

Not to be released until the speech starts!

**Speech for the Annual General Meeting of
Heidelberger Druckmaschinen AG**

**Thursday, July 28, 2011
Congress Center Rosengarten, Mannheim**

**Bernhard Schreier
Chief Executive Officer**

The spoken word applies

Chart: Title

Shareholders,
Shareholders' representatives,
Representatives of the media,
Ladies and Gentlemen,

On behalf of Heidelberger Druckmaschinen AG and its Management Board, I too would like to bid you a warm welcome to the Annual General Meeting here at the Congress Center Rosengarten in Mannheim. The large number of people attending the meeting this year demonstrates that you remain very interested in the development of your company, despite – or perhaps precisely because of – the somewhat challenging times we are experiencing. We are pleased to see so many of you here.

The financial year just closed was not an easy one, but it was very successful. After two years dominated by plummeting sales, Heidelberg is on the way to recovery – despite difficult underlying conditions and extremely fierce competition. To continue the metaphor, it will, however, be a while before we return to full health. We are ready for the difficult journey ahead.

Chart: Heidelberg has reached an operational break-even and achieved its targets

When I spoke to you here last year, we had just recorded our lowest sales volume in the past ten financial years. The major economic and financial crisis had resulted in significantly lower investments on the part of our customers. Against this background, we set ourselves the ambitious targets of achieving a break-even operating result and financial stability during the financial year just closed. Today, we can report that we have met these targets. There has been a big improvement in all our key financial figures compared with the previous year. Following two years of losses and privation, we achieved a turnaround in our operating result for the financial year just closed and returned to an operating profit. Incoming orders and sales both increased significantly. In the first complete year of our new divisional corporate structure – the result of the

most comprehensive restructuring program in the company's history – we achieved a sustained reduction in costs. The Heidelberg Equipment and Heidelberg Services divisions have proved a success. With the reorganization of our financial structure and in particular the early repayment of the state aid granted two years ago, we have placed our company on a stable financial footing.

Our goals were to safeguard the company during the major crisis, to achieve a turnaround, and to ensure financial stability – and we have achieved all three of them.

Chart: Heidelberg has achieved its strategic and operating goals

To ensure a return to success across the board in the future, however, we have made a number of key strategic decisions regarding the direction our business operations will take. The global strategic partnership we have entered into with digital press manufacturer Ricoh creates a strong link between offset and digital printing. We have also extended our portfolio of solutions for packaging printing, services, and consumables to achieve growth in areas of business that are less dependent on economic cycles.

On the world's number one growth market – China – we are currently in the process of expanding our capacities in response to the continued increase in demand. Heidelberg System Manufacturing, the business area we set up one year ago to make highly complex mechanical and electronic components for various industries, has also got off to a great start.

All these steps will combine to make our business less susceptible to ever greater economic fluctuations in the years ahead. I will go into more detail on the individual aspects of our strategy later on.

Ladies and Gentlemen,

we have gone a long way toward getting the company back on the path to success over the past year. The capital market, though, is not interested in the past and trains its critical eye on the underlying conditions for our business in

the future. The recovery of the global economy has not yet had a positive impact on the print media industry in all regions. In some industrialized countries in particular, the difficult underlying economic conditions have continued to result in investments being put on the back burner. This is having a negative effect on the sector as a whole, on our business, and on our share price. We cannot be content with the current valuation and it goes without saying that we are not. We understand your disappointment, especially given the trust that you – our valued shareholders – demonstrated in us and the company during the recent capital increase. The aim of our efforts is to reward this trust and we will continue to work long and hard to do so. We have once again set ambitious targets for the current financial year and the years beyond to ensure that you share in the success of Heidelberg. Increasing the company's value is and will remain a key focus of our attention and we are confident that we will succeed in this regard.

Development of the economic situation, press construction, and print volumes

Chart: Total volume of global print production

I have briefly outlined the strategic measures we already have in place to counter the cyclicity of our core business. Despite this, we will not be totally unaffected by economic fluctuations – that is impossible for any company. During the financial year just closed, global economic growth of close to 4 percent helped us a great deal. There were, however, significant regional variations. While the recovery in established industrialized countries got off to a slow start, large emerging markets such as China, India, and Brazil once again enjoyed strong growth. Thanks to our good strategic positioning in emerging markets, this development had a positive impact on our order books.

The global print volume for our industry as a whole improved slightly to EUR 411 billion. This is equivalent to print products worth an average of around EUR 60 being produced for every person on Earth each year. This figure is five times higher in the large industrialized nations but much lower in the most populous countries. It is just EUR 24 per year in China and even lower in India

at only EUR 11 per year. In these huge countries with the highest economic growth rates, there is thus still enormous potential for the printing industry.

It is calculated that the global print volume will grow by around 6 percent to EUR 435 billion over the next four years. Despite the boom in electronic media and the collapse in print volumes during the crisis, this is close to the peak achieved in 2007. In other words, Ladies and Gentlemen, print is not a dying medium. Quite the opposite, in fact. It is alive and kicking and this will remain the case.

A look at the developments and changes taking place with print products and technologies makes it clear why the strategic focus of Heidelberg is on sheetfed offset and digital printing. Advertising and packaging printing account for more than half of the entire print volume. Specifically, more than 40 percent of print products are used for advertising printing, just under 25 percent for packaging printing, and around 30 percent for publishing. In future, packaging printing will account for a higher proportion overall. Digital printing methods will become more important, even though their share of the total print volume is still small. Print volumes in publishing will shrink due to the increasing use of electronic media for publishing information. This will have the biggest impact on web offset printing, an area we sold as long ago as 2004.

Financial year 2010/2011: Incoming orders

Ladies and Gentlemen, a glance at the development of incoming orders shows that the global economic recovery is also reflected in our books. During the financial year just closed, we received orders worth some EUR 2.76 billion, 16 percent up on the previous year. With developments on the foreign exchange markets working in our favor, part of this increase was a result of exchange rate movements. Even excluding these movements, though, incoming orders were still around 10 percent higher.

Our Heidelberg Equipment division – which roughly covers our core business of developing, manufacturing, and marketing press and postpress equipment – drew above-average benefit from the much improved underlying economic

conditions, with incoming orders up 24 percent. Print shops started investing much larger amounts again, especially in the medium and large formats. The Heidelberg Services division offers technical and performance services such as spare parts, maintenance, software, prepress equipment, consumables, remarketed equipment, and consulting and is far less affected by economic fluctuations. The order volume in this division increased by 6 percent.

Incoming orders improved throughout the company, in all five regions. The rate of growth varied greatly, though, depending on the relevant gross domestic product. Our business on emerging markets therefore grew much more strongly than in industrialized countries – a trend we expect to continue.

Chart: Positive sales trend during financial year

Sales followed a virtually identical pattern. During the financial year as a whole, sales revenue amounted to around EUR 2.63 billion. This was 14 percent up on the previous year, 8 percent after adjustment for exchange rate movements. Here again, as you would expect, the Heidelberg Equipment division with its close ties to economic cycles recorded much stronger growth than the Heidelberg Services division. The rates were 19 percent and 8 percent respectively. As expected, sales for the second half-year were more than EUR 200 million higher than for the first half-year. This is a result of IPEX in the UK and ExpoPrint in Brazil at the beginning of the year. Both trade shows were very successful for us and brought in numerous orders. It is worth noting that the upward trend in sales continued throughout the year, from EUR 563 million in the first quarter to EUR 746 million in the fourth.

In terms of sales, too, we enjoyed above-average growth on emerging markets. These markets now account for 45 percent of total sales and we fully expect them to pass the 50 percent mark in the medium term. One key development in this respect is that, in the financial year just closed, China became our largest individual market for the first time. We generated sales of more than EUR 400 million in this country, which is equivalent to one in every seven euros of global sales. What's more, incoming orders amounted to EUR 450 million – around half the total for the whole of the Asia/Pacific region. I will go into more detail on

China's role in the future of Heidelberg later. The importance of the emerging market of Brazil should not be ignored either. With sales of more than EUR 120 million, Latin America's largest country is now one of our top five sales markets.

The development of sales in the large industrialized nations varied a great deal. While business in countries such as Germany and France picked up again noticeably, the markets in the UK, North America, and southern Europe remained weak due to their continuing economic and financial problems. The local unrest in North Africa had a noticeable impact on this region.

Chart: Operating result in the black again for the first time following two years of losses

Ladies and Gentlemen, we enjoyed quarter-on-quarter sales growth throughout the financial year just closed. At the same time, we succeeded in reducing our fixed cost basis by an annual amount of EUR 460 million. With total sales of EUR 2.6 billion, we thus passed the break-even point – which we had succeeded in lowering from more than EUR 3 billion to around EUR 2.5 billion – and, in doing so, met another of our targets. The operating result for the first half-year was still negative, as expected, but from the third quarter onward it moved back into the black. In the fourth quarter, our strongest to date, we recorded an EBIT figure of some EUR 30 million. In the second half-year, we thus succeeded in fully compensating the loss from the first half-year.

The operating result excluding special items totaled EUR 4 million following an operating loss of EUR 130 million in the previous year. These are all very encouraging figures, Ladies and Gentlemen, but they are not yet satisfactory.

The operating result excluding special items and before depreciation and amortization – i.e. EBITDA – was EUR 104 million after a figure of EUR -25 million in the previous year. The free cash flow, an important indicator of the inflow of cash, was positive again for the first time in two years at EUR 75 million. This significantly exceeded our expectations. Overall, Ladies and Gentlemen, these figures prove that we have succeeded in turning around our

operating result as we announced we would at the start of the financial year – and we can all be proud of this achievement.

Chart: Heidelberg Equipment – marked sales increase

Despite not achieving our ultimate goals, we saw significant improvements in all three divisions. The Heidelberg Equipment division recorded a negative result of EUR -98 million, but this is still EUR 55 million or around a third better than in the previous year. The collapse in sales during the crisis hit this division hardest.

Chart: Operating result increased considerably by all divisions

The Heidelberg Services division was more profitable, recording a figure of EUR 84 million compared with EUR 12 million in the previous year. Despite lower sales, the Heidelberg Financial Services division also made a significant contribution to the positive overall operating result by returning an operating result of EUR 18 million compared with EUR 11 million in the previous year.

Chart: Financial result weighs on income before taxes

Despite this very encouraging development in business operations, the result before taxes and the net result were once again negative at EUR -143 million and EUR -129 million respectively. This did, however, represent a significant improvement of more than EUR 100 million in both figures. The negative results were caused by high financing costs, which forced the financial result down to EUR -149 million – a further EUR 22 million into the red compared to the previous year. The substantial costs of the far-reaching reorganization of our financing structure were the main factor here. With our new structure, we are now in a position to significantly improve the financial result from the current financial year onward. I will be explaining the details of this financing structure in a moment.

Dividend

Despite a big improvement, the result is still negative and, consequently, we are unable to pay a dividend for the financial year just closed. We will not be putting

a proposal to the Annual General Meeting to start paying a dividend again till this is justified by the Group's financial situation and prospects.

Chart: New lines of credit and high-yield bond secure liquidity in the medium term

Now onto the financing structure. Just under three years have passed, Ladies and Gentlemen, since Heidelberg got into difficulties with the onset of the serious economic and financial crisis. You all know that we were only able to extricate ourselves from these difficulties thanks to the state aid made available to tackle the crisis. Even in the midst of the crisis in 2009, though, the federal and state governments and the banks had confidence in the company's long-term future and provided support in the form of bridge financing. Despite the extremely difficult situation we found ourselves in, we were able to convince our financial partners and the state that we could and would turn things around. Even back then, there was no doubt that we have a workable strategy and that our portfolio is geared precisely to the changing needs of the print media industry. What's more, we had already initiated a comprehensive package of cost-cutting measures to ease the pressure on our balance sheet.

A very successful major capital increase in September 2010 was the first step toward stabilizing our capital structure while also reducing our debt quickly and significantly. You, our shareholders, put your trust in us and a large proportion of you exercised your subscription rights. I would like to say a big thank you to all of you for this, on my own behalf and that of the company. We used all the net proceeds of around EUR 400 million to repay our financial liabilities and strengthen our equity basis.

Half a year later, in spring 2011, we were thus able to issue a corporate bond that matures in 2018. This placement was also very successful. The bond with a volume of around EUR 300 million met with an excellent market response and was oversubscribed several times over. The proceeds enabled us to repay the remaining loans, some of them still secured by state guarantees, one year ahead of schedule. At the same time, we agreed a new syndicated loan

amounting to around EUR 500 million with our banks that runs till the end of 2014.

Chart: Reduced debt thanks to capital increase and positive free cash flow

Ladies and Gentlemen, this has enabled us to achieve our financing objectives. Heidelberg has now once again secured its medium- to long-term financing without any state aid. We have diversified our financing sources, our financing now once again comes from the capital market, and we have made significant progress in optimizing the maturity profile of our loans. Our financing is back on a sound footing and provides a good basis for future profitable growth.

The new structure has also significantly improved a whole host of other key financial indicators. At EUR 395 million, financial liabilities on the balance sheet date were at their lowest level for years and less than half the amount recorded twelve months ago. The net financial debt – that is to say liquid assets minus financial liabilities – is a third lower than a year ago at EUR 247 million. With the capital increase, equity climbed to EUR 869 million and the equity ratio was nearly back to its pre-crisis level at 32.9 percent.

Employees

As part of our restructuring and cost-cutting programs, we were forced to shed further jobs during the financial year just closed. At the end of the financial year, we employed 15,828 staff worldwide, just under 700 or 4 percent fewer than a year ago. The encouraging news is that most of the staff who left have found new jobs – something we are very pleased about. We have also asked much of our remaining employees over the past year. Despite all adversities, these demands met with a great deal of understanding and support – and I would like to take this opportunity to express my personal thanks to all Heidelberg staff.

The global economy and thus the demand for our products will be subject to significant fluctuations in the future, too. To adapt to this, it is essential for our employees to be even more flexible. In constructive talks with employee representatives, we have succeeded in drawing up and introducing efficient

working time and remuneration models that will give us more breathing space in our cyclical business.

Another HR issue that is very close to our hearts is ensuring equal opportunities for women. We are keen to further increase the number of female staff working at the company. We are also committed to providing targeted support for women in technical and managerial positions. However, we must not ignore the fact that the proportion of female graduates in most of the disciplines that are of interest to us – especially engineering, economics, and IT – is below 10 percent. Consequently, we do not consider a legally binding quota of women to be expedient. It is virtually impossible for us to achieve such a quota.

The main way in which we support female employees is through our mentoring program for the career development of female technical staff and both existing and future managerial staff. We have also increased the number of part-time options, which makes it easier to achieve a balance between work and family commitments.

In summing up, Ladies and Gentlemen, I can confidently say that financial year 2010/2011 showed we have chosen the right course, our strategy is good, and it is having an impact on the market. We will systematically continue to steer this course during the current financial year and, of course, in the years ahead and will continue to optimize it where necessary.

Agenda item 5: Changes on the Supervisory Board

Let's move on to the next item at this Annual General Meeting, Ladies and Gentlemen. Item 5 on the agenda requires you to take a decision regarding changes to the composition of the Supervisory Board. Two shareholders' representatives will be leaving and need to be replaced by two new ones. Our Supervisory Board Chairman Dr. Mark Wössner has already introduced the two candidates – Dr. Herbert Meyer and Ms. Lone Fønss Schrøder.

In addition to Dr. Werner Brandt, another long-serving member will be leaving the Supervisory Board at the end of today's Annual General Meeting as planned

– the Chairman himself, Dr. Mark Wössner. When he was elected at the Annual General Meeting in 2008, it was decided that his term of office would end today.

Dr. Wössner, you have been Chairman of the Supervisory Board of Heidelberger Druckmaschinen AG for nearly seven years – since July 30, 2004. The past few years have not been particularly easy. During this period, your great commitment and skill has helped steer Heidelberg through the worst crisis in the company's history. We would like to offer you our sincere thanks for this and much more besides – a sentiment I would like to reiterate in person.

I would also like to wish you all the best for the future on behalf of everyone at Heidelberg, myself included. I know that you will stay in touch with our company and follow its development closely. I would also like to thank Dr. Brandt on behalf of Heidelberg for his advice and the commitment he has demonstrated to the company over the past few years.

Ladies and Gentlemen, there are three more items on today's agenda that I would like to comment on.

Agenda item 4: Election of the auditor

Firstly, I will provide some brief details on the election of the auditor. If you look at our Annual Report, you will see that the fees for “Other services” are high compared to those for audits of financial statements. At first glance, this could call into question the auditor's independence. This is unjustified for the following reasons:

As I have already mentioned, we initiated a number of significant financing measures within a very short period in the six months between September 2010 and March/April 2011. Given the current instability on the capital market as a result of the euro crisis and other destabilizing factors, it appears that we chose virtually the ideal time to prematurely stop our dependence on federal and state guarantees. Our auditors were a key part of the team that achieved this and their many years of experience with Heidelberg were essential during the relevant projects. We could not have managed without the expertise of our auditors and their specific knowledge of the company. They drew up the

necessary comfort letters for the issuing prospectus for both the capital increase and the high yield bond. Had we commissioned a different auditing company without this specific knowledge, it would have led to major inefficiencies – especially from the perspective of the banks involved in the capital increase and the bond issue – and it would probably not have been possible to complete the necessary tasks in such a short time.

Agenda item 7: Approved capital

To further optimize our capital structure, a number of important decisions need to be taken under agenda item 7. The first concerns canceling the capital approved by the Annual General Meeting in 2008 and the second authorizing the Management Board to increase the share capital by issuing new shares against cash contributions.

With regard to the first point, a decision by the Annual General Meeting on July 18, 2008 authorized the Management Board to raise the share capital by issuing new shares against cash contributions. This approval expired on July 1, 2011. The part of the Memorandum and Articles of Association relating to this point is thus irrelevant and they should therefore be amended by deleting a paragraph.

The authorization decided on by the Annual General Meeting on July 23, 2009 to increase the share capital by issuing new shares against cash contributions ends on July 1, 2014. No use has been made of this authorization to date. To ensure the Management Board is authorized to take such action beyond this period, the existing authorization should be canceled and a new one decided on.

Agenda item 6: Change to the Memorandum and Articles of Association

Under agenda item 6, we propose a further change to our Memorandum and Articles of Association. This is necessary because, according to this document, the object of our company is at present confined to – and I quote – “the manufacture and distribution of printing presses and other products in the graphics industry and the metal industry” as well as trade in such machinery

and products. Other products and services, including consulting services, in the areas of mechanical engineering, electronics, electrical engineering, and the metal industry should also be included in future.

Chart: Expanding and developing new areas of business

Our core business, Ladies and Gentlemen, will not change as a result of this addition. We intend to remain the leading supplier of solutions for the print media industry and we will do so, but we can achieve more, as we have already proved recently. Last year, we founded Heidelberg System Manufacturing, our new area of business that enables us to offer our leading know-how in specialist mechanical engineering to companies from other branches of industry. Our expertise in making machines that weigh several tons with the precision of a Swiss timepiece is well established. Now, just one year after Heidelberg System Manufacturing was launched, around 40 companies – mainly from the energy industry and the mechanical engineering sector, but also from the automotive industry – rely on Heidelberg as an approved supplier.

Further developing new areas of business

The public definitely does not see Heidelberg as an electronics company and yet electronics already account for more than 50 percent of added value in our large series – and we make many of the relevant components ourselves. We will make greater use of this expertise in the future. The good start made by this new area of business makes us confident that we can reach our planned sales target of EUR 100 million within three years, while also achieving good margins. In order to do so, we will naturally be further expanding this area of business. For a number of weeks now, we have therefore been on the lookout for new specialists in areas such as power electronics and control technology to strengthen our research and development activities in this new field.

In the area of printed electronics, we have joined forces with other companies to develop innovative products ready to launch on the market. In February, the company provided a press for the research laboratory opened in Heidelberg by the Leading-Edge Cluster Forum Organic Electronics. More than 50 researchers and partners of this initiative are working together on new kinds of

energy-saving lighting systems, highly efficient solar cell films, and medtech applications that can be realized with the help of a printing process.

The project is a long-term one as is benefiting from EUR 40 million of funding from Germany's Federal Ministry of Education and Research over a five-year period. The resultant products could take our industry in an entirely new direction.

As you can see, Ladies and Gentlemen, Heidelberg is working hard on projects for the future and continuing to expand new areas of business. We also want this undertaking and the activities it involves – some of them very diverse, as I have mentioned – to be reflected in our Memorandum and Articles of Association. I would like to ask you, our shareholders, for your support in this respect.

Strategy

Ladies and Gentlemen,
the key question for Heidelberg – and the cornerstone of our long-term corporate strategy – is how the print media industry will develop in the years ahead. And, like any question of such import, there is no simple answer.

As I indicated earlier, the future will bring changes within the individual market segments, too. Offset printing will continue to lose a small amount of ground to digital printing as a result of further shrinking print runs in the future, but it will also benefit from shrinking runs in web offset printing and win additional market shares in that way.

There will also be a regional shift. In the large emerging markets, the demand for presses will rise more than in the industrialized countries simply because of the strong growth of the relevant national economies. One reason for this is the continuing and irreversible trend from loose to packaged foods, a development that is benefiting packaging printing in particular.

Taken as a whole, the global print volume will continue to increase and with it the demand for consumables. What's more, a growing number of print shops are employing far more environmentally friendly procedures than was the case a few years ago.

Chart: Global strategic partnership in digital printing entered into with Ricoh

How is Heidelberg responding to all this? The key is digital printing. It will without question become increasingly important – especially for shorter and personalized print runs in advertising and commercial printing, but also in the packaging sector. Digital printing is a strategic growth area for Heidelberg and is the perfect complement to the company's product portfolio. Consequently, in February 2011, we entered into a long-term strategic global partnership with the Ricoh Company in Japan for digital applications in advertising printing. Ricoh is a leading technology supplier whose core areas of business include digital printing systems and office solutions. By rounding off our offset portfolio with an innovative digital production printing system, we will in future be able to offer our customers a combination of offset and digital print technology. Combining the two technologies will enable our customers to offer variable data printing and very short runs in addition to tried-and-tested, cost-efficient, and high-quality offset printing.

Chart: Product portfolio supplemented by digital printing offerings

Both companies will benefit from this partnership. Above all, it will enable us to strengthen our position in advertising and commercial printing, which accounts for more than half of the global print volume. Ricoh, for its part, has gained a strong technology and sales partner. Since April, we have been offering the Ricoh Pro TM C901 Graphic Arts Edition digital printing system on a number of European and Asian markets. We will gradually be extending this availability to other markets. By the time drupa takes place next May, we will be supplying this product across the globe. We have already sold the first few systems in Europe and Asia.

Digital printing solutions for the packaging industry

In addition to our collaboration with Ricoh, we have been serving the packaging market for some time with our Linoprint digital inkjet presses. This commitment has led to the development of solutions that meet the growing need of manufacturers of pharmaceutical blister packs, labels, and consumer goods packaging for customized and cost-effective printing options – along the same lines as our portfolio for advertising printing. Given the attractive market opportunities for these applications, we will continue our targeted investment in “digital” – a strategic growth area.

Chart: Position in packaging printing strengthened further

We are expecting steady growth in packaging printing that is relatively unaffected by economic cycles, especially on emerging markets. Just over a year ago, we unveiled our new Speedmaster CX 102 at the IPEX trade show in the UK. The structure of this press makes it ideal for packaging printing. Packaging is often printed in very large quantities. The CX 102 is a 70 x 100 cm format press and prints up to 16,500 sheets per hour. It has met with an enthusiastic market response from the outset. We succeeded in selling around 100 printing units at the launch at IPEX and, one year on, we have already recorded global sales of approximately 900 printing units in 150 presses.

Chart: Service offerings extended

Everywhere you go, you are constantly hearing that the printing industry will suffer as a result of the rapid development of the Internet. In actual fact, the options now offered by the Internet are creating new business models for our customers – and Heidelberg is supplying the solutions they need. Yes, the Internet siphons off some print jobs, but it creates jobs, too. Web-to-print solutions are a key growth market, including in the offset sector. The customer creates the print originals for simple, standardized products such as business cards, letterheads, or flyers directly over the Internet and sends them via an online portal more or less directly to the press. Web-to-print also creates online links between partners such as agencies and print shops. This makes their communication processes far more efficient and increases the bond between the companies involved.

Highly efficient IT systems are part and parcel of the success of this business model. At last year's IPEX, we presented a partner program with appropriate software suppliers that enables our customers to create a variety of business models in this sector. We will continue to expand this program. Our customers can expect to see some new developments at the upcoming trade show in the United States in September.

Acquisition of CERM

Sophisticated and specific IT solutions are also required when designing the management information systems that are an increasingly common feature at print shops. Early this year, we took over the Belgian software specialist CERM, which specializes in management information systems for advertising and label printing. We will gradually be integrating CERM's solutions into our Prinect print shop workflow and will be unveiling a fully integrated management and production workflow at drupa 2012. The global market volume for management information systems in the print media industry is estimated at around EUR 200 million, which makes it a very large and attractive market.

Chart: Consumables business: High market volume worldwide

One of our main objectives, Ladies and Gentlemen, is to make our business as a whole less dependent on economic cycles. We will therefore also be expanding our business with consumables such as inks, coatings, printing plates, cleaning solutions, and numerous other products used at print shops. As I have already mentioned, global print volumes are continuing to grow. And because the quality of products is improving all the time, with a growing number of inks and coatings applied to the paper to create ever more impressive effects, the demand for consumables is also enjoying above-average growth. The global market volume for consumables, excluding paper, is currently around EUR 8 billion – far higher than that for sheetfed offset presses.

At present, we only have a 4 percent share of the consumables market, but we are looking to increase this to 7 percent in the medium term. We will achieve this through organic growth and through acquisitions where appropriate

opportunities exist. A number of consumables manufacturers have already transferred their sales operations to us because they have realized that, with our extremely dense sales network, Heidelberg offers better access to offset print shops around the world than any other company.

In the United States, we are planning to set up a small site for the manufacture of coatings. A very large number of print shops use Heidelberg machines in North America and, with our own production facility there, we could supply them directly without the risk of currency fluctuations.

We market our consumables under the Saphira product name. These products are subject to thorough testing and very high quality requirements. The introduction of our Saphira Eco product line this year also helps us to stand out from our competitors. Saphira Eco products are subject to the strictest environmental criteria in the print media industry. Environmental protection is becoming an increasingly important consideration at print shops.

As well as helping our customers to achieve more environmentally friendly production, though, we ourselves have also stepped up our already impressive commitment to environmental protection over the past year. Environmental protection and sustainability are a firmly established part of the Heidelberg strategy. Last year, we set up an ECO Council with members from our top management right up to Management Board level. All kinds of disciplines are represented and the Council aims to make further progress with environmental aspects at Heidelberg.

Chart: Focus on China

China is particularly important for the further development of Heidelberg, Ladies and Gentlemen, and I would like to examine its significance in greater detail.

China has developed at an incredible pace over the past decade, with the national economy growing at an annual rate of close to 10 percent during this period. According to economic research institutes, this development will continue – despite the current widespread shortage of liquidity in the Chinese

banking system – but will do so at a slower pace. China has now replaced Germany as the world's number one exporter. It already has the third highest gross domestic product in the world, is set to overtake Japan soon, and will catch up with the United States in the medium to long term. As in other countries, stronger growth means more printing. This includes everything from advertising and commercial printing to publishing and, above all, packaging printing. Without any doubt, the best presses for these purposes come from Germany. China did, however, impose high import duties on certain format classes for a time.

Chart: Expansion of the Qingpu production site

Heidelberg is the first and so far the only established press manufacturer to realize that direct production in China makes sense for standardized, reliable presses with a low level of automation – precisely what many Chinese print shops need in the first instance. Five years ago, we opened a small plant in Qingpu near Shanghai. This plant has already grown significantly and in September we will be commissioning the third construction phase. Most of the machines we make in China are standard models. I want to stress that we will continue to make the more complex models in Wiesloch-Walldorf.

At the moment, one in three of the machines we sell in China comes from Qingpu – and this proportion will continue to grow. Ladies and Gentlemen, China is without any doubt a big success story for us. Our decision to build a plant there has been fully justified. We do, however, recognize that China's growing significance for our business also brings with it a certain level of risk. Should inflationary tendencies in China worsen, for example, this could have a negative impact on volumes. We are looking to counter this risk by supplying other countries from Qingpu in future if demand in China itself falls, and we are currently putting the necessary structures in place.

Chart: Heidelberg is recovering

Although this is not currently reflected in our external valuation, Ladies and Gentlemen, Heidelberg has definitely emerged from the significant slump it experienced over the past two years. We have tackled operating and balance

sheet problems to create the conditions for future growth and sustained profitability.

Having said that, we have seen a relatively slow start to the new financial year. Based on preliminary calculations, our sales in the first quarter of financial year 2011/2012 after adjustment for exchange rate movements will, at EUR 544 million, match the previous year's level but will be slightly below our expected figure. The reasons for this include sales that will now take place in subsequent quarters as a result of the catastrophic earthquake in Japan and delays resulting from the widespread shortage of liquidity in China's banking system that I have already mentioned. Given the continuing high demand and high economic growth on this market, however, we are assuming that these effects on business development at Heidelberg will be only temporary and that sales will catch up by the end of the 2011 calendar year.

Preliminary incoming orders, though, were in line with our planning. In the months April through June, orders totaled around EUR 665 million – a further increase compared with the previous quarter. As a result, our preliminary order backlog has increased since the previous quarter to EUR 718 million.

The results of our systematic cost management will be reflected in our operating result. Based on a virtually identical sales volume, this will improve in the first quarter compared to the previous year.

The final figures for the first quarter just ended will be published on August 9 as announced. You can, however, already see that the underlying conditions we described when presenting the annual accounts in June are having a big impact on our business and will continue to do so.

The global economic and market risks are still high and have increased overall. The worsening of the debt crisis in some European countries and the high national debt in the United States could slow the pace of macroeconomic growth. If underlying macroeconomic conditions and the sector as a whole remain stable, though, we are still aiming to achieve a break-even pre-tax result

in financial year 2011/2012 – based on a higher operating result and lower financing costs.

drupa, the industry's leading trade show, is held every four years and is due to take place next May in Düsseldorf. This traditionally gives our business a big boost. This time round, however, it is very hard to predict just how big a boost it will give us. A great deal will depend on whether print shops in key markets such as the United States, Canada, Australia, and Japan are once again more willing to invest by then.

Developments in the real estate sector and possible inflationary tendencies in China also need to be taken into account. Overall, the inflation risk has increased due to rising raw material and energy prices. The impact of the disasters in Japan on the Japanese and global economy is currently difficult to forecast. The political changes in the Arab world are also creating uncertainty. Volatile exchange rates could have a negative effect on the global economy as well.

Ladies and Gentlemen, we are keeping a close eye on current economic developments across the globe, but it is difficult to predict what will happen in the short term. If the global economic and market risks increase further and have a negative impact on the market environment and our business, we can still make use of short-term strategies to adapt our capacities.

We are, however, still determined to reach our medium-term goal of once again achieving sales of more than EUR 3 billion and an EBIT margin of more than 5 percent within the next two to three years. If developments remain stable overall, we expect to move closer to this target during the current financial year and the next one. In financial year 2012/2013, we should see sales grow more strongly than during the current financial year as a result of drupa 2012 and the ongoing recovery of the print media industry. This should lead to a positive net result.

Ladies and Gentlemen, Heidelberg has succeeded in turning around its operating result, the company is in a strong position, and the operating and balance sheet conditions required for profitable growth are in place. Our goals are clearly defined. We will focus all our efforts on creating added value for our customers, for the company, and for you, our valued shareholders.

Thank you for listening and for the trust you have shown in us.

Chart: Thank you very much for your attention

Important note:

This press release 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 those 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 press release.