

Not to be released until the speech starts!

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

**Thursday, July 26, 2012
Congress Center Rosengarten, Mannheim**

**Bernhard Schreier
Chief Executive Officer**

The spoken word applies!

Chart 1: Cover sheet

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

- I would like to welcome you to today's Annual General Meeting of Heidelberger Druckmaschinen AG. As you have just seen, Heidelberg is setting sail with its course firmly set on sustained profitable growth. To withstand the storm that has shaken our industry and company to the core over the past three years, we have adopted appropriate measures and adapted our structures accordingly. This applies across the entire organization all the way up to Management Board level. drupa showed us that we have done our homework well. It brought a fresh breeze and has enabled us to pick up speed again.
- After 37 years working for Heidelberg, just under 15 of them on the Management Board, with the last 13 of these as CEO of the industry's market and technology leader, the time has now come for me to pass the baton on to my successor.
- As you have heard from Mr. Koehler and may possibly have read over the last few days, Dr. Gerold Linzbach will take over as Chief Executive Officer of Heidelberger Druckmaschinen AG with effect from September 1, 2012. Of course, I will continue to invest all my energy in carrying out my duties up to this time and, for the good of the company, its employees, and shareholders, I will provide Dr. Linzbach with support and advice when he takes up his new position. Despite the fact that the underlying conditions are still not easy, the foundations are in place for successfully steering Heidelberg to profitability.
- Dear Shareholders, the purpose of an Annual General Meeting is to look back at the past financial year while also looking forward to the future.
- Looking back at how our figures and the Heidelberg share price have developed, it has not been a pleasant experience being a shareholder in this company in the past time. What has changed? Why do we now see ourselves well equipped to overcome the challenges despite the underlying conditions still being difficult?
- After the crisis years of 2008 and 2009, the global economy continues to be very vulnerable. The U.S. is struggling to get a share of ever smaller economic growth, while much of Europe finds itself mired in debt with no end in sight. Japan has been battered by natural disasters and their consequences, and the economic juggernaut of China is slowly running out of steam. The interim high experienced by the automotive industry and the German mechanical engineering sector failed to reach as far as the print media industry. Our estimations in this regard were wrong. We anticipated that the print media industry, which had experienced a dip of around 40 percent, would see a strong recovery. The signs of recovery are unmistakable, but

they are weaker than we forecast. We kept too much capacity – and thus too many costs – on board for too long. This resulted in renewed losses and led to further restructuring.

Chart 2: Agenda

- The print media industry has entered a period of structural change that has been compounded by global economic developments, which have resulted in our customers being reticent to invest. This process has been ongoing for several years and took another dramatic turn at the end of 2011 with the insolvency of a major competitor. We recognized the massive changes resulting from this and took a range of measures to return Heidelberg to sustained profitability.
- Financial year 2011/2012 marked the start of a process that involved the launch of new products and a restructuring of our organization. Our efforts were also focused on stabilizing our financing. And we succeeded in this regard.
- I will be taking this opportunity to describe our future strategy and the key success factors that can help steer Heidelberg back to profitability.
- At the end of my speech, I will be setting out our expectations and forecasts for the current financial year and the year thereafter.

Chart 3: Agenda – Review / structural change

Chart 4: Market and sector developments since 2008

- The latest data from the VDMA, which takes 2010 as the reference year, reveals the ongoing structural change and the weakening recovery in the printing press industry. As you can see, the dramatic slump in the mechanical engineering industry in general and the printing equipment market – our core area of business – in particular had its roots in 2008 with the Lehman bankruptcy, an event that marked the actual start of the financial crisis. As global economic growth resumed, the mechanical engineering industry as a whole enjoyed a marked recovery that outstripped the growth in the global economy. Contrary to experts' forecasts, however, the printing press market, part of the wider mechanical engineering industry, failed to recover and, since 2010, has seen growth rates well below global economic growth levels. Indeed, we cannot even say that it reached a real interim high at any time after the 2008/2009 financial crisis.
- Why did any such interim high fail to materialize? Our customers' investment rates fell from an average of 3 percent to 1.5 percent and have since seen only a marginal recovery. Customers are uncertain about developments, advertising budgets are increasingly being channeled to the Internet, and it is becoming more and more difficult for small businesses to finance investments worth several million euros. All of this has also accelerated the consolidation process among print shops

worldwide. We have taken action in response to these developments by cutting capacities and costs, adapting our products to customers' changing requirements, and presenting these innovations at drupa.

Chart 5: Summary of Heidelberg restructuring measures since 2008

- If we include the FOCUS 2012 efficiency program initiated in February 2012, there have been three cost-efficiency programs since 2008. These have cut costs in a number of steps by a total of EUR 660 million. This is an enormous undertaking for a manufacturer of industrial investment goods. We have put everything at Heidelberg to the test and carefully examined all projects and processes in terms of their efficiency and cost-effectiveness. In addition, we also had to cut around 4,500 jobs between September 2008 and the end of March 2012. And by mid-2014, we will have reduced the headcount to less than 14,000.
- This will enable us to gradually reduce our break-even point – in other words, the sales level at which we begin to generate an operating profit – from a sales figure of over EUR 3 billion in 2008 to under EUR 2.4 billion by 2014.

Chart 6: Agenda – Highlights of financial year 2011/2012

Chart 7: Highlights of 2011/2012

Ladies and Gentlemen,

- Allow me to go into the most important topics during the past financial year in somewhat greater detail.
- On an operational level, we failed to meet our targets for the past financial year. Sales fell slightly and the operating result remained on a par with the previous year, in part because of non-recurring items. However, we must view these results against the backdrop of the renewed dip in order levels brought about by the worsening economic forecasts for the second half of the year. There was no indication of this at the start of the current financial year when we communicated our forecasts.
- As this development became apparent, we immediately announced and systematically initiated the FOCUS 2012 efficiency program. We have made much faster progress with this program than originally planned.
- We wish to use FOCUS 2012 to help us secure our target of an operating result excluding special items of around EUR 150 million in financial year 2013/2014.
- In addition to cutting costs and reducing capacity, we have also adapted our sales structures and realigned our research and development activities.
- Despite the difficult circumstances, we were able to keep the free cash flow positive and consolidate our financing structure, which exhibits appropriate diversification in

terms of both financing sources and maturity profile. In the medium to long term, Heidelberg therefore has a stable liquidity framework providing ample room for maneuver. This has secured our financing and liquidity for the medium term.

- Let's now take a look at the key figures.

Chart 8: Sales development

- Group sales have barely changed compared to the previous year at EUR 2.6 billion. In view of good order levels, we started the 2011/2012 financial year full of hope. Our order levels are generally reflected in sales with a lag of three to eight months. Consequently, sales in the second half of the year were above revenues in the first half. And the fourth quarter was the strongest for three years, with sales of EUR 784 million.
- We cannot rest content, however, due to our customers' reticence to invest since late summer 2011. This has its roots in the tangible uncertainty that followed on from the massive worsening of the euro and financial crises. Since this primarily impacted on the development of sales in the industrialized nations, and particularly in Europe, the proportion of Group sales generated by the emerging markets rose slightly faster than we had forecast and is now at 46 percent.
- The slowdown in demand compared to the previous year is clearly evident from the incoming orders received in the year up to March 31, 2012, which were down 7 percent at EUR 2.55 billion. Orders fell away particularly in the second half of the year.

Chart 9: KPIs in the profit and loss account

- Let us now take a look at the results. At EUR 3 million, the operating result excluding special items remained on a par with the previous year despite non-recurring expenditure. A higher provision for risks made necessary as a result of the Eastman Kodak Company being subject to insolvency proceedings under U.S. insolvency law ("Chapter 11") had a negative impact on results to the tune of a low eight-figure euro sum.
- High levels for special items totaling EUR 142 million in the past financial year, relating in particular to the FOCUS 2012 efficiency program, had a negative impact on results both before and after taxes.
- As announced, the financial result improved very considerably from EUR -149 million to EUR -90 million. The main reasons for this were the improvement in the capital structure due to the previous year's successful capital increase and the significant reduction in capital tie-in as a result of active asset management.
- Factoring in the low taxes payable, the net result for the year was EUR -230 million. This means that, unfortunately, we are once again unable to propose a dividend payment at today's Annual General Meeting.

Chart 10: Sound balance sheet structure

Ladies and Gentlemen,

- Despite these massive special items, our balance sheet structure and cash flow generation are both sound. The free cash flow developed well and exceeded our expectations at EUR 10 million. Successes in the management of net working capital and a reduction in the volume of receivables from sales financing both played a part in this improvement.
- Due to the annual loss, our equity ratio dropped from 33 percent to just under 23 percent. The company's net financial debt was kept at the low level of EUR 243 million thanks to systematic asset management.

Chart 11: Financing structure

- In addition to its sound balance sheet structure, the company also has a financing structure in place that safeguards the group's medium-term planning. Our financing framework is adequate at around EUR 900 million.

Chart 12: Financing structure

- Our financing structure exhibits appropriate diversification in terms of both financing sources and maturity profile. With regard to non-recurring expenditure, we concluded agreements with our banks back in March such that the terms and conditions of credit and the financial covenants factor in the additional costs for FOCUS 2012 and the weaker results in the first few months of financial year 2011/2012. You can also see from the chart that we were able to cut our net financial debt by over 60 percent from some EUR 700 million at the end of September 2009 to the stated level of EUR 243 million. One of the main reasons for this was the increase in capital in 2010. The debt-to-equity ratio continues to be well below the level of the crisis years at around 42 percent.

Chart 13: Share price development

- Let me now turn to a very unpleasant area – the development of our share price. There is no glossing over the fact that the share price has been extremely unsatisfactory over the last few years. This reflects the problems in the printing press industry and the problems arising from the euro and financial crises that have had – and are still having – an impact on Heidelberg. A share price of just over one euro also signals that there are players on the capital market who are not convinced of a recovery in our industry and, in some cases, are also speculating against us.

- This is also reflected in the price of the high-yield bond that we issued in 2011. While this dropped significantly due to the turbulence on the capital markets in the second half of 2011, it has seen a marked recovery in 2012.
- The diagram clearly shows how the two prices have moved apart in 2012. This also indicates that investors in bonds have secured their investments through short selling. This has exerted additional pressure on the share price and reinforced the downward trend. On the other hand, investments in our bond naturally also indicate that the capital market has confidence in our financial stability.
- Provided that underlying macro-economic conditions remain stable, we believe we have now reached a turning point where we can move from a restructuring mode back to a moderate growth mode. Heidelberg is well equipped for this. We have put the necessary strategies in place and created the basis for returning to sustained profitability. Following what has so far been a restrained first half of the year, this will put Heidelberg in a position where it increasingly has positive news to report in the second half of 2012/2013 and this in turn will have a positive effect on the share price.
- Since recent agreements have resulted in wage and salary cuts for members of the workforce, the Management Board is also making its contribution to the company's savings program by waiving a significant portion of the variable remuneration to which it is contractually entitled for financial year 2011/2012.
- In addition, the Management Board has also announced that its members will soon acquire a significant volume of shares in the company. The Management Board also undertakes to invest a substantial portion of its variable remuneration in the company's shares.

Chart 14: Agenda – Strategic further development

Chart 15: Is this the end of printing?

Ladies and Gentlemen,

- Following the enormous disappointments of recent years, people assessing our company's future continue to look at the question of how the printing industry and, consequently, printing press manufacturers will develop in the future. Will the increasing dominance of electronic media mean an end for printing? Industry experts believe that, despite the continuing growth of the Internet, e-mail, Twitter etc., the global print production volume will continue to grow at a moderate pace in future.
- This chart shows that the global sheetfed offset print volume relevant to Heidelberg has progressed differently in different regions since the year 2000. While industrialized countries' share of the total volume fell from 85 to around 70 percent from 2000 to 2010, the proportion of the total volume accounted for by emerging

countries grew to over 30 percent and is even expected to reach around 40 percent by 2015. This trend is set to continue. By 2015, we expect the global print volume to have climbed to over EUR 430 billion.

Chart 16: Heidelberg has a future / success factors

Dear Shareholders,

- What does the future hold for Heidelberg? Where will the massive structural upheaval in the industry take our company? In recent years, our number one priority has been to respond to the dramatic worsening of underlying economic conditions. That has primarily meant reducing capacities, cutting costs, and stabilizing our finances. In addition, we have countered the structural upheaval in the industry by making key strategic changes focused on new products and innovations, services, and reorganization geared to the growth markets and regions. This has meant undergoing a structural transformation of our own and adapting to the changed underlying conditions.
- Given the signs that the printing press sector is now bottoming out, we have focused on three success factors that will lay the foundation for the sustained profitable growth we are aiming for in the future.
 - Firstly: The FOCUS 2012 efficiency-enhancing program to adjust capacity and cut costs
 - Secondly: Reorganization focused on growth areas and regions
 - Thirdly: Building on our unique strategic positioning as a market and technology leader with numerous innovations in both traditional and new areas of business

Ladies and Gentlemen,

- A key factor on the road to profitability is to ensure Heidelberg has an optimized cost structure. Our FOCUS 2012 efficiency program initiated in January this year is cutting costs dramatically and helping to cushion the effects of a slow market recovery.
- Key elements of the program include reducing production capacities by 15 percent and optimizing and adapting our sales structures in line with changed market conditions. FOCUS 2012 also involves realigning our research and development capacities to harness growth drivers and streamlining both centralized functions and processes.
- Implementation of the program has progressed much further than we had envisaged at the start of the year. The key measures in the program had already been initiated before drupa. The reconciliation of interests and redundancy plan needed to achieve the necessary personnel adjustments in Germany have been agreed with employee representatives. Around 80 percent of the resultant

personnel measures are already under way and the first employees have already left the company by mutual consent. The working week has also been reduced, with an associated cut in remuneration.

- I would like to take this opportunity to join the rest of the Management Board in saying a big thank you, in particular to Heidelberg Group staff and employee representatives, for their untiring efforts and their commitment to the wellbeing of our company, especially in these difficult times. We are aware that they have had to accept some tough cutbacks in recent years and we very much appreciate their input and loyalty. We also know that it was not easy for them to agree to the compromise that has been negotiated as part of the FOCUS 2012 program, which includes a reduction in both working hours and remuneration. I am therefore all the more grateful for their contribution to putting our company back on track toward renewed growth and profitability.
- The non-recurring expenditure needed to implement the measures comes to around EUR 150 million. Much of this has already been included in the period under review and had a negative impact on the EBIT.
- In the current financial year 2012/2013, the free cash flow will be negatively affected by the payments relating to FOCUS 2012.
- This program will reduce fixed costs on a lasting basis by a total of around EUR 180 million per year from financial year 2013/2014 onward. This will help achieve the target EBIT excluding special items of around EUR 150 million. The fact that the measures have been implemented so quickly will see up to a third of the savings achieved as early as the current financial year.
- Our company can thus gradually lower its break-even point from a sales figure of more than EUR 3 billion in 2008 to less than EUR 2.4 billion in 2014.

Chart 17: Success factor of reorganizing sales

Ladies and Gentlemen,

- Reorganizing our sales activities represents a key success factor on the way to sustained profitability. To ensure we provide efficient support for our customers, we have adapted our global sales structures to the changed market conditions and appointed Mr. Kiessling as the member of the Management Board responsible for all sales activities.
- The global market leadership that Heidelberg has achieved has been made possible by the use of leading products but also by building up the biggest and strongest sales and service organization in the industry. With around 4,500 sales and service experts in 170 countries, we have the most extensive network in the industry.
- To build on our leading position in the future, it is necessary to transform sales and services in order to harness the growth potential in emerging markets. Print

production continues to grow in these markets and is getting ever closer to the higher level of the industrialized nations. The weaker development in the industrialized countries thus contrasts with stronger growth potential in emerging markets. Accordingly, some 1,500 Heidelberg sales and service staff are already working in these countries and their number is set to grow.

- Over the past financial year, we have expanded our activities in China considerably. The following short video clip will give you an insight into this country's increasing significance for our company.

China image film

Ladies and Gentlemen,

- We expect print production volumes in the emerging markets to increase further still in the future and account for an increasing proportion of the total volume. This in turn will lead to an increase in the global production of print products. By 2015, we forecast that around 40 percent of sheetfed offset products will be produced in emerging markets.
- We will improve our market coverage in these regions and endeavor to increase our share of sales from emerging markets from its current level of 46 percent to over 50 percent in the medium term.
- Despite this, the industrialized nations will remain a key market for us and we will not be neglecting them by any means. The print volume in these countries has stabilized at a high level since 2009 and analyses suggest they will remain a significant market and their investment backlog will continue to clear.

Chart 18: Success factor of unique strategic positioning / innovations in traditional areas of business

Ladies and Gentlemen,

- A further key element of our future orientation is our unique positioning as a market and technology leader in the traditional core business activities. Heidelberg is, for example, the undisputed global leader in sheetfed offset, with a market share of 42 percent.
- Research and development activities and the innovations they generate are vitally important in maintaining this position and extending our lead in order to ensure the company has a viable future. In 2011/2012, we therefore invested some 5 percent of our sales in research and development, systematically aligning activities with market trends and the needs of our customers. We presented 60 new products at drupa, adapting our product portfolio to the changing requirements of the print media industry.
- The primary objectives in developing new products and applications are to increase margins by lowering manufacturing costs, to improve the quality of prices, and to

benefit from effects of scale through higher volumes. For example, our new Speedmaster models are based on existing machine platforms. This saves both time and money. An optimized portfolio and our position as technology and market leader improve price quality. Given that our products also help boost our customers' efficiency and thus offer them tangible added value, these customers are prepared to accept a higher price, even in the current difficult times.

Chart 19: Growth area of digital printing expanded

- Another success factor for Heidelberg involves moving into lucrative new areas of business, both within and outside our industry.
- In the technology sector, we are combining state-of-the-art offset presses with digital printing technologies, primarily through our workflow solutions. This in turn is enabling our customers to optimize their portfolios.
- We know that our customers need both offset and digital print solutions. We have therefore focused on the lucrative segments that are of relevance to Heidelberg in digital printing. This chart provides an overview of these segments. Our strategic partnership with Ricoh has already seen very successful expansion worldwide. At drupa, our Linoprint C machines were exhibited with our front end and also integrated into the Prinect print shop workflow. This enables us to offer our customers perfect solutions for short-run printing. We are continuing to expand our digital printing portfolio. One example is the agreement entered into with Israeli company Landa in the run-up to drupa.
- We have often been accused of being caught napping and missing the boat when it comes to digital printing. This statement is clearly untrue. Our broad product portfolio in this area met with a very favorable response at drupa and generated a large number of orders.
- Our digital printing activities will already return a profit in the current financial year 2012/2013. The volume of sales is growing dynamically and will get close to the hundred million euro mark in the medium term.
- We see high, above-average market growth potential for digital printing thanks to the market share we can gain with our unique solutions portfolio. It will therefore be one of the main focal points of future investment.

Chart 20: Profitable development of new areas of business

Ladies and Gentlemen,

- In addition to these core skills and strategic partnerships, we will also make use of the opportunities that exist in new areas of business and expand these on an ongoing basis.

- Heidelberg is systematically developing new fields of business outside the print media industry based on its existing core skills.
- To this end, the company has defined five key pillars of activity for new areas of business. The aim is for these to generate more than 10 percent of group sales in all.
- Our “Innovation Gallery” at drupa looked beyond the confines of classical printing and presented a number of examples from the field of functional printing. After all, printing has a future – and not just on paper. Substantial potential exists for printing a whole range of surfaces. “Printed light”, “intelligent packaging”, “interactive print products”, and “3D printing” are just a few examples. In this future market, we are working closely with other technology companies. Some of these applications are close to being ready for series production, while others are simply ideas in the heads of our developers.
- In System Manufacturing, our target is to achieve sales of EUR 100 million by 2017. This division supplies the market with production and installation services. Our expertise covers areas such as casting, machining, and the supply of mechatronic systems and assemblies.

Our customer portfolio in this field includes around 50 customers from a variety of sectors such as the automotive and electrical industries, medical technology, and mechanical and plant engineering. They include well-known names such as REFUso!, SEW-EURODRIVE, and ZF Lenksysteme.

The volume of orders in this area of business is completely in line with our planning, having already reached the mid-double-digit million euro range.

- System Manufacturing will also respond to the growing demand for lightweight construction technology by developing and marketing appropriate solutions.
- And we are looking into using our services expertise for other industries, too.

Chart 21: Agenda – Outlook

drupa 2012 image film

Dear Shareholders,

All these measures have enabled us to lay the basis for successful future development. This was particularly evident at what was a successful drupa this spring.

- drupa demonstrated that the investment backlog in some parts of the world is continuing to clear. Companies in countries such as the U.S. and Japan showed a willingness to invest that exceeded our expectations.

Charts 22 and 23: Success factor of drupa

- This upward trend was reflected in the orders placed at drupa. We received just under 600 orders for sheetfed offset presses, over a third of them for machines unveiled at the trade show.
- Since drupa, we have been marketing the machines from our strategic cooperation with Ricoh under the names Linoprint C 901 and Linoprint C 751, thereby making them clearly identifiable as Heidelberg units. Since the start of the collaboration, we have sold well over 100 machines, which is completely in line with our planning.
- All in all, we succeeded in implementing our strategy at drupa by presenting new solutions for the industry's growth areas.
- We have thus made a positive start to the current financial year. As the global market and technology leader, we are offering solutions that print shops need if they are to remain competitive.

Chart 24: Incoming orders of around EUR 890 million

Ladies and Gentlemen,

- A look at our incoming orders shows just how successful drupa 2012 was. Based on preliminary calculations, we achieved the highest quarterly incoming orders in four years in the first quarter of financial year 2012/2013, with a figure of EUR 890 million.
- As a result, the order backlog has risen sharply to around EUR 850 million.
- Considering that the industry has experienced a slump of more than 40 percent since the last drupa in 2008, that our sales have fallen from nearly EUR 3.7 billion before the financial crisis in 2007/2008 to their current level of less than EUR 2.6 billion as a result, and that we have dramatically lowered our break-even point, drupa 2012 was clearly a big success for us.

Chart 25: Outlook for financial year 2012/2013

- Let us now take a look at the current financial year and the next one.
- Thanks to positive stimuli from drupa, we are cautiously optimistic about the current financial year 2012/2013. Higher incoming orders in the first half of the financial year should lead to increased sales in the second half. If the economic situation remains stable and there is no escalation of the debt and euro crises, we are also expecting a slight market recovery. The constant print production volume should see a further easing of customers' reluctance to invest and drupa should also have a positive impact on sales.

- Allow me to once again explain our expectations for the year in detail.
- As you can see from the preliminary figures for the first quarter of financial year 2012/2013, which were published on July 13, 2012, Heidelberg is on target so far.
- We have recorded quarterly incoming orders of EUR 890 million, the strongest showing in four years.
- As expected for a post-drupa quarter, sales were around 34 percent down on the previous quarter at EUR 520 million. By way of comparison, sales fell by an even higher 40 percent after the previous drupa in 2008. At EUR -58 million, the operating result also failed to meet the previous year's figure due to smaller profit contributions resulting from the lower sales volume in the first quarter and the costs of preparing for drupa and launching new products. This was addressed at the Annual Press Conference in June.

Chart 26: Outlook for financial year 2012/2013

- The second quarter will return to normal when seen against the first quarter. In other words, sales will be slightly higher than in the first quarter and the result will be much better.
- Nonetheless, we expect to see a clear shift in sales into the second half of the year, with correspondingly higher profit contributions. As a result of the trade show, we predict that around 60 percent of our annual sales will be generated in the second half of the financial year.
- In terms of results, we believe that up to a third of the planned annual savings from FOCUS 2012 – in other words up to a total of EUR 60 million – will be achieved in the current financial year, most of it in the second half of the year.
- This will significantly improve the operating result compared to the previous year and is a step in the right direction toward returning to a net profit in financial year 2013/2014.
- First, however, the payments relating to the efficiency program need to be financed, which will have an impact on the financial result. This in turn will affect the pre-tax result for the year as a whole, which will therefore be negative.
- In financial year 2012/2013, the payments relating to FOCUS 2012 will have a significant negative impact on the free cash flow, leading temporarily to a higher net financial debt.
- Given the turbulence in the eurozone and the great uncertainty that exists regarding the impact of the euro and financial crises on the real economy, I am sure you will understand that it is very difficult to make an accurate forecast at present. We are aware that there are risks associated with every economic activity. Slower growth in the global economy definitely represents the biggest risk in terms of achieving our targets. The considerable uncertainty about how the economy is going to develop could have an impact on the development of the print media industry.

- We rate our strategic risks as low, as we have already marked out the key strategic course to ensure we are well prepared for the future.
- All in all, we have sound financial planning in place for implementing our strategy and realizing the necessary changes and adjustments as part of our efficiency program.

Chart 27: Outlook for financial year 2013/2014

- I would also like to take a look at the upcoming financial year 2013/2014. We are confident that the moderate market recovery will continue and Heidelberg will return to profitability.
- Even if, contrary to expectations, the economy fails to pick up or the investment rate recovers more slowly than anticipated, the cost cuts achieved with FOCUS 2012 will still be fully effective and will result in annual savings of around EUR 180 million.
- Our target in financial year 2013/2014 is thus to achieve an operating result excluding special items of around EUR 150 million along with a net profit, even if the economy fails to improve as expected.
- Our forecast is based on the expectation that the sovereign debt crisis in Europe will be resolved successfully without any disruption to the real economy and that developments will remain stable in Asia and particularly in China.

Dear Shareholders, Ladies and Gentlemen,

- As you can see, the foundations are in place for Heidelberg to enjoy a profitable future.

What we need to do now is to build on this with successful business operations.

- Today's agenda includes a number of additional decisions that need to be taken in addition to standard items such as discharging the Management Board and Supervisory Board and selecting an auditor.
- We will be asking you to approve the modified remuneration system for the Management Board in the new financial year. Mr. Koehler has already explained the details of the new arrangements. As I see it, there are two important points to note. The remuneration framework and the main components of fixed and variable remuneration remain unchanged. In other words, the system is the same. The new policy of investing part of the variable remuneration in Heidelberg shares will delay this proportion of the remuneration by two years. This will work to the benefit of everyone involved – especially you, our shareholders – if we succeed in achieving a sustained improvement at the company. When we presented our remuneration system for the Management Board two years ago, it was widely accepted. Given that nothing vital has changed, I hope that the same will apply today.

- Mr. Koehler has also already provided detailed reasons for the proposed change and increase in the Supervisory Board's remuneration as stipulated in our Memorandum and Articles of Association. On behalf of the Management Board, I would like to stress the importance of the Supervisory Board's new makeup for the coming year, this also being the period when the new remuneration arrangements will take effect. We want to offer our future Supervisory Board members an attractive and competitive remuneration package and therefore need to make improvements. Otherwise, we run the risk of compromising on quality, because over recent years it has become more difficult to find suitable supervisory board members.
- This is also the underlying reason for the other proposed change to the Memorandum and Articles of Association, which will in future enable the Supervisory Board to be reduced from 16 to 12 members under certain circumstances. The headcount below which this is permitted according to the German Co-determination Act is 10,000 employees. As you know, we still employ around 15,000 staff worldwide, but only those working for the Heidelberg Group in Germany count for the purposes of the Co-determination Act. And we are already very close to the 10,000 figure here.
- Last but not least, we are today asking you to agree to two capital measures to replace our approved and conditional capital and increase it by a moderate amount. Both measures are restricted to 20 percent of our share capital. The intended exclusions of preemptive subscription rights in this connection comply with the statutory requirements and are limited to 10 percent in individual cases and 20 percent overall. I would like to assure you that there are no specific motives behind these two proposals. Approved and conditional capital has also previously been included in our Memorandum and Articles of Association as a precautionary measure for specific scenarios, as is the case with virtually all companies listed on the stock exchange. In this regard, we would also like to be prepared.

Dear Shareholders, Ladies and Gentlemen,

I'd now like to sum up.

- We have navigated our way through some very choppy waters. And despite being shaken to our very core by the structural upheaval in our industry, several restructuring programs made necessary by the financial and euro crises, net losses, and the regrettable falls in our share price, Heidelberg remains the global technology and market leader.
- Thanks to impressive cost-efficiency and our innovative strength, we are well equipped for what the future may bring. We have realigned our structures and organization based on the growth markets and regions and significantly reduced the company's break-even point.

- As demonstrated by the level of incoming orders at present, this year's drupa was a real success, and there is a feeling in the industry that it could mark a change in the existing trend and lead to an increase in both demand and investment rates.
- We fully intend to remain the number one in our industry and will succeed in doing so. The prerequisites are in place for a return to sustained profitability and growth.
- Allow me to end my speech on a brief personal note. This is the final Annual General Meeting at which I will be representing the company as CEO. Including today, I have done so on a total of 13 occasions. I have had the privilege of working for this fantastic company for over 37 years – my entire career. There have been some turbulent years – especially in the very difficult times that affected me, too – and there have been many highs, but also a number of lows. I have met some wonderful people among the staff, customers, and everyone closely connected with our company. Some of them have become good friends and I will remember them fondly in the future and the many years we spent together at Heidelberg. Despite all the struggles, all the difficulties, and all the criticism, when I look back, it is predominantly the many positive things I have experienced here that come to mind and above all a sense of gratitude.
- I would like to take this opportunity to once again sincerely thank all Heidelberg Group staff for their commitment, especially during the recent very difficult years. Without them, Ladies and Gentlemen, Heidelberg would not have become and remained the global market and technology leader. I also owe a debt of gratitude to all our customers and suppliers, the regional representatives, local politicians, and all industry representatives. Furthermore, I would like to thank all media representatives for their cooperation and fair reporting. Last but not least, I would like to thank you, our shareholders, for the trust you have shown in Heidelberg. I firmly believe that, over recent months, we have taken the vital strategic steps to return our company to sustained profitability. And then we will all finally be able to benefit from an increase in the company's share price. That's why I will definitely be joining you here next year as a shareholder and I can't wait to hear the speech of my successor Dr. Linzbach. I would like to wish him every success at Heidelberg along with that little bit of luck we all need, so that he already has some good news for us at the 2013 Annual General Meeting.
- Thank you very much for your time.
- My colleagues and I will now be happy to answer any questions you may have.

Chart 28: Thank you very much for your time.

Important note:

This release contains forward-looking statements based on assumptions and estimations by the Management Board of Heidelberger Druckmaschinen Aktiengesellschaft. Even though the Management Board is of the opinion that those assumptions and estimations are realistic, the actual future development and results may deviate substantially from these forward-looking statements due to various factors, such as changes in the macro-economic situation, in the exchange rates, in the interest rates and in the print media industry. Heidelberger Druckmaschinen Aktiengesellschaft gives no warranty and does not assume liability for any damages in case the future development and the projected results do not correspond with the forward-looking statements contained in this press release.