DISCOVER

FINANCIAL STATEMENTS 2011 / 2012

HEIDELBERG

HEIDELBERGER DRUCKMASCHINEN AKTIENGESELLSCHAFT

Figures in € millions

	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
Incoming orders	1,909	1,295	997	1,285	**1,186**
Sales	1,914	1,553	1,016	1,265	**1,228**
Share of international sales (%)	84	81	84	83	**84**
Result from operating activities	67	– 47	– 99	– 57	**– 56**
– as a percentage of sales	4	– 3	– 10	– 5	**– 5**
Net income / loss for the year	132	70	– 106	– 22	**– 30**
– as a percentage of sales	7	5	– 10	– 2	**– 2**
Investments [1)]	126	106	70	38	**28**
Research and development costs	183	154	99	104	**109**
Total assets	2,769	2,992	2,873	2,371	**2,257**
Fixed assets	1,684	1,812	1,851	1,476	**1,308**
Equity	564	561	455	875	**849**
Subscribed capital	200	200	200	597	**600**
Equity ratio as a percentage	20	19	16	37	**38**
Distribution [2)]	74	0	0	0	**0**
Dividend per share in € [2)]	0.95	0.00	0.00	0.00	**0.00**
Earnings per share in € [3)]	1.70	0.90	– 1.36	– 0.10	**– 0.13**
Share price as at the end of the financial year in € [4)]	10.71	2.29	3.36	3.34	**1.50**
Market capitalization as at the end of the financial year	1,328	284	416	779	**352**
Average number of employees for the year	11,039	10,988	10,146	9,136	**8,841**

1) Not including financial assets
2) According to the proposal on the allocation of the unappropriated profits
3) Not including own shares
4) Financial years 2007/2008, 2008/2009, and 2009/2010 are adjusted to the number of outstanding shares following the capital increase

Financial Statements

2011/2012

The Heidelberg Share

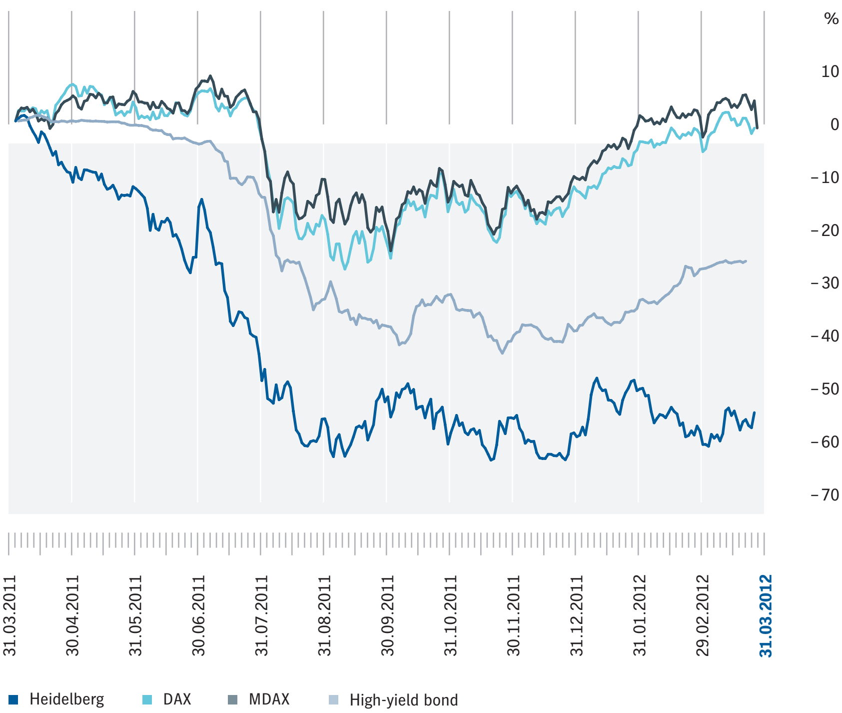
The performance of the Heidelberg share was disappointing in the reporting year. It only benefited to a small extent from the upward trend in the stock market and was hit badly by the uncertainty over the situation in the printing press industry.

Massive drops on German stock indices in the Meantime

Capital markets were initially marked by uncertainty around the world between March 2011 and March 2012. The disasters in Japan and, in particular, the sovereign debt crises led to sharp drops on the DAX and MDAX, the two most important German stock indices. Between July and September, 2011, the DAX had to face up to its biggest drop in nine years. After moving laterally, the markets witnessed a year-end rally; supported by the decisions reached at the European Summit, this turned into a sharp upward trend, which carried on into the first months of 2012. On March 31, 2012, the DAX stood at 6,900

PERFORMANCE OF THE HEIDELBERG SHARE

Compared to the DAX / MDAX (Index: April 1, 2011 = 0 percent)



points, well over the psychologically significant 6,000-point mark; it made up for the year's losses and ended with a slight drop of around 1 percent compared to March 31, 2011. Over the same period, the MDAX was up by around 4 percent.

Slow recovery by the printing press industry adversely affects the performance of the Heidelberg share, which was listed on the SDAX from March 2012

Following the general downward trend by stock exchanges at the beginning of the second quarter, Heidelberg shares fell by around 37 percent. By September 30, 2011, they had made a slight recovery and were listed at € 1.57. In line with the performance of the leading share indices, Heidelberg shares, at first, started to move laterally. Because Heidelberg reacted to the uncertain outlook for the economy by adjusting its forecast in October, and furthermore, because a competitor filed for bankruptcy at the end of November 2011, the shares then fell even more sharply, reaching a low of € 1.20 at the end of November. Slightly lagging behind the important leading share indices, this was followed by a strong upward movement at the beginning of the fourth reporting quarter. Once Heidelberg had announced specific measures as part of its Focus 2012 efficiency program in January, Heidelberg shares continued to recover until the beginning of February.

However, prior to the regular **REVIEW OF THE STOCK EXCHANGE** by Deutsche Börse, Heidelberg shares came under renewed pressure. Other sectors had recovered significantly faster and more comprehensively from the global economic and financial crisis in 2008/2009 than the printing press sector. This was also reflected in the share prices of companies listed on the MDAX. At the end of February, 2012, Heidelberg was in 62nd place after market capitalization of the shares in free float, and 48th in terms of order book turnover on Deutsche Börse. On March 6, 2012, Deutsche Börse announced that, **UNDER THE "REGULAR EXIT RULES," HEIDELBERG SHARES** would be moved to the SDAX, as they no longer met the criteria in terms of market capitalization for staying on the MDAX. Since March 19, 2012, Heidelberg shares have been listed on the SDAX. At the end of the financial year, on March 30, 2012, the share price of € 1.50 was around 55 percent below the closing price on March 31, 2011.

KEY PERFORMANCE DATA OF THE HEIDELBERG SHARE

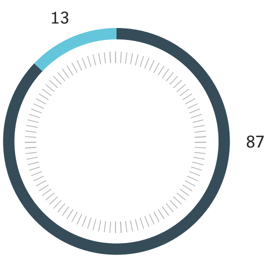
Figures in €

	10/11	11/12
Share price – high	5.49	3.38
Share price – low	2.93	1.20
Share price – beginning of financial year [1]	3.51	3.36
Share price – end of financial year [1]	3.34	1.50
Market capitalization – financial year-end in € millions	779	351
Number of shares in thousands [2]	156,140	233,899

[1] Xetra closing price; source for prices: Bloomberg
[2] Weighted number of outstanding shares

SHAREHOLDER STRUCTURE

Figures in percent



Free float	87
Allianz SE	13

As of the reporting date, the biggest investors continued to include Allianz SE with around 13 percent of the voting rights. At the time this report was printed, other shareholders holding more than 3 percent of the Heidelberg share included: RWE AG (4.22 percent), SEB Investment GmbH (5.02 percent) and BlackRock, Inc., New York, USA (3.02 percent).

In the course of the reporting year, the number of international investors in the free float continued to increase. Institutional funds from Norway, Switzerland, and Italy, in particular, invested in the share for the first time or increased their holdings.

High-yield bond issued

Shortly after its issue, our high-yield bond issued in April 2011 traded at a price of around 102 percent, but from July onwards it followed the downward trend of our share price. It ultimately reached its low point at the end of November at around 57 percent. Thereafter, the bond recovered considerably, ending the reporting year on March 30, 2012, at a price of around 75 percent.

In constant dialog with the capital market

Our Investor Relations activities have one core aim: to present Heidelberg transparently on the capital markets in order to achieve an appropriate valuation for its shares and high-yield bond.

Settlement made with former Linotype-Hell shareholders

Heidelberg amicably settled its longstanding litigation with former shareholders of Linotype-Hell AG on March 30, 2011. Under the terms of a court settlement, it was agreed that the former Linotype-Hell shareholders should receive an additional payment. For this purpose, the authorization to issue Authorized Capital 2008 was partially utilized: 916,638 new shares were issued. The amount of the capital increase is equivalent to a 0.39 percent share of the capital prior to the increase. The new total number of outstanding shares at the end of the reporting year stood at 234,246,940.

Annual General Meeting 2011: all resolutions adopted

Just under 2,000 shareholders participated in our Annual General Meeting for financial year 2010/2011, which was held in the Rosengarten Congress Center in Mannheim on July 28, 2011. A total of approximately 48 percent of capital eligible to vote was represented. One of the key proposals was the appointment of two new members to the Supervisory Board.

The planned amendment of the Articles of Association to make the wording of the Company's corporate mission somewhat broader was also adopted. The Articles will henceforth include Heidelberg's activities outside of the print media industry, such as in the area of the manufacturing of control electronics elements. All resolutions were adopted by a large majority of the shareholders, including the proposals to suspend the existing authorized capital, to authorize the Management Board to increase share capital by issuing new shares, for consideration, and not to distribute any dividend for the previous financial year.

Management Report

The Company and Underlying Conditions

Heidelberger Druckmaschinen Aktiengesellschaft

Heidelberger Druckmaschinen Aktiengesellschaft is the parent company of the Heidelberg Group.

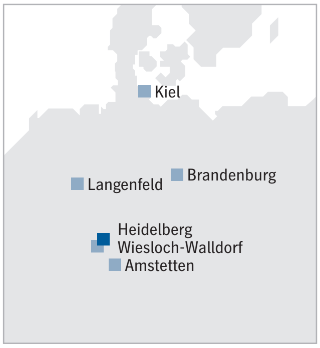
In addition to manufacturing printing presses, print finishing equipment, and equipment for printing plate imaging, the Company also specializes in the sales and marketing of service parts, used presses, comprehensive service, as well as in carrying out Group functions. Heidelberg is the world market leader in the area of sheetfed offset printing presses.

Production Sites

Heidelberger Druckmaschinen Aktiengesellschaft operates six 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 and die-cutters are manufactured at specialized production sites operating as part of a production network. Precisely processed castings are delivered from Amstetten; turned and profiled parts are supplied by the Brandenburg plant; and model parts, electronic components, and experimental components are produced at the Wiesloch-Walldorf plant, the world's largest printing press manufacturing facility, where we also assemble the vast majority of our sheetfed offset printing presses and die-cutters. At this production site we perform development work as well as pre-press services. Furthermore, the Langenfeld production site was integrated with Heidelberger Druckmaschinen Aktiengesellschaft during the preceding financial year. This production site focuses primarily on development work and services for folder gluers. We also make our precision engineering expertise at our various production sites available to other companies within the framework of contract manufacturing.

HEIDELBERGER DRUCKMASCHINEN AKTIENGESELLSCHAFT LOCATIONS



Focus 2012 Efficiency Program

After the massive collapse of the new printing press business in the sheetfed offset area in the crisis years of 2008 and 2009, the industry slowly began to recover. In 2010 and 2011, capital investment started to rise again. In the second half of the reporting year, the recovery in demand did not continue as originally planned; overall, investment remained at the level of the previous year.

As the change in the underlying conditions began to emerge, we reacted quickly and initiated the FOCUS 2012 efficiency program. With this program we intend to ensure a clearly positive result of our operating activities, even if the market volume of new printing presses increases only slightly.

We instituted essential measures of the program even before drupa 2012, the world's largest printing press trade show in Düsseldorf, as the basis for its rapid implementation. Thus, we adapted our capacity to the changed underlying conditions, reducing it on average by around 15 percent. Focus 2012 provides for savings in staff costs and more flexible working time regulations; by the middle of 2014, the number of employees across the Group is to be cut to less than 14,000, among other socially responsible measures.

Sustainable increases in efficiency and further cost reductions, in particular, will also be achieved through the adjustment of the sales and services organization to the anticipated level of regional business and by improving the coordination of organizational processes.

In the framework of our analyses for Focus 2012, we also reviewed our product portfolio and will realign the area of research and development.

Employees

As of the end of the reporting period, our six production sites had a total of 8,692 employees – our total staff was thus further reduced by approximately 270 employees during the reporting year, primarily on the basis of labor turnover, or in the framework of early partial retirement agreements. We absorbed overcapacities through the application of short-time work during the reporting year; in addition, our employees relinquished, among other things, provisions of collective bargaining agreements.

As in past years, we maintained a solid training quota of about 6 percent in Germany. On September 1, 2011, some 160 young people began their training or studies at Heidelberger Druckmaschinen Aktiengesellschaft. The 13 apprenticeship-based trades focus on electronics and mechanics.

In the framework of the Focus 2012 efficiency program, Heidelberg Druckmaschinen Aktiengesellschaft will also further reduce the number of its employees. As early as in January we had entered into negotiations with the employee representatives; already at the end of the reporting year we signed A CONTRACT WITH RESULTS, which, on the one hand, are socially responsible and, on the other, make the necessary adjustments possible. The

NUMBER OF EMPLOYEES PER LOCATION

	31-Mar-11	**31-Mar-12**
Heidelberg	1,697	1,645
Wiesloch-Walldorf	4,807	4,669
Amstetten	999	967
Brandenburg	584	573
Kiel	295	285
Langenfeld	76	73
Trainees	505	480
Total	8,963	**8,692**

contract provides for severance agreements, including an age structure model, the formation of a transfer company, permanent reductions in working hours for the entire staff, and increased flexibility of working time. With this innovative model we will achieve an immediate significant capacity reduction of around 15 percent on average and, in addition, will ensure that we will achieve a balanced age structure in the Company.

In addition, with a collective reduction of working hours to 31.5 hours a week and a corresponding lowering of remuneration levels, a long-term collective bargaining arrangement was created in order to significantly reduce staff costs. Starting with the lowered weekly working hours, the individual working hours can be adjusted, if needed, to the particular level of capacity utilization through time accounts. Thus, the Company is significantly increasing working time flexibility and will be able to react comprehensively if market requirements change, in particular in the year of drupa, the world's largest printing press trade show.

In order to be able to communicate quickly and promptly, to make processes transparent, and to actively integrate employees, we rely throughout the Group on a uniform COMMUNICATIONS AND CHANGE MANAGEMENT.

Sustainability

Environmental protection has been one of Heidelberg's corporate goals since 1992, and our Environmental Management System has had ISO 14001 certification for over ten years.

As with all strategic goals, we also rely on close cooperation across regions and segments in the case of environmental protection. Our so-called ECO Council is responsible for defining and implementing measures. In July 2011, the ECO Council established new Group-wide goals that are to be reached by the year 2014. The major goals established for the environmental program that we adopted include reducing CO_2 emissions, increasing material and energy efficiency, and saving energy.

Thus, in September 2012, we will put a combined heat and power plant into operation at our largest production and assembly location in Wiesloch-Walldorf which, with two units, will cover 20 percent of the current electricity requirement and 40 percent of the heat required. We are investing € 2.4 million – and will save € 1.2 million per annum. In the reporting year alone, the partial renovation of lighting in Hall 5, together with the modification of the lighting intensity and duration in the halls in general, has resulted in the reduction of around 650 metric tons of CO_2 emissions a year at the Wiesloch-Walldorf site. After completion of the reorganization and renovation work on the central warehouse in Hall 40, the energy consumption of the entire hall was analyzed. In the framework of a “green warehousing” project, we implemented additional quick savings measures. We expect an average reduction in consumption of electricity of 18 percent of the original value. Our Amstetten production site will be certified based on the energy management standard ISO 50001.

We were able to increase the waste recycling rate at Heidelberger Druckmaschinen Aktiengesellschaft, which indicates the proportion of waste to total waste, to 94.5 percent in calendar year 2011. The Amstetten production site obtained electric power exclusively from renewable forms of energy, half of which was from water power. Primarily on the basis of this, CO_2 emissions were significantly reduced.

Management, Control, Risk, and Opportunity Management System

The market in which we operate changes dynamically; as a result of overcapacities, competition in our industry has been especially fierce in recent years. We have tuned our MANAGEMENT SYSTEM for this: in the preceding years, we considerably strengthened the significance of financial management control components in our internal reporting systems and introduced a new control and management system that has a clear focus on achieving our financial goals. In the framework of the Focus 2012 efficiency program, we will again significantly reduce capacities, adapt structures, and increase flexibility. At the same time, it will be important for us to consistently implement our strategy and to develop new areas of business.

We will continue to manage on the basis of the principle “management by objectives.” The primary goals of the Company will determine all other goals. In our organizational directives, all processes and interconnections in the Company will be presented transparently and made available to all employees via the intranet at all times.

Depending on the particular function, defined key financial goals are assigned various weightings on a so-called scorecard, which ultimately also determines the remuneration of senior executives. The overriding financial goals of the Heidelberg Group – EBIT and free cash flow – are taken into account for all senior executives. Our international sales and services executives are measured in terms of sales revenues achieved, price quality, and compliance with cost and net working capital goals. Targets of the balanced scorecard, which defines qualitative and quantitative goals, are also used in the central units: here, the four areas “Customers,” “Finances,” “Employees,” and “Processes” are fundamentally given equal weighting.

Clear values, principles, and guidelines help us manage the Company.

Our internal auditors regularly examine compliance with all guidelines and accounting standards, based on random sampling. The principles, processes, and measures of our internal control system must ensure that management decisions are implemented effectively, that business activities are profitable, that laws and internal regulations are observed, and that accounting is undertaken properly.

Guidelines and operating instructions are available at all times – among others, via the Company’s intranet or the respective intranet of the individual areas. These form the basis for the Heidelberg Group’s internal control system. It is the responsibility of all senior executives to establish an internal control system for their areas of responsibility.

RISK AND OPPORTUNITY MANAGEMENT at Heidelberg are solidly integrated as part of our strategic five-year planning. The planning clock to the right represents our rolling multiyear planning in a schematic and highly simplified form. On a monthly basis we compare target and actual values of all developments relevant for our business development, such as sales, EBIT, free cash flow, and net working capital. Based on the values obtained, as well as a wide range of data from the business environment, we regularly draw up scenarios. Besides the formal process for determining risks and opportunities, an open, proactive treatment of risks and opportunities is required at all levels of the Company. On this basis, we can counteract risks and take advantage of opportunities.

The efficiency of our risk management process is monitored on a regular basis by our internal auditors. Our early risk identification system satisfies the legal requirements of the Corporate Sector Supervision and Transparency Act (Gesetz zur Kontrolle und Transparenz im Unternehmensbereich, KonTraG). In the reporting year, this process was a key audit area of our independent auditors.

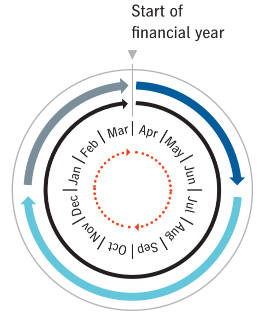
The **FOUR-EYES PRINCIPLE** applies to all transactions. Every declaration of intent that is binding on the Heidelberg Group or exposes the Group to a risk must be authorized by at least two individuals.

Sufficient **FUNCTIONAL SEPARATION** is assured through the organizational separation of administrative, implementing, invoicing, and authorization functions.

Limits and responsibilities are predetermined in an **AUTHORIZATION TABLE** and must be observed when authorizing transactions.

Within the framework of our planning, the responsible financial heads confirm that all significant risks have been recorded completely, and that the internal control system has been followed.

PLANNING CLOCK



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

All cross-sector committees are required to periodically spotlight risks and opportunities from all angles. This applies in particular to strategic and non-quantifiable risks.

Our guidelines and organizational directives stipulate a strictly formal process, by means of which we systematically identify individual risks and the overall risk, and also detect, assess, and quantify opportunities. All operating units and divisions are integral components of this process. Information on risks is collected locally. The risk-significant areas of observation, as well as the risk survey methodology, are spelled out in the guidelines. Classification into risk categories is based on the potential impact on the net profit and free cash flow of the individual units. Reporting thresholds are set on a uniform basis. All significant areas, such as personnel management and development, are assigned a risk catalog, which they fill out and report back. Risk Controlling summarizes these reports three times a year at the Company level and assigns them to risk categories. The reports go to the entire Management Board as well as to the Audit Committee of the Supervisory Board. We publish an organizational directive and underscore the procedures in a corporate guidelines document to ensure adherence to our requirement that risks and opportunities be addressed on a uniform basis. This directive is updated regularly and is available to each employee.

The central "Corporate Treasury" area manages the Group's financing activities and secures its liquidity. We systematically minimize liquidity risks throughout the Group. We pinpoint potential funding needs of affiliates and the resulting potential liquidity risks early on with the help of our rolling liquidity planning system that is generated on a monthly basis. Corporate Treasury identifies risks arising from the change in interest rates or exchange rates, on the basis of which it introduces appropriate measures and strategies in order to minimize these risks. Some of these measures also include derivative financial instruments, specifically, forward exchange transactions, currency options, and interest-rate swaps. Information on the impact of the hedging transactions can be found in the Notes on page 68 et seqq. Both the functional and physical separation of trading, processing, and risk controlling in the Corporate Treasury area is ensured. Furthermore, this area is regularly monitored by our internal auditors. We also systematically reduce risks arising from sales financing. Close cooperation with external financing partners has made it possible for us to considerably cut back on financing arrangements taken on by Heidelberg in recent years. Moreover, we only make our own financing available following a comprehensive review that includes the customers' business model and credit rating. We regularly monitor our sales financing commitments on the basis of internal rating processes. Similarly to the current Basel II standard, these comprise both debt-specific and transaction-specific components.

Internal Accounting Control System

Accidental or deliberate accounting errors could theoretically result in a view of the net assets, financial position, and results of operations that does not correspond to reality. We systematically undertake countermeasures against this risk – as well as further risks that could result from it. The control system that we have established 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 financial statements and management report of Heidelberger Druckmaschinen Aktiengesellschaft by means of systematic controls and established processes which, among other things, require reviews based on random sampling. For example, we adequately ensure:

> that the presentation of the financial statements and the management report of Heidelberger Druckmaschinen Aktiengesellschaft is in accordance with the provisions of the German Commercial Code (HBG) and the German Stock Corporation Act (AktG),

> that the information prepared in external financial reporting is reliable and relevant to the decision-making of those to whom the information is addressed.

The financial statements and management report of Heidelberger Druckmaschinen Aktiengesellschaft are prepared by the central area FR (Financial Steering & Reporting Department). This department also regularly monitors whether the account books are properly maintained, thereby ensuring that the financial information complies with regulatory requirements. The internal auditors, who have access to all data, also examine in detail individual areas of the Company and subsidiaries on the basis of random sampling. In doing so, the auditors examine whether the internal control system has been implemented or transactions controlled, and whether the "four-eyes" principle is adhered to in all areas. The latter is mandatory, for example, for every order that is placed, for every invoice that is issued, and for every investment decision that is made. Compliance with all other internal guidelines and directives that have an impact on accounting operations is also monitored.

Risks are also reduced by a number of automated controls. Authorization models have been implemented in the IT system, which is uniform 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 accuracy of data inputs, and in some cases data is validated on a fully automated basis and discrepancies brought to light.

Overall, these procedures ensure that reporting on the business activities of the Company is consistent and in accordance with the approved accounting guidelines. The effectiveness of the internal accounting control system is regularly monitored by the internal auditors.

Business Development

Business Environment and Industry Development

The sovereign debt crisis, foreign currency uncertainties and volatile financial markets noticeably impacted the economy and the printing industry in 2011. The industry's recovery process came to a halt for now in the industrialized countries due to the high level of economic uncertainty. When one of our competitors in November 2011 filed for bankruptcy, it added to the uncertainty on the market. For Heidelberg the change in the structure of competition means a higher potential for sales. In Heidelberg's view, the market position of the Group improved in the reporting year.

The majority of print shops worldwide are commercial print shops that depend mainly on the trends in advertising spending. Since advertising spending correlates strongly with the general economic outlook, we present the **ECONOMIC DEVELOPMENTS OF THE VARIOUS REGIONS OF THE WORLD** and detail the key economic data of our most important markets. On the right we provide an overview of GDP growth rates for the 2011 calendar year.

After the global gross domestic product in 2010 increased by 3.9 percent, the disasters in Japan led to greater uncertainty and dampened the initially strong growth of the **GLOBAL ECONOMY** at the beginning of the year. During the course of the year, the economic engine started to sputter even more: in the first half of the year, GDP was still growing by 3 percent, but in the second half of the year GDP grew by only 2.5 percent. The momentum of growth slowed in the industrialized countries in particular; the newly industrializing countries managed to de-link from the weak growth of the industrialized countries. This is true of China above all, in part because the Chinese domestic market also became stronger.

Following a strong first quarter in 2011, the economy started to lose significant steam in **EUROPE**. The sovereign debt crises in Europe, the push for budget consolidation, lower domestic demand in the peripheral euro zone countries, and more difficult financing conditions slowed the economy so much in the second half of the year that it temporarily entered into recession. The excellent growth in Germany partly compensated for this, although a high percentage of German exports go to the euro zone, which meant that growth

GROSS DOMESTIC PRODUCT [1]

Change from previous year in percent

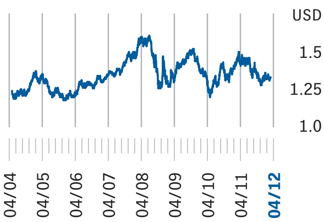
	2009	2010	2011
World	– 2.1	3.9	**2.7**
USA	– 2.6	2.9	1.7
EU	– 4.2	1.8	1.6
Germany	– 4.7	3.5	3.1
UK	– 4.9	1.3	0.8
Eastern Europe	– 3.5	4.1	4.7
Russia	– 7.8	3.6	4.3
Asia [2]	4.8	8.3	6.4
China	9.2	10.3	9.2
India	6.8	8.5	6.8
Japan	– 6.3	4.0	– 0.7
Latin America	– 0.5	6.2	4.6
Brazil	– 0.6	7.5	2.7

[1] Source: Global Insight: WMM; April 2012
[2] Excluding Japan

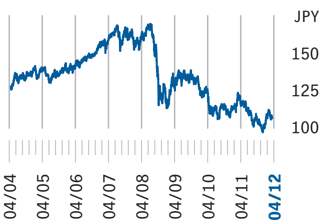
Many national economies grew less than originally expected. In the Annual Report of the previous year, we explained that further overall economic development was under threat, and that this represented the greatest risk for the Company.

Since the Heidelberg Group realizes 73 percent of its sales revenue outside of the euro zone, exchange rate developments play a large role, both for the business development of the consolidated Group as well as for the development of Heidelberger Druckmaschinen Aktiengesellschaft in its function as a production and holding company. The exchange rate developments, in addition, determine the competitive conditions in the industry. The US dollar, Japanese yen, Chinese renminbi, Swiss franc, and British pound are especially important for Heidelberg's international business.

EUR/USD EXCHANGE RATE



EUR/JPY EXCHANGE RATE



Source: Global Insight

in the German national economy was also dampened. The United Kingdom seemed more and more likely to slide into recession during the course of the year, with consumption stagnating due to the increased unemployment rate. In the end a low rate of growth was achieved.

In **EASTERN EUROPE** development was very uneven: unlike countries such as Bulgaria and the Czech Republic, other national economies were able to achieve strong growth rates, such as Poland and the Baltic States.

Despite high unemployment and uncertainty in Washington about fiscal policies, the **US** economy grew moderately by 1.7 percent in 2011 thanks to US monetary policy and revitalized consumption.

The newly industrializing countries in **SOUTH AMERICA** achieved an increase in GDP of approximately 4 percent in 2011. In the second half of the calendar year, the momentum slowed as prices for raw materials and food dropped and currencies were revalued.

The economy in **JAPAN** grew strongly from the third quarter onward, thus making up for part of the losses caused by the disasters in March 2011. Japan's exports declined, however, due to the strengthening of the yen and slower growth in many customer countries, due in part to the flood disaster in Thailand.

East Asia, excluding Japan, in turn achieved high growth rates in 2011: in **CHINA**, GDP rose by 9.2 percent. The export momentum diminished, however – monetary policy became more restrictive and wages increased.

Printing industry: Recovery delayed in industrialized countries, newly industrializing countries continue to grow

Due to the stable underlying economic conditions in the first half of the year, the business situation in the print media industry initially improved – even if it could not reach the growth of other industry branches. Why was the printing industry disconnected from the positive development of the overall economy in the past year? In economic upswings, the benefits to the printing industry come with significant delays, as advertising expenses are quickly reduced in times of crisis, but are only increased again during upswing phases if the economic situation appears to be stable. This was the case in only a few markets in the **INDUSTRIALIZED COUNTRIES** in 2011 due to the financial and sovereign debt crises and the resulting threat of recession. According to the German Printing and Media Industries Federation (Bundesverband Druck und Medien), industry sales in **GERMANY**, excluding packaging print, stagnated at

€ 20.3 billion, which corresponds to an increase of 0.2 percent year over year. The Federal Reserve Board announced that production capacities in the printing industry in the US declined by another percentage point in 2011. However, according to the US Commerce Department, company profits in the print media industry ultimately saw significant increases again, which clearly improves the prospects for replacement investments in upcoming quarters.

In contrast, in the **NEWLY INDUSTRIALIZING COUNTRIES**, whose economic development is increasingly de-linked from the economic outlook in the industrialized countries, the printing industry achieved pleasing growth rates. The printing industry in **CHINA** benefited, on the one hand, from high demand in the domestic market and, on the other hand, from the fact that non-time-critical printing orders from the industrialized countries were produced on Chinese printing presses. Chinese print shops purchase the latest technology to manufacture higher quality print products that are not only exported but also in demand domestically. Market analyses continue to expect strong growth of up to 9.5 percent in the printing industry in China. Packaging printing in particular has high growth potential. The printing industry in **BRAZIL** benefits from the continuing strong momentum of its national economy and continues to grow from year to year.

In calendar year 2010, for the first time in two years, increases in incoming orders were again recorded by the industry and the beginning of calendar year 2011 appeared to be promising. Originally, further recovery was expected: the German Engineering Federation (VDMA) foresaw the start of an upswing in the industry at the beginning of the prior year. However, by the end of the reporting year the market volume of sheetfed offset printing presses sold reached only 60 percent of the pre-crisis level.

The restrained development in the printing industry in the industrialized countries, which did not bring a significant surge in demand for conventional printing presses, was only partly compensated for by the growth in the newly industrializing countries. In the first half of the year, the sales development of the German printing press manufacturers was slightly positive at 2 percent compared to the prior year, but the volume of incoming orders dropped. The VDMA recorded a decline of 4 percent in incoming orders in the industry for the year as a whole.

The uncertainty in the financial markets resulted in a high level of volatility for the US dollar against the euro. In contrast, the Chinese renminbi rose steadily against the US dollar. The Japanese yen weakened against the euro to an extent not seen since 2001. Due to these **EXCHANGE RATES**, the competitiveness of European providers improved.

The higher raw material prices on the procurement markets in the first half of the year affected all market participants.

Business Development

As the printing press industry experienced its most serious crisis in 2008 and the market for new presses was in free fall, both our own and independent market studies expected that a floor for demand for sheetfed offset presses would occur in 2009 and the market would recover again by 2014 to around 80 percent of the pre-crisis level. We had adjusted our capacities to these expectations and lowered our fixed costs considerably. Initially, the forecasts held true: the course of investment for the years 2008 through the middle of 2011 was almost identical with the predictions. On this basis, we expected a noticeable rise in orders in the reporting and the current financial years, and so we retained valuable capacities in order to be able to service the expected growing demand.

Debt crises, currency uncertainties, and volatile financial markets, however, increasingly influenced our business development in the reporting year. Overall, incoming orders, at a value of € 1,186 million, were down by around 8 percent compared with the previous year (€ 1,285 million). This was also reflected in a drop in sales revenues by around 3 percent from € 1,265 million in the preceding year to € 1,228 million in the reporting year. While sales revenues in the Asia/Pacific and North America regions rose in comparison with the preceding year by around 4 percent and 22 percent, respectively, sales revenues for other regions fell by around 9 percent on average.

In the Annual Report of the previous year, we had already pointed out uncertainties which represent risks for Heidelberg's planned business development. In August 2011, we pointed out that the risks partially resulting from the intensification of the debt crisis in some European countries and in the US had increased. We reacted comprehensively as it became foreseeable that the modest recovery of the print media industry would not continue. In October 2011, we adjusted our forecast. At the same time as the forecast adjustment, we announced an efficiency program. In addition, we had a new study prepared concerning the further development of the print media industry; on the basis of this study and of our estimates concerning the further development of the print media industry, we introduced the Focus 2012 efficiency program. We continue to hold to our medium-term profitability goals.

Results of Operations, Net Assets, and Financial Position

We are overall at the level of the previous year in terms of results of operating activities, financial result, and result of ordinary business activities, respectively.

INCOME STATEMENT

Figures in € millions

	2010/2011	2011/2012
Net sales	1,265	**1,228**
Total operating performance	1,257	**1,238**
Results from operating activities	– 57	**– 56**
– in percent of sales	– 5 %	– 5 %
Financial result	– 64	– 65
Result from ordinary activities	– 121	**– 120**
– in percent of sales	– 10 %	**– 10 %**
Extraordinary result	81	0
Taxes on income	18	**90**
Net loss	– 22	– 30
– in percent of sales	– 2 %	**– 2 %**

The expenditures for the Focus 2012 efficiency program in the amount of around € 106 million heavily burdened the **RESULT OF OPERATING ACTIVITIES** in the reporting year. The income resulting from the reversal of an investment in a subsidiary in the amount of € 116 million in the framework of the regular review of the carrying amount of investments had a compensating effect, since there was no longer an impairment.

On the basis of depreciation and amortization of investments in four subsidiaries of a total amount of € 44 million and on the basis of a reduction of € 15 million in income from investments and opposing positive effects, the result from financial investments deteriorated by a net amount of € 53 million. This was accompanied – essentially as a result of the successful refinancing and the lower expenses resulting from the discounting of reserves – by a drop in interest and similar expenses by nearly € 53 million, so that the **FINANCIAL RESULT** at € – 65 million is only slightly less worse than in the previous year.

In the previous year, there was extraordinary income in the amount of € 103 million, essentially resulting from the revaluation of the covered funds within the framework of the switchover to the provisions of the German Accounting Legislation Modernization Act (Bilanzrechtsmodernisierungsgesetz, BilMoG), whereas by contrast, the € 22 million in costs of the capital increase, in particular, generated extraordinary expenses. In sum, the **EXTRAORDINARY RESULT** of the previous year was thus € 81 million. There was no amount to report for this item in the reporting year.

TAX INCOME in the amount of approximately € 90 million is essentially the result of the release of tax provisions due to the completed appeal proceedings and the tax audit.

The net amount resulting from the above developments in the reporting year was a **DEFICIT** in the amount of € 30 million, which is approximately at the previous year's level of € 22 million.

BALANCE SHEET STRUCTURE

Figures in € millions

	31-Mar-2011	in percent of total assets	31-Mar-2012	in percent of total assets
Fixed assets	1,476	62	1,308	58
Current assets [1]	895	38	949	42
Total assets	2,371	100	**2,257**	**100**
Equity	875	37	849	38
Special items	3	0	2	0
Provisions	449	19	442	19
Liabilities [1]	1,044	44	964	43
Equity and liabilities	2,371	100	**2,257**	**100**

[1] Including accruals and deferred income

In the reporting year, **TOTAL ASSETS** fell by 5 percent, or by € 114 million, to € 2,257 million. On the asset side, definite reductions in financial investments are essentially counterbalanced by increases in receivables and other assets, as well as cash and cash equivalents. Under liabilities, primarily equity, tax provisions and liabilities to banks and affiliated enterprises fell. Other provisions essentially increased. Reflected for the first time are financial liabilities arising from the bond issued on April 7, 2011. You will find a discussion on this further below in the section on results of operations, net assets, and financial position.

The carrying amount of **FINANCIAL INVESTMENTS** fell by a net amount of € 147 million. Additions essentially relate to the acquisition of an equity interest, two loans to affiliated enterprises and a reversal in the amount of € 116 million for a subsidiary. Going in the other direction were primarily capital reductions through the release of capital reserves set up in the past, which are no longer needed, by two subsidiaries in a total amount of € 303 million, as well as depreciation and amortization of investments at four subsidiaries in the total amount of € 44 million.

In the area of **CURRENT ASSETS** there were additions primarily in receivables from affiliated companies in the amount of € 48 million and cash and cash equivalents in the amount of € 15 million. Reductions were essentially in trade receivables by nearly € 9 million.

The reduction of **EQUITY** by € 27 million, to € 849 million, resulted from the net loss in the amount of € 30 million, as well as from the capital increase in the amount of € 3 million for implementation of the court settlement with the former shareholders of Linotype-Hell Aktiengesellschaft. In addition, there was a slight equity effect as a result of the disposition of own shares. At 38 percent, the equity ratio at the end of the reporting year is almost unchanged compared to the previous year (37 percent).

Reflected in **RESERVES** are two material special effects. As a result of the completion of appeal proceedings and the tax audit, it was possible to release tax provisions in the amount of € 83 million. On the other hand, additions to provisions in the personnel area were necessary in the amount of € 95 million due to the expenditures for the Focus 2012 efficiency program.

LIABILITIES, including deferred income, were reduced by a net amount of € 80 million, whereby there were also significant shifts within liabilities. The net underwriting revenue from the high-yield bond issued on April 7, 2011, was used in part for the early repayment of short-term liabilities to banks. In comparison with the previous year, the financial liabilities (bonds and banks) rose by around € 100 million, to € 353 million. Of this amount, € 79 million was attributable to funds which were passed on to two subsidiaries in the form of long-term loans. In contrast to the increased “external” financial liabilities, liabilities from short-term loans of affiliated companies fell by € 192 million, primarily due to the capital reductions with respect to two subsidiaries discussed above.

CONTINGENT LIABILITIES dropped significantly in comparison with the previous year by € 97 million, which is essentially attributable to a refinancing at a subsidiary.

Financing structure: Lines of credit and high-yield bond secure Heidelberg's medium-term liquidity

In the framework of the issuance of the bond, in the previous year, Heidelberg obtained a credit rating by two prominent rating agencies for the first time; these ratings were reviewed in the reporting year. Standard & Poor's lowered the long-term rating to B with negative outlook. Moody's assessed Heidelberg with a Corporate Family rating of B3, with a negative rating outlook. Standard & Poor's gave a CCC+ rating to the high yield bond and Moody's rated the bond issue at Caa1.

On April 7, 2011, we issued a high-yield, unsecured bond in the nominal amount of € 304 million with a seven-year maturity and carrying an annual coupon of 9.25 percent – we described this in detail in the last Annual Report. At the same time, a new revolving credit facility for € 500 million with a term until the end of 2014 took effect, entered into with a consortium of banks. The financing contracts contained financial covenants with reference to the financial condition of the Heidelberg Group, which are customary in the market. In addition, as of the end of March 2012, Heidelberg has a promissory note at its disposal with a nominal value of € 50 million – payable in March 2013 – and another loan for a nominal value of € 49 million, with an amortizing progression until March 2018. The borrower's note was taken by a subsidiary and transferred to Heidelberger Druckmaschinen Aktiengesellschaft.

The funding is supplemented by operating lease contracts, where economically appropriate. Other off-balance-sheet financing instruments do not have any significant impact on the economic condition of the Group.

In order to adapt the originally agreed key financial figures (financial covenants) as part of the Focus 2012 efficiency program to a level that corresponds to the changed economic environment, an adjustment of the credit terms was agreed upon with the syndicate of banks in March 2012. Due to Heidelberg's reduced financial requirements as a result of a successful asset management program, this agreement with the banks also covers a reduction of the credit line by € 25 million beginning July 1, 2012.

Our financing structure demonstrates an appropriate diversification with respect to both financing sources, as well as the maturity of instruments. We have a stable liquidity framework with adequate room to act.

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 made 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

Through our research and development, we are solidifying Heidelberg's position in the print media industry. Our innovations are the basis for Heidelberg's market and technology leadership. Even during the crisis, Heidelberger Druckmaschinen Aktiengesellschaft consciously made large investments in the amount of € 109 million in our research and development (previous year: € 104 million). A total of 924 employees were active in R&D at the end of the reporting year, accounting for 11 percent of our total staff. In the framework of Focus 2012, the number of our R&D employees is expected to drop by around 12 percent, but their percentage share with respect to the entire staff will remain the same. In order to have access to better opportunities for a favorable mix of experienced personnel and junior researchers in the future, since the previous year we have again been participating in presentations for students.

R&D funds flowed primarily into new and further developments which we presented at drupa and into preparations for serial production. Another portion flowed into fundamental research; in addition, we continued to work on research programs that are promoted by the German Federal Ministry for Education and Research. Cooperation agreements with suppliers, universities, and other enterprises continue to be an essential component of our R&D activities – for example, our close cooperation with Ricoh and our new strategic partnership with Landa Corporation. Also with CSAT GmbH we have acquired additional know-how in the field of digital printing technologies (EP and inkjet).

Heidelberg's research and development area continues to be organized in a matrix, though we have significantly strengthened the **FUNCTIONAL AXIS** and will realign the area. The development of digital printing for advertising and packaging printing will each be bundled in one location, for example the development of all printing and inking units. In this way we ensure that similar solutions and similar parts will be used for similar functions. The ramifications on the entire added-value chain are apparent when one considers the complexity of our mechatronic systems – the text block to the right gives an impression.

Modern printing presses are high-tech systems comprising tens of thousands of parts and components. In addition, high-performance software is utilized in order to control up to 600 individual drive shafts and as many as 300 pneumatic parts.

Thanks to our product platform strategy, which we had fully implemented in the previous years, it is easily possible for us to bring together functions beyond the areas of management, software development, product safety, and product environment. We were already able in earlier years to quickly transfer innovations in one format class to other format classes as well.

Events after the End of the Reporting Period

There were no material events after the end of the reporting period.

Risks, Opportunities, and Future Prospects

Risk and Opportunity Report

DEVELOPMENT OF RISK GROUPS

Change from previous year

Economic Situation and Markets	
Industry and Competition	
Products	
Finance	
Performance	
Overall risk	

- Increased risk
- No change in risk
- Decreased risk

Our planning assumptions are stated in the Future Prospects on page 27.

Our method for determining, managing, and bundling risks are described in detail in Management, Control, Risk, and Opportunity Management System on pages 8 to 12.

Risks with a probability of occurrence of over 50 percent are integrated within our planning process and are, therefore, not discussed in the Risk Report. As we place our focus clearly on key financial figures in our management, we carefully observe early warning indicators that indicate an increase of non-quantifiable risks, for instance risks in the human resources area.

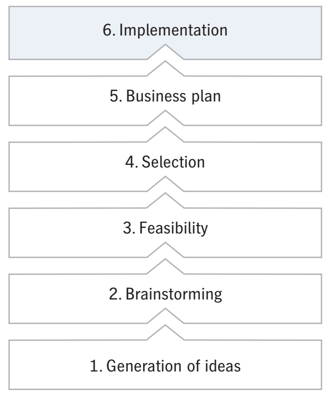
No risks that could threaten the existence of the Heidelberg Group are evident, either at the present time or in the foreseeable future. This applies to both the results of our already implemented economic activity, as well as to operations that we are planning or have already introduced.

In order to determine our **OVERALL RISK**, we focus on individual risks that belong together contextually. We do not offset them against opportunities. The overall risk situation of the Heidelberg Group has hardly changed compared to the previous year. Even the risks that we face in the various risk groups are largely the same. The greatest risks are that we will not achieve our objectives and that the global economy will not grow moderately, as expected. Even where there is great uncertainty with respect to further economic development, the economy of the print media industry could also be affected.

We regard our **STRATEGIC RISKS** as minimal. It can be assumed that sheetfed offset printing will remain the leading printing process. The market for printing products in this segment is increasing worldwide. Due to the ongoing trend for ever shorter print runs, digital printing will gain in market share. Due to their high degree of flexibility at high speeds, our printing presses are superior to digital presses, except at very small print runs, even in terms of cost, in particular because of our zoneless Anicolor short inking unit. In addition, we reacted to the trend by offering hybrid applications of digital and offset printing in cooperation with Ricoh. Furthermore, we test new technologies and integrate these where needed. We are vigorously pursuing our goal of further reducing dependency on cyclical fluctuations and are studying trends in the print media industry. Potential new areas of business are assessed in a strictly defined process, which is presented schematically on the right. We have a solid financial planning certainty to implement our strategy and the changes and adjustments in the context of our Focus 2012 efficiency program. In all our adjustments, we make sure to protect the **HEIDELBERG** brand. We counter the risk of a loss of image through transparent public relations and targeted marketing activities. The Management Board and the Supervisory Board deal with risks that could arise from the organization and management, as well as from planned changes. For further information, please see our detailed Corporate Governance Statement on the Internet.

We currently see the greatest **OPPORTUNITY** for the Group in the demand for our products recovering more extensively and faster than expected due to positive developments in the economy. The competitive situation in the industry could, in addition, improve due to the improvement of capacities and consolidation, as well as a possible market recovery. In addition, the development of the exchange rate could lead to lasting advantages with respect to our Japanese competitors.

IDEA-FINDING PROCESS FOR NEW AREAS OF BUSINESS



Economic and market risks at the same level

In our planning, we assume moderate growth in the global economy. Should the global economy grow less than expected, for example due to an escalation in the state debt crisis in the euro zone, or should important markets, for example China, suffer an unexpected economic collapse, we may not reach the planned sales figures in our Heidelberg Services and Heidelberg Equipment Segments. In addition, a weakening of the economy in the print media industry could again intensify competition. We discuss this under "Market and Competition Risks." China is, meanwhile, our market with the highest volume of sales. As a result, our dependency on the economic situation in that country has increased considerably. For this reason, the effects of various country risks on our sales figures have increased. Due to our expanded production capacities in China, we have further reduced the risk that import duties or stronger market regulation would compromise our local business.

We do not want to benefit only from **OPPORTUNITIES** in new business areas.

Our strategy also includes acquisitions of companies in the future in order to take advantage of external growth opportunities. In doing so, we carefully weigh risks and opportunities. In addition, opportunities arise as a result of our partnerships.

We minimize sales risks, in general, in the 170 countries that we are present in by closely observing current local developments in order to counteract them at an early stage, should the need arise. In principle, there are both risks as well as opportunities that social and political changes, government intervention, customs regulations, and changes in legislation could impact our business development in several countries. In some developing countries, such as North Africa, risks arise from economic or political instability. In the medium term, the changes also harbor opportunities for us.

Industry and competition risks: planned reduction of competitive pressure and further exchange rate advantages expected

In our view, the reduction in capacities of the manufacturers of sheet-fed offset printing presses, together with the recovery of the print media industry, will lead to the competitive situation relaxing and the price competition easing, as capacities are reduced to a significant extent in the entire industry. The remaining capacities should be significantly better utilized during a recovery. An economic downturn could, nevertheless, lead to fiercer competition with an associated price pressure. In this case, it is possible that we may not reach our sales goals in the Heidelberg Equipment and Heidelberg Services Segments.

The exchange rate situation was again largely favorable for European manufacturers during the reporting year. Should the exchange rate situation again move in favor of Japanese manufacturers, this could, in the 70×100 format in particular, intensify the competition with our Japanese competitors and weaken our market position. By expanding our purchasing and production outside of the euro zone, we reduce the effects of exchange rate fluctuations in the medium term. In addition, we also produce printing presses in the 70×100 format in China.

As the only competitor in the industry, Heidelberg has an extensive offering for ecological printing. Demand for very-high-quality printed products is further increasing worldwide. The significance of environmentally friendly manufacturing is simultaneously rising rapidly worldwide.

Product risks down again compared to the previous year

Our new products and solutions that we presented at drupa follow the trends that determine the further development of the print media industry worldwide and offer print shops quantifiable cost and competitive advantages. We have, therefore, been very successful with our new products since the trade show, for instance with the Speedmaster CX 102.

In order to avoid undesirable developments, our priority in all R&D projects is focused strictly on customer benefits. We work closely together with concept customers in all phases of product development.

In order to avoid undesirable developments, our priority in all R&D projects is focused strictly on customer benefits. We work closely with concept customers in all phases of product development. A panel of experts from R&D, Product Management, Control, Manufacturing, and Services determines 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 Group's point of view. They 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 activities with the Group's own proprietary rights.

The risk of not being able to complete our major R&D projects during the planned period decreased from the previous year. Our partnership with Ricoh and the acquisition of CSAT GmbH opens the door to considerable R&D opportunities. The same applies to government-supported partnership with regional firms in organic electronics.

With a brand awareness level of more than 99 percent worldwide and an excellent evaluation by its target groups, HEIDELBERG is one of the leading brands. When implementing the measures of the Focus 2012 efficiency program, we make sure we protect the brand.

Cumulative risk for the Group Financial and Legal Risk at the previous year's level

The Company's funding and thus its **LIQUIDITY** is secured for the medium term. There are currently hardly any more interest rate risks. We describe the details of the financing structure in the Results of Operations, Net Assets, and Financial Position section on page 17. There, we also discuss that financing is linked to financial key figures (financial covenants), adherence to which we have obligated ourselves over the financing period. A deterioration in the Group's income and financial condition to such a degree that we fail to meet these financial covenants and are unable to adjust them would have an adverse financial impact on the Group. There are currently no indications of such a development.

As in the past, there is a risk that losses could occur in the area of **SALES FINANCING** due to industry, customer, residual value, and country risks. Compared to last year, this risk has, however, further decreased. Our policy of forming provisions for risks from sales financing is generally conservative. We formed an appropriate risk provision to cover recognizable risks early on. Fortunately, we were able to further reduce the volume of past due items in receivables arising from our sales financing during the financial year. The risks arising from the counterliabilities that we have assumed have decreased. The majority of our portfolio consists of receivables from customers from

Our process of managing credit risks in sales financing has paid off: the risks associated with financing are prepared transparently for the decision-making process and controlled centrally and globally. In addition to a uniform and industry-specific ratings system, which has been continuously further developed for several years, we intensified our receivables management in the last few years. We systematically monitor currency and default risks.

developing countries. The exchange rate continues to facilitate our customers' repayments in US dollars and euros. A potential change in the exchange rate situation could therefore pose a risk in this area.

For volumes of foreign currencies, we have hedged against the risk of fluctuating **EXCHANGE RATES** of our principal foreign currencies, especially the highly volatile US dollar and Japanese yen. Nevertheless, exchange rate risks remain, in particular in light of the state debt crisis in the euro zone. We continuously monitor and assess these risks. We currently regard risks from fluctuations in the Swiss franc as low, as the Swiss central bank appears to be successful in keeping the exchange rate stable at 1.20 Swiss francs per euro.

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 adherence to our comprehensive guidelines in all areas.

Performance risks on the whole at the previous year's level

The risks in **PROCUREMENT** have decreased significantly compared to the previous year. Risk management is a fixed component of our supplier management. We work closely with our systems suppliers on a contractual basis and reduce risks relating to supplier defaults and late deliveries of components or low-quality components by monitoring our suppliers on a key-figures basis, systematically observing all relevant markets and a material planning system with a rolling 12-month prognosis.

Based on our assessment, the risks in the **HUMAN RESOURCES** area have increased. On the one hand, it could be that risks arise from a possible delay in the agreed-upon Focus 2012 efficiency program. Even if we have essentially agreed upon a socially responsible redundancy plan with the measures of Focus 2012, any adjustments and changes in processes harbor not only opportunities, but risks as well. We cannot rule out the fact that, as part of the implementation of our Focus 2012 efficiency program, there could also be a loss of expertise in some areas. On pages 6 and 7, we describe that the measures that we have agreed upon with the works council contribute to an improvement in our age structure.

The other performance risks remain unchanged. We make efficient use of our existing installations and can thereby keep our **INVESTMENTS** low. In previous years we also made strategically important investments, necessary

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The recognition of the fire department at our Amstetten foundry as a plant fire department contributed to reducing the overall risk volume in the Performance risk group. Early warning of fire is ensured and the expected loss in the event of a fire has thus significantly decreased.

We do not see any noteworthy risks in the environmental area as we minimize risks through our high-performance environmental management, as well as in product design and production.

replacement investments, and investments for improving environmental protection. We have ensured **PRODUCTION SECURITY** through replacement investments.

We do not see any serious risks of failures in our systems in the **IT AREA**. The probability that losses could result from viruses was significantly reduced through extensive preventative measures. We will invest in our IT infrastructure to a greater degree in the current financial year and thereby increase system security on the whole.

Future Prospects

It is hard, at present, to make specific forecasts about future business trends, since uncertainties continue to impact overall economic conditions. Banks and economic research institutes have come to a range of different conclusions about the way the economy will develop. During the reporting year, our original assumptions about the progress of the market recovery proved to be too optimistic, mainly because of increasing economic uncertainties and their effects on our customers. Therefore, to provide an additional assessment, and thus a solid basis for our planning, we commissioned another independent study of the industry. This study reached the same conclusion as Heidelberg's Management Board, namely that forecasts about the progress of the market recovery would have to be revised downward somewhat.

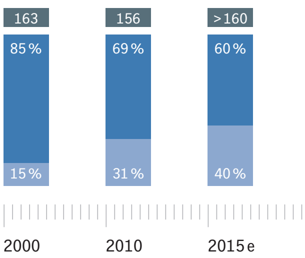
The chart on the right shows that trends in the global volume of sheetfed offset printing have differed from region to region since 2000. While the share of industrialized countries in the total volume declined from 85 percent to 70 percent between 2000 and 2010, volume rose steadily in the newly industrializing countries. In the future we expect that the volume of print production will continue to rise in the newly industrializing countries, and their share of the total volume will continue to increase, and that developments in the newly industrializing countries will lead to an overall increase in the global production of printed products.

As a result, experts assume that the investment ratio will continue to rise. In the past, it stood at 3 percent; in the crisis year it dropped to 1.6 percent, and currently stands at 1.8 percent. The drupa trade show already made clear that the industry is once again investing in new solutions.

It is still difficult to estimate how the economies of our most important markets will develop. Forecasts are made all the harder by the consolidation underway in the print media industry, the increased productivity generated by print shop equipment, and the ever-growing usage of communication and advertising platforms on the Internet.

NEWLY INDUSTRIALIZING COUNTRIES DRIVE GROWTH IN THE PRINT MEDIA INDUSTRY

Sheetfed offset printing volume in € billion



Source: Heidelberg estimate – April 2012, Industry statistics, PIRA, Jakkoo Pöyry, Primir (GAMIS), Global Insight

- Industrialized countries (share of printing volume)
- Newly industrializing countries (share of printing volume)
- Sheetfed offset (printing volume in € billion)

e estimate

Planning assumptions and overall picture from the Management Board regarding prospects

The following **ASSUMPTIONS** underlie our prospects as we see them: We expect the sovereign debt crises in Europe to be successfully resolved and that there will not be any major distortions in the real economy. We also assume that developments in Asia, especially in China, will continue to be stable, so that the global economy, as a whole, will largely remain steady and grow, as forecast by Global Insight, by around 2.4 percent. Our calculations also rely on our ability to implement our Focus 2012 efficiency program on schedule. We succeeded in completing important measures, as planned, before the drupa trade show. Thus, we believe that we are well-equipped for the future. In shaping the measures that needed to be taken, we started from an assumption that sales would be at the lower end of the scale determined by the independent study. In addition, we expect competition in sheetfed offset printing to ease as a result of capacity adjustments and consolidation. Wherever possible, our planning has included hedging against exchange rate fluctuations.

During the **REPORTING YEAR**, due to the downturn in the market and the expenses incurred for the Focus 2012 efficiency program, we clearly fell short of our original goals of moderate sales growth and a significantly improved result of operating activities towards the break-even mark. In contrast, we were able to achieve a considerably improved financial result.

The **CURRENT FINANCIAL YEAR** will probably receive a positive boost from drupa. A larger number of new orders in the first half of the financial year should lead to higher sales in the second half, and we expect the market to recover slightly. With constant print production volume, the current restraint on investment should continue to ease, and drupa should have a positive effect on sales. Excluding special items, the result of operating activities should be clearly positive; however, the costs incurred for the major drupa trade show and product start-up costs will likely have a negative impact, especially in the first half of the year. As a result of the trade show, we expect sales to show a distinct shift to the second half of the financial year with a corresponding improvement in profit contributions. The Focus 2012 efficiency program will already result in pro rata savings in the current financial year. On the whole, the result of operating activities will be clearly improved.

But first, the costs of the efficiency program must be financed, which will burden the financial result. Earnings before taxes are also expected to be negative. Net financial debt will increase in the interim due to the payments made for Focus 2012. As soon as we can better foresee future trends and the volume of post-trade show business, we will refine our forecasts.

In the SUBSEQUENT YEAR, the post-drupa year 2013/2014, we expect the market to continue to recover, but our sales could fall slightly against the current financial year, if the economy does not grow, or if the investment ratio does not increase as much as expected. Even in such a case, we would still expect the result of operating activities to improve, because the cost savings arising from the Focus 2012 efficiency program will be in full effect by then. Net profit for the year is therefore aimed at financial year 2013/2014.

In the next few years, we will also focus on further strengthening our capital structure. These considerations will also determine our dividend policy. We will therefore only propose the payment of a dividend to the Annual General Meeting if our financial position and the Company's outlook are appropriate. We will not propose to the Annual General Meeting the payment of a dividend for the reporting year.

As part of Focus 2012, we have adjusted our capacities to the current market level. The lower break-even point provides opportunities to benefit from a strong market recovery, not least because we retained flexibility in production – for more information on this, see page 5.

IMPORTANT NOTE:

These Financial Statements contain 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. These factors could, for instance, include changes in the overall economic situation, exchange rates and interest rates, as well as changes within the print media industry. Heidelberger Druckmaschinen Aktiengesellschaft gives no warranty and does not assume any liability for any damages in case the future development and the projected results do not correspond with the forward-looking statements contained in these Financial Statements. Heidelberger does not intend, and does not assume any obligation, to update the forward-looking statements contained in these Financial Statements. to reflect events or developments that have occurred after these Financial Statements were published.

Remuneration Report – Management Board and Supervisory Board

The Supervisory Board discussed the appropriateness of Management Board remuneration as well as the structure of the remuneration system on several occasions during the financial year. This was discussed in connection with the reappointment of Management Board members Dirk Kaliebe and Marcel Kiessling, which was decided upon in the course of the reporting year, and as part of the agreement upon and monitoring of targets with the members of the Management Board. The parameters for measuring the variable components of remuneration were also discussed and, in respect of the long-term remuneration components extending over several years, adjusted for the future in line with the current loan agreement and its financial covenants.

In the reporting year, members of the Management Board relinquished 10 percent of their basic annual salary. A corresponding deduction was already made when the bonus for the previous year was paid out. As already announced in 2011, members of the Management Board have also relinquished 10 percent of their basic annual salary for the current financial year 2012/2013. This previously announced relinquishment now extends to the more comprehensive mutually agreed reduction in total remuneration for the reporting year.

The overall structure, as well as the amount of remuneration of the Management Board, is determined by the Committee on Arranging Personnel Matters of the Supervisory Board of Heidelberger Druckmaschinen Aktiengesellschaft and monitored periodically. In any event, the remuneration of the Management Board amounts to, at most, 280 percent of the fixed basic annual remuneration, i. e. 100 percent fixed basic remuneration and no more than 180 percent for the variable remuneration components.

The remuneration of the members of the Management Board comprises: a fixed annual salary paid out in equal monthly installments, a variable annual remuneration, a long-term variable remuneration component that is calculated on the basis of the attainment of certain goals over a period of several years on the basis of defined parameters, as well as benefits in kind and a Company pension.

Payment of the annual Company bonus is dependent on the Group's success during the financial year. Free cash flow and the result of operating activities serve as benchmarks. In addition, each member of the Management Board is eligible to receive a personal, performance-based bonus that is determined by the Supervisory Board upon the recommendation of the Committee on Arranging Personnel Matters, taking into consideration the particular duties and areas of responsibility, and any agreed-upon individual targets. With full disbursement, the personal bonus could total up to 30 percent of the base salary, the Company bonus also up to 30 percent, in case of overfulfillment, up to 60 percent, and the multiyear long-term bonus up to 90 percent of the base salary. Accordingly, the multiyear long-term bonus sets additional long-term incentives for good conduct and aligns the remuneration structure with sustainable Company development. Setting goals for the multiyear long-term bonus is linked to such benchmarks as EBITDA, the debt ratio combined with interest rate coverage, which also play an important role in the financial covenants. The Supervisory Board will lay down the goals for the multiyear long-term bonuses for the forthcoming financial years depending on the situation at the time. Goals will thus be set every financial year for the coming financial year and the long-term bonus for a three-year period. Following their introduction in financial year 2009/2010, the long-term components, if the relevant goals are met, are due to be measured and, if appropriate, paid out for the first time at the end of financial year 2011/2012. Two of the three agreed-upon parameters used for measuring these components were fulfilled, as the conditions required by the objectives set three years ago for the reporting year were fulfilled. On considering all the circumstances, however, the Management Board and Supervisory Board have agreed that the amount of Management Board remuneration in the reporting year should be aligned to that of the previous year. This means, in particular, that the long-term bonus will very largely not be paid and will be part of the relinquishment by the members of the Management Board. Following the adjustment to the remuneration structure for future years, which is explained in greater detail below, the multi-year long-term bonus for financial year 2012/2013 will not be paid either, although we assume that at least one of the agreed-upon long-term goals ought to be achieved. In any event, the remuneration of the Management Board amounts to, at most, 280 percent of the fixed basic annual remuneration; and the future structure will not change this.

Benefits in kind consist largely of the use of a Company car in accordance with tax guidelines. Bernhard Schreier did not make use of this right of use during the reporting period up to June 30, 2011. Until his family moved to join him at the beginning of the reporting year, Marcel Kiessling had received additional payments mainly for international tax advisory services.

Furthermore, within the framework of the applicable remuneration structure of the Stock Option Plan and the Long-Term Incentive Plan (LTI), in the past, the members of the Management Board additionally received a corresponding **VARIABLE REMUNERATION COMPONENT** with long-term incentive effects. Both programs have since ended and are no longer in effect; at no time were any payments made to the participants.

For additional information, please refer to notes 42 and 43 in the Notes to the Consolidated Financial Statements as of March 31, 2011.

The remuneration structure for the Management Board of Heidelberger Druckmaschinen Aktiengesellschaft will continue to comply with the statutory requirements (Stock Corporation Act and the Act on the Appropriateness of Management Board Remuneration), and those of the German Corporate Governance Code.

With effect from the current financial year 2012/2013, which started on April 1, 2012, there are a number of **CHANGES** to the remuneration structure of the Management Board. The annual Company bonus will still be determined using free cash flow and the result of operating activities as benchmarks. With respect to their personal annual bonuses, the Supervisory Board and the Management Board have agreed to give priority to the annual financial targets, at least until the restructuring has been completed. Until further notice, 30 percent of the personal bonus in future years will be allocated to the Company bonus and made subject to the financial targets that form the basis for the amount paid.

In addition, 10 percent of both the short-term annual bonus and the multiyear long-term gross bonus will be invested in the Company's shares that members of the Management Board may only sell after a holding period of 24 months has expired from the date when they were allocated. This means that, just like before, the multiyear long-term bonus, and now the short-term bonus, will also give long-term incentives for good conduct, and enhance the alignment of the remuneration structure with sustainable business development.

The Supervisory Board will set the goals for the multiyear long-term bonuses for the forthcoming financial years depending on the situation at the time. Goals will thus be set every financial year for the coming financial year, and the long-term bonus for a three-year period. The achievement of goals will also be checked and determined every year. The long-term bonus for goals achieved will, however, not be paid until the end of the respective three-year period.

The Management Board and the Supervisory Board have revised and adjusted the goals set for the forthcoming years. In addition, they have agreed to a temporary solution on giving members of the Management Board the opportunity, provided that specific goals, particularly compliance with the financial covenants, have been achieved, to earn at least a part of the future long-term bonus over the two subsequent years, considering that the long-term component of the bonus for the period to date has been partially earned but has not been/will not be paid out as a result of the voluntary relinquishment. The assessment period for this transitional phase will be two financial years, and the same goals will be set as for the first two financial years of the simultaneous first three-year period for the multiyear long-term bonus. Accordingly, in financial year 2012/2013, no long-term bonuses will disbursed, as was foreseen under the previous structure and would also probably have happened in part, at least with respect to one of the three long-term goals.

Finally, for the forthcoming years, it has been agreed that, in the event that an agreed-upon minimum goal is achieved, a minimum threshold of 25 percent will be set, so that the achievement of a goal will, in the future, be assessed within a corridor of 25 percent to 100 percent and no longer between 0 percent and 100 percent. The previous structure of remuneration for the Management Board will otherwise remain unchanged in the coming year.

That also means that the remuneration for the Management Board, in accordance with the previous regulation, will not exceed 280 percent of the annual fixed remuneration.

PAYMENTS FOLLOWING THE END OF EMPLOYMENT of the members of the Management Board were broken down as follows:

BERNHARD SCHREIER was appointed as a regular member of the Management Board for a term of three years. His 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, therefore, depends on the number of years of service with the Company, with the increase in percentages 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 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 ratio 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 employment 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 defined benefits under the Company's pension provisions remains in force in the amount

DETAILED REMUNERATION OF THE MEMBERS OF THE MANAGEMENT BOARD:

Figures in € thousands

		Non-performance-related components			Performance-related remuneration	Components with long-term incentive[3]		Cash remuneration[4]
		Base salary	Renunciation of salary[2]	Benefits in kind	Bonus during the reporting year	Multiyear long-term bonus	Renunciation of bonus	
Bernhard Schreier	2011/2012	500	– 50	14	270	300	– 177	857
	2010/2011	500	–	–	357	–	–	857
Dirk Kaliebe	2011/2012	350	– 35	16	259	210	– 182	618
	2010/2011	350	–	18	250	–	–	618
Marcel Kiessling	2011/2012	350	– 35	26	189	210	– 115	625[5]
	2010/2011	313[1]	–	33	223	–	–	569
Stephan Plenz	2011/2012	350	– 35	10	224	210	– 150	609
	2010/2011	350	–	9	250	–	–	609

[1] As of January 1, 2011, Marcel Kiessling's fixed annual salary increased from € 300,000 to € 350,000
[2] As a result of the Management Board's renunciation of 10 percent of the annual base salary for the reporting year, this percentage was deducted from the bonus payment for the previous year. As a result of the Management Board's remuneration of 10 percent of the annual base salary for the financial year 2012/2013, this percentage was deducted from the bonus payment for the financial year 2011/2012 and will be covered by the salary concession during the reporting year
[3] In the past, this remuneration component also included the Stock Option Plan and the Long-Term Incentive plan (LTI), both of which are no longer in effect
[4] Since the Stock Option Plan and the Long-Term Incentive plan (LTI) have become ineffetive in the meantime, the salary of the members of the Management Board still consist entirely of cash remuneration
[5] Marcel Kiessling's cash remuneration has been calculated based on his full annual salary in the amount of € 350,000

PENSION PLAN OF THE MEMBERS OF THE MANAGEMENT BOARD:

Figures in € thousands

		Pension Benefits			
		Accrued pension funds as of the reporting date[1]	Pension contribution during the reporting year[2]	Defined benefit obligation	Pension benefits pursuant to IFRS[3]
Bernhard Schreier	2011/2012	–	–	5,054	354
	2010/2011	–	–	4,450	349
Dirk Kaliebe	2011/2012	625	123	817	141
	2010/2011	486	105	656	124
Marcel Kiessling	2011/2012	419	133	552	157
	2010/2011	277	119	409	130
Stephan Plenz	2011/2012	551	123	752	148
	2010/2011	415	116	596	128

[1] As a result of a performance-based commitment for pension benefits, Bernhard Schreier does not have any accrued pension funds as of the reporting date
[2] For Dirk Kaliebe, Marcel Kiessling and Stephan Plenz, the pension contribution is determined for the reporting year based on the pensionable income on March 31, without taking into account the not yet determined earnings-related contribution. As a result of a performance-based commitment for pension benefits, no pension contributions are owed by Bernhard Schreier. Based on this commitment, at the retirement age, he will receive an anticipated pension amount of € 371,000 p. a. (previous year: € 371,000). This is determined based on the pensionable income on March 31
[3] Service cost and interest cost

vested by then, even in the case of an early termination. Furthermore, full statutory vesting periods are considered to have been met. The payment of the retirement pension is fully secured by a reinsurance policy, with the resulting claim against Bernhard Schreier pledged as collateral.

DIRK KALIEBE, STEPHAN PLENZ and MARCEL KIESSLING have each been appointed for terms of three years as regular members of the Management Board. The pension contracts for Dirk Kaliebe, Marcel Kiessling, and Stephan Plenz provide 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). On July 1 of each year, the Company pays a contribution, based on the relevant basic salary retroactively for the previous financial year, to an investment fund. In view of market practice and the structure of pension commitments based on defined benefits, the annual contribution as of April 1, 2011, was standardized and fixed at 35 percent of the basic salary. This resulted in an increase in annual contributions of 5 percent for Dirk Kaliebe and 2 percent for Stephan Plenz. As of the new financial year 2012/2013, a contribution of 35 percent will also apply to Marcel Kiessling, which is equivalent to a 3 percent reduction. The amount paid in may increase depending on the Company's financial success. The exact amount of the pension also depends on the financial success of the investment fund. The pension may be paid as an early pension payment beginning at age 60. In case of a termination of employment with the Company, the pension will be paid at the age of 65, or respectively at age 60, principally in the form of a one-time payment of pension capital. Provision is also made for disability and survivors' benefits (60 percent of the disability payment or the pension) contingent on the amount of the last base remuneration. In the case of a disability benefit, the percentage depends, unlike the BVR, on the length of service with the Company, with a maximum pension percentage of 60 percent due to the attributable time for each of the three members of the Management Board. 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. Furthermore, full statutory vesting periods are considered to have been met.

All service contracts provide for the following uniform terms of **PAYMENT IN CASE OF EARLY TERMINATION OF EMPLOYMENT** should an effective revocation of the mandate of a member of the Management Board or a justified resignation of a member of the Management Board occur. The service contract will 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 effective termination of a 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 overall remuneration, in accordance with the service agreement for two years, which, however, will not exceed the amount of the remuneration for the period of the originally agreed-upon residual term of the service agreement. The right to extraordinary notice of termination for good cause in accordance with Section 626 of the German Civil Code remains in effect. The severance payment is to be paid in quarterly installments in accordance with the originally agreed-upon residual term, at most, however, in eight quarterly installments. Other payments to a then former member of the Management Board, which are to be certified to the Company, during the originally agreed-upon residual term as is provided for under Sections 326 (2) 2 and 615 (2) of the German Civil Code, are subject to a setoff. Should a member of the Management Board be subject to an employment disability, the payments provided for under the respective pension contract will be made.

The remuneration of the members of the **SUPERVISORY BOARD** is governed by the Articles of Association and approved by the Annual General Meeting. Including the reporting year, it comprises two components: a fixed annual remuneration of 18,000.00, and a variable component that depends on the dividend. The variable remuneration amounts to € 750.00 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, 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 and 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 Chairperson of the Supervisory Board receives double the normal Supervisory Board remuneration, with the Deputy Chairperson and the Committee Chairpersons 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 receives remuneration only for the position that pays the greatest amount. Members of the Supervisory Board who only serve on the Board for part of the financial year receive a pro rata remuneration. The same applies regarding 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 € 500.00 for each meeting day as reimbursement for expenses during the exercise of their responsibilities, unless proof for higher expenses is supplied. In addition, any sales tax levied against the remuneration of the members of the Supervisory Board will be reimbursed.

REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD (EXCLUDING VAT)

Figures in €

			2010/2011 Total			**2011/2012 Total**
	Fixed remuneration	Variable remuneration		Fixed remuneration	Variable remuneration	
Dr. Mark Wössner [1] [4]	39,000	0	39,000	13,500	0	13,500
Robert J. Koehler [2]	20,500	0	20,500	56,666	0	56,666
Rainer Wagner [3]	33,000	0	33,000	32,000	0	32,000
Dr. Werner Brandt [4]	26,500	0	26,500	9,974	0	9,974
Edwin Eichler	20,500	0	20,500	20,012	0	20,012
Wolfgang Flörchinger	22,000	0	22,000	20,500	0	20,500
Martin Gauß	26,000	0	26,000	24,500	0	24,500
Mirko Geiger	28,500	0	28,500	27,000	0	27,000
Gunther Heller	22,000	0	22,000	20,500	0	20,500
Jörg Hofmann	21,000	0	21,000	20,500	0	20,500
Dr. Siegfried Jaschinski	20,500	0	20,500	20,012	0	20,012
Dr. Herbert Meyer [5]	0	0	0	21,687	0	21,687
Dr. Gerhard Rupprecht	25,000	0	25,000	25,012	0	25,012
Beate Schmitt	24,375	0	24,375	25,500	0	25,500
Lone Fønss Schrøder [5]	0	0	0	15,431	0	15,431
Prof. Dr.-Ing. Günther Schuh	20,500	0	20,500	20,012	0	20,012
Dr. Klaus Sturany	33,350	0	33,350	32,134	0	32,134
Peter Sudadse	21,500	0	21,500	20,500	0	20,500
Gesamt	404,225	0	404,225	425,440	0	**425,440**

[1] Chairman of the Supervisory Board until July 28, 2011
[2] Chairman of the Supervisory Board since July 28, 2011
[3] Vice Chairman of the Supervisory Board
[4] Member of the Supervisory Board until July 28, 2011
[5] Member of the Supervisory Board since July 28, 2011

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

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

The **SUBSCRIBED CAPITAL** (share capital) of Heidelberger Druckmaschinen Aktiengesellschaft amounted to € 599,672,166.40 at the end of the reporting period as of March 31, 2012 and is divided into 234,246,940 no-par bearer shares. The shares are not subject to any restriction on transferability. As of the reporting date, the Company held 142,919 treasury stock, and is not entitled to any rights to these in accordance with Section 71b of the German Stock Corporation Act (AktG).

As of the balance sheet date, Allianz SE, Munich, Germany, maintained an **INDIRECT PARTICIPATION** in the Company's capital, exceeding 10 percent of the voting rights.

The **APPOINTMENT AND DISMISSAL OF THE MEMBERS OF THE COMPANY'S MANAGEMENT BOARD** occur in accordance with Sections 84 et seqq. of the German Stock Corporation Act in conjunction with Sections 30 et. seqq. of the German Codetermination Act.

AMENDMENTS OF THE ARTICLES OF ASSOCIATION occur in accordance with the provisions of Sections 179 et seqq. and 133 of the German Stock Corporation Act in conjunction with Article 19 (2) of Heidelberg's Articles of Association. According to Article 19 (2) of the Articles of Association, unless otherwise provided by law, decisions are deemed to be approved by a simple majority of the submitted votes. If a majority of shareholdings, in addition to a majority of votes, is required by law, then decisions are deemed to be approved by a simple majority of shareholdings that are represented. In accordance with Article 15 of the Articles of Association, the Supervisory Board is entitled to make amendments of, and additions to, the Articles of Association that only relate to their wording.

Heidelberg may only acquire its own shares in accordance with Section 71 (1) Nos. 1 – 6 of the German Stock Corporation Act. With the consent of the Supervisory Board, the Management Board is authorized to undertake the following actions regarding treasury stock held as of the reporting date under exclusion of the subscription right of the shareholders:

> to sell treasury stock, 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 share capital existing as of July 18, 2008; if this value is less, 10 percent of the share capital existing at the time the authorization is exercised;

> to offer and transfer treasury stock to third parties if investments are thereby acquired in companies or divisions of companies, or if mergers are thereby implemented; or
> to make use of treasury stock 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 authorized, with the consent of the Supervisory Board, to redeem treasury stock 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, the Management Board is authorized to increase the Company's share capital of the Company by July 27, 2016 by issuing new shares on one or more occasions against cash contributions of up to a maximum amount of € 119,934,433.28. The Management Board is authorized, with the consent of the Supervisory Board, to determine other details regarding subscription rights and the terms and conditions of the issue. Further details on the "AUTHORIZED CAPITAL 2011" can be found in Section 3 (4) of the Articles of Association.

The Company's share capital has been conditionally increased, as follows:

> On July 18, 2008, the Annual General Meeting authorized the Management Board, with the consent of the Supervisory Board, to issue, by July 17, 2013, bearer convertible bonds and/or bonds with warrants, profit participation rights, and/or profit participating bonds or combinations of these instruments either with or without a term restriction in a total nominal amount of up to € 500,000,000.00, and to grant the bearers and creditors of bonds, respectively, conversion and option rights to the Company's bearer shares 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. For this purpose, the share capital was conditionally increased by up to € 19,979,118.08. Details on "CONDITIONAL CAPITAL 2008/I" can be found in Article 3 (5) of the Articles of Association.
> On July 18, 2008, the Annual General Meeting authorized the Management Board, with the consent of the Supervisory Board, to issue, by July 17, 2013, bearer convertible bonds and/or bonds with warrants, profit participation rights, and/or profit participating bonds or combinations of these instruments either with or without a term restriction in a total nominal amount of up to € 500,000,000.00, and to grant the bearers and creditors of bonds, respectively, conversion and option rights to the Company's bearer shares 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. For this purpose, the share capital was conditionally increased by up to € 19,979,118.08; details on **"CONDITIONAL CAPITAL 2008/II"** can be found in Article 3 (6) of the Articles of Association.

The credit facility that came into force on April 7, 2011, contains standard **"CHANGE OF CONTROL" CLAUSES** that grant the contracting parties additional rights to information and cancellation, should a change occur in the Company's control or majority ownership structure. Standard provisions granting the contracting parties the right of cancellation and early repayment are provided for in the remaining borrower's note loan.

The conditions governing the high yield bond that was placed on March 31, 2011, and issued on April 7, 2011, include a Change of Control clause that obligates Heidelberger Druckmaschinen Aktiengesellschaft to buy back the respective debt instruments (or parts thereof) from bondholders, upon request, should certain conditions that are included in that clause materialize. In this case, the buyback price would amount to 101 percent of the total face value accruing to the respective individual debt instruments plus accrued but not yet paid interest.

A technology licensing agreement with a manufacturer and supplier of software products also contains a Change of Control clause, which grants each party the right of cancellation upon a 90-day notification, if at least 50 percent of the shareholdings or voting rights of the other party are acquired by a third party.

A contract with a manufacturer and supplier of digital production printing systems that covers the sale of these systems also includes a Change of Control clause. This clause grants each party the right to terminate the contract within a period of three months from the time of receipt of a notice from the other party that a change in control has occurred or is possibly imminent, or from the time that such a change in control is known. A change of control under the terms of this contract is considered to have occurred if a third party acquires at least 25 percent of the voting rights of the concerned party or the right thereto, on a contractual basis or based on the Articles of Association or similar provisions that grant the third party corresponding rights to effect a decisive influence on the operations of the concerned party.

Information According to Section 289a HGB/ Corporate Governance Statement

The statement on Corporate Governance pursuant to Section 289a HGB can be found at all times on the website www.heidelberg.com under the heading "Investor Relations" under "Corporate Governance."

Non-consolidated Financial Statements

2011/2012

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INCOME STATEMENT 2011/2012

Figures in € thousands

	Note	1-Apr-2010 to 31-Mar-2011	**1-Apr-2011 to 31-Mar-2012**
Sales	4	1,264,808	1,227,942
Changes in inventories of goods		–20,050	890
Other own work capitalized		12,187	8,672
Gross revenue for the period		1,256,945	1,237,504
Other operating income	5	334,243	335,762
Cost of materials	6	607,652	582,128
Personnel expenses	7	534,918	636,676
Amortization and write-downs of intangible fixed assets and depreciation and write-downs of tangible fixed assets		42,611	38,642
Other operating expenses	8	462,581	371,378
Result from operating activities		–56,574	–55,558
Result from financial assets	9	41,803	–11,605
Other interest and similar income	10	26,516	26,593
Interest and similar expenses	11	132,451	79,721
Financial result		–64,132	–64,733
Result from ordinary activities		–120,706	–120,291
Extraordinary result	12	80,655	0
Taxes on income	13	–17,686	–90,274
Net loss for the fiscal year		–22,365	–30,017
Withdrawals from revenue reserves	19		
from the reserve for treasury shares		1,024	0
from other revenue reserves		21,341	30,017
Net retained profits		0	0

BALANCE SHEET AS OF MARCH 31, 2011

> ASSETS

Figures in € thousands

	Note	31-Mar-2011	31-Mar-2012
Fixed assets	14		
Intangible assets		34,902	32,783
Tangible assets		313,246	294,118
Financial assets		1,127,958	981,299
		1,476,106	1,308,200
Current assets			
Inventories	15	477,068	478,504
Receivables and other assets	16	383,304	416,478
Cash and cash equivalents	17	25,722	40,257
		886,094	935,239
Prepaid expenses	18	9,299	13,484
		2,371,499	2,256,923

> EQUITY AND LIABILITIES

Figures in € thousands

	Note	31-Mar-2011	31-Mar-2012
Equity	19		
Subscribed capital		597,326	599,673
Treasury shares		–1,024	–366
Issued capital		596,302	599,307
Capital reserve		41,907	42,350
Revenue reserves		237,238	207,221
Net retained profits		0	0
		875,447	848,878
Special reserve	20	3,433	2,360
Provisions			
Provisions for pensions and similar obligations	21	165,176	186,766
Other provisions	22	283,362	255,303
		448,538	442,069
Liabilities	23	1,040,850	960,580
Deferred income		3,231	3,036
		2,371,499	2,256,923

> STATEMENT OF CHANGES IN FIXED ASSETS

Figures in € thousands

	Acquisition or production cost				
	1-Apr-2011	Additions	Disposals	Reclassifications	31-Mar-2012
Intangible assets					
Purchased software, rights of use and other rights	114,846	551	– 45,291	0	70,106
Prepayments	1,250	1,466	0	0	2,716
	116,096	2,017	– 45,291	0	72,822
Tangible assets					
Land and buildings	229,187	397	– 33	42	229,593
Technical equipment and machinery	542,520	1,849	– 8,705	2,231	537,895
Other equipment, operating and office equipment	602,169	16,031	– 42,731	4,993	580,462
Prepayments and assets under construction	8,279	8,004	– 186	– 7,266	8,831
	1,382,155	26,281	– 51,655	0	1,356,781
Financial assets					
Shares in affiliated companies	2,179,855	6,440	– 302,807	0	1,883,488
Loans to affiliated companies	0	80,000	– 1,300	0	78,700
Equity investments	3,929	0	0	0	3,929
Securities classified as fixed assets	2	0	0	0	2
Other loans	3,874	467	– 1,613	0	2,728
	2,187,660	86,907	– 305,720	0	1,968,847
	3,685,911	115,205	– 402,666	0	3,398,450

Cumulative depreciation and amortization						Book values	
1-Apr-2011	Additions	Disposals	Reclassifications	Reversals	**31-Mar-2012**	31-Mar-2011	**31-Mar-2012**
81,194	4,133	−45,288	0	0	40,039	33,652	30,067
0	0	0	0	0	0	1,250	2,716
81,194	4,133	−45,288	0	0	40,039	34,902	32,783
146,300	2,944	−22	0	0	149,222	82,887	80,371
442,233	7,714	−8,633	−421	0	440,893	100,287	97,002
480,376	23,851	−32,100	421	0	472,548	121,793	107,914
0	0	0	0	0	0	8,279	8,831
1,068,909	34,509	−40,755	0	0	1,062,663	313,246	294,118
1,058,967	44,150	0	0	−116,276	986,841	1,120,888	896,647
0	0	0	0	0	0	0	78,700
542	0	0	0	0	542	3,387	3,387
0	0	0	0	0	0	2	2
193	59	−87	0	0	165	3,681	2,563
1,059,702	44,209	−87	0	−116,276	987,548	1,127,958	981,299
2,209,805	82,851	−86,130	0	−116,276	2,090,250	1,476,106	1,308,200

NOTES TO THE ANNUAL FINANCIAL STATEMENTS 2011/2012

1 PRELIMINARY REMARKS

The annual financial statements of Heidelberger Druckmaschinen Aktiengesellschaft are prepared in accordance with the provisions of the Handelsgesetzbuch (HGB – German Commercial Code) and the Aktiengesetz (AktG – German Stock Corporation Act).

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, a breakdown of individual items with additional information and notes has been presented below.

The figures shown in the tables are presented in thousands of euro (€ thousand).

2 CURRENCY TRANSLATION

Business transactions in foreign currencies are generally measured at the exchange rate at the time of first-time recognition and at the hedge rate in the cases of hedges. At the balance sheet date, assets and liabilities denominated in foreign currencies are translated at the currently applicable average spot exchange rate. Unrealized gains resulting from changes in exchange rates are recognized only if the underlying asset or liability has a remaining term of one year or less. Information on derivative financial instruments for hedging currency risks is presented under note 26.

For the list of shareholdings, the assets and liabilities in financial statements prepared in foreign currency are translated at the year-end exchange rates while expenses and income are translated at average annual rates.

3 ACCOUNTING POLICIES

The cost of acquisition also includes the additional costs of acquisition that can be directly allocated. In addition to direct costs and overhead costs for materials and production, costs of production also include special costs of production, production-related depreciation of fixed assets, and an appropriate share of the costs for general administration and social security.

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

Purchased intangible assets are capitalized at acquisition cost and amortized on a straight-line basis over their expected useful life.

Tangible assets are carried at acquisition or production cost less depreciation and impairment losses (if permanent). Depreciation is recognized solely in line with the straight-line method on the basis of individual technical and economic useful lives. Assets acquired during a fiscal year are depreciated pro rata temporis on the basis of the number of months for which they have been held. The reassessment of the useful lives for technical equipment and machinery as of April 1, 2011 better reflects the actual depreciation of tangible asset, thus allowing a better insight into the net assets, financial position and results of operations of the company. This adjustment to the accounting policy results in a € 2.9 million increase in tangible assets and influences the income statement in the same amount due to lower depreciation. Low-value assets with an acquisition 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 (0.05 acres) of the Einkommensteuergesetz (EStG – German Income Tax Act), omnibus items are recognized for depreciable movable non-current assets with an acquisition 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, equity investments and securities are carried at acquisition 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 acquisition or production cost. The carrying amounts for all asset groups are based on the weighted average cost method. Cost is measured at full cost; those costs eligible for recognition as assets in accordance with section 255 (2) sentences 2 to 3 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 (acquisition cost). All discernible individual risks and the general credit risk were taken into account by appropriate valuation allowances. Non-interest-bearing receivables with a remaining term of more than one year are discounted to their present value.

Cash and cash equivalents are carried at nominal amount.

Tax-exempt allowances and taxable subsidies for investments are recognized as a special reserve for investment grants. The tax-exempt allowances and taxable subsidies are offset in line with depreciation.

In addition to pension benefits, various pension commitments and general works council agreements, provisions for pensions and similar obligations also include temporary financial assistance in the event of death, as insured under labor law. The provisions are measured based on actuarial calculations, using the 2005G Heubeck mortality tables as the biological basis for calculation. The measurement method used for eligible active employees is the proportionally declining projected unit credit method, which also takes into account forecast increases in salaries and pensions. For pensioners and former employees with vested rights, the present value of future pension benefits is recognized as the settlement amount. Beneficiaries who have already passed the actuarial retirement age are treated as pensioners. If the conditions for full pension vesting are met, pension calculations are based on the date at which employees began work – but not before their 20th birthday – for employees who did so before their 30th birthday. The option provided for under section 253 (2) sentence 2 HGB was exercised in determining the interest rate. This means that provisions for pensions or similar long-term obligations can be discounted at a flat rate using an average market interest rate for the past seven fiscal years assuming a remaining term of 15 years. If the change in the discount rate results in only insignificant changes in pension obligations as of the end of the year under review, the value calculated and published by Deutsche Bundesbank as of February 28 of the respective fiscal year is used. The discount rate used in line with this is 5.13 % (previous year: 5.14 %).

Obligations under pension commitments are predominantly covered by assets that are intended solely to serve pension obligations and that cannot be accessed by other creditors (plan assets). The plan assets measured at fair value are offset against pension obligations in line with section 246 (2) sentence 2 HGB. The income from plan assets is netted against interest expenses from the interest on pension obligations and the expenses or income from the change in the discount rate are reported under net interest income.

Provisions for early partial retirement obligations are recognized in line with the block model. The obligations relate to employees who are either already in partial retirement as of the balance sheet date, have concluded a partial retirement contract, or can make use of the partial retirement regulation in the future. The provisions are measured according to actuarial principles, using an interest rate of 3.82 % (previous year: 3.75 %) and on the basis of the 2005G Heubeck mortality tables. The provision includes step-up amounts and settlement obligations of the company incurred by the balance sheet date.

Other provisions are measured taking into account all discernible, reportable risks and uncertain liabilities. They are measured at the necessary settlement amount based on prudent business judgment. Provisions with a remaining term of more than one year are discounted with the average market interest rate of the past seven fiscal years corresponding to their remaining term. Provisions are also recognized for warranties without legal liability.

Liabilities are recognized at their settlement amount.

Prepaid expenses and deferred income are recognized for expenditures and revenues that represent expenses and income for a certain period after the balance sheet date.

The carrying amounts of contingent liabilities match the extent of liability as of the balance sheet date.

NOTES TO THE INCOME STATEMENT

4 SALES

	2010/2011	2011/2012
Europe, Middle East and Africa	523,545	471,070
Eastern Europe	110,801	103,392
North America	77,245	94,311
South America	132,916	122,175
Asia/Pacific	420,301	436,994
	1,264,808	1,227,942

€ 1,029 million or 84 % of total sales were generated abroad.

	2010/2011	2011/2012
HD Equipment	1,002,767	981,763
HD Services	262,041	246,179
	1,264,808	1,227,942

5 OTHER OPERATING INCOME

	2010/2011	2011/2012
Income from currency translation	187,475	128,871
Increases in value of shares in affiliated companies	0	116,276
Income from affiliated companies	39,726	38,320
Reversal of provisions	66,307	21,027
Income from operating facilities	4,763	3,970
Income from the reversal of special reserves for investment grants	1,606	1,338
Other income	34,366	25,960
	334,243	335,762

From the 2010/2011 fiscal year, other operating income and expenses from currency translation are reported gross to ensure the greater clarity required in this item following the introduction of the BilMoG. The € 58.6 million decline in income is offset by a € 57.4 million decreases in expenses.

Other operating income includes prior-period income of € 21.0 million from the reversal of provisions. The decrease in income from the reversal of provisions mainly relates to structural measures.

Increases in the value of shares in affiliated companies are discussed in note 14.

The decline in other income is primarily due to lower income from disposals of fixed assets and from customer finance.

6 COST OF MATERIALS

	2010/2011	2011/2012
Expenses for raw materials, consumables and supplies and for purchased merchandise	515,073	492,990
Expenses for purchased services	92,579	89,138
	607,652	582,128

The decrease in cost of materials essentially resulted from the drop in sales.

7 PERSONNEL EXPENSES AND EMPLOYEES

	2010/2011	2011/2012
Wages and salaries	420,128	524,334
Social security costs and expenses for pensions and support	114,790	112,342
– of which for pensions	(29,142)	(20,897)
	534,918	636,676

The increase in wages and salaries is primarily due to expenses of € 95.6 million relating to our efficiency program Focus 2012.

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. In the year under review, reimbursement of social security premiums for reduced working hours of € 10.3 million was reported in other operating income (previous year: € 12.2 million).

The interest component of the pension entitlements is reported under the financial result (see note 11).

Average number of employees

	2010/2011	**2011/2012**
Heidelberg	1,738	1,668
Wiesloch-Walldorf	4,853	4,705
Amstetten	997	977
Brandenburg	584	575
Kiel	302	287
Langenfeld	79	74
	8,553	8,286
Trainees	583	555
	9,136	8,841

The number of employees does not include trainees, graduating students, dormant employees or employees in the non-work phase of partial retirement.

8 OTHER OPERATING EXPENSES

	2010/2011	**2011/2012**
Expenses from currency translation	190,374	132,969
Special direct selling expenses	51,591	50,629
Expenses for other external services	55,650	49,642
Rental and leasing	44,700	39,912
Maintenance	24,125	26,706
Travel costs	5,785	6,026
Insurance expenses	5,803	5,132
Advertising costs	2,475	4,019
Net amount from additions to and utilization of provisions, relating to several types of expense	9,574	3,914
Write-downs on receivables and other assets	2,915	2,707
Non-manufacturing overhead costs	1,605	1,108
Other taxes	551	775
Other costs	67,433	47,839
	462,581	371,378

From the 2010/2011 fiscal year, other operating income and expenses from currency translation are reported gross (see note 5). Other costs in the previous fiscal year include non-recurring expenses of € 12.2 million from the court settlement with former shareholders of Linotype-Hell Aktiengesellschaft, Eschborn (see note 19, Authorized capital).

Other than this, the decrease in other costs is mainly due to savings.

9 RESULT FROM FINANCIAL ASSETS

	2010/2011	2011/2012
Income from investments		
Income from profit transfer agreements	43,369	17,536
Income from other investments	14,043	26,232
	57,412	43,768
– of which from affiliated companies	(56,578)	(41,879)
Income from other securities and long-term loans	0	6,139
– of which from affiliated companies	(0)	(6,139)
Write-downs on financial assets and on securities classified as current assets	– 40	– 44,209
Expenses from profit transfer agreements	– 15,569	– 17,303
– of which from affiliated companies	(– 15,569)	(– 17,303)
	41,803	– 11,605

Income from profit transfer agreements indirectly also includes € 3.4 million in distributions by one foreign Group company to a German Group company.

Income from other investments relates to Heidelberger Druckmaschinen Real Estate GmbH & Co. KG, Walldorf, Heidelberg Schweiz Aktiengesellschaft, Bern, Heidelberg China Ltd., Hong Kong, and Heidelberg Middle East Freezone Company, Dubai.

Income from other securities and long-term loans relates to interest on two long-term loans extended to German subsidiaries.

The write-downs on financial assets (see note 14) represent impairment losses.

10 OTHER INTEREST AND SIMILAR INCOME

	2010/2011	2011/2012
Other interest and similar income	26,516	26,593
– of which from affiliated companies	(25,642)	(19,727)
– of which income from discounting	(337)	(0)
	26,516	26,593

11 INTEREST AND SIMILAR EXPENSES

	2010/2011	2011/2012
Interest and similar expenses	132,451	79,721
– of which due to affiliated companies	(9,839)	(9,103)
– of which expenses from adding interest	(46,255)	(37,038)
	132,451	79,721

The decrease in interest and similar expenses is primarily attributable to lower financing costs due to the successful refinancing (see note 23) and lower expenses from adding interest to provisions.

12 EXTRAORDINARY RESULT

	2010/2011	2011/2012
Extraordinary income	103,010	0
Extraordinary expenses	22,355	0
	80,655	0

As part of the transition to BilMoG regulations, there was extraordinary income from the remeasurement of plan assets and extraordinary expenses from replenishing provisions in the amount of € 0.7 million in the previous year. Extraordinary expenses in the previous year also included the costs for the capital increase in the amount of € 21.7 million.

13 TAXES ON INCOME

	2010/2011	2011/2012
Taxes on income	–17,686	–90,274
	–17,686	–90,274

The tax income of € 90.3 million chiefly results from the reversal of tax provisions due to the completed appeal proceedings and external tax audit.

NOTES TO THE BALANCE SHEET

14 FIXED ASSETS

The book values of intangible assets decreased by € 2.1 million in net terms in the reporting year. This decline is primarily due to scheduled amortization. The intangible assets recognized as disposals mainly relate to rights, assets and licenses that are no longer used or have expired and that have been almost entirely written off. The additions chiefly comprise prepayments.

The book values of tangible assets decreased by € 19.1 million in the current financial year, primarily due to scheduled depreciation and the sale of demonstration machines. Other disposals primarily relate to machines and operating and office equipment that have been almost entirely written off. Additions and disposals are shown in the statement of changes in fixed assets.

Financial assets decreased by € 146.7 million in net terms. The additions totaling € 86.9 million chiefly relate to the acquisition of an equity investment and two loans to affiliated companies. At one subsidiary, an increase in value of € 116.3 million was recognized as part of the regular review of the book values of equity investments, since there was no longer any impairment. This was offset mainly by capital decreases totaling € 302.8 million at two subsidiaries due to the reversal of capital reserves added in the past and write-downs totaling € 44.2 million at four subsidiaries.

15 INVENTORIES

	31-Mar-2011	31-Mar-2012
Raw materials, consumables and supplies	87,858	88,780
Work in progress	272,865	255,509
Finished goods and merchandise	116,214	134,196
Prepayments	131	19
	477,068	478,504

16 RECEIVABLES AND OTHER ASSETS

	31-Mar-2011	of which due after more than 1 year	31-Mar-2012	of which due after more than 1 year
Trade receivables	40,481	0	31,096	0
Receivables from affiliated companies	276,774	0	325,044	21,399
Other assets	66,049	9,310	60,338	1,611
	383,304	9,310	416,478	23,010

Receivables from affiliated companies mainly comprise short-term loans in the amount of € 322.3 million (previous year: € 273.6 million) and trade receivables of € 2.7 million (previous year: € 3.2 million).

Other assets primarily include tax refund claims, receivables from customer finance, and option premiums paid. € 3.0 million of the tax refund claims arose after the end of the financial year (previous year: € 0.2 million).

17 CASH AND CASH EQUIVALENTS

Cash and cash equivalents relate to short-term cash investments in the amount of € 40.3 million (previous year: € 6.9 million). In the previous year, they mainly included a bank account in the amount of € 18.8 million held in trust by Heidelberg Pension-Trust e.V. that was subject to a restriction on disposal.

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 € 9.1 million (previous year: € 5.7 million).

19

EQUITY

	1-Apr-2011	Capital increase	Change in treasury shares	Net loss for the current financial year	Change in reserves in the current financial year	31-Mar-2012
Subscribed capital	597,326	2,347	0	0	0	599,673
Own shares	– 1,024	0	658	0	0	– 366
Issued capital	596,302	2,347	658	0	0	599,307
Capital reserve	41,907	325	118	0	0	42,350
Revenue reserves						
Other revenue reserves	237,238	0	0	0	– 30,017	207,221
	237,238	0	0	0	– 30,017	207,221
Net retained profits	0	0	0	– 30,017	30,017	0
Equity	875,447	2,672	776	– 30,017	0	848,878

Share capital / number of shares outstanding / own shares

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.

The share capital of Heidelberger Druckmaschinen Aktiengesellschaft amounts to € 599,672,166.40 (previous year: € 597,325,573.12) and is divided into 234,246,940 shares (previous year: 233,330,302). With regard to the capital increase implemented in the year under review, please refer to the information provided under Authorized capital.

As of March 31, 2011, the Company held 400,000 of its own shares. The shares were acquired in March 2007. 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. These shares may be used only to reduce the capital of Heidelberger Druckmaschinen Aktiengesellschaft or for employee share programs and other forms of allocation of shares to employees of the Company or of a subsidiary, or be offered for purchase by persons who are or were employed by Heidelberger Druckmaschinen Aktiengesellschaft or a company affiliated with it.

As part of the agreement reached at the beginning of the previous year between the management and workforce representatives on the reconciliation of interests at German locations, it was agreed that an employee share program would be initiated. The shares were issued free of charge for the employees. At the beginning of the year under review, 257,081 own shares with a share in the share capital of € 658 thousand were used for this employee share program. The employee shares were measured at the price as of the issue date totaling € 776 thousand and led to an allocation of € 118 thousand to the capital reserve.

As of March 31, 2012, the Company still holds 142,919 of its own shares. The amount of these shares allocated to share capital is € 366 thousand (previous year: € 1,024 thousand), with a notional share of share capital of 0.06 % as of March 31, 2012 (previous year: 0.17 %).

Contingent capital

In accordance with the resolution of the Annual General Meeting on September 29, 1999, the share capital of Heidelberger Druckmaschinen Aktiengesellschaft was contingently increased in connection with the share option program (CONTINGENT CAPITAL).

As the last share options expired on August 18, 2010, this Contingent Capital became irrelevant. The Supervisory Board resolved a corresponding amendment of the Articles of Association, which was entered in the commercial register on April 1, 2011.

In addition, according to 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 became irrelevant on full repayment of the convertible bond. The Supervisory Board resolved a corresponding amendment of the Articles of Association, which was entered in the commercial register on April 1, 2011.

According to Article 3 (3) 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 would have been carried out only to the extent that bearers of options 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 of the Company up until July 19, 2011 exercised their options or conversion rights or fulfilled their obligation to convert/exercise options. However, the Company did not issue any such bonds or rights up until July 19, 2011.

At the Annual General Meeting on July 18, 2008, the Management Board was granted two authorizations valid until July 17, 2013 which have the same content but which differ with regard to the option and conversion prices stipulated, for the issue of convertible bonds and bonds with warrants, profit-sharing rights, and income bonds (or combinations of these instruments) with or without term with a total nominal amount of up to € 500,000,000 and to grant conversion rights or options to 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 to disapply subscription rights. To ensure any such option and/or conversion rights or obligations of bonds or similar instruments that could be created on the basis of the above authorizations, the following two contingent capitals have been created:

According to Article 3 (5) 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 bonds with warrants, profit-sharing rights, and income 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 9a) and that grant a conversion right or option to bearer shares in the Company or that stipulate a conversion obligation.

According to Article 3 (6) 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 bonds with warrants, profit-sharing rights, and income 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 10a) and that grant a conversion right or option 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 was 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).

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). Authorized Capital 2009 was canceled by resolution of the Annual General Meeting on July 28, 2011.

In the 2011/2012 financial year, a capital increase was performed in order to implement the court settlement with former shareholders of Linotype-Hell Aktiengesellschaft. As part of the amicable resolution of the legal dispute with the former shareholders of Linotype-Hell Aktiengesellschaft regarding the conversion ratio on March 30, 2011, a settlement in shares of Heidelberger Druckmaschinen Aktiengesellschaft was agreed by way of a court settlement. For this purpose the Management Board resolved, with the approval of the Supervisory Board, to increase the share capital by € 2,346,593.28 by issuing 916,638 new shares.

The subscription rights of shareholders were disapplied, with the approval of the Supervisory Board. To create new shares, the Management Board made partial use of its authorization in accordance with the resolution of the Annual General Meeting on July 18, 2008 to increase the share capital by issuing new shares against contributions (Authorized Capital 2008). The capital increase resolution was entered in the commercial register on June 6, 2011.

On July 28, 2011, 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 € 119,934,433.28 on one or several occasions against cash contributions by July 27, 2016 (Authorized Capital 2011). The Management Board was authorized, with the approval of the Supervisory Board, to determine further content of the share rights and the conditions for the share issue. The authorization became effective only on entry of the amendment to the Articles of Association in the commercial register on August 5, 2011.

Development of reserves and net profit for the year

The capital reserves reported in the previous year of € 41,907 thousand were originally recognized in accordance with Section 272 (2) nos. 1 and 2 HGB and Section 237 (5) AktG.

€ 325 thousand of the increase in the capital reserve in the current financial year results from the implemented capital increase and € 118 thousand from the disposal of own shares.

The net loss of € 30,017 thousand generated at Heidelberger Druckmaschinen Aktiengesellschaft in the year under review was settled in full by means of withdrawal from the other revenue reserves.

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 Wertpapierhandelsgesetz (WpHG – German Securities Trading Act). The list contains the most recent shareholder notifications in each case:

Shareholders	Change in thresholds	Voting rights share reached	Attribution	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 Vermögensverwaltungsgesellschaft mbH, Munich	5 %	17-Aug-2005	Direct	5.98 %	
AZ-Argos 19 AG, Munich	5 %	17-Nov-2005	Indirect	6.26 %	
RWE Aktiengesellschaft, Essen	5 %	15-Sep-2010	Indirect		**4.22 %**[2]
BGE Beteiligungs-Gesellschaft für Energieunternehmen mbH, Essen	5 %	15-Sep-2010	Direct	4.22 %	
SEB Investment GmbH, Frankfurt am Main	5 %	24-Feb-2009	Direct/indirect Indirect	0.404 %	**5.017 %**[2]
BlackRock, Inc., New York, USA	3 %	7-Apr-2011	Indirect		**3.02 %**[3]
Capital Research and Management Company, Los Angeles, USA	3 %	8-May-2012	Indirect		**2.94 %**[4]
SMALLCAP World Fund, Inc., Los Angeles, USA	3 %	3-May-2012	Direct	2.99 %	

[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 between March 31, 2008 and September 24, 2010 and therefore relates to 78,043,434 shares (number of shares before the share redemption on March 31, 2008 and before the capital increase on September 24, 2010)
[3] The share of the voting rights was reported to us after September 24, 2010 and therefore relates to 233,330,302 shares (number of shares after the capital increase on September 24, 2010)
[4] The share of the voting rights was reported to us in May 2012 and therefore relates to 234,246,940 shares (number of shares after the capital increase on June 6, 2011)

20 SPECIAL RESERVE

	31-Mar-2011	31-Mar-2012
Special reserve for investment grants for fixed assets		
Taxable subsidies	2,534	1,643
Tax-exempt allowances	899	717
	3,433	2,360

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 1996/1999/2005/2007, which relate to the Brandenburg site.

21 PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Pension provisions are calculated on the basis of the following actuarial premises:

Discounting factor:	5.13 %
Salary increase rate:	3.00 %
Pension increase rate:	2.00 %
Fluctuation:	3.00 %

In the 2005/2006 financial year, Heidelberger Druckmaschinen Aktiengesellschaft established a contractual trust arrangement (CTA) with the trustee Heidelberg Pension-Trust e.V., Heidelberg, to secure external financing and insolvency insurance for its pension obligations. The assets transferred cannot be accessed by any creditors and serve solely to fulfill the pension obligations. They are invested in a special fund. The fund assets primarily consist of fixed-income bonds, shares, fund units, and cash and cash equivalents. The plan assets were measured at fair value and offset against the pension provisions.

In addition to the CTA, there are reinsurance policies that also qualify as plan assets. These were likewise measured at fair value and offset against the pension provisions.

The fair value of the offset assets was € 492.8 million as of the balance sheet date at an acquisition cost of € 506.9 million. The settlement amount of the offset liabilities was € 675.2 million as of the balance sheet date.

The income from the plan assets of € 18.1 million was offset against the interest on pension provisions of € 34.2 million in line with Section 246 (2) sentence 2 HGB. The resulting net figure of € 16.1 million is reported in the financial result under interest and similar expenses.

22 OTHER PROVISIONS

	31-Mar-2011	31-Mar-2012
Tax provisions	84,057	370
Other provisions		
Obligations from sales activities	36,543	30,675
Personnel obligations	115,669	186,271
Other	47,093	37,987
	199,305	254,933
	283,362	255,303

The decrease in tax provisions results from the completed appeal proceedings and external tax audit.

The obligations from sales activities chiefly relate to guarantees. Personnel obligations exist mainly in connection with vacation and working time credit, bonuses, anniversary bonuses and partial retirement obligations, and with our efficiency program Focus 2012, which accounts for a total of € 95.0 million.

23 LIABILITIES

	31-Mar-2011	Of which with a remaining term of			31-Mar-2012	Of which with a remaining term of		
		up to 1 year	between 1 and 5 years	more than 5 years		up to 1 year	between 1 and 5 years	more than 5 years
Bonds	0	0	0	0	304,000	0	0	304,000
Liabilities to banks	253,194	204,647	30,888	17,659	48,579	7,323	32,076	9,180
Prepayments received for orders	7,570	7,570	0	0	5,324	5,324	0	0
Trade payables	24,638	24,556	82	0	42,691	42,691	0	0
Liabilities to affiliated companies	709,819	709,819	0	0	517,493	517,493	0	0
Other liabilities								
From taxes	351	351	0	0	4,468	4,468	0	0
In connection with social security	4,815	1,810	2,162	843	3,821	1,632	1,501	688
Other	40,463	34,259	6,204	0	34,204	34,204	0	0
	45,629	36,420	8,366	843	42,493	40,304	1,501	688
	1,040,850	983,012	39,336	18,502	960,580	613,135	33,577	313,868

Liabilities to affiliated companies include short-term loans in the amount of € 516.6 million (previous year: € 708.6 million) and trade payables of € 0.9 million (previous year: € 1.2 million). This also includes a € 50 million loan extended by Heidelberg International B.V., which refinances it through a promissory note loan.

As part of the refinancing agreed on March 25, 2011, a high-interest, uncollateralized bond of € 304 million with a term of seven years and a coupon of 9.25 % p.a. was issued by Heidelberger Druckmaschinen Aktiengesellschaft on April 7, 2011.

In June and August 2009, loan agreements were negotiated with the financing banks for a total facility of € 1,400 million that was originally to mature in summer 2012. This consisted of a loan from the KfW's special program, originally for € 300 million, a credit line of € 550 million 90 % backed by guarantees from the German government and the states of Baden-Württemberg and Brandenburg and a syndicated credit line from a syndicate of banks of € 550 million. In the previous year, the net proceeds, less issuing costs, from the increase in the share capital of Heidelberger Druckmaschinen Aktiengesellschaft in September 2010 was used in full to repay the required amount for the syndicated credit line and the credit line guaranteed by the public sector and to repay the loan from the KfW's special program early.

At the beginning of the year under review, part of the net proceeds from the high-interest bond was used to repay the two credit lines early. Also as part of the refinancing agreed on March 25, 2011, a new revolving credit facility of € 500 million from a banking syndicate maturing at the end of 2014 became effective at the same time, replacing the previous credit lines. The financing agreements on the new credit facility contain standard financial covenants regarding the financial situation of the Heidelberg Group.

As part of the efficiency program Focus 2012, the originally agreed financial covenants were adjusted to a level that reflects the changed economic environment. To this end, a change in the loan conditions was agreed with the syndicate banks in March 2012. Owing to Heidelberg's lower finance requirements as a result of successful asset management, this agreement also includes a € 25 million reduction in the credit line effective from July 1, 2012. Collateral was provided by us and by certain Group companies in connection with the new credit facility as part of a collateral concept. The following types are attributable to Heidelberger Druckmaschinen Aktiengesellschaft:

- 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, 2012, Heidelberger Druckmaschinen Aktiengesellschaft had not utilized any funds under the new credit facility. As of this reporting date, liabilities to banks primarily result from a long-term loan that was taken out in the 2007/2008 financial year.

24

DEFERRED TAXES

There was an excess of assets in deferred taxes in the year under review. The option provided by Section 274 (1) HGB to recognize the resulting tax relief as deferred tax assets was not exercised. The tax relief results from temporary differences in the balance sheet line items intangible assets, other loans, inventories, other assets, pension provisions and other provisions, and from tax loss carryforwards at the level of the Company as the parent company. There was also tax relief resulting from temporary differences of companies included in the tax entity. Deferred tax liabilities result from temporary differences in tangible assets and other liabilities. An effective tax rate of 28.43 % was applied for corporation tax in addition to the solidarity surcharge and trade tax in the calculation of deferred taxes.

25

CONTINGENT LIABILITIES

	31-Mar-2011	**31-Mar-2012**
Exposure from issuance and transfer of bills of exchange	59,959	51,238
– of which to affiliated companies	(59,959)	(51,238)
Guarantees, warranties, provision of collateral for third-party liabilities	261,632	173,511
– of which to affiliated companies	(0)	(0)
	321,591	224,749

Some of the credit facility in place as of March 31, 2012 (see note 23) 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 € 10.9 million are reported under contingent liabilities. In addition, there were credit lines of € 49.4 million available to the Group companies under the credit facility as of the balance sheet date that were not utilized. As part of the collateral concept, on which the credit facility in place as of March 31, 2012 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 23, 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.

The risk of utilization of contingent liabilities is considered low as there are no indications of corresponding credit problems.

26 DERIVATIVE FINANCIAL INSTRUMENTS

Heidelberger Druckmaschinen Aktiengesellschaft centrally manages and controls the Heidelberg Group's interest rate and foreign currency risk. Derivative financial instruments are used to hedge the currency and interest rate risks from business operations and from financing transactions. The aim of this is to reduce the fluctuations in earnings and cash flows that relate to changes in exchange and interest rates.

The partners in the external contracts for the derivative financial instruments are all banks of excellent credit standing. The internal contracts were concluded with our Group companies.

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 nominal volumes and market values of foreign currency and interest rate derivatives were as follows as of the balance sheet date:

Figures in € thousands

	Nominal volumes		Fair values	
	31-Mar-2011	**31-Mar-2012**	31-Mar-2011	**31-Mar-2012**
Forward exchange transactions	1,089,028	1,099,024	–3,185	–1,265
Currency options	1,195,200	460,000	8,965	–2,596
Interest rate swaps	50,404	50,000	–1,074	–1,016

The nominal volumes result from the total of all the purchase and sale amounts of the underlying hedged items.

The fair values were calculated using standardized measurement methods (discounted cash flow method and option pricing model) that use the relevant market data as input parameters for calculation on the balance sheet date.

Derivative financial instruments for hedging currency risks

Forward exchange transactions with a nominal volume of € 291.2 million (previous year: € 495.3 million) were concluded with external partners to hedge currency risks from the receivables and liabilities of Heidelberger Druckmaschinen Aktiengesellschaft recognized on the balance sheet date. The hedges were portfolio hedges in the amount of the net total per currency of receivables and liabilities (net positions) with terms of up to one year. As of the balance sheet date, the nominal volumes of net receivable positions per currency were € 91.0 million (previous year: € 81.5 million) while net liability positions amounted to € 155.8 million (previous year: € 371.0 million). In line with the gross hedge presentation method, the offsetting changes in value of both the hedged items and the hedge instrument are recognized. The foreign currency receivables and liabilities were translated at reporting date rates. Forward exchange transactions are measured using the appropriate forward rates. As of the balance sheet date, other assets with a total amount of € 1.8 million (previous year: € 1.7 million) were capitalized for forward exchange transactions with positive fair values and other liabilities of € 1.9 million (previous year: € 1.9 million) were expensed for forward exchange transactions with negative fair values.

To hedge purchases of products in euros, foreign Group companies conclude internal forward exchange transactions with Heidelberger Druckmaschinen Aktiengesellschaft for periods of up to one year. To hedge these internal derivatives and the highly likely additional requirements of Group companies for internal derivatives on account of product sales planning for a period of up to two years, Heidelberger Druckmaschinen Aktiengesellschaft concludes currency forwards and options with external partners. As of the balance sheet date, internal currency hedges with a nominal volume of € 565.7 million (previous year: € 418.2 million) were offset by external forward exchange transactions with a nominal volume of € 242.1 million (previous year: € 175.5 million) and external currency options with a nominal volume of € 460.0 million (previous year: € 1,195.2 million). The currency options are recognized at acquisition cost.

Other liabilities were recognized for currency options with negative fair values. If there is a risk of losses on the remeasurement of currency portfolios, either other assets are written down or other provisions are recognized depending on the case in hand. As of the balance sheet date, other assets from paid option premiums in the amount of € 7.5 million (previous year: € 23.5 million) and other liabilities of € 8.7 million (previous year: € 17.5 million) were recognized. Other provisions of € 3.7 million (previous year: € 4.5 million) were recognized for anticipated losses. The recognized anticipated losses are essentially offset by the opposing effects arising from operating hedged items.

The effectiveness of hedge accounting is reviewed prospectively using the critical terms match method.

Derivative financial instruments for hedging interest risks

To hedge interest risks arising from floating-rate liabilities of an affiliated company as of the balance sheet date, interest rate swaps were concluded with an external partner for a nominal amount of € 50.0 million (previous year: € 50.4 million) with a remaining term of up to one year. Other provisions of € 1.0 million (previous year: € 1.1 million) were recognized for negative fair values.

27 OFF-BALANCE-SHEET TRANSACTIONS / OTHER FINANCIAL OBLIGATIONS

	2010/2011	2011/2012
Rental and lease payments	260,388	232,198
– of which to affiliated companies	(120,910)	(103,637)
Long-term purchase commitments for raw materials, consumables, and supplies	11,299	17,415
– of which to affiliated companies	(0)	(0)
Purchase commitments from capital investment orders	11,269	19,648
– of which to affiliated companies	(0)	(2,600)
	282,956	269,261

Rental and lease payment obligations include € 205.0 million (previous year: € 228.4 million) from sale-and-leaseback agreements and relate to the Kiel location (2010/2011 financial year), the Print Media Academy (1999/2000 financial year), the World Logistics Center (1999/2000 financial year), and the Heidelberg Research and Development Center (2006/2007 financial year). 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. Future rental payments of € 103.6 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.

OTHER INFORMATION

28 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 Section 161 of the German Stock Corporation Act and made it permanently accessible to the shareholders on our Web site WWW.HEIDELBERG.COM in the "Investor Relations" section under "Corporate Governance". Earlier declarations of compliance were also made permanently accessible there.

29 EXECUTIVE BODIES OF THE COMPANY

The information on the members of the Supervisory Board and the Management Board in line with Section 285 no. 10 HGB is listed in an annex to the notes.

The basic features of the systems of remuneration and amounts for the members of the Management Board and the Supervisory Board are presented in the management report.

Total cash remuneration of the Management Board for the year under review including non-cash remuneration amounted to € 2,709 thousand (previous year: € 2,653 thousand). Of this amount, a total of € 942 thousand (previous year: € 1,080 thousand) was attributable to bonus remuneration for the year under review and € 306 thousand (previous year: € 0 thousand) to remuneration for the multiyear long-term bonus.

As in the previous year, no performance share units were awarded under the expired long-term incentive plan (LTI) in the year under review as the last outstanding performance share units expired in the previous year. Thus, total remuneration in the period under review amounted to € 2,709 thousand (previous year: € 2,653 thousand). As in the previous year, stock options awarded from the stock option program in previous years and long-term incentive performance share units were not paid out in the year under review.

As of the end of the reporting period, the Management Board members held no stock options under the expired stock option plan, as was also the case in the previous year.

Former members of the Management Board and their surviving dependents received € 3,064 thousand (previous year: € 3,087 thousand). € 876 thousand of this (previous year: € 855 thousand) relates to liabilities to former members of the Management Board of Linotype-Hell Aktiengesellschaft and their surviving dependents, which were assumed in the 1997/1998 financial year as part of universal succession.

Provisions of € 38,226 thousand (previous year: € 39,495 thousand) have been recognized for pension obligations to former members of the Management Board and their surviving dependents. € 8,750 thousand of this (previous year: € 8,831 thousand) relates to the pension obligations of the former Linotype-Hell Aktiengesellschaft, acquired in the 1997/1998 financial year under the provisions of universal succession. As in the previous year, former members of the Management Board held no stock options as of the end of the reporting period.

No loans or advances were paid to members of the Company's Management Board or the Supervisory Board in the reporting period. One member of the Management Board had loans dating back to before Group affiliation at interest of 5.31 %, secured with a standard local property lien. These loans were originally granted by a foreign subsidiary to finance a home for the member at his place of business abroad. As of March 31, 2011, these loans amounted to € 522 thousand and had a remaining term of 23½ years. Both loans were repaid in full in the year under review. The Heidelberg Group has not undertaken any contingent liabilities for either the members of the Management Board or the Supervisory Board.

Fixed remuneration of € 425 thousand (previous year: € 404 thousand), but no variable remuneration, as in the previous year, was paid to the members of the Supervisory Board for the 2011/2012 financial year; these payments do not include value added tax.

30 STOCK OPTION PLAN

The Annual General Meeting of September 29, 1999 approved a contingent increase of share capital by up to € 10,996 thousand 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.

The term of the last Tranche 2004 of Heidelberg's stock option plan ended on August 18, 2010. The provision recognized for this was reversed in the previous year. For further information on the expired stock option plan, please refer to note 31 of the notes to the financial statements as of March 31, 2011.

31 LONG-TERM INCENTIVE PLAN (LTI)

Heidelberger Druckmaschinen Aktiengesellschaft offered participation in the long-term incentive plan (LTI) to selected members of the Heidelberg Group's senior management. Heidelberg's LTI plan expired with the expiry of the last outstanding performance share units (PSU) in the previous year. The LTI plan did not give rise to any income or expenses in the previous year. For further information on the long-term incentive plan, please refer to note 32 of the notes to the financial statements as of March 31, 2011.

32 AUDITORS' FEES

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

33 SHAREHOLDINGS

The list of all shareholdings of Heidelberger Druckmaschinen Aktiengesellschaft in accordance with Section 285 no. 11 HGB, which is a component of the notes to the financial statements, can be found on the Web site www.heidelberg.com in the "Investor Relations" section under "Annual General Meeting"; it has also been published in the Bundesanzeiger (Federal Gazette). The principal holdings are listed on pages 78 to 79.

Heidelberg, May 24, 2012

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 24, 2012

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, 2011 to March 31, 2012. 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, and management report 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.

Mannheim, May 25, 2012

PricewaterhouseCoopers
Aktiengesellschaft (German stock corporation)
Wirtschaftsprüfungsgesellschaft (German public auditing firm)

Ernst-Wilhelm Frings
Wirtschaftsprüfer
(German Public Auditor)

ppa. Stefan Sigmann
Wirtschaftsprüfer
(German Public Auditor)

> LIST OF MATERIAL INVESTMENTS IN AFFILIATED COMPANIES (FIGURES IN € THOUSANDS IN LINE WITH IFRS)

Name	Location		Share in equity in percent	Equity	Net sales
Domestic					
Europe, Middle East and Africa					
Heidelberger Druckmaschinen Vertrieb Deutschland GmbH [1)2)]	D	Heidelberg	100	54,901	8,705
Heidelberg Print Finance International GmbH [1)2)]	D	Heidelberg	100	34,849	8,457
Heidelberg Postpress Deutschland GmbH [1)2)]	D	Heidelberg	100	25,887	– 13,501
Foreign					
Europe, Middle East and Africa					
Heidelberg International Ltd. A/S	DK	Ballerup	100	35,454	4,455
Hi-Tech Coatings International B.V.	NL	Zwaag	100	10,350	319
Heidelberg Graphic Equipment Ltd. [3)]	GB	Brentford	100	6,440	– 708
Heidelberg Schweiz AG	CH	Bern	100	5,861	6,257
Heidelberg France S.A.S.	F	Tremblay-en-France	100	5,315	– 8,114
Heidelberg Sverige AB	S	Solna	100	5,113	867
Eastern Europe					
Heidelberger Druckmaschinen Austria Vertriebs-GmbH	A	Vienna	100	74,471	659
Heidelberger Druckmaschinen Osteuropa Vertriebs-GmbH [4)]	A	Vienna	100	74,268	3,396
Heidelberg Polska Sp z.o.o.	PL	Warsaw	100	9,509	407
Heidelberg Baltic Finland OÜ	EST	Tallinn	100	8,599	– 43
Heidelberg Grafik Ticaret Servis Limited Sirketi	TR	Istanbul	100	5,894	1,311
Heidelberger CIS OOO	RUS	Moscow	100	– 2,368	12,498
North America					
Heidelberg USA, Inc.	USA	Kennesaw	100	96,383	5,792
Heidelberg Canada Graphic Equipment Ltd.	CDN	Mississauga	100	7,627	– 599
Heidelberg Mexico Services S. de R.L. de C.V. [3)]	MEX	Mexico City	100	8,352	2,672

Name	Location		Share in equity in percent	Equity	Net sales
South America					
Heidelberg do Brasil Sistemas Graficos e Servicos Ltda.	BR	São Paulo	100	15,318	– 198
Asia / Pacific					
Heidelberg Graphic Equipment (Shanghai) Co. Ltd.	PRC	Shanghai	100	56,505	7,785
Heidelberg China Ltd.	PRC	Hong Kong	100	15,920	6,385
Heidelberg Japan K.K.	J	Tokyo	100	14,690	– 5,218
Heidelberg Hong Kong Ltd.	PRC	Hong Kong	100	13,145	2,017
Heidelberg Asia Pte Ltd.	SGP	Singapore	100	13,052	1,103
Heidelberg Graphics (Tianjin) Co. Ltd.	PRC	Beijing	100	28,433	7,838
Heidelberg Korea Ltd.	ROK	Seoul	100	5,403	729
Heidelberg Malaysia Sdn Bhd	MYS	Petaling Jaya	100	610	– 333
Heidelberg Graphic Equipment Ltd.	AUS	Melbourne	100	– 152	– 17,184

[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

Robert J. Koehler
Chairman of the Management Board of SGL Carbon SE, Wiesbaden
Chairman of the Supervisory Board – since July 28, 2011 –
(Member of the Supervisory Board through July 28, 2011)

a) Klöckner & Co. SE
LANXESS AG

b) Benteler International AG, Austria (Chairman)

Dr. Mark Wössner
– through July 28, 2011** –
Member in various Supervisory Boards, Munich
Chairman of the Supervisory Board

a) Douglas Holding AG
Loewe AG

b) 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
– through July 28, 2011** –
Member of the Management Board of SAP AG, Walldorf

a) Deutsche Lufthansa AG

b) QIAGEN N.V., the Netherlands
SAP (Schweiz) AG, Switzerland
SAP America, Inc., US
SAP (UK) Limited, UK
SAP Japan Co. Ltd., Japan

Edwin Eichler
Member of the Management Board of ThyssenKrupp AG, Essen/Duisburg

a) Hüttenwerke Krupp Mannesmann GmbH
SGL Carbon SE
ThyssenKrupp Materials International GmbH (Chairman)
ThyssenKrupp Nirosta GmbH (Chairman)

b) ANSC-TKS Galvanizing Co., Ltd., China (Chairman)
ThyssenKrupp Steel Americas, LLC, US (Chairman)

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

a) ABB AG

Gunther Heller*
Chairman of the Works Council, Amstetten

Jörg Hofmann*
Regional head of IG Metall, Baden-Wuerttemberg region, Stuttgart

a) Daimler AG
Robert Bosch GmbH

* Employee representative
** As of the date of retirement
a) Membership in other Supervisory Boards
b) Membership in comparable German and foreign control bodies of business enterprises

Dr. Siegfried Jaschinski
Member of the Management Board of MainFirst Bank AG, Frankfurt
a) Adcapital AG

Dr. Herbert Meyer
– since July 28, 2011 –
Member of the Auditor Oversight Commission (AOC), Berlin
a) MainFirst Bank AG
WEBASTO AG
b) Verlag Europa Lehrmittel GmbH
(Member of the Advisory Board)

Dr. Gerhard Rupprecht
Member of various Supervisory Boards, Gerlingen
a) Fresenius Management SE
Fresenius SE & Co. KGaA
Euler Hermes Deutschland AG

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

Lone Fønss Schrøder
– since July 28, 2011 –
Member in various Supervisory Boards, Hornbaek, Denmark
a) Bilfinger Berger SE
b) AKER Solutions ASA, Lysaker/Norway
(Member of the Board of Directors)
KVAERNER ASA, Oslo/Norway
(Member of the Board of Directors)
NKT Holding AS, Brønby/Denmark
(Member of the Board of Directors)
Svenska Handelsbanken AB, Stockholm/Sweden
(Member of the Board of Directors)
Vattenfall AB, Stockholm/Sweden
(Member of the Board of Directors)
Volvo Personvagnar AB, Göteborg/Sweden
(Member of the Board of Directors)

Prof. Dr.-Ing. Günther Schuh
Professor and holder of the chair in production engineering at RWTH Aachen University, Aachen
a) Schott AG
Zwiesel Kristallglas AG
b) Gallus Holding AG, 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
a) Bayer AG
Hannover Rückversicherung AG
b) Österreichische Industrieholding AG, Austria
Sulzer AG, 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

Robert J. Koehler (Chairman)
– since July 28, 2011 –

Dr. Mark Wössner (Chairman)
– through July 28, 2011 –

Rainer Wagner

Martin Gauß

Mirko Geiger

Dr. Gerhard Rupprecht

Dr. Klaus Sturany

MEDIATION COMMITTEE UNDER ARTICLE 27 PARAGRAPH 3 OF THE CODETERMINATION ACT

Robert J. Koehler
– since July 28, 2011 –

Dr. Mark Wössner
– through July 28, 2011 –

Rainer Wagner

Wolfgang Flörchinger

Dr. Gerhard Rupprecht

AUDIT COMMITTEE

Dr. Klaus Sturany (Chairman)

Dr. Werner Brandt
– through July 28, 2011 –

Mirko Geiger

Dr. Herbert Meyer
– since July 28, 2011 –

Rainer Wagner

COMMITTEE ON ARRANGING PERSONNEL MATTERS OF THE MANAGEMENT BOARD

Robert J. Koehler (Chairman)
– since July 28, 2011 –

Dr. Mark Wössner (Chairman)
– through July 28, 2011 –

Rainer Wagner

Dr. Gerhard Rupprecht

Beate Schmitt

NOMINATION COMMITTEE

Robert J. Koehler (Chairman)
– since July 28, 2011 –

Dr. Mark Wössner (Chairman)
– through July 28, 2011 –

Dr. Klaus Sturany

The Management Board

Bernhard Schreier
Walldorf
Chief Executive Officer and
Chief Human Resources Officer
* ABB AG
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)

Dirk Kaliebe
Sandhausen
Chief Financial Officer and
Head of the Heidelberg
Financial Services Segment
* Heidelberger Druckmaschinen Vertrieb
Deutschland GmbH
** Heidelberg Graphic Equipment Ltd., UK
Heidelberg Americas, Inc., US
Gallus Holding AG, Switzerland
(Member of the Administration Board)

Marcel Kiessling
Heidelberg
Head of the Heidelberg
Sales and Services Segment

Stephan Plenz
Sandhausen
Head of the Heidelberg
Equipment Segment
** Gallus Holding AG, Switzerland
(Member of the Administration Board)
Heidelberg Graphic Equipment
(Shanghai) Co. Ltd., China
(Chairman of the Board of Directors)

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

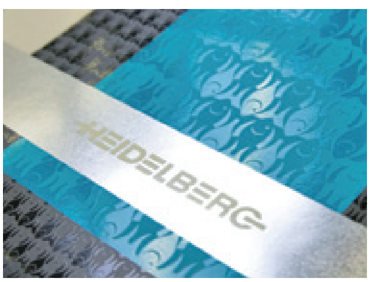
HEI LIGHTS 2011/2012

APRIL 2011 +++ At the **DIGI:MEDIA** trade show, Heidelberg and Ricoh launch the sale of their combined digital and offset solutions that make seamless hybrid print production possible: from Web-to-Print front-end through to the use of digital and offset technologies all the way to professional finishing. +++

APRIL 2011 +++ Heidelberg reduces its dependency on banks and diversifies financing sources: a **HIGH-YIELD BOND** with a nominal volume of € 304 million and a maturity of seven years is issued. At the same time, a **NEW REVOLVING CREDIT FACILITY** in the amount of € 500 million that expires at the end of 2014 enters into force. +++

JULY 2011 +++ In **CSAT**, Heidelberg takes over a **SPECIALIST IN DIGITAL PRINTING SYSTEMS** and the relevant consumables, thereby expanding the digital printing offerings in the growth market of packaging printing. With this strategic acquisition, access to technologies and expertise in the areas of drop-on-demand inkjet and electrophotography is also acquired. +++

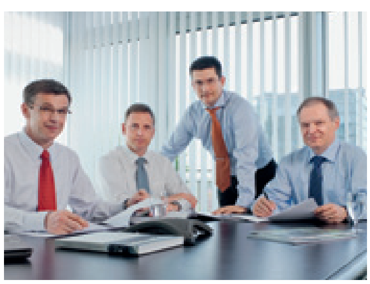
SEPTEMBER 2011 +++ Heidelberg presents a new software solution with Prinect's **WEB-TO-PRINT MANAGER** at the GraphExpo in the US. It assists print shops in providing an efficient and comfortable interface for their business customers. Of course, shops for end customers in the Web-to-Print area can also be set up with the application. +++



OCTOBER 2011 +++ Heidelberg shows the international public of **PACKAGING DAYS** in Germany a completely integrated folding-carton production process. As the finishing process in packaging printing opens up particular differentiation and business potentials, particular attention is placed on die-cutters and folder-gluers. +++

DECEMBER 2011 +++ Heidelberg presents the **CONCEPT FOR DRUPA IN MAY 2012** and launches the communication campaign in the run-up to the trade show: Under the slogan "Discover HEI", various solutions with the most modern technologies and services are shown that facilitate growth for print shops in the current market environment. In addition, they demonstrate that printed material does have a future. +++

JANUARY 2012 +++ Heidelberg's Management Board approves the **FOCUS 2012** efficiency program in order to attain profitability goals and meet the market requirements in a volatile environment. As part of the program, capacities and costs are reduced, and the basis for positive business development is created. +++



FEBRUARY 2012 +++ Heidelberg presents a compact preview of product innovations and company developments at the International Media Conference in Düsseldorf. Stephan Plenz, Head of the Equipment Segment, informs journalists about the new Speedmaster SX series, which includes the Speedmaster SX 102, SX 74, and SX 52 models. +++

FINANCIAL CALENDAR 2012/2013

JUNE 14, 2012	Press Conference, Annual Analysts' and Investors' Conference
JULY 26, 2012	Annual General Meeting
AUGUST 8, 2012	Publication of First Quarter Figures 2012/2013
NOVEMBER 7, 2012	Publication of Half-Year Figures 2012/2013
FEBRUARY 7, 2013	Publication of Third Quarter Figures 2012/2013
JUNE 13, 2013	Press Conference, Annual Analysts' and Investors' Conference
JULY 23, 2013	Annual General Meeting

Subject to change

PUBLISHING INFORMATION

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