmund

* Bayer Aktiengesellschaft;
Hannover Rückversicherung Aktiengesellschaft;
** Österreichische Industrieholding Aktiengesellschaft, Austria;
Sulzer Aktiengesellschaft, Switzerland (Member of the Administration Board)

Peter Sudadse ***
Deputy Chairman of the Central Works Council, Heidelberg / Wiesloch-Walldorf

Committees of the Supervisory Board

Management Committee

Dr. Mark Wössner (Chairman)

Rainer Wagner

Martin Gauß

Mirko Geiger

Dr. Gerhard Rupprecht

Dr. Klaus Sturany

Mediation Committee under Article 27 Paragraph 3 of the Codetermination Act

Dr. Mark Wössner

Rainer Wagner

Wolfgang Flörchinger

Dr. Gerhard Rupprecht

Committee on Arranging Personnel Matters of the Management Board

Dr. Mark Wössner (Chairman)

Rainer Wagner

Dr. Gerhard Rupprecht

Audit Committee

Dr. Klaus Sturany (Chairman)

Dr. Werner Brandt

Mirko Geiger

Rainer Wagner

Nomination Committee

Dr. Mark Wössner (Chairman)

Dr. Klaus Sturany

The Management Board

Bernhard Schreier
Bruchsal
Chairman
* ABB Aktiengesellschaft;
Bilfinger Berger Aktiengesellschaft;
Universitätsklinikum Heidelberg (institution under public law);
Heidelberger Druckmaschinen Vertrieb Deutschland GmbH (Chairman);
** Heidelberg Graphic Equipment Ltd., UK (Chairman of the Board of Directors);
Heidelberg Japan K.K., Japan;
Heidelberg Americas, Inc., US (Chairman of the Board of Directors);
Heidelberg USA, Inc., US (Chairman of the Board of Directors);
Gallus Holding Aktiengesellschaft, Switzerland (Member of the Administration Board)

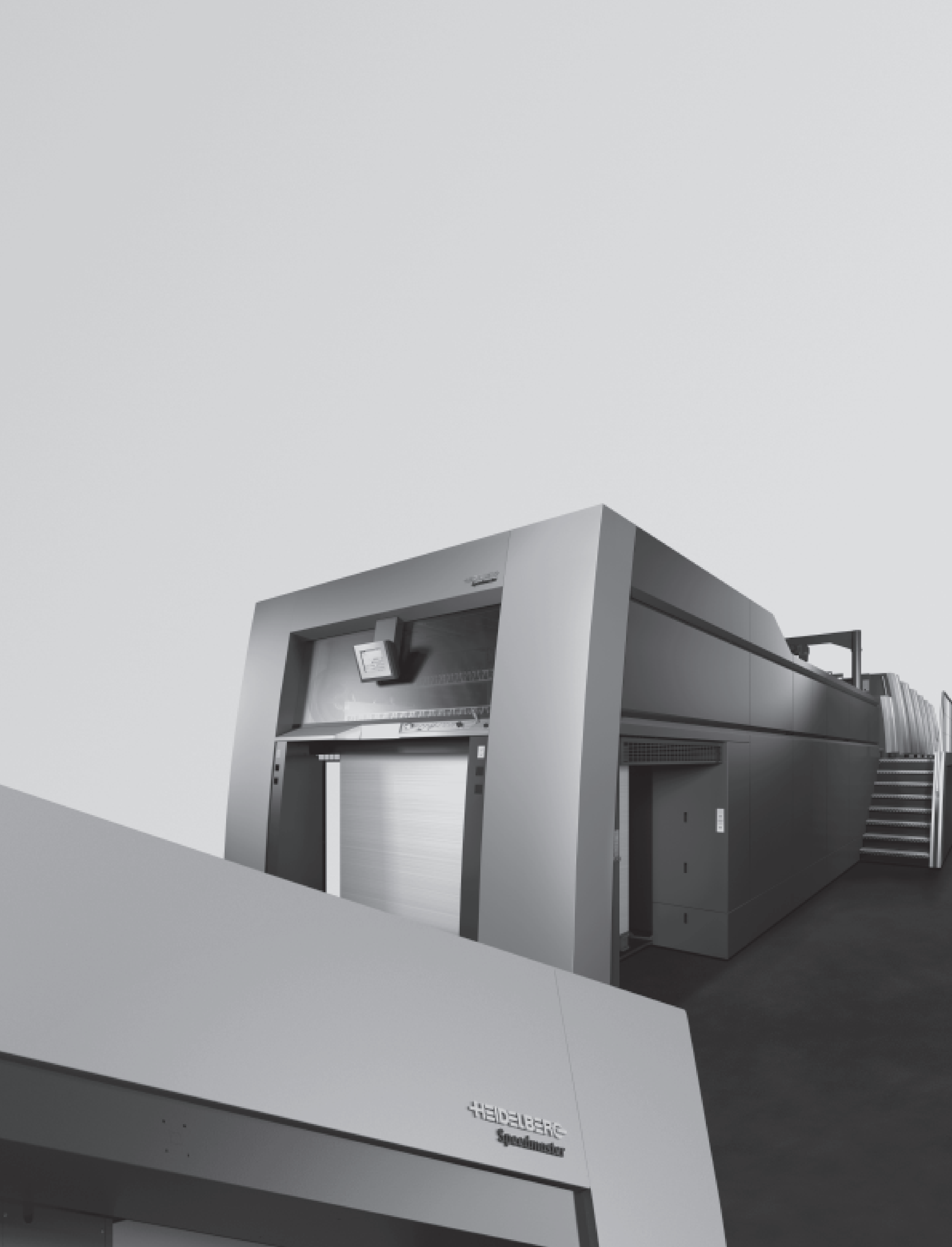
Dirk Kaliebe
Sandhausen
* Heidelberger Druckmaschinen Vertrieb Deutschland GmbH;
** Heidelberg Graphic Equipment Ltd., UK;
Heidelberg Americas, Inc., US;
Heidelberg USA, Inc., US;
Gallus Holding Aktiengesellschaft, Switzerland (Member of the Administration Board)

Marcel Kießling
Heidelberg
– since January 1, 2010 –
** Heidelberg Canada Graphic Equipment Ltd., Canada (Chairman of the Board of Directors)

Stephan Plenz
Sandhausen
** Heidelberg Graphic Equipment (Shanghai) Co. Ltd., China (Chairman of the Board of Directors)

Dr. Jürgen Rautert[1)]
Heidelberg
– through November 26, 2009 –
* Heidelberger Druckmaschinen Vertrieb Deutschland GmbH (Chairman);
** Heidelberg Graphic Equipment Ltd., UK (Chairman of the Board of Directors);
Heidelberg Japan K.K., Japan;
Heidelberg Americas, Inc., US (Chairman of the Board of Directors);
Heidelberg USA, Inc., US (Chairman of the Board of Directors)

[1)] Information as of resignation from the Management Board
* Membership in Supervisory Boards
** Membership in comparable German and foreign control bodies of business enterprises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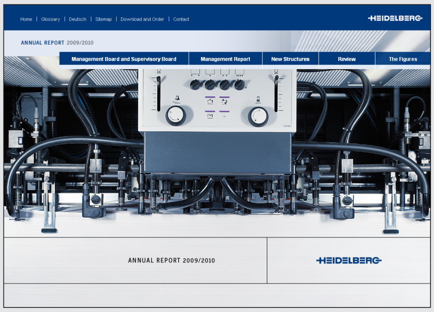
ADDITIONAL FINANCIAL INFORMATION ON THE INTERNET

For a PDF download of the non-consolidated report, please visit

> **www.heidelberg.com**
> **Investor Relations**
> **Reports and Presentations 2009/2010**

On this page, you will also find both a PDF and a HTML version of the consolidated annual report of Heidelberger Druckmaschinen Aktiengesellschaft.



Financial Calendar 2010/2011

June 15, 2010	Press Conference, Annual Analysts' and Investors' Conference
July 29, 2010	Annual General Meeting
August 10, 2010	Publication of First Quarter Figures 2010/2011
November 10, 2010	Publication of Half-Year Figures 2010/2011
February 9, 2011	Publication of Third Quarter Figures 2010/2011
May 11, 2011	Publication of Preliminary Figures 2010/2011
June 16, 2011	Press Conference, Annual Analysts' and Investors' Conference
July 28, 2011	Annual General Meeting

Subject to change

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This Annual Report is a translation of the official German Annual Report of Heidelberger Druckmaschinen Aktiengesellschaft. The Company disclaims responsibility for any misunderstanding or misinterpretation due to this translation.

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