Financial Statements
2013/2014

# This is what we want.

HEIDELBERG

## Heidelberger Druckmaschinen Aktiengesellschaft

| Figures in € millions | 2009/2010 | 2010/2011 | 2011/2012 | 2012/2013 | **2013/2014** |
|---|---|---|---|---|---|
| Incoming orders | 997 | 1,285 | 1,186 | 1,238 | 1,130 |
| Net sales | 1,016 | 1,265 | 1,228 | 1,289 | 1,130 |
| Foreign sales share in percent | 84 | 83 | 84 | 84 | 83 |
| | | | | | |
| Result from operating activities | – 99 | – 57 | – 56 | – 53 | – 15 |
| as a percentage of sales | – 10 | – 5 | – 5 | – 4 | – 1 |
| Net loss for the year | – 106 | – 22 | – 30 | – 77 | – 109 |
| as a percentage of sales | – 10 | – 2 | – 2 | – 6 | – 10 |
| | | | | | |
| Investments [1] | 70 | 38 | 28 | 53 | 35 |
| Research and development costs | 99 | 104 | 109 | 102 | 100 |
| | | | | | |
| Total assets | 2,873 | 2,371 | 2,257 | 2,038 | 1,995 |
| Fixed assets | 1,851 | 1,476 | 1,308 | 1,335 | 1,257 |
| Equity | 455 | 875 | 849 | 772 | 665 |
| Subscribed capital | 200 | 597 | 600 | 600 | 600 |
| Equity ratio in percent | 16 | 37 | 38 | 38 | 33 |
| | | | | | |
| Earnings per share in € [2] | – 1.36 | – 0.10 | – 0.13 | – 0.33 | – 0.47 |
| Share price at financial year-end in € [3] | 3.36 | 3.34 | 1.50 | 1.80 | 2.23 |
| Market capitalization at financial year-end | 416 | 779 | 352 | 421 | 522 |
| Average number of employees for the year [4] | 9,528 | 8,553 | 8,286 | 7,639 | 7,044 |

[1] Not including financial assets
[2] Number of shares at the reporting date not including treasury shares
[3] Adjusted to reflect the number of shares following the capital increase; Xetra closing price, source for prices: Bloomberg
[4] Number of employees excluding trainees

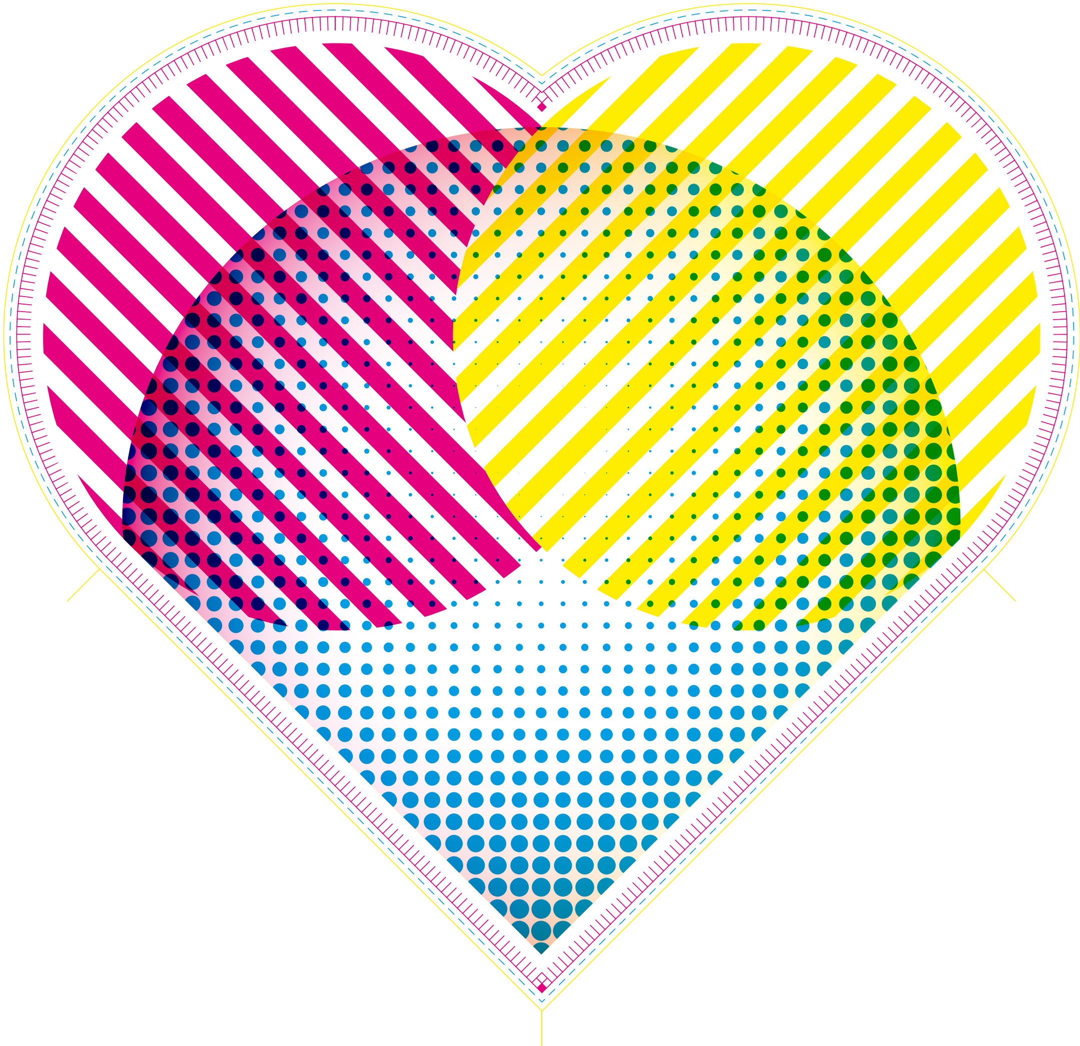
# Contents 2013/2014

We have
achieved **much**

We want to
achieve **more**

For customer
**success**

# The whole is **more** than the sum of the parts

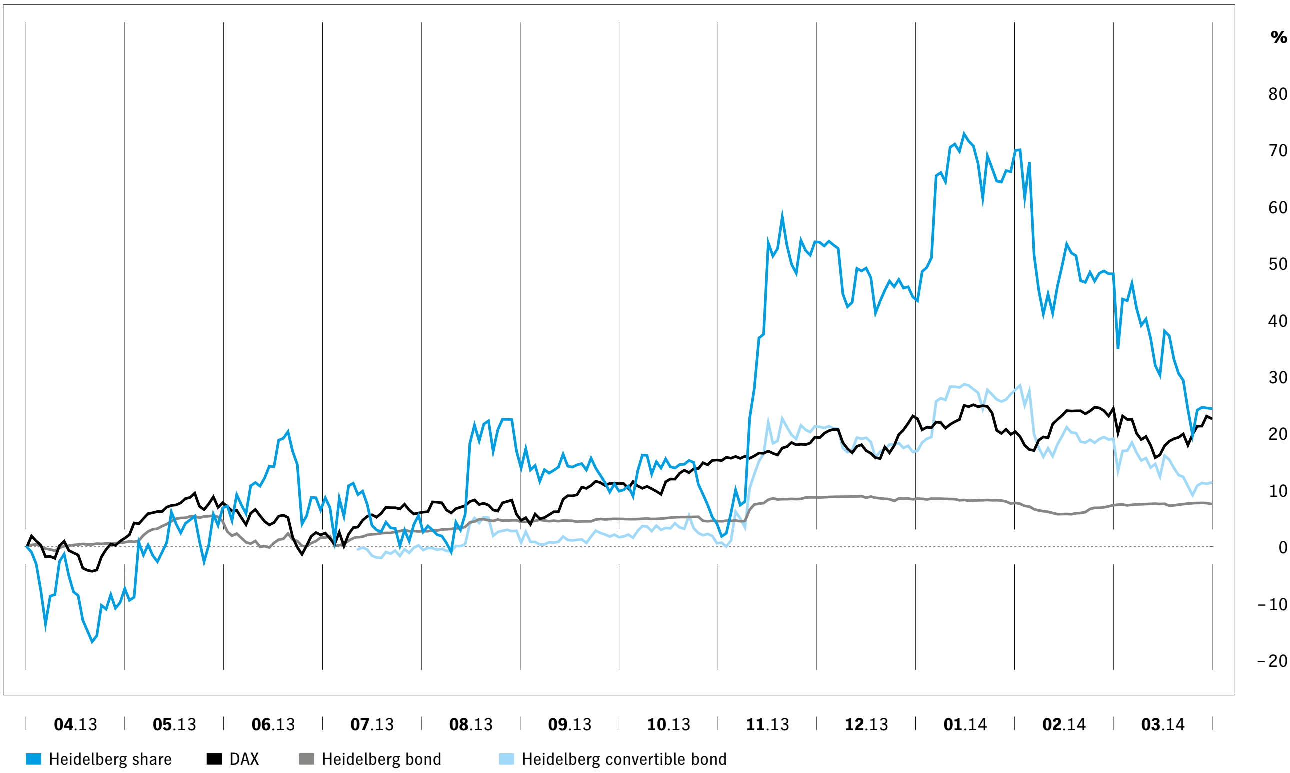


## We have a **heart** for print

# Heidelberg on the Capital Markets

**Performance of the Heidelberg share and the Heidelberg bonds**

Compared with the DAX (index: April 1, 2013 = 0 percent)




## The Heidelberg share and the Heidelberg bonds

Overall, the **HEIDELBERG SHARE** developed positively from the start of the financial year onward. Heidelberg's share price performance reflected business development in the year under review, as well as the general development of the stock indices: During the first half of the 2013/2014 reporting year, the price of the Heidelberg share rose in line with the DAX and SDAX, and at times in the second half of the year it even outperformed these stock indices. At its peak, the share was priced at € 3.10 shortly after New Year, 72 percent above the value at the start of the financial year. From early February 2014, increasing economic risks and the relative strength of the euro compared to major foreign currencies caused the share price to lose momentum. The share closed the financial year on March 31, 2014 at € 2.23, around 24 percent higher than the equivalent closing price for the previous year.

The Heidelberg bonds enjoyed similarly positive development. The **HEIDELBERG BOND** was traded almost continuously at over 100 percent and closed the reporting year at around 106 percent on March 31, 2014. In December 2013, a bond increase of € 51 million was placed successfully. Its issue price was 105.75 percent, representing a yield of 7.66 percent. The **HEIDELBERG CONVERTIBLE BOND** issued in July 2013 also followed the positive trend and was traded at around 117 percent on March 31, 2014.

### German leading index reaches all-time high in January 2014

Global economic growth rose steadily over the course of 2013. The continuing high liquidity provided by the central banks of the USA and Japan and the ECB also supported the German leading index, the DAX, in its upward trend, despite uniformly negative issues such as the looming withdrawal of the US Federal Reserve (Fed) from the quantitative easing of its monetary policy, the persistent US budget dispute, and the ongoing Syrian conflict.

The DAX reached its high for the year of 9,743 points on January 17, which also represented an all-time high. On March 31, 2014, the German leading index was listed at 9,556 points and thus closed the reporting year with a gain of 23 percent.

### Capital market communications: In constant dialog with private and institutional investors and analysts

The aim of our investor and creditor relations activities is to present Heidelberg transparently on the capital markets in order to achieve an appropriate valuation for the Heidelberg share and bonds. For this purpose, we inform all stakeholders in an open and timely manner and set great store on not only publishing financial figures but also explaining them. This includes working continuously with the more than 15 financial analysts that regularly covered the Heidelberg share and bonds in the year under review. When issuing our convertible bond, we continued to build up communication relationships with financial analysts and investors specializing in such bonds as part of our investor and creditor relations work. Similarly, our collaboration with the rating agencies was an important component of our capital market communications. We held roadshows in Germany and abroad and gave presentations at a number of international capital market conferences. In addition to our analysts' conference in June 2013 in Heidelberg, we hosted a "Digital Sneak-Peek Day" in early April 2014, to which we invited investors and financial analysts as well as representatives of the business and specialist media. Guests were able to gain an overview of Heidelberg's "digital future" on site at the Research and Development Center in Heidelberg. Alongside the presentation of a digital label printing press using Fujifilm technology, a new 4D print solution with the ability to print on three-dimensional objects was presented. In addition to our investor relations activities, our Company's production sites were visited numerous times by investors and analysts. As well as one-on-ones and group discussions with the Management Board and the Investor Relations team, these visits included tours of our production facilities. We also provided regular reports in the form of conference calls and IR press releases about the current course of business and market developments.

Contact with **PRIVATE INVESTORS** is very important to us. Accordingly, we introduced ourselves to interested private investors in cooperation with Schutzgemeinschaft der Kapitalanleger e.V. (SdK), local savings banks and cooperative banks, and we were also represented at the Munich Stock Market Day 2014. As well as presenting the Company, we also offer opportunities for personal meetings with our representatives at these events. Investors can also contact the Investor Relations team by telephone at any time on +49-62 21-92 6022 if they have questions about the Company, the share or the bonds; they are also welcome to use the online IR contact form. Our IR Web site also contains extensive information on the Heidelberg share, audio recordings of conference calls, the latest IR presentations, corporate news and publication dates. In connection with this, we were delighted with our good ranking in this year's IR Benchmark by NetFederation GmbH. The survey analyzed and reviewed the Investor Relations Web sites of 100 companies in the DAX, MDAX, TecDAX and SDAX in terms of how these pages satisfy the latest requirements; Heidelberg was recognized as the best company in the SDAX segment.

### Annual General Meeting 2013: All agenda items approved by large majority

On July 23, 2013, around 1,750 shareholders attended our Annual General Meeting for the 2012/2013 financial year, which was held at the Rosengarten Congress Center in Mannheim; this meant that almost 32 percent of Heidelberg's share capital was represented. The Management Board explained the Company's strategy and the figures for the past financial year. Dr. Gerold Linzbach, the Company's CEO, for the first time addressed Heidelberg's shareholders, revealing how the Company will develop in the medium term.

The agenda of the Annual General Meeting included a vote on the election of Supervisory Board members. A large majority of voters expressed their agreement with the proposed candidates. In accordance with the Articles of Association and the German Codetermination Act, the Supervisory Board will comprise only 12 members in future. The shareholder representatives were required to be elected by the Annual General Meeting in accordance with the provisions of the German Stock Corporation Act. The six employee representatives had already been elected prior to the Annual General Meeting in a separate procedure according to the German Codetermination Act. At the constituent meeting of the new Supervisory Board, which followed the Annual General Meeting, Robert Koehler was again elected as the Chairman of Heidelberg's Supervisory Board until 2018. In addition, the shareholders passed four further revolutions by a clear majority.

## Shareholder structure: Free float at 100 percent

In November 2013, 190,839 shares were issued from contingent capital to service the claims arising from the convertible bond. This increased the total number of shares to 234,437,779. The proportion of shares in Heidelberger Druckmaschinen Aktiengesellschaft in free float on March 31, 2014, was 100 percent of the share capital. At the time this report was printed, the shareholders holding more than 3 percent of Heidelberg shares were Universal-Investment-Gesellschaft mit beschränkter Haftung (8.18 percent), UBS AG (5.0004 percent), Dimensional Fund Advisors LP (3.01 percent) and Dimensional Holdings Inc. (3.01 percent).

**Key performance data of the Heidelberg share**

| Figures in € ISIN: DE 0007314007 | 2012/2013 | **2013/2014** |
|---|---|---|
| Basic earnings per share [1] | – 0.50 | 0.02 |
| Cash flow per share | – 0.17 | 0.30 |
| High | 2.22 | 3.10 |
| Low | 0.94 | 1.50 |
| Share price at beginning of financial year [2] | 1.45 | 1.78 |
| Share price at end of financial year [2] | 1.80 | 2.23 |
| Market capitalization – financial year-end in € millions | 422 | 523 |
| Outstanding shares in thousands (reporting date) | 234,247 | 234,438 |

**Key performance data of the Heidelberg bond**

| Figures in percent RegS ISIN: DE 000A1KQ1E2 | 2012/2013 | **2013/2014** |
|---|---|---|
| Nominal volume in € millions | 304 | 355 |
| High | 101.6 | 107.6 |
| Low | 69.5 | 98.1 |
| Share price at beginning of financial year [3] | 75.0 | 98.9 |
| Share price at end of financial year [3] | 98.9 | 106.1 |
| Credit rating | | |
| Standard & Poor's | CCC+ | CCC+ |
| Moody's | Caa1 | Caa1 |

**Key performance data of the Heidelberg convertible bond [4]**

| Figures in percent ISIN: DE 000A1X25N0 | 2012/2013 | **2013/2014** |
|---|---|---|
| Nominal volume in € millions | – | 60 |
| High | – | 134.7 |
| Low | – | 102.7 |
| Share price at beginning of financial year [3] | – | 104.7 |
| Share price at end of financial year [3] | – | 116.5 |

[1] Based on the weighted number of shares outstanding
[2] Xetra closing price; source for prices: Bloomberg
[3] Closing price, source: Bloomberg
[4] Initial listing on July 9, 2013

# Management Report

## BASIC INFORMATION ON HEIDELBERGER DRUCKMASCHINEN AKTIENGESELLSCHAFT

### Business Model of Heidelberger Druckmaschinen Aktiengesellschaft

#### Company Profile

Heidelberger Druckmaschinen Aktiengesellschaft is the parent company of the Heidelberg Group. The Company has been a major provider for the global printing industry for many years and develops, manufactures and distributes products and technologies for commercial and packaging printing. In addition to manufacturing printing presses and equipment for printing plate imaging, the Company sells service parts and remarketed equipment and offers comprehensive services, as well as making its precision engineering expertise available to other companies within the framework of contract manufacturing. Heidelberger Druckmaschinen Aktiengesellschaft also carries out Group functions.

#### Sites

Heidelberger Druckmaschinen Aktiengesellschaft operates the following six production sites in Germany: Heidelberg, Wiesloch-Walldorf, Amstetten, Brandenburg, Kiel, and Langenfeld. Administration and 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, rotationally symmetrical and profiled parts are supplied by the Brandenburg plant, and model parts, electronic components and experimental components are produced at the Wiesloch-Walldorf plant, where we also assemble the vast majority of our sheetfed offset printing presses and die cutters. The Wiesloch-Walldorf site is also home to development work and prepress services, while the Langenfeld site focuses primarily on development work and services for folder gluers.

### Strategic Measures for Achieving Sustainable Profitability

The strategic measures for achieving sustainable profitability contain measures aimed at ensuring financial stability and liquidity, increased cost efficiency and the earnings-oriented optimization of our service range.

Accordingly, strategic asset management continues to enjoy high priority, as does a reduction in net working capital and securing our financing. In the year under review, we succeeded in extending our syndicated credit facility ahead of schedule until mid-2017 and increased our bond by € 51 million. All of the key measures forming part of our Focus efficiency program were implemented successfully.

We largely completed the extensive capacity reduction phase in the past financial year. We will press ahead with improving cost efficiency and making our cost structures more flexible.

As part of the earnings-oriented optimization of our service range, we have revised the **BUSINESS AREAS (BAs)** within the segments of our Company and adjusted their content and organization. In the year under review, we subjected the BAs to a critical review in terms of their potential for sustainable profitability and set strategic priorities. Each area is perceived as having different strategic conditions and is managed using different approaches. To successfully address the individual tasks in each area of activity, we have revised the respective management profile and – where necessary – made changes at management level.

## Organization

In line with its internal reporting structure, the operating activities of Heidelberger Druckmaschinen Aktiengesellschaft are divided into the following segments: Heidelberg Equipment, Heidelberg Services and Heidelberg Financial Services.

Within the segments, the Company is divided into **BUSINESS AREAS (BAs)**. Each business area formulates plans for how best to leverage the potential offered by their respective submarket. The Production and Sales functions, which continue to be organized centrally, derive targets on the basis of these plans and implement them. This organizational approach allows us to define our strategies at the level of the respective submarkets while generating synergies within the functions and upholding the principle of "one face to the customer".

## Research and Development

Our research and development activities are geared towards the aspects of customer benefit and economic efficiency. Accordingly, we work in close cooperation with partners such as customers, suppliers, other companies and universities. Combining our strengths with those of our partners allows us to meet the requirements of our customers and markets more efficiently and rapidly.

In our core business of sheetfed offset printing, we primarily focus on reducing makeready times and increasing energy efficiency for our customers, as well as lowering our manufacturing costs.

In the area of digital printing, our integrated digital printing systems and our partnerships with Ricoh and Fujifilm mean that we can offer our customers the simple, parallel and integrated operation of offset and digital technologies. We are currently also developing a digital press based on inkjet technology for industrial digital print in conjunction with our partner Fujifilm. With the Heidelberg Jetmaster Dimension, we are moving into the new area of 4D printing. We have pressed ahead with the development of the solution for the customized printing on three-dimensional objects, thereby opening up new paths in terms of cost efficiency and flexibility when it comes to individual design options.

A total of 808, or around 12 percent, of our employees are active in the area of R&D. We invested € 100 million, or 8.8 percent, of our sales in research and development in the year under review.

# ECONOMIC REPORT

With the Heidelberg Group's return to profitability accompanied by a reduction in net debt, we achieved the primary goal of the first phase of our strategy process in the year under review. The next phase involves implementing further measures aimed at sustainably safeguarding profitability and increasing it in the medium term.

An assessment of the business activity of Heidelberger Druckmaschinen Aktiengesellschaft requires a differentiation between its function as the largest operating company and its function as the holding company and parent of the Heidelberg Group.

Heidelberger Druckmaschinen Aktiengesellschaft's operating business represents an excerpt of the overall business activity of the Heidelberg Group and is managed on the basis of the Group's key performance indicators. Only the consolidated financial statements of the Heidelberg Group can provide a comprehensive analysis of these performance indicators.

Heidelberger Druckmaschinen Aktiengesellschaft's function as the holding company and parent of the Heidelberg Group is reflected in its financial result in particular.

## Economic Environment and Industry Development

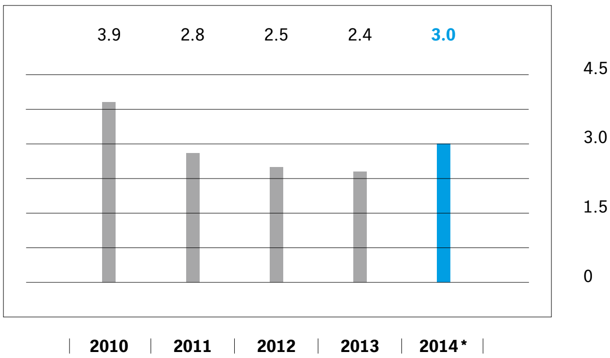
The global economy picked up pace considerably in the course of 2013. This development was driven in particular by the industrialized nations, whereas the emerging economies saw the lowest growth rate for a number of years. At 7.7 percent, overall economic output in China increased at a similarly moderate pace to the previous year.

The printing press industry did not benefit from the economic upturn in the industrialized nations. Based on statistics published by the German Engineering Federation (VDMA), sales of printing presses from German manufacturers declined by 10 percent year-on-year in the calendar year 2013, while incoming orders fell by 9 percent in the same period.

In the industrialized nations, the consolidation of print shops and changes in media consumption are continuing to have an adverse effect on investment in new machinery. The slowdown in growth momentum in the emerging economies and the difficult exchange rate conditions for German manufacturers were reflected in a more muted propensity to invest. By contrast, the printing production volume remained stable, resulting in an unchanged market volume in the area of services and consumables. The total number of print shops – particularly small and medium-sized businesses – declined once again, but larger companies, print shops in networks, online print shops and specialists succeeded in realizing profitability and growth. All in all, print shops focusing on packaging printing enjoyed more stable business development than print shops with a focus on commercial printing.

**Change in global GDP [1)]**

Figures in percent




* Forecast

1) Source: Global Insight (WMM); calendar year; as of March 2014
The figures using the chain-weighted method would be as follows:
2010: 4.3%; 2011: 3.1%; 2012: 2.6%; 2013: 2.5%; 2014: 3.1%

The **MARKET FOR PRINTED PRODUCTS** is stable, with an annual global printing volume in excess of € 400 billion. The majority of this volume relates to the sheetfed offset, web offset, flexo and digital printing processes. Heidelberger Druckmaschinen Aktiengesellschaft offers products, services and solutions for these printing processes with the exception of web offset printing (which is used primarily in printing high-volume publishing products).

**TECHNOLOGICAL SHIFTS** and changes in **MEDIA CONSUMPTION**, such as the growth in Internet communication and the increased use of mobile devices, have led to structural changes in the global print production volume accompanied by a broad downturn in the number of printed products.

Products carrying short-lived information, such as newspapers and magazines, have been particularly hard hit. At the same time, the global packaging volume is on the rise. Contrary developments have also emerged in some market segments in the meantime, leading to a return to growth in the number of printed products. For example, mail order companies specializing in fashion and lifestyle have stated that they cannot do without printed catalogs if they want to have a successful online business.

Differing **GEOGRAPHICAL DEVELOPMENTS** can be observed: while the printing volume as a whole is continuing to grow in the emerging economies, the industrialized nations are seeing a rise in the value of individual printed products, e.g. due to elaborate **FINISHING** or **CUSTOMIZATION**. Greater individuality also requires more flexibility in terms of printing applications.

For our customers, the printing technology alone is not what is important, but rather whether they can earn money with their business model and their jobs. This means that we must view ourselves not only as a supplier of equipment and machinery, but as a partner providing comprehensive support for our customers in terms of services, appropriate consumables and consulting. Whether the customer is using offset technology or digital printing, whether their focus is on packaging or commercial printing, whether they are a regional company or a global player: our aim is to contribute to their success with our knowledge and our technological and service expertise.

## Business Development

The strength of the euro relative to key foreign currencies led to unfavorable exchange rate developments that had a pronounced negative impact on both incoming orders and sales in the 2013/2014 financial year. This was one of the main reasons for the year-on-year decline in sales of around 12 percent to € 1,130 million (previous year: € 1,289 million). Incoming orders fell by 9 percent to € 1,130 million (previous year: € 1,238 million). In addition to the direct effects of unfavorable exchange rate development, currency effects led to restrained investment activity on the part of customers in some regions – including Asia and South America –, particularly in the area of new equipment. In addition, the systematic application of profitability criteria led to improved margins as well as the rejection of orders in individual cases.

Total sales in the Heidelberg Services segment were largely unchanged year-on-year at € 211 million (previous year: € 217 million). A reluctance to invest due to the strength of the euro and the deliberate scaling back of low-margin business had an impact on the Heidelberg Equipment segment in particular, with total sales amounting to € 919 million (previous year: € 1,072 million).

The most pronounced downturn in sales in the year under review was recorded in the Europe, Middle East and Africa (EMEA) region, and particularly in the United Kingdom and Germany, which saw higher sales in the previous year due to trade fair effects.

Our South America sales region is dominated by the Brazilian market. As in the previous year, incoming orders and sales in the entire region were impacted by the difficult overall economic situation in Brazil and the relative weakness of the Brazilian real as against the euro.

## Net Assets, Financial Position and Results of Operations

Despite the substantial volume reduction, we achieved an improvement in the result of operating activities. Pension-related expenses had a negative impact on the financial result, meaning that the net loss increased as against the previous year to € – 109 million.

**Income statement**

| Figures in € millions | 2012/2013 | 2013/2014 |
|---|---|---|
| **Net sales** | **1,289** | **1,130** |
| **Total operating performance** | **1,250** | **1,140** |
| **Result of operating activities** | **– 53** | **– 15** |
| in percent of sales | – 4 % | – 1 % |
| Financial result | – 26 | – 92 |
| **Result from ordinary activities** | **– 79** | **– 107** |
| in percent of sales | – 6 % | – 9 % |
| Taxes on income | 2 | – 2 |
| **Net loss** | **– 77** | **– 109** |
| in percent of sales | – 6 % | – 10 % |

Despite the lower level of sales, the result of operating activities improved from € – 53 million in the previous year to € – 15 million in the year under review. This development was largely due to the implementation of measures forming part of the Focus efficiency program and the systematic application of profitability criteria to improve margins. In addition to the downturn in sales, the result of operating activities was adversely affected by the € 75 million reduction in other operating income. This was primarily attributable to lower reversals of write-downs on investments in subsidiaries, which amounted to € 19 million (previous year: € 49 million), and a € 35 million reduction in income from currency translation, which was offset by the € 33 million decrease in expenses from currency translation. Staff costs also fell by € 63 million, largely as a result of the reduction in the number of employees and the lower level of additions to provisions in connection with the redundancy plan. In addition to the aforementioned reduction in expenses from currency translation, the € 80 million decline in other operating expenses was primarily due to the expenses incurred for the drupa trade fair in the previous year. The Focus efficiency program also had an impact on the **RESULT OF OPERATING ACTIVITIES** of around € 7 million in the year under review.

The **FINANCIAL RESULT** fell by € 66 million year-on-year, a more pronounced downturn than had been forecast. This was primarily due to the € 63 million increase in interest and similar expenses and the € 11 million reduction in other interest and similar income. The increase in interest expense is largely attributable to the increase in provisions for pensions as a result of interest and the fair value measurement of plan assets for the fulfillment of pension obligations. The early extension of the credit facility, the issue of the convertible bond and the increase in the high-yield bond also resulted in a higher level of interest expense. The reduction in interest income is due in particular to the lower volume of loans to subsidiaries of Heidelberger Druckmaschinen Aktiengesellschaft. The decline in net interest income was offset by an improvement in net investment income of € 8 million.

**TAX EXPENSE** of around € 2 million was recorded in the year under review as a result of withholding tax (previous year: tax income of € 2 million). All in all, the developments presented above resulted in a **NET LOSS FOR THE YEAR** of € 109 million.

**Balance sheet structure**

| Figures in € millions | 31-Mar-2013 | as a percentage of total assets | 31-Mar-2014 | as a percentage of total assets |
|---|---|---|---|---|
| Fixed assets | **1,335** | 66 | **1,257** | 63 |
| Current assets [1] | **703** | 34 | **738** | 37 |
| **Total assets** | **2,038** | 100 | **1,995** | 100 |
| | | | | |
| Equity | **772** | 38 | **665** | 33 |
| Special items | **1** | 0 | **1** | 0 |
| Provisions | **408** | 20 | **396** | 20 |
| Liabilities [1] | **857** | 42 | **933** | 47 |
| **Total equity and liabilities** | **2,038** | 100 | **1,995** | 100 |

[1] Including deferred income

In the year under review, **TOTAL ASSETS** fell by € 43 million or around 2 percent to € 1,995 million. The reduction in fixed assets is largely attributable to financial assets. Current assets increased due to the higher level of other assets, other securities and cash and cash equivalents in the year under review. On the liabilities side, equity, other provisions, liabilities to affiliated companies and amounts due to banks were the main items that declined in the year under review, while provisions for pensions and liabilities increased as a result of the issue of the convertible bond and the increase in the high-yield bond. Details can be found in the section on the Company's net assets, financial position and results of operations.

Additions to property, plant and equipment amounted to € 31 million in the year under review and primarily related to replacement investments. The carrying amount of **FINANCIAL ASSETS** declined by € 79 million. This was largely due to capital reductions at three subsidiaries, which totaled € 90 million, as well as write-downs on three subsidiaries totaling € 16 million and the disposal of two companies. This was offset by additions of € 14 million largely as a result of the increase in a long-term loan to a subsidiary in Germany and the reversal of a write-down in the amount of € 19 million as part of the regular review of the carrying amounts of investments.

The € 35 million increase in **CURRENT ASSETS** to € 738 million is primarily due to the € 56 million increase in cash and cash equivalents at the reporting date and the other securities of € 10 million that were acquired in the year under review. Other assets rose by € 25 million in the year under review, largely as a result of the increase in receivables from Heidelberg Pension Trust e.V., our employees and the tax authorities. This was offset by decreases in inventories (€ 22 million), trade receivables (€ 15 million) and receivables from affiliated companies (€ 20 million). We again reduced our capital commitment through the continuation of our net working capital program.

The € 107 million reduction in **EQUITY** to € 665 million can be attributed to the net loss for the year of € – 109 million and the conversion of five partial debentures in the amount of € 2 million.

The equity ratio amounted to 33 percent at the reporting date, down 5 percentage points on the previous year (38 percent).

**PROVISIONS** fell by € 12 million. Provisions for pensions increased by € 56 million to € 220 million in the year under review; this was primarily due to the increase in pension obligations as a result of interest and the fair value measurement of plan assets. Other provisions declined, largely as a result of the utilization of provisions for the Focus efficiency program in the amount of € 68 million, while an addition of € 7 million was made in the year under review.

**LIABILITIES** including deferred income increased by € 76 million to € 933 million in the year under review. The convertible bond issue served to increase liabilities by € 60 million in the year under review, a figure that was reduced by the conversion of five partial debentures (€ 0.5 million). The bond increase meant that liabilities rose by € 51 million, while deferred income increased by € 3 million. In addition, trade payables and other liabilities plus advance payments on orders rose by € 22 million at the reporting date. This was offset in particular by the € 31 million decrease in amounts due to banks as a result of the scheduled repayment of the existing annuity loan and the repayment of the short-term utilization of the credit facility in the previous year. Liabilities to affiliated companies fell by € 28 million at the reporting date.

### Financing structure: Further diversification of financing sources and maturities

As of March 31, 2014, our financing structure primarily consisted of a bond (€ 355 million), a convertible bond (€ 59.5 million), a redemption loan (€ 34 million) and a revolving credit facility (€ 340 million).

In the year under review, the syndicated credit facility was extended ahead of schedule until mid-2017, while the Group's financing sources were diversified further with the placement of the convertible bond (which has a term until July 2017) and the bond increase (which has a total term until April 2018). The redemption loan has a term until March 2018.

With the range of instruments it has agreed, Heidelberger Druckmaschinen Aktiengesellschaft currently has total credit facilities of € 788 million with a balanced maturity structure and diversification.

We supplement our financing with operating leases where economically appropriate. Other off-balance-sheet financing instruments do not have any significant impact on the Company's economic position. Heidelberger Druckmaschinen Aktiengesellschaft also has a stable liquidity framework. In future, we will continue to work on ensuring the diversification of sources and maturities in order to substantially reduce our dependency on individual instruments or due dates.

## Events after the End of the Reporting Period

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

## Employees

At the reporting date, Heidelberger Druckmaschinen Aktiengesellschaft had a total of 6,834 employees (excluding trainees) across its six production sites – 677 fewer than in the previous year. This headcount reduction was achieved as part of the Focus efficiency program. At the same time, even in a period of workforce reduction, we have largely ensured the retention of employees in key functions and other key performers through human resources policy instruments such as programs for management trainees.

Human resources activities in the year under review focused on supporting change processes and ensuring that they are reflected in the workforce and management structure. One of the main tasks of the Human Resources department was to support the implementation of the business area structure. Activities in the current year will focus on further simplifying structures and reducing complexity, among other things.

At Heidelberger Druckmaschinen Aktiengesellschaft, variable remuneration components are linked to the achievement of financial targets in a transparent manner, with responsibilities clearly allocated. Defined financial targets are assigned various weightings in a scorecard depending on the respective function.

Our training rate has been constant for a number of years at around 6 percent. On September 1, 2013, some 120 trainees started their professional career at Heidelberger Druckmaschinen Aktiengesellschaft. In Germany, we provide training in 15 occupations and offer various dual bachelor programs in the areas of technology, media and business.

**Number of employees per site**

| | 31-Mar-2013 | 31-Mar-2014 |
|---|---|---|
| Heidelberg | 1,520 | 1,400 |
| Wiesloch-Walldorf | 4,244 | 3,788 |
| Amstetten | 892 | 864 |
| Brandenburg | 541 | 504 |
| Kiel | 253 | 223 |
| Langenfeld | 61 | 55 |
| | **7,511** | **6,834** |
| Trainees | 410 | 389 |
| | 7,921 | 7,223 |

## Sustainability

For Heidelberger Druckmaschinen Aktiengesellschaft, sustainability means taking ecology, economy and social responsibility into account simultaneously. Environmental targets form part of our standards of conduct and our environmental standards – with regard to our products and our production processes alike. Compliance with standards of conduct and environmental standards is mandatory. Our product development process is designed in such a way that safe and environmentally sound solutions are found for the entire product life cycle. Environmental protection is integrated into the organization. Suppliers and contracting parties are included in our targets at all our production sites and are asked to comply with similar standards, including with regard to social and ethical issues.

The cogeneration plant in Wiesloch-Walldorf that went into operation in October 2012 has been running extremely well since it was commissioned. By the end of the year, it had reached 10,000 hours of operation, thereby removing 19 GWh from the power distribution grid. This in-house combined heat and power generation covers around one-quarter of the electricity requirements at the Wiesloch-Walldorf site.

With our sustainability concept, we are pursuing a comprehensive end-to-end approach: all of the stages in the process are taken into account, from product development and manufacture via utilization at the customer through to recycling or disposal. Our environmentally friendly solutions are increasingly proving to be a major unique selling point for our customers.

# RISKS AND OPPORTUNITIES

## Risk and Opportunity Management

### Control system

Handling business risks and opportunities responsibly is one of the principles of good corporate governance. The Management Board ensures adequate risk and opportunity management and risk controlling throughout the Company. Clear values, principles and guidelines help the Management Board and senior executives to manage the Company. Our internal auditors examine compliance with all guidelines and accounting standards on a regular basis using random samples. The principles, processes and measures of our internal control system are designed to 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.

Manuals, guidelines and operating instructions can be accessed at all times, including via the Company's intranet. These form the basis for the internal control system of Heidelberger Druckmaschinen Aktiengesellschaft. It is the responsibility of all senior executives to establish an internal control system for their respective areas of responsibility.

The **PRINCIPLE OF DUAL CONTROL** applies to all transactions. Every declaration of intent that is binding on Heidelberger Druckmaschinen Aktiengesellschaft and the Heidelberg Group in Germany and abroad or that exposes the Group to a risk must be authorized by at least two individuals. Adequate **FUNCTIONAL SEPARATION** is ensured through the organizational separation of administrative, implementation, invoicing and authorization functions. Limits and responsibilities are set out in an **AUTHORIZATION TABLE** and must be observed when authorizing transactions. Within the framework of our planning, the responsible divisional managers confirm that all significant risks have been recorded in full, and that the internal control system has been complied with.

The effectiveness of the internal control system at the processing level is monitored by the internal auditors using random sampling. The effectiveness of the risk management system is also regularly monitored by the internal auditors.

The Management Board informs the Supervisory Board of risks and their development on a regular basis. Finally, the Audit Committee also deals with the effectiveness of the internal control system and the internal audit system, examines their functionality and arranges for regular reporting on audit planning and findings (including by the directly responsible executive staff in some cases).

### Risk and opportunity management system

Risk and opportunity management is firmly integrated within strategic planning at Heidelberger Druckmaschinen Aktiengesellschaft. The efficiency of the risk management process is controlled regularly by our Internal Audit team. Our risk early identification system satisfies the legal requirements of the German Corporate Sector Supervision and Transparency Act (KonTraG).

All cross-sector committees are required to periodically analyze risks and opportunities from all angles. This applies in particular to non-quantifiable risks. Our large Risk Committee, which draws up and updates the risk catalog with the 30 most significant risks, also includes representatives of our affiliates. The small Risk Committee consists of selected senior executives from various fields of business; among other things, they determine the materiality thresholds and the ranking of the risks, as well as working continuously to improve the risk management process.

Risks are quantified in accordance with the key parameters "probability of occurrence", "extent of loss upon occurrence" and "expected risk development during the planning period." Our guidelines and organizational directives stipulate a strictly formal process by means of which we systematically identify individual risks and the overall risk to which the Company is exposed, as well as detecting, assessing and quantifying opportunities. All operating units and divisions are integral components of this process. Information on risks is collected locally. The risk-relevant areas of observation as well as the risk survey methodology are set out in the guidelines. The classification into risk categories is based on the potential impact on the annual net profit and the free cash flow of the individual units. Reporting thresholds are set on a uniform basis. All significant areas, such as Production, Procurement, Development, Human Resources, IT, Legal and Finance, receive a risk form that they are required to complete and return. Risk Controlling summarizes the risks reported three times a year at Group level to form a risk catalog and assigns these risks to risk categories. The reports are circulated to the entire Management Board as well as to the Audit Committee of the Supervisory Board.

The central Corporate Treasury unit manages the Company's financing activities and secures its liquidity. Liquidity risks are systematically minimized throughout the Company. We identify the potential funding requirements of the Company and the resulting potential liquidity risks at an early stage with the help of our monthly rolling liquidity planning system. Corporate Treasury identifies risks arising from changes in interest rates or exchange rates, on the basis of which it introduces appropriate measures and strategies in order to counteract these risks. Some of these measures may also include derivative financial instruments, specifically forward exchange transactions, currency options and interest-rate swaps. Details of these instruments and the impact of hedging transactions can be found in note 26 of the notes to the financial statements. The functional and physical separation of trading, processing and risk controlling in the Corporate Treasury department is ensured. Furthermore, this department is regularly monitored by our internal auditors.

### Accounting-related internal control and risk management 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 implement measures to counteract this risk, as well as the 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 make every effort to prevent errors in the annual financial statements and the management report of Heidelberger Druckmaschinen Aktiengesellschaft by means of systematic controls and established processes which, among other things, involve reviews that are conducted on a test basis.

The annual financial statements and the management report of Heidelberger Druckmaschinen Aktiengesellschaft are prepared by the central FR department (Financial Steering & Reporting). This department also regularly monitors whether the books and records are being correctly maintained, thereby ensuring that the financial information complies with regulatory requirements.

The Internal Audit team, which has access to all data, also examines the individual areas of the Company on a test basis. In doing so, it examines, among other things, whether the internal control system has been implemented in this regard or whether transactions have been controlled, and whether the principle of dual control is adhered to in all areas. The latter is mandatory, for example, for every order that is placed, every invoice that is issued, and 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 means of a number of automated controls. Authorization models have been implemented within the uniform Company-wide IT system. If a department is examined by Internal Audit, these authorization models and their implementation are also reviewed. 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 are brought to light. Collectively, these procedures ensure that reporting on the business activities of the Company is consistent and compliant with the approved accounting guidelines around the world. The effectiveness of the internal accounting control system is regularly monitored by our Internal Audit team.

## Risk and Opportunity Report

Risks with a probability of more than 50 percent are integrated into our planning process and are therefore not discussed in the risk report. Our risks and opportunities are recognized and evaluated in the context of the key financial performance indicators of the Heidelberg Group. As our management focuses on financial performance indicators, we also monitor and evaluate early warning indicators that suggest a rise in non-quantifiable risk.

**Development and classification of risk categories**

| Risk categories | Change from previous year | Risk classification |
|---|---|---|
| Economic situation and markets | ■ □ □ | Medium risk |
| Industry and competition | □ ■ □ | Low risk |
| Products | □ ■ □ | Low risk |
| Finance | ■ □ □ | Low risk |
| Performance | □ ■ □ | Medium risk |
| **Overall risk** | □ ■ □ | |

- ■ Increased risk
- ■ No change in risk
- ■ Decreased risk

## General statement by the Management Board on risks and opportunities

No **RISKS TO HEIDELBERGER DRUCKMASCHINEN AKTIENGESELLSCHAFT AS A GOING CONCERN** are discernible for the foreseeable future. This applies both to business activities already implemented and to operations that we are planning or have already introduced.

In order to determine our **OVERALL RISK**, we bundle individual risks with similar content. Risks are not offset against opportunities. The overall risk situation of the Company has changed only minimally as against the previous year. The greatest risk to not achieving our earnings targets is that sales in the Heidelberg Equipment segment could be weaker than forecast owing to general economic conditions. Development in the industrialized nations in particular, but also in key emerging markets such as China and Brazil, and potential developments in Eastern Europe will play a role in this area.

We consider our **STRATEGIC RISK** to be low. It is assumed that the share of the printing volume produced using the sheetfed offset process will remain stable. As the barriers to market entry are enormously high in sheetfed offset printing, no significant competition from new providers is anticipated. The precise transportation of sheets at high speed is one of the Company's core competences, which makes us an ideal partner for providers of new technologies – particularly because we also have a strong sales and service network worldwide. Before investing in possible new ventures, we weigh up the risks and opportunities on the basis of various scenarios. Partnerships allow us to combine the innovative strength of our partners with our own in order to respond more quickly to current market trends, as well as reducing research and development risks.

The Management Board and the Supervisory Board deal with risks that could arise from organization, management or planned changes. For further information, please see our detailed corporate governance declaration on the Internet.

**OPPORTUNITIES** for the Company result in particular from the strategic measures that we intend to implement as part of our strategic process. These are aimed at achieving sustainable profitability and contain measures for ensuring financial stability and liquidity, increased cost efficiency and the earnings-oriented optimization of our service range. More positive economic development than is currently forecast could lead to growth in the investment volume on the part of our customers.

## Slight year-on-year improvement in global economic and market risks due to expected momentum in the industrialized nations; forecasted growth rates for the emerging nations are only moderate compared with past development

Our planning assumes moderate growth in the global economy. If the global economy were to grow less than expected, or if key markets were to suffer an unexpected economic downturn, we might not be able to achieve the planned sales performance in our Heidelberg Equipment segment. The Heidelberg Services segment is considerably less cyclical as it depends on the installed base and the volume for printed products to a greater extent than new machinery business.

We have adopted a particular focus on China, our biggest individual sales market. The latest economic data from China has been somewhat disappointing, and the recent downturn in exports also suggests a further slowdown in economic growth. The high level of debt among Chinese municipalities and companies could lead to defaults, thereby triggering a credit crunch. The rapid development of the largely unregulated shadow banking sector is a further source of liquidity and credit risk. The IMF also views Russia as being at risk of a recession. This could adversely affect the current global economic momentum and the expected development of the global economy, as well as our business in Eastern Europe.

### Industry and competition risks unchanged as against the previous year

In the year under review, manufacturers continued to reduce capacities to a significant extent, in some cases through joint ventures and by bundling activities. The risk that prices in the industry could come under pressure from increased competition, thereby threatening our sales targets, should decline somewhat in the medium term.

Exchange rate development was mostly unfavorable for European manufacturers in the year under review. If the exchange rate situation continues to shift in favor of Japanese manufacturers, this could lead to a considerable intensification of competition with our Japanese counterparts. We are seeking to reduce the influence of exchange rate developments by expanding our procurement and production outside the euro zone; our edition models are manufactured primarily in China.

### Product risks remain low

In our core business, sheetfed offset printing, our activities in the year under review were dedicated in particular to reducing manufacturing costs and makeready times and to energy efficiency, factors that offer print shops quantifiable cost and competitive advantages. In the area of digital printing, our integrated digital printing systems and the cooperation with Ricoh and Fujifilm allow us to offer our customers the parallel, simple and integrated operation of offset and digital technology. The products and solutions we offer follow the trends that determine the ongoing development of the print media industry around the world. We are also not anticipating any notable risks in new business areas at this time. To ensure that we continue to meet our customers' needs, customer benefit is our strict priority in all research and development projects. Partnerships also allow us to combine the innovative strength of our partners with our own in order to respond more quickly to current market trends and reduce our product risks. We protect the results of our research and development work with our own property rights.

### Cumulative financial and legal risk reduced

The successful issue of the convertible bond, the increase in the bond placed in 2011 and the extension of the syndicated credit facility ahead of schedule resulted in a further optimization of the financial structure in terms of sources and maturities in the year under review. With the range of instruments it has agreed, the Company has credit facilities with a balanced maturity structure and diversification until 2017/2018. Our asset and net working capital management led to a further reduction in net debt in the year under review.

We no longer consider there to be any material **INTEREST RATE RISKS**. The details of the financing structure are described in the "Financial Position" section on page 10. Note 23 of the notes to the annual financial statements also includes a discussion of the fact that financing is linked to standard key financial indicators (financial covenants) with which we have undertaken to comply during the term of the financing. If the Group's results of operations and financial position were to deteriorate to such a degree that we were no longer able to guarantee compliance with these financial covenants and we were unable to modify them, this would have an adverse financial impact on the Company. There are currently no indications of such a development.

In **SALES FINANCING**, there are still risks of default due to industry, customer, residual value and country risks. The majority of our portfolio consists of receivables from customers located in emerging countries, particularly Brazil. We considerably reduced our Brazil portfolio in the year under review. The difficult economic situation in Brazil initially led to a significant rise in items past due. By the end of the financial year, however, intensive receivables management meant that we had been able to reduce the absolute volume of items past due to below the prior-year level.

We have hedged against the risk of fluctuations in the **EXCHANGE RATES** of our principal foreign currencies for foreign currency volumes. Nonetheless, currency risks are a factor. We permanently analyze and evaluate these risks using recognized software-based techniques.

We reduce **LEGAL RISKS** from individual agreements by utilizing standardized master agreements wherever possible. We protect our interests in the area of patents and licenses in a targeted manner. Additional risks are limited by systematically controlling adherence to our comprehensive guidelines in all areas.

### Performance risks unchanged

**PROCUREMENT RISKS** remained essentially unchanged 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. We work continuously on our supply methods, design efficient procurement processes with our key suppliers and hence ensure the reliable supply of parts and components of the highest quality. A flexible material supply at the optimal inventory level is essential, particularly with a view to fluctuations in demand. In order to keep our capital commitment as low as possible, we continuously optimize inventories along the entire value chain. We continued our procurement activities in foreign currencies during the year under review with the aim of reducing the risks associated with exchange rate fluctuations. In the Heidelberg Services segment, we generally pursue a dual vendor strategy with regard to consumables, as this allows us to prevent unilateral dependencies. We deviate from this strategy only where mutual exclusivity is assured, and then, under appropriate market and competitive conditions, we also assume the sale of our partners' entire product range.

As we are continuing to focus on global strategic partnerships, the termination of a **SALES PARTNERSHIP** in the various areas could entail risks for our business development. These risks were largely unchanged compared with the previous year.

We efficiently utilize our existing facilities to keep our **INVESTMENTS** low. We have also made strategically important investments, necessary replacement investments and investments in improving environmental protection in previous years.

We do not anticipate any serious risk of failure in our **IT SYSTEMS**. The probability of losses resulting from attacks on these systems has been reduced through extensive preventative measures. We made the necessary investments in our IT infrastructure in the year under review, thereby increasing overall system security. We also do not anticipate any notable environmental risks as we minimize such risks with our highly effective environmental management in the areas of product design and production.

### Opportunities from strategic measures and economic development

Opportunities for Heidelberger Druckmaschinen Aktiengesellschaft result in particular from **STRATEGIC MEASURES**. This relates in particular to the transformation of Heidelberger Druckmaschinen Aktiengesellschaft into a profit- and market-oriented company. We have resolved to focus on four areas of activity with different strategic conditions and management approaches. Within these areas of activity, one notable development is the strong growth in future-oriented digital business. We are continuing to invest in this area – which accounts for around one-third of our R&D spending – and will strengthen it further through our partnership with Fujifilm. In the less cyclical area of services, too, we intend to develop new models for business within the installed base of Heidelberg equipment as well as outside our equipment business. We are seeking to develop services into a business area that is independent from economically sensitive equipment sales. The complexity management that has already been initiated will be continued in the areas of activity, leading to a further reduction in complexity, and hence costs, while maintaining the same service and quality level.

Above and beyond this, a major opportunity for the Company lies in the possibility of **MORE POSITIVE ECONOMIC PERFORMANCE** than is currently forecast. The economic upturn in the industrialized nations could lead to a rise in the investment volume. In the emerging economies, too, there is a possibility that economic growth will be higher than anticipated. In China, for example, reform efforts by the government could improve the country's economic stability and lay the foundations for a further growth phase. A shift in exchange rates in our favor would also have a positive effect on our sales and earnings planning. There are opportunities – as well as risks – that social and political changes, government intervention, customs regulations and changes in legislation could influence our business development in several countries.

## FUTURE PROSPECTS

At 3.0 percent, **GLOBAL ECONOMIC GROWTH** is generally expected to be slightly higher in 2014 than in 2013. However, this should not hide the fact that the global economy is still susceptible to disruption due to the high level of sovereign debt in important economies. Although the industrialized nations are likely to see an economic upturn, the underlying growth momentum in the emerging nations has slowed and a number of important emerging economies are faced with structural problems that could dampen their growth prospects for the coming years. Furthermore, the current uncertainty concerning the actions undertaken by Russia in Ukraine and the political response by the West, as well as the sustained volatile situation in the Middle East, mean that there is a pronounced risk of a renewed hike in oil and gas prices. All of this could have a considerable negative impact on the budding recovery in the global economy. The IMF considers Russia to be exposed to a particularly acute risk of recession.

Country-specific and macroeconomic developments affect the propensity to invest of the majority of our customers. Despite changes in media consumption and structural changes within the printing industry in the industrialized nations, the global print volume remains stable and is expected to enjoy healthy performance in future thanks to the robust growth of the emerging nations. Nevertheless, we are not currently anticipating an increase in the market volume for new sheetfed offset presses over the coming years in light of the economic risks and the ongoing consolidation of print shops in the industrialized nations. In light of this, we expect **SALES** in the 2014/2015 financial year to repeat the level seen in the year under review. As in the previous year, the share of sales is again expected to be higher in the second half of the financial year than in the first half.

As in the year under review, we will continue to actively reduce low-margin business and focus on improving profitability. We are forecasting a significant increase in the operating result in the 2014/2015 financial year. The extent of this improvement will depend to a large extent on the realizability and timing of the portfolio optimization measures that are at the heart of the Company's strategic focus for the year. We are also anticipating an improved financial result based on the assumption that the 2014/2015 financial year will not be impacted by non-recurring effects to the same extent as the year under review.

We will propose a dividend to the Annual General Meeting when we have achieved our medium-term objectives in terms of profitability and the capital structure and if this seems appropriate in light of the outlook for the Company. We will not propose the distribution of a dividend for the year under review to the Annual General Meeting.

**Important note**

These annual financial statements contain forward-looking statements based on assumptions and estimates by the management of Heidelberger Druckmaschinen Aktiengesellschaft. Even though the management is of the opinion that these assumptions and estimates are accurate, actual future developments and results may deviate substantially from these forward-looking statements due to various factors, such as changes in the overall economic situation, exchange rates and interest rates, as well as changes within the print media industry. Heidelberger Druckmaschinen Aktiengesellschaft provides no guarantee and assumes no liability for future developments and results deviating from the assumptions and estimates made in these annual financial statements. Heidelberger Druckmaschinen Aktiengesellschaft neither intends nor assumes any obligation to update the assumptions and estimates made in these annual financial statements to reflect events or developments occurring after the publication of these annual financial statements.

# LEGAL DISCLOSURES

## Remuneration Report – Management Board and Supervisory Board

The Supervisory Board discussed the appropriateness of Management Board remuneration and the structure of the remuneration system on several occasions during the year under review, including in connection with the agreement and review of target agreements with Management Board members. The parameters for measuring the variable remuneration components were already discussed in the previous year and, in respect of the long-term variable remuneration components, adjusted to reflect the requirements of the loan agreement and its financial covenants.

The overall structure and amount of the remuneration paid to the Management Board are determined at the recommendation of the Human Resources Committee of the Supervisory Board of Heidelberger Druckmaschinen Aktiengesellschaft and reviewed at regular intervals. In each case, Management Board remuneration amounts to a maximum of 280 percent of fixed annual basic remuneration, divided into 100 percent for fixed annual basic remuneration and a maximum of 180 percent for the variable remuneration components, i.e. a maximum of 90 percent each for the variable single-year remuneration and variable multi-year remuneration.

The remuneration of the Management Board consists firstly of a fixed annual salary paid in equal installments at the end of each month, variable single-year and multi-year remuneration, which is based on the achievement of certain three-year targets using defined parameters, and secondly of remuneration in kind and a company pension plan (in addition to share-based pension benefits).

The variable single-year remuneration is dependent on the Group's success in the respective financial year, the benchmarks for which have been defined as EBIT and free cash flow. In addition, each member of the Management Board receives a personal, performance-based bonus that is determined by the Supervisory Board at the recommendation of the Human Resources Committee, taking into account their particular duties and responsibilities in addition to any individual targets agreed. If targets are achieved in full, the personal bonus can amount to up to 30 percent of the basic annual salary; the company bonus can also account for up to 30 percent or 60 percent if targets are exceeded. 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 fully completed. Until further notice – starting with the previous year – the 30 percent of the personal bonus will be added on to the company bonus and subordinated to the financial targets on which this bonus is based.

The Supervisory Board determines the targets for the multi-year variable remuneration for the forthcoming financial years based on the respective situation. Targets are therefore set each financial year for the coming financial year, and for a new three-year period for the multi-year variable remuneration. The achievement of targets is also examined and ascertained each year. However, the multi-year variable remuneration for the achievement of targets will only be paid after the end of the respective three-year period. Multi-year variable remuneration can amount to 90 percent of the basic annual salary if targets are met in full.

In the previous year, the Management Board and the Supervisory Board revised and adjusted the targets for future years. In addition, they agreed to a temporary solution on giving members of the Management Board the opportunity, provided that specific targets have been achieved (including compliance with the financial covenants in particular), to earn at least part of the multi-year variable remuneration in the previous year and in the year under review, considering that the long-term component of the bonus in accordance with the remuneration structure that was replaced in the previous year had been partially earned but was not paid on account of the members of the Management Board voluntarily waiving this in the 2011/2012 financial year, also for the following years. As an exception, the assessment period for this transitional phase is therefore just two financial years, i.e. the previous year and the year under review, with a planned payment in the 2014/2015 financial year; this is based on the same targets as for the first two years of the concurrent first three-year period for multi-year variable remuneration, which comprises the previous year, the year under review and the subsequent financial year, and is scheduled for payment in the 2015/2016 financial year.

Accordingly, as in the previous year, no long-term bonus was paid in the year under review; the long-term component in accordance with the temporary solution will now be paid in the 2014/2015 financial year based on an assessment of target attainment for the 2012/2013 and 2013/2014 financial years.

Finally, it was determined that a minimum threshold of 25 percent will be set for target attainment so that the achievement of a target will be assessed within a corridor of 25 percent to 100 percent, and not between 0 percent and 100 percent as previously. The previous structure of Management Board remuneration was otherwise unchanged in the year under review.

In addition, the members of the Management Board have undertaken to each invest 10 percent of both the variable single-year and multi-year remuneration (in each case before deduction of personal taxes) in shares of the Company that they may only dispose of after a holding period of 24 months. As such, the multi-year variable remuneration and the single-year variable remuneration alike provide an additional long-term performance incentive, gearing the remuneration structure more towards sustainable business development. The Management Board members invested the corresponding portion of the variable remuneration paid for the 2012/2013 financial year in shares of the Company immediately following the Annual General Meeting. In accordance with section 15a of the German Securities Trading Act, this investment was reported to the German Federal Financial Supervisory Authority by all four Management Board members and published on the Company's Web site on July 26, 2013.

Remuneration in kind essentially consists of the value of the use of a company car in accordance with the relevant tax provisions.

**Remuneration of the individual members of the Management Board**

| Figures in € thousands | | Non-performance-related components | | Performance-related components | | Components with a long-term incentive effect | Total remuneration[1] |
|---|---|---|---|---|---|---|---|
| | | Basic salary | Remuneration in kind | Single-year variable remuneration | Bonus waived | Multi-year variable remuneration | |
| Dr. Gerold Linzbach[2] | 2013/2014 | 550 | 8 | 495 | – 20 | 495 | 1,528 |
| | 2012/2013 | 321 | 9 | 289[3] | 0 | 193 | 812 |
| Dirk Kaliebe | 2013/2014 | 370[4] | 15 | 333 | – 20 | 333 | 1,031 |
| | 2012/2013 | 350 | 15 | 329[5] | 0 | 210 | 904 |
| Marcel Kiessling[6] | 2013/2014 | 370 | 12 | 333 | 0 | 333 | 1,048 |
| | 2012/2013 | 350 | 11 | 329[5] | 0 | 210 | 900 |
| Stephan Plenz | 2013/2014 | 370[4] | 11 | 333 | – 20 | 333 | 1,027 |
| | 2012/2013 | 350 | 11 | 329[5] | 0 | 210 | 900 |

[1] For Bernhard Schreier in the 2012/2013 financial year: Bernhard Schreier's term as a member of the Management Board ended on August 31, 2012; his contract of employment with Heidelberger Druckmaschinen Aktiengesellschaft ended on June 30, 2013. For the period from April 1, 2012 to August 31, 2012, he received a basic salary of € 208 thousand, remuneration in kind of € 6 thousand and single-year variable remuneration of € 184 thousand; he is also entitled to receive multi-year variable remuneration of € 125 thousand. Accordingly, his total remuneration amounted to € 523 thousand.
[2] CEO since September 1, 2012
[3] For the 2012/2013 financial year, the Company bonus is guaranteed in full on a pro rata temporis basis.
[4] From April 1, 2014: € 390 thousand
[5] Includes a special bonus of € 20 thousand
[6] Marcel Kiessling's term as a member of the Management Board ended on March 31, 2014; his contract of employment with Heidelberger Druckmaschinen Aktiengesellschaft ends on December 31, 2014.

In the year under review, the members of the Management Board received the following remuneration (gross) before personal investment in their variable remuneration components: Dr. Gerold Linzbach: € 847 thousand (previous year: € 330 thousand; pro rata temporis), Dirk Kaliebe: € 714 thousand (previous year: € 617 thousand), Marcel Kiessling: € 711 thousand (previous year: € 610 thousand) and Stephan Plenz: € 710 thousand (previous year: € 610 thousand).

With effect from April 1, 2014, the Supervisory Board of the Company appointed **HARALD WEIMER** as an ordinary member of the Management Board for a period of three years up to and including March 31, 2017.

The **REMUNERATION PAID TO MEMBERS OF THE MANAGEMENT BOARD WHO LEFT THE COMPANY IN THE YEAR UNDER REVIEW** is as follows:

**MARCEL KIESSLING'S** term as a member of the Management Board ended on March 31, 2014; his contract of employment with Heidelberger Druckmaschinen Aktiengesellschaft will end on December 31, 2014. He has been released from work for the period from April 1, 2014 to December 31, 2014 (end of contract); this will also settle his remaining vacation entitlement. He is entitled to receive single-year variable remuneration for the 2013/2014 financial year and multi-year variable remuneration for the 2012/2013 and 2013/2014 financial years. As a matter of principle, this is paid at the same time as for the active members of the Management Board with the exception of the multi-year variable remuneration for the 2012/2013 financial year, which was paid in April 2014. Mr. Kiessling is also entitled to his basic monthly salary until December 31, 2014. In exchange for the early termination of his contract of employment and as settlement for the remuneration lost as a result (annual salary from January 1, 2015 and single-year and multi-year variable remuneration for the 2014/2015 financial year and, pro rata temporis, the 2015/2016 financial year), he will receive a one-time compensation payment that is payable in two equal installments on January 31, 2015 and March 31, 2015. The Company will also assume the cost of outplacement consulting up to a maximum of € 40 thousand; if this offer is not taken up, the compensation payment will increase by € 20 thousand. Accordingly, the cash remuneration of € 1,543 thousand is composed of the basic salary of € 292 thousand, the compensation payment of € 1,209 thousand, outplacement consulting costs up to a maximum of € 40 thousand, and remuneration in kind of € 2 thousand.

**Pension plan for the individual members of the Management Board**

| Figures in € thousands | | Pension plan [1), 2)] | | | |
|---|---|---|---|---|---|
| | | Accrued pension funds as of the reporting date | Pension contribution during the reporting year [3)] | Defined benefit obligation | Service cost |
| Dr. Gerold Linzbach [4)] | 2013/2014 | 891 | 602 | 931 | 606 |
| | 2012/2013 | 288 | 288 | 311 | 311 |
| Dirk Kaliebe | 2013/2014 | 921 | 130 | 1,185 | 130 |
| | 2012/2013 | 768 | 123 | 1,023 | 126 |
| Marcel Kiessling [5)] | 2013/2014 | 703 | 130 | 815 | 233 |
| | 2012/2013 | 555 | 123 | 732 | 126 |
| Stephan Plenz | 2013/2014 | 843 | 130 | 1,105 | 130 |
| | 2012/2013 | 692 | 123 | 951 | 126 |

1) For Bernhard Schreier in the 2012/2013 financial year: As a result of a performance-based commitment for pension benefits, no pension contributions are owed and there are no accrued pension funds for Bernhard Schreier as of the reporting date. The service cost for the period from April 1, 2012 to August 31, 2012 amounted to € 60 thousand. Since July 1, 2013, Mr. Schreier has received a pension from this pension commitment; this currently amounts to € 384 thousand p.a.

2) The pension entitlement achievable up until the age of 65 (Dirk Kaliebe; Stephan Plenz) or until the end of the term of office (Dr. Gerold Linzbach) depends on personal salary development, the respective EBIT and the return generated, and hence cannot be determined precisely in advance. If the pension option is utilized and the current assumptions continue to apply, the old-age pension resulting from the accrued pension capital is expected to be as follows: Dr. Gerold Linzbach: approx. 5 percent (not including the performance-based pension commitment), Dirk Kaliebe: approx. 42 percent and Stephan Plenz: approx. 39 percent of the respective last fixed salary.

3) For Dr. Gerold Linzbach, Dirk Kaliebe, Marcel Kiessling and Stephan Plenz, the pension contribution for the reporting year is calculated on the basis of the pensionable income on March 31, without taking into account the not yet determined earnings-related contribution.

4) CEO since September 1, 2012

5) Marcel Kiessling's term as a member of the Management Board ended on March 31, 2014; his contract of employment with Heidelberger Druckmaschinen Aktiengesellschaft ends on December 31, 2014. The pension contribution for the full 2014/2015 financial year will be credited to him on July 1, 2015. The resulting additional expense in the amount of € 103 thousand is included in the reported service cost.

**POST-EMPLOYMENT BENEFITS** for members of the Management Board are as follows:

**DR. GEROLD LINZBACH** has been appointed as an ordinary member of the Management Board, the Chief Executive Officer and Personnel Director for the duration of five years. His pension agreement provides for a defined contribution plan that is essentially consistent with the defined contribution plan for executive staff. On July 1 of each year, the Company pays a corresponding contribution based on the relevant basic salary retroactively for the previous financial year into an investment fund. In deviation from the 35 percent usually set for members of the Management Board, the fixed pension contribution for Dr. Gerold Linzbach is only 22 percent of his eligible remuneration. In return for this reduced pension contribution, at the start of his employment he was granted a performance-based pension commitment to be paid in cash at the end of his contractual term in office on August 31, 2017; this will be paid pro rata temporis in the event of his early departure.

**DIRK KALIEBE** and **STEPHAN PLENZ** have each been appointed as ordinary members of the Management Board for periods of three years. The pension agreements for Dirk Kaliebe and Stephan Plenz provide for a defined contribution plan that is essentially consistent with the defined contribution plan for executive staff. On July 1 of each year, the Company pays a corresponding contribution based on the relevant basic salary retroactively for the previous financial year into an investment fund. In view of standard market practice and the structure of defined benefit commitments, the annual contribution rate was uniformly set at 35 percent of basic salary in the 2011/2012 financial year. This resulted in an increase in annual contributions of 5 percent for Dirk Kaliebe and 2 percent for Stephan Plenz.

The pension agreements for all members of the Management Board uniformly stipulate that the amount paid can rise depending on the results of operations of the Company. The exact amount of the pension also depends on the investment success of the fund. The pension can be paid as an early pension from the age of 60. In the event of a member of the Management Board leaving the Company, the pension will be paid from the age of 65 or 60 respectively, principally as a non-recurring payment of pension capital. In addition, the agreements also provide for disability and surviving dependents' benefits (60 percent of the disability payment or the pension) contingent on the amount of the last basic remuneration. In the event of a disability pension, in deviation from the defined contribution plan for executive staff, the percentage is based on the length of service with the Company, with a maximum pension percentage of 60 percent due to the attributable time – with the exception of Dr. Gerold Linzbach – for Dirk Kaliebe and Stephan Plenz. If the contract of employment expires prior to the start of benefit payments, the claim to the established pension capital at that point in time remains valid. For the other pension benefits (disability and surviving dependents' benefits), the pension entitlements earned in accordance with section 2 of the German Company Pension Act (BetrAVG) remain valid on a pro rata temporis basis. Moreover, the statutory vesting periods have been met for Dirk Kaliebe and Stephan Plenz.

**MARCEL KIESSLING** was an ordinary member of the Management Board until March 31, 2014; his contract of employment with Heidelberger Druckmaschinen Aktiengesellschaft ends on December 31, 2014. The pension agreement for Marcel Kiessling provides for a defined contribution plan that is essentially consistent with the defined contribution plan for executive staff. On July 1 of each year, the Company pays a corresponding contribution based on the relevant basic salary retroactively for the previous financial year into an investment fund. The annual contribution was set at 35 percent of the corresponding basic salary in the 2012/2013 financial year. The termination agreement stipulates that the Company will still pay the pension contribution in the amount of 35 percent of the eligible remuneration on the due dates of July 1, 2014 and, following the termination of the contract of employment, July 1, 2015 providing that the insured event in accordance with the terms of the pension plan has not yet occurred at the respective date. Above and beyond this, the statutory vesting requirements for the pension benefits based on the pension contributions have been satisfied.

**BERNHARD SCHREIER** was an ordinary member of the Management Board until August 31, 2012; his contract of employment with Heidelberger Druckmaschinen Aktiengesellschaft ended on June 30, 2013. Bernhard Schreier has received his pension as per his pension commitment since July 1, 2013. Based on his pension agreement and given his years of service with the Company, the maximum pension rate of 75 percent has been achieved. Ongoing payments will be adjusted in the same percentage ratio as the basic pay of salary group B9 for civil servants in Germany. The payment of the retirement pension is secured by a reinsurance policy, with the related claim pledged to Bernhard Schreier as collateral.

In terms of **EARLY TERMINATION BENEFITS**, all contracts of employment provide for the following uniform regulations in the event of the effective revocation of the mandate of a Management Board member's appointment or a justifiable resignation by a member of the Management Board with good cause. The contract of employment shall be terminated upon expiration of the statutory period of notice in accordance with section 622 (1), (2) of the German Civil Code (BGB). In event of the effective revocation of a Management Board member's appointment, the member receives compensation at the time of termination of the contract of employment in the amount of his or her previous total remuneration as per the contract of employment for two years, but not exceeding the amount of the remuneration for the originally agreed remainder of the contract of employment. This does not affect the right to extraordinary termination for cause in accordance with section 626 BGB. The compensation is paid in quarterly installments in line with the originally agreed residual term, but in not more than eight quarterly installments. Other payments received by a then former member of the Management Board, which this former member has agreed to disclose to the Company, must be offset in accordance with sections 326 (2) sentence 2 and 615 (2) BGB mutatis mutandis during the originally agreed residual term. If a member of the Management Board becomes unable to work due to disability, the benefits stipulated in the respective pension agreement will be paid.

The remuneration of the members of the **SUPERVISORY BOARD** is governed by the Articles of Association and approved by the Annual General Meeting.

By resolution of the 2012 Annual General Meeting, the remuneration system for the Supervisory Board was amended as follows starting from the year under review: Each member of the Supervisory Board receives fixed remuneration of € 40,000.00. The Chairman of the Supervisory Board receives three times this amount, while the Deputy Chairman receives twice this amount. The members of the Management Committee, the Audit Committee and the Committee on Arranging Personnel Matters of the Management Board receive additional remuneration for work on these committees. Each committee member receives remuneration of € 1,500.00 per meeting for attending a meeting of these committees. The Chairman of the Audit Committee receives remuneration of € 4,500.00 per meeting; the Chairman of the Management Committee and the Chairman of the Committee on Arranging Personnel Matters of the Management Board receive remuneration of € 2,500.00 per meeting. The members of the Supervisory Board also receive an attendance fee of € 500.00 per meeting for attending a meeting of the Supervisory Board or one of its committees. Furthermore, the expenses incurred by members of the Supervisory Board and value added tax thereon will be reimbursed. In order to strengthen the Supervisory Board's role as a controlling body, remuneration will no longer include a variable, performance-based component in the future.

Since the Annual General Meeting on July 23, 2013, the Supervisory Board has consisted of 12 members after the provisions of the German Codetermination Act and the German Stock Corporation Act made it possible for the number of members to be reduced from 16 to 12 when new elections were held and the corresponding status proceedings were concluded without legal objection.

**Remuneration of the Supervisory Board (excluding VAT)**

| Figures in € | 2012/2013 | | | 2013/2014 | | | |
|---|---|---|---|---|---|---|---|
| | Fixed remuneration [1] | Variable remuneration | **Total** | Fixed annual remuneration | Attendance fees | Committee remuneration | **Total** |
| Robert J. Koehler [2] | 39,500 | 0 | 39,500 | 120,000 | 4,500 | 5,000 | **129,500** |
| Rainer Wagner [3] | 32,500 | 0 | 32,500 | 80,000 | 6,500 | 10,500 | **97,000** |
| Edwin Eichler | 21,000 | 0 | 21,000 | 40,000 | 2,500 | 0 | **42,500** |
| Wolfgang Flörchinger [4] | 21,000 | 0 | 21,000 | 13,333 | 1,000 | 0 | **14,333** |
| Martin Gauß [4] | 21,000 | 0 | 21,000 | 13,333 | 1,000 | 0 | **14,333** |
| Mirko Geiger | 28,000 | 0 | 28,000 | 40,000 | 6,000 | 7,500 | **53,500** |
| Gunther Heller [4] | 21,000 | 0 | 21,000 | 13,333 | 1,000 | 0 | **14,333** |
| Jörg Hofmann | 20,000 | 0 | 20,000 | 40,000 | 2,500 | 0 | **42,500** |
| Dr. Siegfried Jaschinski | 25,875 | 0 | 25,875 | 40,000 | 5,500 | 7,500 | **53,000** |
| Dr. Herbert Meyer | 30,875 | 0 | 30,875 | 40,000 | 5,000 | 18,000 | **63,000** |
| Dr. Gerhard Rupprecht [4] | 24,500 | 0 | 24,500 | 13,333 | 500 | 1,500 | **15,333** |
| Beate Schmitt | 25,500 | 0 | 25,500 | 40,000 | 3,500 | 3,000 | **46,500** |
| Lone Fønss Schrøder | 20,500 | 0 | 20,500 | 40,000 | 1,500 | 0 | **41,500** |
| Prof. Dr.-Ing. Günther Schuh | 20,500 | 0 | 20,500 | 40,000 | 3,000 | 0 | **43,000** |
| Dr. Klaus Sturany [5] | 11,000 | 0 | 11,000 | 0 | 0 | 0 | **0** |
| Peter Sudadse | 21,000 | 0 | 21,000 | 40,000 | 4,000 | 0 | **44,000** |
| Christoph Woesler [6] | 0 | 0 | 0 | 30,000 | 3,500 | 0 | **33,500** |
| **Total** | **383,750** | **0** | **383,750** | **643,332** | **51,500** | **53,000** | **747,832** |

[1] Fixed annual remuneration in addition to lump-sum payment of € 500 for each meeting day
[2] Chairman of the Supervisory Board
[3] Deputy Chairman of the Supervisory Board
[4] Member of the Supervisory Board until July 23, 2013
[5] Member of the Supervisory Board until August 31, 2012
[6] Member of the Supervisory Board since July 23, 2013

The members of the union and Works Council have declared that they will transfer their Supervisory Board remuneration to the Hans Böckler Foundation in accordance with the guidelines of IG Metall.

## Takeover Disclosures in Accordance with Section 289 (4) HGB

In accordance with section 289 (4) sentence 1 nos. 1 – 9 of the German Commercial Code (HGB), the management report addresses all points that could be relevant in the event of a public takeover bid for Heidelberg:

As of March 31, 2014, the **SUBSCRIBED CAPITAL** (share capital) of Heidelberger Druckmaschinen Aktiengesellschaft amounted to € 600,160,714.24 and was divided into 234,437,779 no-par-value bearer shares that are not subject to any restriction on transferability. At the reporting date, the Company held 142,919 treasury shares from which no rights arise for the Company in accordance with section 71b of the German Stock Corporation Act (AktG).

The **APPOINTMENT AND DISMISSAL OF MEMBERS OF THE MANAGEMENT BOARD** is based on sections 84 ff. AktG in conjunction with sections 30 ff. of the German Codetermination Act (MitbestG).

**AMENDMENTS TO THE ARTICLES OF ASSOCIATION** are made in accordance with the provisions of sections 179 ff. and 133 AktG in conjunction with Article 19 (2) of the Articles of Association of Heidelberger Druckmaschinen Aktiengesellschaft. In accordance with Article 19 (2) of the Articles of Association, unless otherwise stipulated by law, resolutions of the Annual General Meeting are passed with a simple majority of the votes cast and, if a capital majority is required by law in addition to a majority of votes, with a simple majority of the share capital represented in the passing of the resolution. Article 15 of the Articles of Association authorizes the Supervisory Board to make amendments and additions to the Articles of Association that affect their wording only.

Heidelberger Druckmaschinen Aktiengesellschaft may only acquire treasury shares in accordance with section 71 (1) nos. 1 – 6 AktG. With the approval of the Supervisory Board, the Management Board is authorized to use the treasury shares held at the end of the reporting period as follows, while disapplying shareholders' preemptive subscription rights:

- to sell the treasury shares if they are sold for cash and at a price that is not significantly lower than the stock market price as defined more precisely in the authorization; the volume of shares sold in this manner, together with any other shares issued with shareholders' preemptive subscription rights disapplied since July 18, 2008, may not cumulatively exceed the lesser of 10 percent of the share capital on July 18, 2008 and 10 percent of the share capital at the time the authorization is exercised;
- to offer and transfer treasury shares to third parties if companies, equity investments in companies or parts of companies are thereby acquired, or if mergers are thereby implemented;
- to end or settle mediation proceedings under company law.

This authorization may be utilized in full or in part in each case.

The Management Board also is authorized, with the approval of the Supervisory Board, to withdraw treasury shares without a further resolution by the Annual General Meeting. This authorization may be utilized in full or in part in each case.

On July 26, 2012, the Annual General Meeting authorized the Management Board to issue, with the approval of the Supervisory Board, bearer or registered warrants or convertible bonds, profit-sharing rights or participating bonds, or a combination of these instruments (collectively referred to as "bonds") up to a total nominal amount of € 150,000,000.00, dated or undated, on one or several occasions by July 25, 2017, and to grant or impose on the bearers or creditors of option warrants or option profit-sharing rights or option participating bonds option rights or obligations, or to grant or impose on the bearers or creditors of convertible bonds, convertible profit-sharing rights or convertible participating bonds conversion rights or obligations to bearer shares of the Company with a pro rata amount of share capital of up to € 119,934,433.28 in total, in accordance with the further conditions of these bonds. Shareholders' preemptive subscription rights may be disapplied in accordance with the further conditions of authorization. The share capital was contingently increased by up to € 119,934,433.28 **("CONTINGENT CAPITAL 2012")** for this purpose; details of **"CONTINGENT CAPITAL 2012"** can be found in Article 3 (3) of the Articles of Association. Due to the conversion of five debt instruments resulting from the convertible bond issued in July 2013, the share capital was increased by € 488,547.84 utilizing Contingent Capital 2012. Accordingly, the remaining available Contingent Capital 2012 now amounts to € 119,445,885.44.

The Annual General Meeting on July 26, 2012 authorized the Management Board to increase, with the approval of the Supervisory Board, the share capital of the Company by up to € 119,934,433.28 on one or several occasions against cash or non-cash contributions by July 25, 2017 **("AUTHORIZED CAPITAL 2012")**.

Shareholders' preemptive subscription rights may be disapplied in accordance with the further conditions of authorization. Details on **"AUTHORIZED CAPITAL 2012"** can be found in Article 3 (4) of the Articles of Association.

The credit facility that came into effect on April 7, 2011 and that was extended until June 2017 by way of an agreement with the banks in December 2013 contains, in the version applicable at the end of the reporting period, standard **"CHANGE OF CONTROL" CLAUSES** that grant the contracting parties additional rights to information and termination in the event of a change in the Company's control or majority ownership structure.

The terms of the high-yield bond that was placed on March 31, 2011 and issued on April 7, 2011 include a change of control clause that requires Heidelberger Druckmaschinen Aktiengesellschaft to buy back the respective debt instruments (or parts thereof) from bondholders on demand if certain conditions named in that clause materialize. In this case, the buyback price would be 101 percent of the total nominal amount of the respective debt instruments plus interest accrued but not yet paid.

The terms of the convertible bond that was placed on July 3, 2013 and issued on July 10, 2013 also include a change of control clause. If there is a change of control as described in the bond terms, the bondholders may demand early repayment within a defined period. Heidelberg would then be obliged to pay a change of control exercise price to the bondholders who demanded early repayment. This exercise price corresponds to the notional amount of the bond adjusted using a mathematical technique described in greater detail in the bond terms.

A technology licensing agreement with a manufacturer and supplier of software products also contains a change of control clause; this grants each party a right of termination with notice of 90 days if at least 50 percent of the shareholdings or voting rights of the other party are acquired by a third party.

An agreement with a manufacturer and supplier of digital production printing systems for the sale of these systems also includes a change of control clause. This clause grants each party the right to terminate the agreement with notice of three months from the time of receipt of notification 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 becomes known. A change of control under the terms of this agreement is considered to have occurred if a third party acquires at least 25 percent of the voting rights of the party concerned or the ability to influence the activities of the party concerned on a contractual basis or based on articles of association or similar provisions that grant the third party corresponding rights.

## Corporate Governance Declaration

The Corporate Governance Declaration in accordance with section 289 a HGB has been made permanently available at www.heidelberg.com under "Corporate Governance".

# Financial statements 2013/2014

# Income statement 2013/2014

| Figures in € thousands | Note | 1-Apr-2012 to 31-Mar-2013 | 1-Apr-2013 to 31-Mar-2014 |
|---|---|---|---|
| Net sales | 4 | 1,289,256 | 1,130,436 |
| Change in inventories | | – 60,844 | – 3,170 |
| Other own work capitalized | | 21,739 | 12,536 |
| **Total operating performance** | | **1,250,151** | **1,139,802** |
| Other operating income | 5 | 233,251 | 157,778 |
| Cost of materials | 6 | 592,677 | 521,671 |
| Staff costs | 7 | 556,899 | 493,766 |
| Amortization and write-downs of intangible fixed assets and depreciation and write-downs of property, plant and equipment | | 38,943 | 29,566 |
| Other operating expenses | 8 | 348,144 | 267,792 |
| **Result of operating activities** | | **– 53,261** | **– 15,215** |
| Result from financial assets | 9 | 14,646 | 22,144 |
| Other interest and similar income | 10 | 20,933 | 10,278 |
| Interest and similar expenses | 11 | 61,205 | 123,954 |
| **Financial result** | | **– 25,626** | **– 91,532** |
| **Result from ordinary activities** | | **– 78,887** | **– 106,747** |
| Taxes on income | 12 | – 2,372 | 2,616 |
| **Net loss for the year** | | **– 76,515** | **– 109,363** |
| Withdrawals from retained earnings | 19 | | |
| from other retained earnings | | 76,515 | 109,363 |
| **Net retained profits** | | **0** | **0** |

# Statement of financial position as of March 31, 2014

## Assets

| Figures in € thousands | Note | 31-Mar-2013 | 31-Mar-2014 |
|---|---|---|---|
| **Fixed assets** | 13 | | |
| Intangible assets | | 34,440 | 35,488 |
| Property, plant and equipment | | 297,546 | 296,798 |
| Financial assets | | 1,003,159 | 924,538 |
| | | 1,335,145 | 1,256,824 |
| **Current assets** | | | |
| Inventories | 14 | 409,954 | 387,854 |
| Receivables and other assets | 15 | 255,810 | 245,819 |
| Securities | 16 | 0 | 10,169 |
| Cash and cash equivalents | 17 | 28,372 | 84,547 |
| | | 694,136 | 728,389 |
| **Prepaid expenses** | 18 | 9,004 | 9,558 |
| | | **2,038,285** | **1,994,771** |

## Equity and liabilities

| Figures in € thousands | Note | 31-Mar-2013 | 31-Mar-2014 |
|---|---|---|---|
| **Equity** | 19 | | |
| Subscribed capital [1] | | 599,673 | 600,161 |
| Treasury shares | | – 366 | – 366 |
| **Issued capital** | | 599,307 | 599,795 |
| Capital reserves | | 42,350 | 43,692 |
| Retained earnings | | 130,706 | 21,343 |
| Net retained profits | | 0 | 0 |
| | | 772,363 | 664,830 |
| **Special items** | 20 | 1,283 | 712 |
| **Provisions** | | | |
| Provisions for pensions and similar obligations | 21 | 164,801 | 220,370 |
| Other provisions | 22 | 243,551 | 175,745 |
| | | 408,352 | 396,115 |
| **Liabilities** | 23 | 853,446 | 927,658 |
| **Deferred income** | | 2,841 | 5,456 |
| | | **2,038,285** | **1,994,771** |

[1] Contingent capital as of March 31, 2014 in the amount of € 119,446 thousand (previous year: € 119,934 thousand)

# Statement of changes in fixed assets

| Figures in € thousands | | | | | Cost |
| --- | --- | --- | --- | --- | --- |
| | 1-Apr-2013 | Additions | Disposals | Reclassifications | 31-Mar-2014 |
| **Intangible assets** | | | | | |
| Purchased software, rights of use and other rights | 74,223 | 4,041 | – 1,154 | 554 | 77,664 |
| Advance payments | 4,066 | 33 | 0 | – 554 | 3,545 |
| | **78,289** | **4,074** | **– 1,154** | **0** | **81,209** |
| **Property, plant and equipment** | | | | | |
| Land and buildings | 229,715 | 144 | – 11 | 1 | 229,849 |
| Technical equipment and machinery | 532,150 | 8,263 | – 19,190 | 9,178 | 530,401 |
| Other equipment, operating and office equipment | 574,576 | 19,237 | – 22,493 | 3,183 | 574,503 |
| Advance payments and assets under construction | 14,042 | 3,180 | – 27 | – 12,362 | 4,833 |
| | **1,350,483** | **30,824** | **– 41,721** | **0** | **1,339,586** |
| **Financial assets** | | | | | |
| Shares in affiliated companies | 1,904,183 | 0 | – 98,283 | 0 | 1,805,900 |
| Loans to affiliated companies | 75,580 | 12,954 | – 3,767 | 0 | 84,767 |
| Equity investments | 3,929 | 1,000 | – 1 | 0 | 4,928 |
| Securities classified as fixed assets | 2 | 0 | 0 | 0 | 2 |
| Other loans | 2,657 | 357 | – 359 | 0 | 2,655 |
| | **1,986,351** | **14,311** | **– 102,410** | **0** | **1,898,252** |
| | **3,415,123** | **49,209** | **– 145,285** | **0** | **3,319,047** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | Cumulative depreciation and amortization | | | Carrying amounts | |
| 1-Apr-2013 | Additions | Disposals | Reclassifications | Reversals | 31-Mar-2014 | 31-Mar-2013 | 31-Mar-2014 |
| | | | | | | | |
| 43,849 | 2,996 | – 1,124 | 0 | 0 | 45,721 | 30,374 | 31,943 |
| 0 | 0 | 0 | 0 | 0 | 0 | 4,066 | 3,545 |
| **43,849** | **2,996** | **– 1,124** | **0** | **0** | **45,721** | **34,440** | **35,488** |
| | | | | | | | |
| | | | | | | | |
| 152,186 | 2,828 | 0 | 0 | 0 | 155,014 | 77,529 | 74,835 |
| 434,769 | 7,562 | – 19,166 | – 549 | 0 | 422,616 | 97,381 | 107,785 |
| 465,982 | 16,180 | – 17,553 | 549 | 0 | 465,158 | 108,594 | 109,345 |
| 0 | 0 | 0 | 0 | 0 | 0 | 14,042 | 4,833 |
| **1,052,937** | **26,570** | **– 36,719** | **0** | **0** | **1,042,788** | **297,546** | **296,798** |
| | | | | | | | |
| | | | | | | | |
| 982,551 | 15,743 | – 6,598 | 0 | – 18,588 | 973,108 | 921,632 | 832,792 |
| 0 | 0 | 0 | 0 | 0 | 0 | 75,580 | 84,767 |
| 542 | 0 | 0 | 0 | 0 | 542 | 3,387 | 4,386 |
| 0 | 0 | 0 | 0 | 0 | 0 | 2 | 2 |
| 99 | 9 | – 44 | 0 | 0 | 64 | 2,558 | 2,591 |
| **983,192** | **15,752** | **– 6,642** | **0** | **– 18,588** | **973,714** | **1,003,159** | **924,538** |
| **2,079,978** | **45,318** | **– 44,485** | **0** | **– 18,588** | **2,062,223** | **1,335,145** | **1,256,824** |

# Notes to the non-consolidated financial statements 2013/2014

## 01 Preliminary remarks

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

The classification of the income statement is based on the total cost (nature of expense) method. Certain items of the income statement and the statement of financial position have been combined to improve the clarity of presentation. In these cases, a breakdown of the individual items with additional information and notes is presented below. The figures shown in the tables are presented in thousands of euros (€ thousands).

## 02 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 reporting 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 the average exchange rates for the year.

## 03 General accounting principles

The cost of acquisition also includes additional costs of acquisition that can be directly allocated. In addition to direct costs and overhead costs for materials and production, the cost of production also includes 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 noncurrent assets in previous years are retained if the reasons for their recognition still apply.

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

Property, plant and equipment is 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 the individual technical and economic useful lives. Additions during a financial year are depreciated pro rata temporis on the basis of the number of months for which they have been held. Following an analysis of the economic lives and average holding periods of assets within the Company, the useful lives of purchased software, technical equipment and machinery and operating and office equipment were reassessed with effect from April 1, 2013. This allows a more accurate presentation of the actual amortization of intangible fixed assets and depreciation of property, plant and equipment, thereby enabling an improved insight into the net assets, financial position and results of operations of the Company. In the year under review, this adjustment served to reduce the amortization of intangible fixed assets by € 1.0 million and the depreciation of property, plant and equipment by € 7.9 million.

In accordance with section 6 (2 a) of the German Income Tax Act (EStG), omnibus items are recognized for depreciable movable non-current assets with an acquisition cost of more than € 150 and up to € 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.

Under financial assets, shares in affiliated enterprises, equity investments and securities are carried at acquisition cost or, if permanently impaired, at the lower fair value. Interest-bearing loans are carried at their nominal value. Interest-free loans are discounted at net present value.

Inventories are carried at cost. The carrying amounts for all asset groups are based on the weighted average cost method. The cost of production is measured at full cost, meaning that those costs eligible for recognition as assets in accordance with section 255 (2) sentences 2 to 3 HGB were included. If lower replacement prices are applicable at the end of the reporting period, 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 are 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.

Securities classified as current assets are carried at the lower of cost and market value or fair value.

Cash and cash equivalents are carried at their nominal amount.

Tax-exempt allowances and taxable subsidies for investments are recognized as a special reserve for investment grants. 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 guaranteed under labor law. Provisions are measured on the basis of 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 joined before their 30th birthday. The option provided 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 financial years assuming a remaining term of 15 years. If the change in the discount rate results in only insignificant changes in pension obligations at the end of the year under review, the value calculated and published by Deutsche Bundesbank as of February 28 of the respective financial year is used. The discount rate thus applied is 4.85 percent (previous year: 5.02 percent).

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. 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 and 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 end of the reporting period, have concluded a partial retirement contract, or can make use of the partial retirement regulation in the future. Provisions are measured in accordance with actuarial principles using an interest rate with matching maturities of 3.27 percent (previous year: 3.65 percent) and on the basis of the 2005G mortality tables published by Prof. Dr. Heubeck. The provision includes step-up amounts and settlement obligations of the Company incurred by the end of the reporting period.

Other provisions are measured taking into account all discernible, reportable risks and uncertain liabilities. They are measured at the settlement amount that is deemed necessary based on prudent business judgment. Provisions with a remaining term of more than one year are discounted at the average market interest rate for the past seven financial 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 end of the reporting period.

The carrying amounts of contingent liabilities match the extent of liability as of the end of the reporting period.

Derivative financial instruments are used to hedge currency risks. The hedges for the receivables and liabilities recognized at the reporting date takes the form of a portfolio hedge. The effective portion of the valuation units recognized is measured using the gross hedge presentation method.

# Notes to the income statement

## 04 Net sales

| | 2012/2013 | 2013/2014 |
|---|---|---|
| Europe, Middle East and Africa | 527,357 | 431,304 |
| Asia/Pacific | 402,935 | 389,450 |
| Eastern Europe | 129,345 | 106,822 |
| North America | 123,169 | 125,511 |
| South America | 106,450 | 77,349 |
| | **1,289,256** | **1,130,436** |

€ 940 million or around 83 percent of total sales were generated outside Germany.

| | 2012/2013 | 2013/2014 |
|---|---|---|
| HD Equipment | 1,071,770 | 919,216 |
| HD Services | 217,486 | 211,220 |
| | **1,289,256** | **1,130,436** |

## 05 Other operating income

| | 2012/2013 | 2013/2014 |
|---|---|---|
| Income from currency translation | 88,771 | 53,833 |
| Income from affiliated companies | 39,640 | 47,496 |
| Increases in value of shares in affiliated companies | 49,200 | 18,588 |
| Reversal of provisions | 40,008 | 16,523 |
| Income from operating facilities | 4,237 | 4,515 |
| Income from the reversal of special reserves | | |
| for investment grants | 1,077 | 572 |
| Other income | 10,318 | 16,251 |
| | **233,251** | **157,778** |

The € 34.9 million decline in income from currency translation is offset by a € 32.5 million decrease in expenses.

Other operating income includes prior-period income of € 16.5 million from the reversal of provisions. The lower level of income from the reversal of provisions primarily relates to the reduction in the pension increase rate in provisions for pensions in the previous year (see note 21).

Increases in the value of shares in affiliated companies are discussed in note 13.

## 06 Cost of materials

| | 2012/2013 | 2013/2014 |
|---|---|---|
| Cost of raw materials, consumables and supplies, and of goods purchased and held for resale | 499,562 | 438,788 |
| Cost of purchased services | 93,115 | 82,883 |
| | **592,677** | **521,671** |

The decrease in the cost of materials is primarily due to the lower level of net sales.

## 07 Staff costs and employees

| | 2012/2013 | 2013/2014 |
|---|---|---|
| Wages and salaries | 461,780 | 403,130 |
| Social security costs and expenses for pensions and support | 95,119 | 90,636 |
| of which: for pensions | (15,685) | (16,478) |
| | **556,899** | **493,766** |

The decrease in wages and salaries is primarily attributable to the reduction in the number of employees and the lower level of expenses in connection with our Focus efficiency program, which amounted to € 6.7 million in the year under review (previous year: € 35.1 million).

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

| Average number of employees | 2012/2013 | 2013/2014 |
|---|---|---|
| Heidelberg | 1,546 | 1,448 |
| Wiesloch-Walldorf | 4,326 | 3,926 |
| Amstetten | 900 | 864 |
| Brandenburg | 544 | 511 |
| Kiel | 259 | 237 |
| Langenfeld | 64 | 58 |
| | **7,639** | **7,044** |
| Trainees | 494 | 442 |
| | 8,133 | 7,486 |

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

## 08 Other operating expenses

| | 2012/2013 | 2013/2014 |
|---|---|---|
| Expenses from currency translation | 86,741 | 54,198 |
| Expenses for other external services | 56,158 | 46,744 |
| Rental and leasing | 40,243 | 39,279 |
| Special direct selling expenses | 50,682 | 36,495 |
| Maintenance | 26,298 | 23,770 |
| Net amount from additions to and utilization of provisions, relating to several types of expense | 14,975 | 5,702 |
| Travel costs | 5,881 | 5,093 |
| Insurance expense | 5,038 | 5,077 |
| Non-manufacturing overhead costs | 2,468 | 3,865 |
| Advertising costs | 7,354 | 980 |
| Write-downs on receivables and other assets | 479 | 609 |
| Other taxes | 261 | 509 |
| Other costs | 51,566 | 45,471 |
| | **348,144** | **267,792** |

The decline in other operating expenses is primarily attributable to the € 32.5 million reduction in expenses from currency translation, although this was offset by a € 34.9 million decrease in income from currency translation.

The expenses for the drupa trade fair that were recognized in the previous year also led to a further year-on-year reduction.

## 09 Result from financial assets

| | 2012/2013 | 2013/2014 |
|---|---|---|
| **Income from investments** | | |
| Income from profit transfer agreements | 51,671 | 23,987 |
| Income from other investments | 17,851 | 31,952 |
| | **69,522** | **55,939** |
| of which: from affiliated companies | (65,857) | (52,488) |
| **Income from other securities and long-term loans** | 9,469 | 9,263 |
| of which: from affiliated companies | (9,469) | (9,263) |
| **Write-downs on financial assets and on securities classified as current assets** | – 44,917 | – 15,779 |
| **Expenses from profit transfer agreements** | – 19,428 | – 27,279 |
| of which: from affiliated companies | (– 19,428) | (– 27,279) |
| | **14,646** | **22,144** |

Income from profit transfer agreements also includes € 13.2 million (previous year: € 42.5 million) in indirect distributions from foreign Group companies to German Group companies.

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

## 10 Other interest and similar income

| | 2012/2013 | 2013/2014 |
|---|---|---|
| Other interest and similar income | 20,933 | 10,278 |
| of which: from affiliated companies | (16,728) | (9,812) |
| | **20,933** | **10,278** |

The reduction in interest and similar income is primarily due to the lower volume of loans to subsidiaries of Heidelberger Druckmaschinen Aktiengesellschaft.

## 11 Interest and similar expenses

| | 2012/2013 | 2013/2014 |
|---|---|---|
| Interest and similar expenses | 61,205 | 123,954 |
| of which: due to affiliated companies | (11,154) | (11,612) |
| of which: due to accrued interest | (48,429) | (54,034) |
| | **61,205** | **123,954** |

The increase in interest and similar expenses is largely attributable to the increase in provisions for pensions as a result of interest and the fair value measurement of plan assets for the fulfillment of pension obligations (see note 21). The early extension of the credit facility, the issue of the convertible bond and the increase in the high-interest bond also resulted in a higher level of interest expense.

## 12 Taxes on income

| | 2012/2013 | 2013/2014 |
|---|---|---|
| Taxes on income | – 2,372 | 2,616 |
| | **– 2,372** | **2,616** |

Tax expense in the year under review resulted from withholding tax.

# Notes to the statement of financial position

## 13 Fixed assets

The carrying amounts of intangible assets increased by € 1.1 million in net terms in the year under review. This was primarily due to the acquisition of software licenses and their implementation.

The carrying amounts of property, plant and equipment fell by € 0.8 million in the year under review.

Additions predominantly related to other equipment, operating and office equipment.

Write-downs of € 0.5 million were recognized on machinery and equipment in the year under review due to permanent impairment.

Financial assets declined by € 78.6 million. Additions in the amount of € 14.3 million primarily related to the extension of a long-term loan to a subsidiary in Germany. At one subsidiary, an increase in value of € 18.6 million was recognized as part of the regular review of the carrying amount of equity investments, since there was no longer any impairment. This was offset in particular by capital reductions taken directly to equity as a result of the reversal of past additions to capital reserves at three subsidiaries in the total amount of € 90.0 million, write-downs on three subsidiaries totaling € 15.7 million, and the disposal of two subsidiaries with residual carrying amounts of € 1.7 million.

## 14 Inventories

| | 31-Mar-2013 | 31-Mar-2014 |
|---|---|---|
| Raw materials and supplies | 81,475 | 69,433 |
| Work and services in progress | 226,373 | 232,058 |
| Finished goods and goods held for resale | 102,106 | 86,353 |
| Advance payments | 0 | 10 |
| | **409,954** | **387,854** |

The continuation of our net working capital program allowed us to achieve a further reduction in raw materials and supplies and finished goods and goods held for resale. Inventories also declined in connection with the lower level of net sales.

## 15 Receivables and other assets

| | 31-Mar-2013 | of which with a remaining term of more than 1 year | 31-Mar-2014 | of which with a remaining term of more than 1 year |
|---|---|---|---|---|
| Trade receivables | 42,900 | 0 | 27,871 | 0 |
| Receivables from affiliated companies | 163,014 | 0 | 142,762 | 0 |
| Receivables from other long-term investees and investors | 0 | 0 | 300 | 0 |
| Other assets | 49,896 | 207 | 74,886 | 0 |
| | **255,810** | **207** | **245,819** | **0** |

Receivables from affiliated companies include short-term loans in the amount of € 142.5 million (previous year: € 161.1 million) and trade receivables of € 0.3 million (previous year: € 1.9 million).

Other assets primarily include tax refund claims, receivables from Heidelberg Pension Trust e.V. and receivables from employees. € 10.2 million of the tax refund claims arise only after the end of the financial year (previous year: € 3.4 million).

## 16 Securities

| | 31-Mar-2013 | 31-Mar-2014 |
|---|---|---|
| Other securities | 0 | 10,169 |
| | **0** | **10,169** |

Other securities in the amount of € 10.2 million have a remaining term of less than one year. The entire amount relates to fixed-income securities.

## 17 Cash and cash equivalents

Cash and cash equivalents in the amount of € 84.5 million (previous year: € 28.4 million) primarily relate to short-term cash investments.

## 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 € 6.9 million (previous year: € 7.2 million).

## 19 Equity

| | 1-Apr-2013 | Net loss | Convertible bond issue | Capital increase (partial conversion of convertible bond) | Change in reserves | 31-Mar-2014 |
|---|---|---|---|---|---|---|
| Subscribed capital | 599,673 | 0 | 0 | 488 | 0 | 600,161 |
| Treasury shares | – 366 | 0 | 0 | 0 | 0 | – 366 |
| **Issued capital** | 599,307 | 0 | 0 | 488 | 0 | 599,795 |
| **Capital reserves** | 42,350 | 0 | 1,340 | 2 | 0 | 43,692 |
| **Retained earnings** | | | | | | |
| Other retained earnings | 130,706 | 0 | 0 | 0 | – 109,363 | 21,343 |
| | 130,706 | 0 | 0 | 0 | – 109,363 | 21,343 |
| **Net retained profits** | 0 | – 109,363 | 0 | 0 | 109,363 | 0 |
| **Equity** | **772,363** | **– 109,363** | **1,340** | **490** | **0** | **664,830** |

### Share capital/number of shares outstanding/treasury stock

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

The share capital of Heidelberger Druckmaschinen Aktiengesellschaft amounts to € 600,160,714.24 (previous year: € 599,672,166.40) and is divided into 234,437,779 (previous year: 234,246,940) shares. For information on the issue of new shares from Contingent Capital 2012 in the reporting year, please see “Contingent capital”.

As in the previous year, the Company held 142,919 treasury shares as of March 31, 2014. The amount of these shares allocated to share capital is € 366 thousand (previous year: € 366 thousand), with a notional interest in the share capital of 0.06 percent as of March 31, 2014 (previous year: 0.06 percent).

The shares were acquired in March 2007. The proportionate cost of acquisition was € 4,848 thousand, while proportionate transaction fees of € 5 thousand were incurred. The total proportionate cost of acquisition was therefore € 4,853 thousand. These shares may only be utilized to reduce the capital of Heidelberger Druckmaschinen Aktiengesellschaft or for employee share participation programs and other forms of share distribution to the employees of the Company or a subsidiary or to individuals who are or were employed by Heidelberger Druckmaschinen Aktiengesellschaft or one of its associates.

### Contingent capital

On July 26, 2012, the Annual General Meeting authorized the Management Board to issue, with the approval of the Supervisory Board, bearer or registered warrants or convertible bonds, profit-sharing rights or participating bonds, or a combination of these instruments (collectively referred to as “bonds”) up to a total nominal amount of € 150,000,000.00, dated or undated, on one or several occasions by July 25, 2017, and to grant or impose on the bearers or creditors of option warrants or option profit-sharing rights or option participating bonds option rights or obligations, or to grant or impose on the bearers or creditors of convertible bonds, convertible profit-sharing rights or convertible participating bonds conversion rights or obligations to bearer shares of the Company with a pro rata amount of share capital of up to € 119,934,433.28 in total, in accordance with the further conditions of these bonds. Shareholders' preemptive subscription rights may be disapplied in accordance with the further conditions of authorization. The share capital was contingently increased by up to € 119,934,433.28 **(CONTINGENT CAPITAL 2012)** for this purpose; details of Contingent Capital 2012 can be found in Article 3 (3) of the Articles of Association. The resolution was entered in the commercial register on August 13, 2012.

On July 10, 2013, Heidelberger Druckmaschinen Aktiengesellschaft issued an unsecured, unsubordinated convertible bond with an option for conversion into shares in Heidelberger Druckmaschinen Aktiengesellschaft. The convertible bond has an original issue volume of € 60,000,000.00, a term of four years (maturity date: July 10, 2017) and a coupon of 8.50 percent per annum, which is distributed at the end of every quarter. Due to the conversion of five partial debentures on November 18, 2013, 190,839 new shares were issued from Contingent Capital 2012. This increased the share capital of Heidelberger Druckmaschinen Aktiengesellschaft from € 599,672,166.40 to € 600,160,714.24; accordingly, the remaining available Contingent Capital 2012 now amounts to € 119,445,885.44. The original total nominal amount of the convertible bond decreased by € 500,000.00, from € 60,000,000.00 to € 59,500,000.00.

From July 30, 2014, Heidelberger Druckmaschinen Aktiengesellschaft is entitled to repay the convertible bond prematurely in full at the nominal value plus accrued interest. This requires that the share price multiplied by the applicable conversion ratio on 20 of the 30 consecutive trading days on the Frankfurt Stock Exchange before the announcement of the date of the early repayment exceeds 130 percent of the nominal value as of each of these 20 trading days.

### Authorized capital

In accordance with the resolution of the Annual General Meeting on July 26, 2012, the Management Board was authorized to increase, with the approval of the Supervisory Board, the share capital of the Company by up to € 119,934,433.28 on one or several occasions against cash or non-cash contributions by July 25, 2017 **(AUTHORIZED CAPITAL 2012)**. Shareholders' preemptive subscription rights may be disapplied in accordance with the further conditions of authorization. Details of Authorized Capital 2012 can be found in Article 3 (4) of the Articles of Association. The capital increase resolution was entered in the commercial register on August 13, 2012/August 24, 2012.

### Development of reserves and net loss for the year

The capital reserves reported in the previous year in the amount of € 42,350 thousand were originally recognized in accordance with section 272 (2) nos. 1 and 2 HGB and section 237 (5) AktG. The conversion option vested in the convertible bond (see also "Contingent capital") is recognized in capital reserves as the difference between the issue proceeds and the fair value of the liability component. In accordance with section 272 (2) no. 1 HGB, capital reserves increased by € 1,340 thousand as a result. In accordance with section 272 (2) no. 2 HGB, capital reserves increased by € 2 thousand as a result of the conversion of five partial debentures on November 18, 2013.

The net loss of € 109,363 thousand recorded by Heidelberger Druckmaschinen Aktiengesellschaft in the year under review was compensated in full by way of a withdrawal from other retained earnings.

Heidelberger Druckmaschinen Aktiengesellschaft has received the following notifications from shareholders exceeding or falling below voting right thresholds in accordance with section 21 (1) or (1a) and section 25a (1) of the German Securities Trading Act (WpHG). The list contains the most recent shareholder notifications in each case:

**1. UBS AG**

Publications in accordance with section 26 (1); voting right notification in accordance with section 25 (1) WpHG: We received the following notification in accordance with section 25 (1) WpHG on May 22, 2014: 1. Issuer: Heidelberger Druckmaschinen AG, Kurfürsten-Anlage 52 – 60, 69115 Heidelberg, Germany; 2. Notification submitted by: UBS AG, Zurich, Switzerland; 3. Threshold exceeded or fallen below: Exceeded; 4. Thresholds affected: 5 percent; 5. Date on which threshold reached: May 19, 2014; 6. Share of voting rights requiring notification: 5.0004 percent (corresponding to 11,722,836 voting rights) based on the total number of voting rights of the issuer: 234,437,779; 7. Details of share of voting rights: 7.1 Share of voting rights due to (financial/other) instruments in accordance with section 25 WpHG: 1.17 percent (corresponding to 2,736,264 voting rights), of which held indirectly: 0.00 percent (corresponding to 0 voting rights); 7.2 Share of voting rights in accordance with sections 21, 22 WpHG: 3.83 percent (corresponding to 8,986,572 voting rights); 8. Details of (financial/other) instruments in accordance with section 25 WpHG: 8.2 Exercise period: at any time.

We received the following notification in accordance with section 25a (1) WpHG on April 3, 2014: 1. Issuer: Heidelberger Druckmaschinen AG, Kurfürsten-Anlage 52 – 60, 69115 Heidelberg, Germany; 2. Notification submitted by: UBS AG, Zurich, Switzerland; 3. Threshold exceeded or fallen below: Exceeded; 4. Thresholds affected: 5 percent; 5. Date on which threshold reached: March 31, 2014; 6. Share of voting rights requiring notification: 5.27 percent (corresponding to 12,354,551 voting rights) based on the total number of voting rights of the issuer: 234,437,779; 7. Details of share of voting rights: 7.1 Share of voting rights due to (financial/other) instruments in accordance with section 25a WpHG: 0.51 percent (corresponding to 1,198,444 voting rights), of which held indirectly: 0.00 percent (corresponding to 0 voting rights); 7.2 Share of voting rights due to (financial/other) instruments in accordance with section 25 WpHG: 1.48 percent (corresponding to 3,463,133 voting rights), of which held indirectly: 0.00 percent (corresponding to 0 voting rights); 7.3 Share of voting rights in accordance with sections 21, 22 WpHG: 3.28 percent (corresponding to 7,692,974 voting rights); 8. Details of (financial/other) instruments in accordance with section 25a WpHG: ISIN or name of (financial/other) instruments: equity swaps; Maturity: not available; Expiry: June 30, 2015; April 1, 2016; November 14, 2016; July 13, 2017; February 5, 2018; July 17, 2017.

**2. Union Investment Privatfonds GmbH**

On January 7, 2014, Union Investment Privatfonds GmbH, Frankfurt am Main, Germany, submitted the following notification to us in accordance with section 21 (1) WpHG: On January 2, 2014, the share of voting rights held by Union Investment Privatfonds GmbH, Frankfurt am Main, Germany, in Heidelberger Druckmaschinen AG, Kurfürsten-Anlage 52 – 60, 69115 Heidelberg, Germany, fell below the threshold of 3 percent and amounted to 2.38 percent (5,569,628 voting rights).

**3. Source Markets plc**

On November 19, 2013, Source Markets plc, Dublin, Ireland, submitted the following notification to us in accordance with section 21 (1) WpHG: On November 13, 2013, the share of voting rights held by Source Markets plc, Dublin, Ireland, in Heidelberger Druckmaschinen AG, Kurfürsten-Anlage 52 – 60, 69115 Heidelberg, Germany, fell below the threshold of 3 percent and amounted to 0.18 percent (432,320 voting rights).

**4. RWE AG**

Correction of the voting right notification in accordance with sections 21, 22 and 24 WpHG dated August 14, 2013: On August 16, 2013, RWE Aktiengesellschaft, Essen, Germany (hereinafter referred to as “RWE”) submitted the following notification to us in accordance with sections 21, 22 and 24 WpHG: In the past, RWE had informed us that a share of the voting rights in Heidelberger Druckmaschinen Aktiengesellschaft, Heidelberg, Germany, of 4.22 percent was attributable to RWE via its subsidiary BGE Beteiligungs-Gesellschaft für Energieunternehmen mbH, Essen, Germany (hereinafter referred to as “BGE”) in accordance with section 22 (1) sentence 1 no. 1 WpHG. The share of voting rights has since decreased further. Accordingly, RWE submitted the following notification to us in accordance with sections 21 (1), 22 (1) sentence 1 no. 1 and 24 WpHG, including on behalf of its subsidiary BGE:

1. The share of voting rights held by BGE Beteiligungs-Gesellschaft für Energieunternehmen mbH, Essen, Germany (hereinafter referred to as “BGE”) in Heidelberger Druckmaschinen Aktiengesellschaft, Heidelberg, Germany (hereinafter referred to as “HDM”) fell

below the threshold of 3 percent on August 14, 2013. The share of voting rights held directly by BGE on this date in accordance with section 21 (1) WpHG amounted to 2.988 percent, corresponding to 7,000,000 voting rights.

2. All of the voting rights in HDM held by BGE are attributable to RWE Aktiengesellschaft, Essen, Germany (hereinafter referred to as "RWE") in accordance with section 22 (1) sentence 1 no. 1 WpHG. Accordingly, RWE also fell below the threshold of 3 percent of the voting rights in HDM on August 14, 2013. The share of voting rights in HDM held by RWE on this date also amounted to 2.988 percent, corresponding to 7,000,000 voting rights (allocation in accordance with section 22 (1) sentence 1 no. 1 WpHG).

**5. Morgan Stanley**

We received the following notification in accordance with section 25a (1) WpHG on July 19, 2013: 1. Issuer: Heidelberger Druckmaschinen AG, Kurfürsten-Anlage 52 – 60, 69115 Heidelberg, Germany; 2. Notification submitted by: Morgan Stanley, Wilmington, Delaware, USA; 3. Threshold exceeded or fallen below: Fallen below; 4. Thresholds affected: 5 percent; 5. Date on which threshold reached: July 16, 2013; 6. Share of voting rights requiring notification: 1.09 percent (corresponding to 2,561,189 voting rights) based on the total number of voting rights of the issuer: 234,246,940; 7. Details of share of voting rights: 7.1 Share of voting rights due to (financial/other) instruments in accordance with section 25a WpHG: 0.06 percent (corresponding to 131,776 voting rights), of which held indirectly: 0.06 percent (corresponding to 131,776 voting rights); 7.2 Share of voting rights due to (financial/other) instruments in accordance with section 25 WpHG: 1.04 percent (corresponding to 2,428,213 voting rights), of which held indirectly: 1.04 percent (corresponding to 2,428,213 voting rights); 7.3 Share of voting rights in accordance with sections 21, 22 WpHG: 0.00 percent (corresponding to 1,200 voting rights); 8. Details of (financial/other) instruments in accordance with section 25a WpHG: 8.1 Chain of controlled companies: Morgan Stanley International Holdings Inc., Morgan Stanley International Limited, Morgan Stanley Group (Europe), Morgan Stanley UK Group, Morgan Stanley & Co. International plc; 8.2 ISIN or name of (financial/other) instruments: equity swap; Maturity: Not available; Expiry: April 15, 2014.

**6. SEB Investment GmbH**

On May 6, 2013, SEB Investment GmbH, Frankfurt am Main, Germany, submitted the following notification to us in accordance with section 21 (1) WpHG: On April 30, 2013, the share of voting rights held by SEB Investment GmbH, Frankfurt am Main, Germany, in Heidelberger Druckmaschinen AG, Kurfürsten-Anlage 52 – 60, 69115 Heidelberg, Germany, fell below the thresholds of 5 percent and 3 percent and amounted to 0.43 percent (1,000,000 voting rights).

**7. Universal-Investment-Gesellschaft mit beschränkter Haftung**

On May 6, 2013, Universal-Investment-Gesellschaft mit beschränkter Haftung, Frankfurt am Main, Germany, submitted the following notification to us in accordance with section 21 (1) and 22 (1) sentence 1 no. 6 WpHG: On April 30, 2013, the share of voting rights held by Universal-Investment-Gesellschaft mit beschränkter Haftung, Frankfurt am Main, Germany, in Heidelberger Druckmaschinen AG, Kurfürsten-Anlage 52 – 60, 69115 Heidelberg, Germany, exceeded the thresholds of 3 percent and 5 percent and amounted to 8.18 percent (19,169,813 voting rights). Universal-Investment-Gesellschaft mit beschränkter Haftung also informed us that 1.27 percent of the total voting rights in Heidelberger Druckmaschinen AG (2,989,813 voting rights) were allocated to it in accordance with section 22 (1) sentence 1 no. 6 WpHG.

**8. Dimensional Fund Advisors LP**

On January 23, 2013, Dimensional Fund Advisors LP, Austin, Texas, USA, submitted the following notification to us in accordance with sections 21 (1), 22 (1) sentence 1 no. 6 in conjunction with sentence 2 WpHG: On January 17, 2013, the share of voting rights held by Dimensional Fund Advisors LP, Austin, Texas, USA, in Heidelberger Druckmaschinen AG, Kurfürsten-Anlage 52 – 60, 69115 Heidelberg, Germany, exceeded the threshold of 3 percent and amounted to 3.01 percent (7,057,336 voting rights). The aforementioned voting rights are attributable to Dimensional Fund Advisors LP in accordance with section 22 (1) sentence 1 no. 6 WpHG (2.91 percent, corresponding to 6,825,563 voting rights) and section 22 (1) sentence 1 no. 6 in conjunction with sentence 2 WpHG (0.11 percent, corresponding to 263,533 voting rights).

**9. Dimensional Holdings Inc.**

On January 23, 2013, Dimensional Holdings Inc., Austin, Texas, USA, submitted the following notification to us in accordance with sections 21 (1), 22 (1) sentence 1 no. 6 in conjunction with sentence 2 WpHG: On January 17, 2013, the share of voting rights held by Dimensional Holdings Inc., Austin, Texas, USA, in Heidelberger Druckmaschinen AG, Kurfürsten-Anlage 52–60, 69115 Heidelberg, Germany, exceeded the threshold of 3 percent and amounted to 3.01 percent (7,057,336 voting rights). The aforementioned voting rights are attributable to Dimensional Holdings Inc. in accordance with section 22 (1) sentence 1 no. 6 in conjunction with sentence 2 WpHG.

## 20 Special reserves

| | 31-Mar-2013 | 31-Mar-2014 |
|---|---|---|
| **Special reserves for investment grants for fixed assets** | | |
| Taxable subsidies | 953 | 575 |
| Tax-exempt allowances | 330 | 137 |
| | **1,283** | **712** |

Taxable subsidies are funds under the regional economic promotion program for investing at the Brandenburg production site.

Tax-exempt allowances are composed of allowances in accordance with the German Investment Allowance Act of 1999/2005/2007/2010 relating to the Brandenburg production site.

## 21 Provisions for pensions and similar obligations

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

| | |
|---|---|
| Discount factor: | 4.85% |
| Salary increase rate: | 3.00% |
| Pension increase rate: | 1.75% |
| Fluctuation: | 1.00% |

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 pension plan reinsurance policies that also qualify as plan assets. These were also measured at fair value and offset against the pension provisions.

The fair value of the offset assets was € 490.8 million as of the end of the reporting period at an acquisition cost of € 564.2 million. The settlement amount of the offset liabilities was € 707.3 million as of the end of the reporting period.

The fair value measurement of plan assets resulted in expenses of € 3.7 million in the year under review (previous year: income of € 42.7 million). Expenses due to the increase in provisions for pensions as a result of interest amounted to € 50.8 million in the year under review (previous year: € 44.9 million).

## 22 Other provisions

| | 31-Mar-2013 | 31-Mar-2014 |
|---|---|---|
| Tax provisions | 360 | 360 |
| Other provisions | | |
| Sales obligations | 34,228 | 25,829 |
| Staff obligations | 181,125 | 121,311 |
| Miscellaneous | 27,838 | 28,245 |
| | 243,191 | 175,385 |
| | **243,551** | **175,745** |

Sales obligations primarily relate to guarantees. Staff obligations mainly exist in connection with vacation and working time credit, bonuses, anniversary bonuses and partial retirement obligations, and the Focus efficiency program. The latter accounted for a total of € 41.4 million (previous year: € 101.0 million).

## 23 Liabilities

| | 31-Mar-2013 | of which with a remaining term of | | | 31-Mar-2014 | 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 | 304,000 | 0 | 0 | 304,000 | 414,500 | 0 | 414,500 | 0 |
| Amounts due to banks | 64,265 | 30,580 | 33,685 | 0 | 33,723 | 7,900 | 25,823 | 0 |
| Advance payments on orders | 5,066 | 5,066 | 0 | 0 | 8,469 | 8,469 | 0 | 0 |
| Trade payables | 26,156 | 26,156 | 0 | 0 | 36,257 | 36,257 | 0 | 0 |
| Liabilities to affiliated companies | 423,025 | 423,025 | 0 | 0 | 395,378 | 395,378 | 0 | 0 |
| Other liabilities | | | | | | | | |
| From taxes | 6,443 | 6,443 | 0 | 0 | 7,656 | 7,656 | 0 | 0 |
| For social security contributions | 2,847 | 1,508 | 813 | 526 | 1,848 | 677 | 813 | 358 |
| Miscellaneous | 21,644 | 21,644 | 0 | 0 | 29,827 | 29,827 | 0 | 0 |
| | 30,934 | 29,595 | 813 | 526 | 39,331 | 38,160 | 813 | 358 |
| | **853,446** | **514,422** | **34,498** | **304,526** | **927,658** | **486,164** | **441,136** | **358** |

Liabilities to affiliated companies include short-term loans in the amount of € 394.6 million (previous year: € 422.7 million) and trade payables of € 0.8 million (previous year: € 0.3 million).

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

On December 10, 2013, Heidelberger Druckmaschinen Aktiengesellschaft increased the high-yield bond by € 51 million to € 355 million. The increase was made at the same conditions as the issue of the high-yield bond in 2011; the issue price was 105.75 percent. On July 10, 2013, Heidelberger Druckmaschinen Aktiengesellschaft issued an unsecured, unsubordinated convertible bond with an option for conversion into shares in Heidelberger Druckmaschinen Aktiengesellschaft. This convertible bond has an original issue volume of € 60 million and is convertible into approximately 22.9 million no-par value shares. The conversion of five partial debentures on November 18, 2013 (see note 19) meant that the original total nominal amount of the convertible bond decreased by € 0.5 million, from € 60 million to € 59.5 million.

Also in connection with the refinancing agreed on March 25, 2011, a new revolving credit facility concluded with a syndicate of banks for € 500 million maturing at the end of 2014 entered into effect parallel to the high-yield bond. The financing agreements for the new credit facility contain standard financial covenants regarding the financial situation of the Heidelberg Group.

In order to adjust the originally agreed financial covenants to reflect the changes in the economic environment as part of the Focus efficiency program, an amendment to the credit terms was agreed with the syndicate banks in March 2012. Owing to Heidelberg's reduced financing requirements as a result of its successful asset management, the credit facility was also reduced by € 25 million from July 1, 2012.

The convertible bond issued on July 10, 2013 reduced the revolving credit facility to around € 416 million. The increase in the high-yield bond on December 10, 2013 reduced the credit facility to around € 340 million. In parallel with this, it was agreed that the credit facility with the existing banking syndicate would be extended ahead of schedule to mid-2017 and reduced further to around € 277 million on December 31, 2014.

Collateral in connection with the credit facility was provided by us and by certain Group companies as part of a collateral concept. The following types of collateral are attributable to Heidelberger Druckmaschinen Aktiengesellschaft:

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

The other liabilities to banks primarily related to 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 statement of financial position items intangible assets, other loans, inventories, other securities, provisions for pensions and other provisions, as well as from tax loss carryforwards at the level of the Company as the parent company. There was also tax relief resulting from temporary differences at companies included in the tax entity. Deferred tax liabilities result from temporary differences in property, plant and equipment and other liabilities. An effective tax rate of 28.28 percent was applied for corporation tax plus solidarity surcharge and trade tax in the calculation of deferred taxes.

## 25 Contingent liabilities

| | 31-Mar-2013 | 31-Mar-2014 |
|---|---|---|
| Exposure from issuance and transfer of bills of exchange | 45,257 | 31,742 |
| of which: to affiliated companies | (45,257) | (31,742) |
| Warranties, guarantees, provision of collateral for third-party liabilities | 197,433 | 165,591 |
| of which: to affiliated companies | (0) | (0) |
| | **242,690** | **197,333** |

Some of the credit facility in place as of March 31, 2014 (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 end of the reporting period of € 8.0 million are reported under contingent liabilities. In addition, there were credit lines of € 48.3 million available to the Group companies under the credit facility as of the end of the reporting period that were not utilized. As part of the collateral concept, which also forms the basis for the credit facility in place as of March 31, 2014, 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 warranties and guarantees 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. Generally speaking, 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 relating 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 are concluded with our Group companies.

Most of the transactions in the year under review were 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 are subject to market fluctuations due to their variable interest rate. 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 regularly in the form of sensitivity analyses and corresponding measures are derived from this.

The nominal volumes and fair values of foreign currency and interest rate derivatives were as follows as of the end of the reporting period:

Figures in € thousands

| | Nominal volumes | | Fair values | |
|---|---|---|---|---|
| | 31-Mar-2013 | 31-Mar-2014 | 31-Mar-2013 | 31-Mar-2014 |
| Forward exchange transactions | 817,772 | 577,398 | 5,226 | –1,423 |
| Interest rate swaps | 18,743 | 0 | 0 | 0 |

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) that use the relevant market data as input parameters for calculation at the end of the reporting period.

### Derivative financial instruments for hedging currency risks

Forward exchange transactions with a nominal volume of € 227.7 million (previous year: € 276.4 million) were concluded with external partners to hedge currency risks from the receivables and liabilities of Heidelberger Druckmaschinen Aktiengesellschaft recognized at the end of the reporting period. 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. At the end of the reporting period, the nominal volumes of net receivable positions per currency were € 10.5 million (previous year: € 27.9 million) while net liability positions amounted to € 187.1 million (previous year: € 179.8 million). In line with the gross hedge presentation method, the offsetting changes in value of both the hedged items and the hedge instrument were recognized. The foreign currency receivables and liabilities were translated at the rates as of the end of the reporting period. Forward exchange transactions are measured using the appropriate forward rates. At the end of the reporting period, other assets with a total amount of € 0.6 million (previous year: € 5.0 million) were capitalized for forward exchange transactions with positive fair values and other liabilities of € 1.3 million (previous year: € 1.7 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. At the end of the reporting period, internal currency hedges with a nominal volume of € 179.0 million (previous year: € 328.7 million) were offset by external currency options with a nominal volume of € 170.7 million (previous year: € 212.7 million). Other provisions of € 0.8 million (previous year: € 0.3 million) were recognized for anticipated losses. The recognized anticipated losses are largely 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

The interest rate swaps concluded with affiliated companies to hedge interest rates arising from floating-rate receivables and liabilities of these affiliated companies that were still recognized in the previous year were closed out in the period under review and were no longer existent at the reporting date.

## 27 Off-balance-sheet transactions/ other financial obligations

| | 2012/2013 | 2013/2014 |
|---|---|---|
| Rental and lease payments | 200,806 | 169,140 |
| of which: to affiliated companies | (87,053) | (70,471) |
| Long-term purchase commitments for raw materials, consumables and supplies | 18,335 | 15,367 |
| of which: to affiliated companies | (0) | (0) |
| Purchase commitments from capital investment orders | 10,552 | 3,204 |
| of which: to affiliated companies | (700) | (0) |
| | **229,693** | **187,711** |

Obligations from rental and lease payments contain € 146.2 million (previous year: € 175.3 million) from sale and leaseback agreements and rental payments to a subsidiary. The sale and leaseback agreements relate to the Kiel production site (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 production site (land, buildings, exterior facilities) were sold to Heidelberger Druckmaschinen Real Estate GmbH & Co. KG, a wholly owned and fully consolidated subsidiary. Future rental payments to Heidelberger Druckmaschinen Real Estate GmbH & Co. KG in the amount of € 70.5 million over the basic term of the lease are offset in the amount of the net profit generated by this company.

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

# Additional 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 (AktG) and made it permanently accessible to shareholders in the "Investor Relations" section of our Web site (www.heidelberg.com) under "Corporate Governance". Previous declarations of compliance are also permanently available at this address.

## 29 Executive bodies of the Company

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

The basic features of the remuneration system and the amounts paid to the members of the Management Board and the Supervisory Board are presented in the management report.

The total cash remuneration (= total remuneration) of the Management Board for the year under review including remuneration in kind amounted to € 4,634 thousand (previous year: € 4,039 thousand), including variable single-year remuneration of € 1,434 thousand (previous year: € 1,460 thousand) and variable multi-year remuneration of € 1,494 thousand (previous year: € 948 thousand).

As in the previous year, members of the Management Board held no stock options at the end of the reporting period.

The total cash remuneration (= total remuneration) for former members of the Management Board and their surviving dependents amounted to € 5,224 thousand (previous year: € 3,810 thousand); this includes € 899 thousand (previous year: € 882 thousand) in obligations to former members of the Management Board of Linotype-Hell Aktiengesellschaft and their surviving dependents, which were assumed in the 1997/1998 financial year under the provisions of universal succession, and the payments of € 1,543 thousand to Marcel Kiessling in the year under review in connection with his departure.

Provisions of € 44,923 thousand (previous year: € 43,270 thousand) have been recognized for pension obligations to former members of the Management Board and their surviving dependents. Of this figure, € 8,365 thousand (previous year: € 8,305 thousand) relates to the pension obligations of the former Linotype-Hell Aktiengesellschaft, which were assumed 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 at the end of the reporting period.

No loans or advances were made to members of the Company's Management Board or Supervisory Board in the reporting period.

The Heidelberg Group has not entered into any contingent liabilities for the members of the Management Board or the Supervisory Board.

For the year under review, the members of the Supervisory Board were granted fixed annual remuneration plus an attendance fee of € 500 per meeting day and remuneration for sitting on the Management Committee, the Audit Committee and the Committee on Arranging Personnel Matters totaling € 748 thousand (previous year: fixed annual remuneration plus a flat-rate reimbursement of € 500 per meeting day: € 384 thousand); these payments do not include value added tax.

## 30 Auditor's fees

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

## 31 List of shareholdings

The full list of shareholdings of Heidelberger Druckmaschinen Aktiengesellschaft in accordance with section 285 no. 11 HGB, which forms part of the notes to the annual financial statements, is included as an annex (see pages 52 to 55).

Heidelberg, May 26, 2014

**HEIDELBERGER DRUCKMASCHINEN AKTIENGESELLSCHAFT**
The Management Board

Dr. Gerold Linzbach    Dirk Kaliebe

Stephan Plenz    Harald Weimer

## 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 26, 2014

**HEIDELBERGER DRUCKMASCHINEN AKTIENGESELLSCHAFT**
The Management Board

Dr. Gerold Linzbach

Dirk Kaliebe

Stephan Plenz

Harald Weimer

## Auditor's report

We have audited the annual financial statements, comprising the statement of financial position, the income statement, and the notes to the annual financial statements together with the bookkeeping system, and the management report of Heidelberger Druckmaschinen Aktiengesellschaft, Heidelberg, for the financial year from April 1, 2013 to March 31, 2014. 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 the 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 an accurate view of the Company's position and accurately presents the opportunities and risks of future development.

Mannheim, May 27, 2014

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Martin Theben | ppa. Stefan Sigmann |
| Wirtschaftsprüfer | Wirtschaftsprüfer |
| (German Public Auditor) | (German Public Auditor) |

# List of shareholdings

List of shareholdings in accordance with section 285 no. 11 of the German Commercial Code
(part of the notes to the non-consolidated financial statements)
(Figures in € thousands)

| Name | Country/Domicile | | Shareholding in percent | Equity | Result after taxes |
|---|---|---|---|---|---|
| **Affiliated companies included in the consolidated financial statements** | | | | | |
| **Germany** | | | | | |
| Gallus Druckmaschinen GmbH | D | Langgöns-Oberkleen | 100[1)] | 2,946 | 675 |
| Gallus Stanz- und Druckmaschinen GmbH | D | Weiden | 100[2)] | 943 | – 3,668 |
| Heidelberg Boxmeer Beteiligungs-GmbH[3)] | D | Heidelberg | 100 | 127,091 | 371 |
| Heidelberg China-Holding GmbH[3)] | D | Heidelberg | 100 | 58,430 | 11,115 |
| Heidelberg Consumables Holding GmbH[3)] | D | Heidelberg | 100 | 20,025 | – 4,452 |
| Heidelberg Postpress Deutschland GmbH[3)] | D | Heidelberg | 100 | 25,887 | – 20,730 |
| Heidelberger Druckmaschinen Real Estate GmbH & Co. KG | D | Walldorf | 100 | 116,310 | 6,286 |
| Heidelberger Druckmaschinen Vermögensverwaltungsgesellschaft mbH | D | Walldorf | 100 | 25 | 4 |
| Heidelberger Druckmaschinen Vertrieb Deutschland GmbH[3)] | D | Heidelberg | 100 | 54,901 | 10,247 |
| Heidelberg Print Finance International GmbH[3)] | D | Heidelberg | 100 | 34,849 | 2,254 |
| Saphira Handelsgesellschaft mbH | D | Waiblingen | 100 | 173 | – 1,353 |
| **Outside Germany[4)]** | | | | | |
| Baumfolder Corporation | USA | Sidney, Ohio | 100 | 2,580 | – 610 |
| Europe Graphic Machinery Far East Ltd. | PRC | Hong Kong | 100 | 246 | – 352 |
| Gallus Ferd. Rüesch AG | CH | St. Gallen | 100[1)] | –[5)] | –[5)] |
| Gallus Holding AG | CH | St. Gallen | 30 | –[5)] | –[5)] |
| Gallus Inc. | USA | Philadelphia, Pennsylvania | 100[2)] | –[5)] | –[5)] |
| Heidelberg Americas, Inc. | USA | Kennesaw, Georgia | 100 | 98,245 | – 3,802 |
| Heidelberg Asia Pte. Ltd. | SGP | Singapore | 100 | 10,235 | 649 |
| Heidelberg Baltic Finland OÜ | EST | Tallinn | 100 | 7,180 | 769 |
| Heidelberg Boxmeer B.V. | NL | Boxmeer | 100 | 38,409 | 2,624 |
| Heidelberg Canada Graphic Equipment Ltd. | CDN | Mississauga | 100 | 6,460 | 690 |
| Heidelberg China Ltd. | PRC | Hong Kong | 100 | 11,487 | 3,918 |
| Heidelberg do Brasil Sistemas Graficos e Servicos Ltda. | BR | São Paulo | 100 | 4,096 | – 5,160 |
| Heidelberg France S.A.S. | F | Tremblay-en-France | 100 | 6,023 | – 249 |
| Heidelberg Grafik Ticaret Servis Limited Sirketi | TR | Istanbul | 100 | 4,778 | 18 |
| Heidelberg Graphic Equipment (Shanghai) Co. Ltd. | PRC | Shanghai | 100 | 88,008 | 19,560 |

| Name | Country / Domicile | | Shareholding in percent | Equity | Result after taxes |
|---|---|---|---|---|---|
| Heidelberg Graphic Equipment Ltd. – Heidelberg Australia – | AUS | Notting Hill, Melbourne | 100 | 23,095 | 17,601 |
| Heidelberg Graphic Equipment Ltd. – Heidelberg New Zealand – | NZ | Auckland | 100 | 4,246 | 586 |
| Heidelberg Graphic Equipment Ltd. – Heidelberg UK – | GB | Brentford | 100 | 12,119 | 3,651 |
| Heidelberg Graphic Systems Southern Africa (Pty) Ltd. | ZA | Johannesburg | 100 | 2,112 | 332 |
| Heidelberg Graphics (Beijing) Co. Ltd. | PRC | Beijing | 100 | 1,170 | 773 |
| Heidelberg Graphics (Thailand) Ltd. | TH | Bangkok | 100 | 7,031 | 1,603 |
| Heidelberg Graphics (Tianjin) Co. Ltd. | PRC | Tianjin | 100 | 13,676 | 14,169 |
| Heidelberg Graphics Taiwan Ltd. | TWN | Wu Ku Hsiang | 100 | 4,873 | 427 |
| Heidelberg Group Trustees Ltd. | GB | Brentford | 100 | 0 | 0 |
| Heidelberg Hong Kong Ltd. | PRC | Hong Kong | 100 | 13,082 | 1,587 |
| Heidelberg India Private Ltd. | IN | Chennai | 100 | 5,572 | 533 |
| Heidelberg International Finance B.V. | NL | Boxmeer | 100 | 46 | – 1 |
| Heidelberg International Ltd. A/S | DK | Ballerup | 100 | 44,353 | 7,809 |
| Heidelberg International Trading (Shanghai) Co. Ltd. | PRC | Shanghai | 100 | 651 | 596 |
| Heidelberg Japan K.K. | J | Tokyo | 100 | 27,408 | 6,169 |
| Heidelberg Korea Ltd. | ROK | Seoul | 100 | 3,320 | 1,301 |
| Heidelberg Magyarország Kft. | HU | Budakalász | 100 | 6,899 | 540 |
| Heidelberg Malaysia Sdn Bhd | MYS | Petaling Jaya | 100 | – 728 | – 419 |
| Heidelberg Mexico Services, S. de R.L. de C.V. | MEX | Mexico City | 100 | 1,581 | 120 |
| Heidelberg Mexico, S. de R.L. de C.V. | MEX | Mexico City | 100 | 9,951 | 1,661 |
| Heidelberg Philippines, Inc. | PH | Makati City | 100 | 4,795 | 713 |
| Heidelberg Polska Sp z.o.o. | PL | Warsaw | 100 | 10,645 | 1,700 |
| Heidelberg Praha spol s.r.o. | CZ | Prague | 100 | 2,039 | 361 |
| Heidelberg Print Finance Australia Pty Ltd. | AUS | Notting Hill, Melbourne | 100 | 25,773 | 931 |
| Heidelberg Print Finance Korea Ltd. | ROK | Seoul | 100 | 15,542 | 324 |
| Heidelberg Print Finance Osteuropa Finanzierungsvermittlung GmbH [6] | A | Vienna | 100 | 11,961 | 225 |
| Heidelberg Schweiz AG | CH | Bern | 100 | 12,126 | 4,331 |
| Heidelberg Shenzhen Ltd. | PRC | Shenzhen | 100 | 6,311 | 1,065 |
| Heidelberg Slovensko s.r.o. | SK | Bratislava | 100 | 2,029 | 264 |

| Name | Country/Domicile | | Shareholding in percent | Equity | Result after taxes |
|---|---|---|---|---|---|
| Heidelberg Sverige AB | S | Solna | 100 | 7,240 | 1,309 |
| Heidelberg USA, Inc. | USA | Kennesaw, Georgia | 100 | 132,831 | 18,377 |
| Heidelberger CIS OOO | RUS | Moscow | 100 | – 3,684 | – 686 |
| Heidelberger Druckmaschinen Austria Vertriebs-GmbH | A | Vienna | 100 | 23,557 | 7,948 |
| Heidelberger Druckmaschinen Osteuropa Vertriebs-GmbH [6] | A | Vienna | 100 | 7,750 | 7,023 |
| Heidelberger Druckmaschinen WEB-Solution CEE Ges.m.b.H | A | Vienna | 100 | 2,046 | – 20 |
| Hi-Tech Coatings International B.V. | NL | Zwaag | 100 | 9,882 | 636 |
| Hi-Tech Coatings International Limited | GB | Aylesbury, Bucks | 100 | 8,682 | 534 |
| Linotype-Hell Ltd. | GB | Brentford | 100 | 4,140 | 0 |
| Modern Printing Equipment Ltd. | PRC | Hong Kong | 100 | 2,880 | – 402 |
| MTC Co., Ltd. | J | Tokyo | 99.99 | 7,294 | – 7 |
| P.T. Heidelberg Indonesia | ID | Jakarta | 100 | 6,151 | 1,966 |
| **Affiliated companies not included in the consolidated financial statements due to minor significance for the net assets, financial position and results of operations** | | | | | |
| **Germany** | | | | | |
| D. Stempel AG i.A. [7] | D | Heidelberg | 99.23 | 95 | – 42 |
| Heidelberg Catering Services GmbH [3] | D | Wiesloch | 100 | 386 | – 1,915 |
| Heidelberg Direkt Vertriebs GmbH [7] | D | Heidelberg | 100 | 342 | 9 |
| Menschick Trockensysteme GmbH | D | Renningen | 100 [8] | 397 | 54 |
| Kurpfalz Asset Management GmbH [3] | D | Heidelberg | 100 | 26 | 1 |
| Sporthotel Heidelberger Druckmaschinen GmbH [3] | D | Heidelberg | 100 | 26 | – 258 |
| **Outside Germany** [4] | | | | | |
| Cerm Benelux NV | BE | Oostkamp | 100 | 1,052 | 71 |
| Gallus Ferd. Rüesch (Shanghai) Co. Ltd. | PRC | Shenzhen | 100 [8] | 180 | – 63 |
| Gallus Printing Machinery Corp. | USA | Philadelphia, Pennsylvania | 100 [8] | – 1,025 | – 225 |
| Gallus Australia Pty Ltd. | AUS | Bayswater | 100 [8] | 136 | 39 |
| Gallus India Private Limited | IN | Mumbai | 100 [8] | 224 | 94 |

| Name | Country/Domicile | | Shareholding in percent | Equity | Result after taxes |
|---|---|---|---|---|---|
| Gallus Mexico S. de R.L. de C.V. | MEX | Mexico City | 100[8] | –[9] | –[9] |
| Gallus Scandinavia A/S | DK | Glostrup | 100[8] | – 686 | – 140 |
| Gallus South East Asia Pte. Ltd. | SGP | Singapore | 100[8] | – 294 | – 413 |
| Gallus-Group UK Ltd. | GB | Royston | 100[8] | 445 | 102 |
| Heidelberg Asia Procurement Centre Sdn Bhd | MYS | Petaling Jaya | 100 | 99 | – 59 |
| Heidelberg Graphic Systems Ltd. | CY | Nicosia | 99.90 | 0 | 10 |
| Heidelberg Lebanon | LB | Beirut | 99.96 | 360 | – 537 |
| Heidelberg Postpress Slovensko spol. s.r.o. | SK | Nové Mesto nad Váhom | 100 | 5,335 | 738 |
| Heidelberg Used Equipment Ltd. [7] | GB | Brentford | 100 | 591 | 40 |
| Heidelberger Druckmaschinen Ukraina Ltd. | UA | Kiev | 100 | – 1,292 | – 685 |
| Inline Cutting L.L.C. | USA | Hartland, Wisconsin | 100[8] | – 1,252 | 0 |
| **Associated companies not accounted for using the equity method due to minor significance for the net assets, financial position and results of operations** | | | | | |
| **Germany** | | | | | |
| Neo7even GmbH | D | Siegen | 49 | 1,671 | – 320 |
| **Outside Germany** [4] | | | | | |
| Heidelberg Middle East FZ Co. | AE | Dubai | 50 | 543 | 0 |
| Print Media Academy Ceska Republika a.s. | CZ | Pardubice | 24 | 31 | 6 |
| **Other shareholdings (> 5 %)** | | | | | |
| **Germany** | | | | | |
| SABAL GmbH & Co. Objekt FEZ Heidelberg KG | D | Munich | 99.90 | – 4,390 | – 503 |

1) Indirect investment via Gallus Holding AG
2) Indirect investment via Gallus Ferd. Rüesch AG
3) Prior to profit and loss transfer
4) Disclosures for companies outside Germany in accordance with IFRS
5) Exemption in accordance with section 286 (2) sentence 3 of the German Commercial Code (HGB)
6) Prior to profit and loss transfer and capital measures
7) Prior-year figures; latest financial statements not yet available
8) Indirect investment (Gallus Group)
9) Newly formed company; financial statements not yet available

## The Supervisory Board*

**Robert J. Koehler**
Former Chairman of the Management Board of SGL Carbon SE, Wiesbaden
Chairman of the Supervisory Board
a) Klöckner & Co. SE
LANXESS AG
b) Benteler International AG, Austria (Chairman)
Freudenberg SE

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

**Edwin Eichler**
Independent business consultant, Eichler M+B Consulting, Weggis/Switzerland and Chief Executive Officer of SAPINDA Holding B. V., Amsterdam/the Netherlands
a) SGL Carbon SE
SMS Holding GmbH
b) Hoberg & Driesch GmbH & Co. KG (Advisory Board)
Member of the Board of Trustees at Dortmund Technical University
Fr. Lürssen Werft GmbH & Co. KG (Advisory Board)
Schmolz & Bickenbach AG, Switzerland (Chairman of the Administration Board)

**Wolfgang Flörchinger****
until July 23, 2013***
Member of the Works Council, Heidelberg/Wiesloch-Walldorf

**Martin Gauß****
until July 23, 2013***
Chairman of the Speakers Committee for the Executive Staff, Heidelberg

**Mirko Geiger****
First Senior Representative of IG Metall, Heidelberg
a) ABB AG

**Gunther Heller****
until July 23, 2013***
Chairman of the Works Council, Amstetten

**Jörg Hofmann****
Deputy Chairman of IG Metall, Frankfurt am Main
a) Daimler AG
Robert Bosch GmbH

* At the end of December 2012, the Management Board of Heidelberger Druckmaschinen Aktiengesellschaft initiated status proceedings in accordance with section 97 of the German Stock Corporation Act (AktG) by way of a corresponding announcement that the number of members of the Supervisory Board of the Company was no longer consistent with the provisions of the German Codetermination Act. According to this statement, the number of employees at the German sites of the Company has been permanently less than the threshold of 10,001 since December 2012. Since the end of the Annual General Meeting in July 2013, the Supervisory Board has consisted of 12 members (previously 16).

**Dr. Siegfried Jaschinski**
Partner of, MainFirst Bank AG, Frankfurt am Main
b) MainFirst Holding AG, Switzerland (Member of the Administration Board)

**Dr. Herbert Meyer**
Independent business consultant, Königstein/Taunus, and member of the Auditor Oversight Commission (AOC), Berlin
a) HT Troplast GmbH
MainFirst Bank AG
b) Verlag Europa Lehrmittel GmbH (Member of the Advisory Board)
MainFirst Holding AG, Switzerland

**Dr. Gerhard Rupprecht**
until July 23, 2013 ***
Member of various Supervisory Boards, Gerlingen
a) Fresenius Management SE
Fresenius SE & Co. KGaA
Euler Hermes Deutschland AG
b) Allianz France SA, France

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

**Lone Fønss Schrøder**
Non-executive member of the managing bodies of German and foreign companies, Hornbaek/Denmark
a) Bilfinger SE
b) AKER Solutions ASA, Lysaker/Norway (Member of the Board of Directors)
NKT Holding AS, Brøndby/Denmark (Member of the Board of Directors)
Svenska Handelsbanken AB, Stockholm/Sweden (Member of the Board of Directors)
Volvo Personvagnar AB, Gothenburg/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) Zwiesel Kristallglas AG
KEX Knowledge Exchange AG (Chairman)
b) Gallus Holding AG, Switzerland (Member of the Administration Board)
Brose Fahrzeugteile GmbH & Co. KG (Member of the Advisory Board)

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

**Christoph Woesler** **
since July 23, 2013
Head of Procurement, Electrics and Electronics, Chairman of the Speakers Committee for the Executive Staff, Wiesloch-Walldorf

** 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

# Committees of the Supervisory Board

### MANAGEMENT COMMITTEE

**Robert J. Koehler** (Chairman)
**Rainer Wagner**
**Martin Gauß**
until July 23, 2013
**Mirko Geiger**
**Dr. Gerhard Rupprecht**
until July 23, 2013
**Lone Fønss Schrøder**
since July 23, 2013
**Prof. Dr.-Ing. Günther Schuh**
**Peter Sudadse**
since July 23, 2013

### MEDIATION COMMITTEE IN ACCORDANCE WITH SECTION 27 (3) OF THE GERMAN CODETERMINATION ACT

**Robert J. Koehler**
**Rainer Wagner**
**Wolfgang Flörchinger**
until July 23, 2013
**Dr. Herbert Meyer**
since July 23, 2013
**Dr. Gerhard Rupprecht**
until July 23, 2013
**Peter Sudadse**
since July 23, 2013

### COMMITTEE ON ARRANGING PERSONNEL MATTERS OF THE MANAGEMENT BOARD

**Robert J. Koehler** (Chairman)
**Rainer Wagner**
**Dr. Gerhard Rupprecht**
until July 23, 2013
**Beate Schmitt**
**Prof. Günther Schuh**
since July 23, 2013

### AUDIT COMMITTEE

**Dr. Herbert Meyer** (Chairman)
**Dr. Siegfried Jaschinski**
**Mirko Geiger**
**Rainer Wagner**

### NOMINATION COMMITTEE

**Robert J. Koehler** (Chairman)
**Edwin Eichler**
since July 23, 2013
**Dr. Gerhard Rupprecht**
until July 23, 2013
**Lone Fønss Schrøder**
since July 23, 2013

### STRATEGY COMMITTEE

**Robert J. Koehler** (Chairman)
**Rainer Wagner**
**Edwin Eichler**
**Mirko Geiger**
**Dr. Siegfried Jaschinski**
**Dr. Herbert Meyer**
**Dr. Gerhard Rupprecht**
until July 23, 2013
**Lone Fønss Schrøder**
**Prof. Dr.-Ing. Günther Schuh**

# The Management Board

**Dr. Gerold Linzbach**
Frankfurt am Main
Chief Executive Officer and Chief Human Resources Officer
** Heidelberg Americas, Inc., USA
(Chairman of the Board of Directors)
Heidelberg USA, Inc., USA
(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
** Gallus Holding Aktiengesellschaft, Switzerland (Member of the Administration Board)
Heidelberg Americas, Inc., USA
Heidelberg Graphic Equipment Ltd.
Heidelberg Australia, Australia
Heidelberg Graphic Equipment Ltd., UK
Heidelberg USA, Inc., USA

**Marcel Kiessling**
until March 31, 2014
Heidelberg
Head of the Heidelberg Services Segment
* Heidelberger Druckmaschinen Vertrieb Deutschland GmbH (Chairman)
** Heidelberger Druckmaschinen Austria Vertriebs-GmbH
(Member of the Advisory Board)
Heidelberger Druckmaschinen Osteuropa Vertriebs-GmbH
(Member of the Advisory Board)
Heidelberg Graphic Equipment Ltd.
Heidelberg Australia, Australia
Heidelberg Japan K.K., Japan

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

**Harald Weimer**
since April 1, 2014
Heidelberg
Head of the Heidelberg Services Segment
* Heidelberger Druckmaschinen Vertrieb Deutschland GmbH (Chairman)
** Heidelberger Druckmaschinen Austria Vertriebs-GmbH
(Member of the Advisory Board)
Heidelberger Druckmaschinen Osteuropa Vertriebs-GmbH
(Member of the Advisory Board)
Heidelberg Graphic Equipment Ltd.
Heidelberg Australia, Australia
Heidelberg Japan K.K., Japan

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

# Glossary

### 4D printing
Heidelberg defines "4D printing" as the inkjet-based individual printing on three-dimensional objects.

## A

### Anicolor
Heidelberg presented its Anicolor inking unit technology for the first time at the 2006 IPEX trade show. With Anicolor, hardly any start-up sheets are required, thereby reducing start-up spoilage by up to 90 percent. Since no color-zone adjustments are required, set-up times are reduced by up to 40 percent, and the capacity of the printing press is increased by up to 25 percent.

### Asset management
Operating assets and liabilities are optimized in order to reduce and more efficiently utilize tied-up capital. This serves to improve free cash flow and value added.

## B

### BSC (balanced scorecard)
The balanced scorecard system is an approach to business management that aligns the organization towards strategic goals from various perspectives: monetary goals, goals relating to the customer, goals relating to employees, and processes.

### Business areas (BA)
Heidelberg's business units within its segment structure. Each business area formulates plans for how best to leverage the potential offered by its respective submarkets.

## C

### Carbon footprint
A measure of the total amount of carbon dioxide ($CO_2$) emitted directly or indirectly as a result of an activity or in the production and/or life stages of a product.

### CMYK (cyan, magenta, yellow, black)
The color model usually employed in printing technology which uses the primary colors cyan, magenta and yellow. The fourth "color", black, is used to ensure a visually satisfying black tone.

### Commercial printing
Printed products that do not appear regularly. These products include a diversity of font types and sizes as well as printing stocks – for example, brochures or catalogs.

### Compliance
Conformity to regulations. A term describing adherence to laws and guidelines in companies.

### Consumables
With Saphira, Heidelberg offers a wide range of consumables covering all needs from prepress to press and postpress, including printing plates, inks and coatings, blankets and rollers, chemicals and wearing parts.

### Convertible bond
A type of security issued by a company, generally with a nominal interest rate, granting the bearer the right to exchange it for shares at a predefined ratio during the conversion period.

### Corporate governance
System by which corporations are directed and controlled. The governance structure specifies the distribution of rights and responsibilities in the corporation and specifies national and international rules and procedures for making decisions in corporate affairs.

### CRM (customer relationship management)
Means for communicating throughout the customer process; particularly relevant for marketing as well as sales and services, e.g. software specifically tailored to customer relationship management is called a CRM system.

## D

### Digital print
A group of printing processes in which the image to be printed is transferred directly from a computer to a printing press without the use of a static printing plate. Most digital print systems are either toner-based or use liquid ink ("inkjet printing").

## F

### Financial covenants
Contractually binding assurances by a borrower or bond debtor during the term of a loan.

### Flexo printing
A relief printing process using elastic, polymer printing plates and inks with very low viscosity. Flexo(graphic) printing is used especially in the printing of packaging and multicolor labels.

### Free float
For a stock corporation, the free float is the total number of shares available for trading on the stock exchange. In the ideal case, 100 percent of a stock corporation's shares are exchange-traded. Where less than 100 percent of the shares are exchange-traded, the non-traded shares are held by major shareholders as "blocks" of shares.

## I

### Inkjet process
A printing process in which the printing colors – mostly inks – are applied to the surface to be printed on in the form of very small drops from nozzles.

## K

### KPI (key performance indicator)
Key indicators that measure the extent to which important goals or critical factors for success within the Company have been met.

## M

### Makeready time
The time required to prepare a machine for a specific work process. During makeready times, machines cannot be used for production purposes, and investments do not yield a return.

### Multi-channel publishing
The cross-media, cross-platform publication of content, often including multimedia. The initial data is prepared in such a way as to be usable across different applications and devices without requiring further processing.

## O

### OEM (original equipment manufacturer)
An OEM is a buyer of hardware components (hardware) produced by another hardware manufacturer (supplier). The OEM installs these hardware components in its products and sells them under its own name.

## P

### Postpress
Processes or operations performed on a printed product after the print run itself. Depending on the type of product, these processes can include folding, collating or trimming of the printed sheets, as well as binding or bundling/packing.

### Prepress
All the steps required to prepare the printing plate for the actual printing process, including the provision of text, graphic elements, images and design.

### Prinect
With its Prinect workflow software, Heidelberg provides the most complete software offering in the print media industry. Customers thereby attain the greatest possible production security in color management with color measuring devices as well as closely coordinated measurement fields and seamless integration within the workflow.

## Q

### QR code
QR codes (quick response) are basically small data memories that can store up to half a DIN A4 page of text. They can be used to code and transmit texts, links or program lines.

## R

### Remote services technology
Internet-based service platform which, among other things, makes it possible to analyze and inspect printing presses via a data link – without the need for customers to interrupt their production.

## S

### Sheetfed offset printing
Offset printing is based on the principle that oil and water repel each other. The printing and non-printing areas are at nearly the same level. As the name indicates, the sheetfed offset process prints individual sheets as opposed to web offset printing, which prints paper rolls.

### Spoilage
Damaged or defective printed matter. Spoilage occurs during the makeready process and the production run – for example, due to defective ink feeds and color registers or contamination – as well as during the finishing process.

## W

### Web-to-print
More and more print shops are acquiring customers via the Internet – even copies are being produced online with ever-greater frequency. As a result, production-related processes in print shops are changing on the one hand, while expectations of print shops' service and logistics offerings are rising on the other.

# Financial calendar 2014/2015

| | |
|---|---|
| **June 11, 2014** | ➡ Press Conference, Annual Analysts' and Investors' Conference |
| **July 24, 2014** | ➡ Annual General Meeting |
| **August 13, 2014** | ➡ Publication of First Quarter Figures 2014/2015 |
| **November 12, 2014** | ➡ Publication of Half-Year Figures 2014/2015 |
| **February 4, 2015** | ➡ Publication of Third Quarter Figures 2014/2015 |
| **June 10, 2015** | ➡ Press Conference, Annual Analysts' and Investors' Conference |
| **July 24, 2015** | ➡ Annual General Meeting |

Subject to change

# Publishing information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