Annual Report
2014 / 2015

Now!

HEIDELBERG

Two-year overview – Heidelberg Group

Figures in € millions	2013/2014	**2014/2015**
Incoming orders	2,436	2,434
Net sales	2,434	2,334
EBITDA [1]	143	188
in percent of sales	5.9	8.1
Result of operating activities [2]	72	119
Net result after taxes	4	–72
in percent of sales	0.1	–3.1
Research and development costs	117	121
Investments	52	59
Equity	359	183
Net debt [3]	238	256
Free cash flow	22	–17
Earnings per share in €	0.02	–0.29
Number of employees at financial year-end [4]	12,539	11,951

[1] Result of operating activities before interest and taxes and before depreciation and amortization, excluding special items
[2] Excluding special items
[3] Net total of financial liabilities and cash and cash equivalents
[4] Number of employees excluding trainees

In individual cases, rounding could result in discrepancies concerning the totals and percentages contained in this annual report.

Contents

We are on the **right track.**

Even long journeys begin with a first step. With this in mind, until 2013/2014 we defined clear targets and measures aimed at achieving sustainable profitability and growth.

- A general increase in efficiency
- Extensive portfolio analysis
- Understanding of customers' actual requirements
- Decision on the future portfolio
- Clear definition of corporate objectives
- Focus on improving margins in all areas

As a result of this, we achieved a black zero in financial year 2013/2014 for the first time in five years.


Black zero achieved
Optimization of working capital
Portfolio analysis
Business area organization initiated
Focus 2012 efficiency program implemented

This year, we **restructured our portfolio.**

We have consistently realigned our portfolio towards those market segments that will continue to be attractive to customers and profitable for us in the future. In this way, we will build on our leading position as one of the most reliable partners in the printing industry.

This also includes the realignment of still unprofitable business areas, the development of innovative business models as well as cooperations with new, strong partners.

Growth strategy for services and other areas, partly through the acquisition of PSG and BluePrint

Realignment of business areas with little or no income

Realignment of sheetfed offset printing in line with future market trends

Expansion of digital business: Cooperations with Fujifilm and Ricoh

AND THERE'S MORE TO COME:

We will continue to optimize our financial framework and our balanced financing structure with regard to financing sources and maturity profiles.

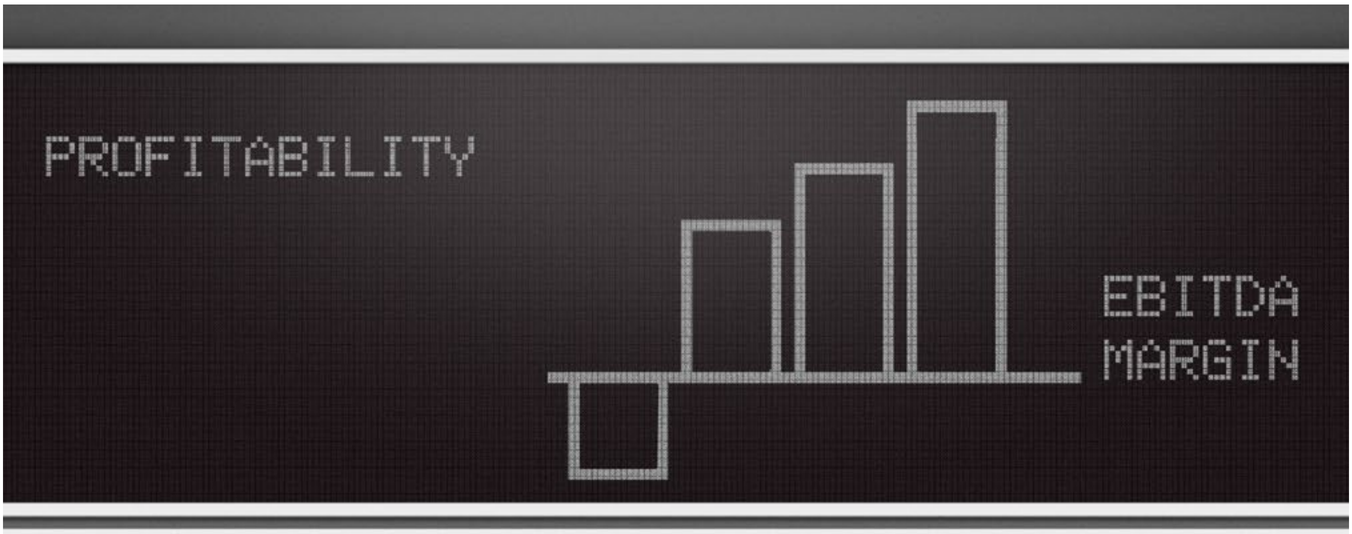
The days of contraction are over: We are growing by focusing consistently on customers' requirements, e.g. in the digital and service areas.

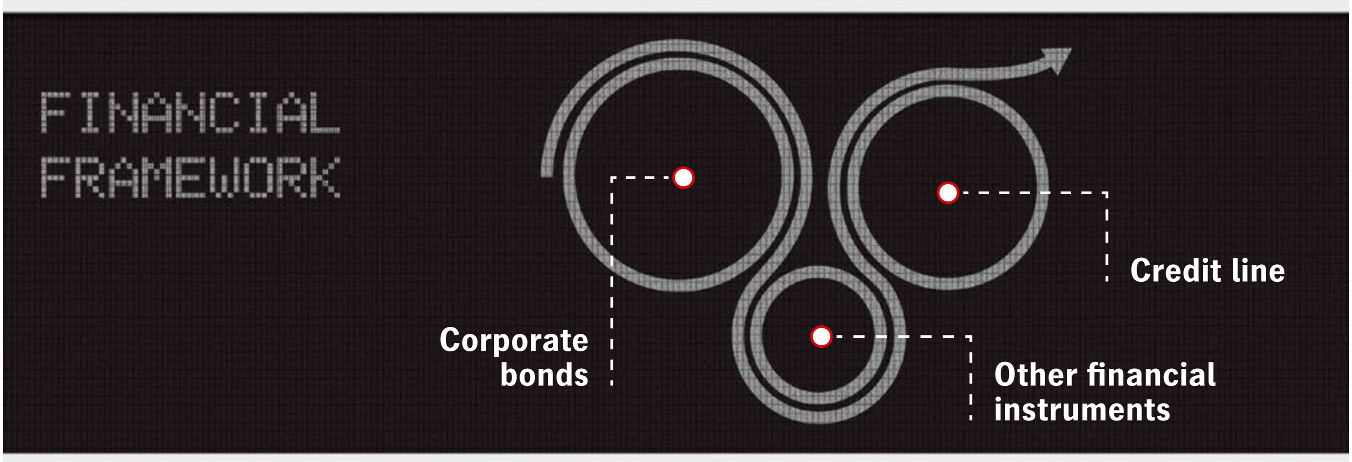
Greater profitability and **financial stability.**

To achieve sustainable profitability with an EBITDA margin of more than 8 percent, we are also building upon greater financial flexibility and stability.

The main factors here are:

- Increased flexibility of overheads
- Diversification of financial structure
- Optimization of working capital and non-current liabilities
- Optimized capital market instruments


PROFITABILITY
EBITDA
MARGIN


FINANCIAL
FRAMEWORK
Corporate
bonds
Credit line
Other financial
instruments


BÖRSE FRANKFURT
9-20

By **focusing** on our **customers,** we create the basis for **future growth.**

We continue to develop from a technology-oriented company into a market- and customer-oriented company. Only companies that pay close attention to their customers can grow.

Our strong market position is based upon our knowledge of current and future customer requirements in the fields of service, equipment and consumables.


Service
Equipment
Consumables
WE CARE FOR YOU

HEIDELBERG
SERVICE:

WE CARE FOR YOU...

We keep our customers' options open, **and are always there when they need us.**

Customers need more from us than just the machine. With a comprehensive range of expert services we help them keep all operations running smoothly and efficiently. With our help, customers can concentrate on making their business successful.

Service & logistics network

Performance service

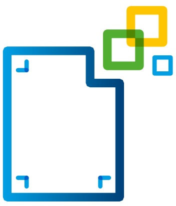
Remote services

HEIDELBERG
EQUIPMENT:

WE CARE FOR YOU...

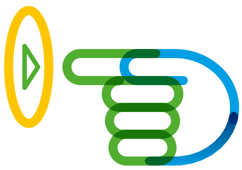
Our technology is ready to meet any challenge – **now and in the future.**

We are focused on meeting all our customers' requirements; developing an individual new technology is not enough. That is why we concentrate on complementary technologies that promise both maximum flexibility and productivity, i.e. digital and offset. Our customers also benefit from outstanding user-friendliness and short start-up times.



Printing

Multidimensional printing



Automated process

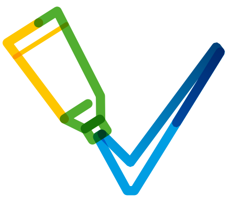
HEIDELBERG
CONSUMABLES:

WE CARE FOR YOU…

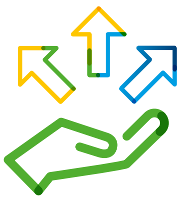
We provide our customers with **the right thing at the right time. As simple as that.**

With the best consumables and our application expertise, we increase our customers' chances for success. And to make their job as easy as possible, we provide them with the tools to enable constant access to all the knowledge and materials they need.

E-commerce



Application expertise



Extensive portfolio

HEIDELBERG

“In whatever field in which
we assist our customers,
Heidelberg is always there
with comprehensive expertise
and committed employees.”

Dr. Gerold Linzbach

Interview with Dr. Gerold Linzbach

Heidelberg wants to be more than just a leading machine builder in the future. The Company intends to step up its customer focus and further expand its services such as consulting, maintenance, repair and the sale of consumables. And to make money from them. To this end, under the leadership of Gerold Linzbach, Heidelberg launched a wide range of strategic innovations during 2014/2015. This formed the basis for Heidelberg to turn its restructuring story into a profitable growth story again.

Dr. Linzbach, how satisfied were you with the course of the financial year 2014/2015?

Dr. Gerold Linzbach:
In terms of what we planned and implemented for the strategic reorganization of Heidelberg, 2014/2015 was a really successful year. In terms of how the capital markets have responded to it so far, there is certainly room for improvement.

What do you find most satisfactory about the Group reorganization?

Dr. Gerold Linzbach:
In 2014/2015, we launched and completed as many strategic innovations as in the previous ten years put together. At our press conference in June 2014, we unveiled four strategic action areas for the Group reorganization of Heidelberger Druckmaschinen Aktiengesellschaft. Now, around twelve months later, we are not only fully on schedule in all four areas; the measures for strategic portfolio optimization are already largely complete, and many of them will have a positive impact on income as of the new financial year, i.e. from April 1, 2015.

And why aren't the capital markets responding as enthusiastically as you hoped?

Dr. Gerold Linzbach:
I'm afraid the stock markets aren't at our beck and call. First of all, we need to regain the trust in Heidelberg that was lost in the past due to many disappointments. Lots of market players who have supported Heidelberg for years are rightly saying that they've heard it all before and it's never succeeded, that the market has kept shrinking, that it's been one round of cost-cutting after another – in other words, an endless restructuring story. Many who don't know the printing industry well still stick to the cliché "printing is dead."

What are you doing to win over the skeptics?

Dr. Gerold Linzbach:
To begin with, it's true that our core market for equipment has more than halved in the last years. As a matter of fact, Heidelberg primarily had to deal with cost-cutting measures for many years. In contrast, we have worked extremely hard in the last two years to reduce the number of areas with low return in our portfolio, to focus on growth markets that are less cyclical, and to change the culture within Heidelberg accordingly, overcoming any lingering resistance – as demonstrated by the relocation of our Group headquarters to Wiesloch.

You mentioned having to regain trust – it sounds easy, but surely it's anything but?

Dr. Gerold Linzbach:
You're absolutely right. It's important for me to point out here that we have started to instill a new sense of values in our employees, summed up as "listen, inspire, deliver." This starts with us listening very carefully to what our customers actually expect so that our production doesn't miss the point. Then, we need to be open and inspired in order to go in new directions and tap into new markets. And we need to deliver what we promise at all levels in terms of measures to be implemented and, of course, results. As far as measures are concerned, we definitely delivered in 2014/2015. As announced, this involved special items. Therefore, we will be consistently profitable from

2015/2016. I'm happy to prove this on the basis of our four strategic action areas: firstly, reducing low-margin activities; secondly, increasing profitability in our core business of sheetfed offset; thirdly, expanding services and consumables business; and, last but not least, medium-term generation of the significant potential in the digital sector.

Right, let's start with portfolio reduction. You once said that around 90 percent of your activities are essentially in good health. What do you intend to do to reach 100 percent?

Dr. Gerold Linzbach:
We haven't got far to go. In the year under review, the reduction of loss-making activities centered on the area of postpress. For instance, we entered into a partnership with Masterwork Machinery of China in packaging, and in the commercial segment we sold parts of the portfolio to Müller Martini. We also optimized our site structure by introducing essential restructuring measures in Ludwigsburg and closing the Leipzig site. This affected around 650 employees. We are anticipating an earnings improvement of around € 30 million per year as a result of these measures.

Let's move to sheetfed offset – a core business, but also a problem area in view of the stagnating market. What are you going to do?

Dr. Gerold Linzbach:
The market is and always will be subject to fluctuations, but we need to adjust to this, and already have done so. Firstly, Heidelberg no longer needs to produce everything that customers used to want, but wasn't lucrative enough. That means streamlining the product range. Secondly, in sheetfed offset, we have adapted our structures to the maturity of the markets. Therefore, we slimmed down significantly in 2014/2015, shedding around 350 jobs at the Wiesloch site to achieve the necessary profitability. So portfolio reduction and structure optimization are the main focal points in terms of costs.

"We need to deliver what we promise, at all levels."

… and where will the growth be coming from?

Dr. Gerold Linzbach:
Put simply, profits are increased through cost reductions and/or topline, i.e. sales, growth. To turn our equity story from one of restructuring to one of growth, we need to prove how we can post an increase in sales after years of decline. One key factor in financial year 2014/2015 was our investment in the growth segments of service and consumables. For instance, we purchased the European PSG Group, which had been a close and strong partner of Heidelberg for many years. In addition, we acquired the much smaller Belgian firm BluePrint Products in the printing chemicals segment. We believe that both have considerable potential for the future and can be integrated quickly and seamlessly. Overall, the two transactions will result in additional sales of over € 100 million a year for Heidelberg.

Does this mean that, following the reduction of unprofitable portfolio items, the phase of active portfolio expansion is set to start?

Dr. Gerold Linzbach:
We certainly haven't finished here, and we are looking at some interesting candidates. The medium-term target is to increase the share of consolidated sales attributable to service and consumables to over 50 percent. Currently it is around 40 percent.

We now come to the hope for the future – digital. Heidelberg was active here in the past, but pulled out. Why the change of heart?

Dr. Gerold Linzbach:
Strategically, Heidelberg's first steps a few years ago were not particularly promising. In this growing market segment, the only way to survive is to focus on core areas of expertise and work with the right partners. Heidelberg has done its homework here. For instance, we are cooperating on the development of new products with the technology leaders Fujifilm and Ricoh. In August, we boosted our position in digital label printing with the full acquisition of the Swiss Gallus Group. As a result of this cooperation, the first new digital printing systems

have already been presented and delivered. In addition, we successfully completed the purchase of the software manufacturer Neo7even in the last financial year. We are now in the position we want to be, and will be unveiling further new digital printing machines arising from these cooperations at the next drupa trade show in spring 2016.

Can you give us a rough idea of the kind of growth Heidelberg is likely to achieve?

Dr. Gerold Linzbach:
A while ago, we mentioned a medium-term sales target of € 200 million for the digital sector. We stand by this – it is certainly the lower limit.

And what about profitability?

Dr. Gerold Linzbach:
We measure all activities to determine whether they can achieve the Group profitability target issued for 2015/2016 of at least 8 percent in terms of EBITDA. With digital, this will certainly take a little longer, but we will not be satisfied with anything less.

Staying with this topic, why should the market believe you when you say that Heidelberg will become consistently profitable from 2015/2016?

Dr. Gerold Linzbach:
The crucial aspect for me and my colleagues on the Management Board – and I'm happy to repeat it so that all target groups can hear me – is that we deliver what we promise! The first major success in this respect was achieving breakeven after taxes, the black zero. This was a declared aim for 2013/2014, and we achieved it for the first time in many years. For 2014/2015, we said at the press conference that the main focus of this financial year would be the portfolio reorganization. I have already told you about the progress made here. As we have said openly, this involved significant one-time effects that eclipsed the operating gains last year. Excluding these special effects, we also achieved improvements in operating earnings last year.

And where will the impetus for the EBITDA margin of at least 8 percent come from?

Dr. Gerold Linzbach:
I have set out the dimensions of the cost savings for you. The portfolio reduction and streamlining of the structures each make contributions in the double-digit million euro range. Putting two and two together, assuming a slight increase in sales, the envisaged 8 percent is achieved relatively quickly.

Is this the end of the road?

Dr. Gerold Linzbach:
Slowly, slowly, one step at a time. First, we will deliver what we promise. The figure of at least 8 percent is not a one-off target, but a long-term yardstick for the future. However, in addition to return, sustainable sales growth is a second key parameter for our future success. The topline contracted again in 2014/2015, partly due to the portfolio reduction. This must come to an end, and it will. Our new portfolio should be able to grow by 2 to 4 percent per year. We will be measured on this basis.

Aren't your hands tied, particularly when it comes to purchases, because of your narrow equity base?

Dr. Gerold Linzbach:
We are working hard to improve the quality of our balance sheet. The current equity ratio is certainly not satisfactory, and the pension obligations are inflated by the currently low interest rates. The target here is to reach 15 percent first, then 20 percent. We aim to achieve this through future surpluses, and the issued convertible bonds also provide an opportunity. On the other hand, we have already optimized our financing and liquidity structure for the long term, and have used it to finance the acquisition of PSG, for instance. In addition, we are always looking into further measures to optimize the quality of our balance sheet and our financial framework. These include reorganizing the Company pension scheme, which removed expenses of around € 100 million from our balance sheet on a one-off basis. Through the issue of the convertible bond and the corporate bond this past spring, we were able to lower our interest cost in a first step while extending our basic funding until 2022.

The Company's return is set to rise, the quality of the balance sheet is set to improve – what about the return for your shareholders?

Dr. Gerold Linzbach:
The new Heidelberg is more streamlined and profitable than in previous years. We are doing everything to ensure that the restructuring story turns into a growth story again. Investors will come back to us and buy our share in increasing volumes if they can read about the targeted improvement in performance, a positive free cash flow and growth potential in black and white in our key figures. I'm convinced of that.

"In the 2015/2016 financial year, we aim to increase the EBITDA margin to at least 8 percent."

Letter from the Management Board

Dear shareholders and bondholders,

The 2014/2015 financial year was a crucial milestone for Heidelberg. We strategically repositioned our Group and consistently implemented measures in all action areas defined at the start of the year. The aim is to gear our Group towards sustainable profitability as quickly as possible, forming a basis for a significant improvement in enterprise value. We are aware that you have heard several times in the previous years that things are looking up again, and these hopes have always been dashed by another downturn in the industry.

So what is different this time? Why should you believe us when we say that we really have turned the corner now? In the past, due to the ever-deteriorating situation in the equipment business, the main focus was on cost and capacity adjustments, and on stabilizing the Company quickly. As a result, some investors felt that we were in a never-ending cycle of restructuring, and therefore gave our share a negative rating. Since mid-2014, we have been working actively on our portfolio and have already achieved the first results: We reduced the number of areas with low return, and made targeted investments in innovative future trends and sectors in order to post sales growth once more. But until our operating figures show that we have made the transition to profitable growth, we will not be satisfied. Nevertheless, we are looking to the future with confidence, having made numerous key strategic moves last year aimed at ensuring a long-term turnaround in 2015/2016.

What was initiated or already achieved in 2014/2015 is best demonstrated on the basis of the four strategic action areas:

- Reorganizing low-margin activities
- Increasing profitability in our core business of sheetfed offset
- Expanding service and consumables business
- Generating medium-term potential in the digital sector

In all four areas, the Company has delivered what was promised at the press conference in mid-2014, and this is an essential requirement for restoring the trust in our Company that has been lost in the last few years. The aim is for the capital markets to start perceiving Heidelberg as a growth story again instead of a restructuring story.

A long-term rise in profits is our top priority. To achieve this, we pulled out of loss-making areas of the postpress business in 2014/2015. We have been making heavy losses here for several years. Thanks to our successfully implemented measures this will no longer be the case from 2015/2016. In our core business of sheetfed offset, we have streamlined the structures and adapted them to the markets even more rigorously in order to return to long-term profitability here as well. To boost our sales growth, we have invested in the growth segments of services and consumables as well as acquiring the PSG Group and BluePrint Products, allowing over € 100 million in additional sales. We estimate the potential in the digital sector at an annual sales volume of at least € 200 million in the medium term. In this future market, we have put ourselves in an outstanding position for the future through our partnerships with global market leaders Fujifilm and Ricoh, as well as the now completed purchase of the Swiss Gallus Group. In fall 2014, we were able to present a new digital label printing machine to the market after a record development time. We will be unveiling promising product innovations in the digital sector at the drupa trade show in spring 2016.

As expected, this bundle of measures had a negative impact on our earnings as well as our sales in the 2014/2015 financial year. Now, in 2015/2016, we can start to reap the benefit of these measures. Accordingly, we have defined an operating margin of at least 8 percent (EBITDA) as a target for this financial year, and medium-term annual sales growth of 2 to 4 percent on the basis of the growth initiatives described. We are also addressing the weaknesses in terms of the quality of our balance sheet. It is important to make clear here that we already have a sound and balanced financing structure for the long term. For instance, our underlying debt is financed on the capital markets until 2022, and we financed the PSG acquisition from our own resources. Of course, with an equity ratio of less than 10 percent, we are not where we want to be, although this is largely due to the European Central Bank’s low interest-rate policy, which caused our pension obligations to increase significantly. As things stand, we must also expect to be adversely affected by the low interest rates for some time to come. However, it is important to note that this has no impact on our liquidity position, and the improvement in profitability and further measures have put us well on course to achieve our internal target of 15 percent at first and 20 percent at a later stage. One key factor here was the reorganization of the Company pension scheme in Germany defined last year. The capital markets also appreciate our efforts, as demonstrated by the fact that at the end of March 2015 and in May 2015, we placed a convertible bond and a corporate bond on improved terms compared with existing financial instruments, thus reducing future interest payments and increasing the Company’s room for maneuver.

After this eventful year, we can state that we have remodeled our Company. Heidelberg is leaner and positioned for greater profitability, and we have instilled a new culture, a new sense of values, in our employees. It is up to us to deliver what we promised so that this commitment and trust pay off for us all.

We would like to take this opportunity to thank all our employees worldwide for their outstanding commitment and their loyalty. Our thanks also go to our shareholders, bondholders, customers and suppliers for their trust in Heidelberg.

Our very special thanks go to Robert J. Koehler, who died much too early in May of this year. As Chairman of the Supervisory Board, Mr. Koehler was always ready to help as advisor, mentor and colleague. He played a decisive role in successfully realizing the Company’s transformation. During the past business year two other former long-time members of the Supervisory Board passed away – Dr. Gerhard Rupprecht and Gunther Heller. We will honor the memory of all of them.

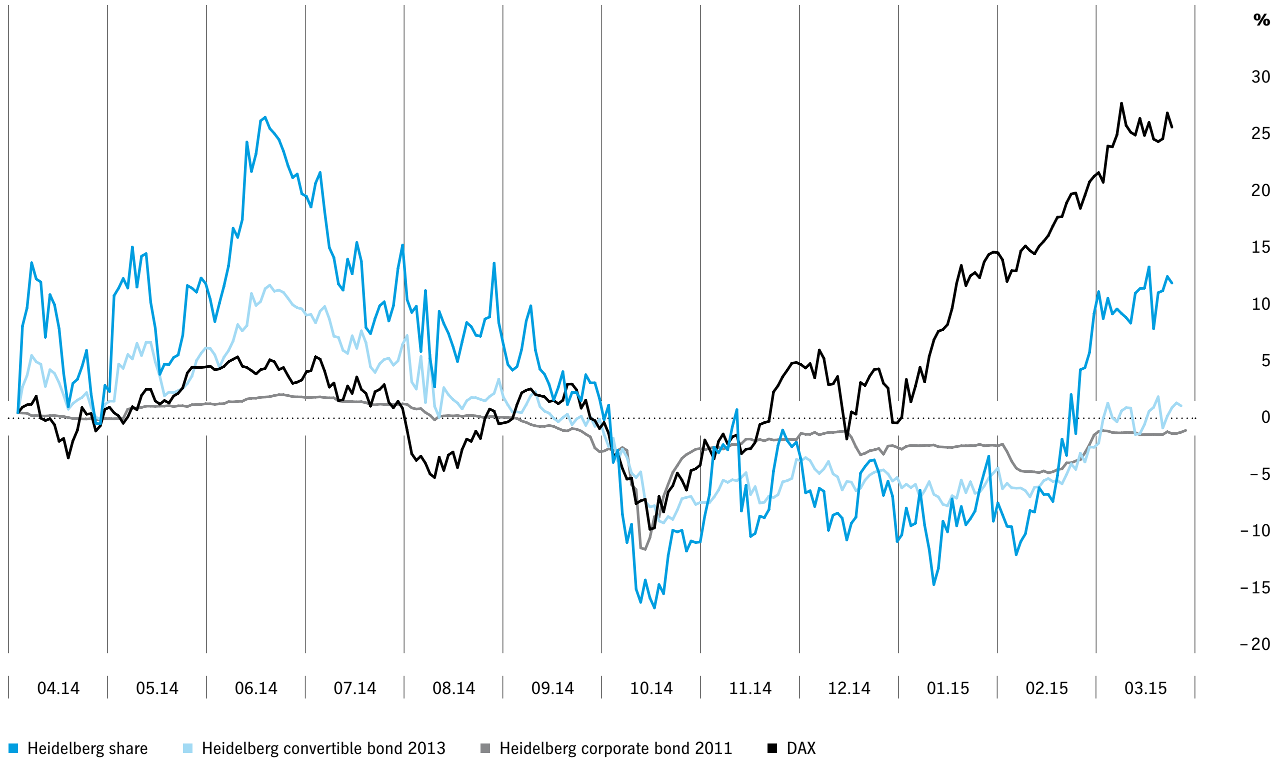
Sincerely,

Dr. Gerold Linzbach **Dirk Kaliebe** **Stephan Plenz** **Harald Weimer**

Heidelberg on the Capital Markets

Performance of the Heidelberg share and the Heidelberg bonds

Compared to the DAX (Index: April 1, 2014 = 0 percent)



The Heidelberg share and the Heidelberg bonds

- Closing price of € 2.49 up around 11 percent on previous year
- Heidelberg bonds were traded almost continuously at over 100 percent

During the first half of the reporting year 2014/2015, the HEIDELBERG SHARE outperformed the DAX. Following the publication of the figures for the 2013/2014 financial year, the share reached its high of € 2.82, up 26 percent on its value at the start of the financial year. Starting from the middle of 2014, the Heidelberg share followed the negative development of the indices, reaching its lowest level of € 1.85 at the end of October. The share subsequently recovered – albeit to a lesser extent than the DAX – up until the end of the financial year. On March 31, 2015, the share closed at € 2.49, around 11 percent higher than the closing price of the previous year.

The Heidelberg bonds recorded a stable development. The HEIDELBERG 2013 CONVERTIBLE BOND constantly traded at above 105 percent during the 2014/2015 financial year. Like the Heidelberg share and the 2011 corporate bond, it reached its high for the year in mid-June at 134 percent. It closed the financial year as at March 31 on a par with the previous year's level at around 117 percent.

The HEIDELBERG 2011 CORPORATE BOND started the 2014/2015 financial year at around 106 percent and was traded almost continuously at over 100 percent. In line with the Heidelberg share, it reached its highest level in June 2014 at 107.8 percent and its low for the year in October at 93.3 percent. The corporate bond recovered very rapidly, rising back above 100 points and closing the reporting year at around 104 percent as at March 31, 2015, down slightly on the start of the financial year. Since April 2015, the Heidelberg corporate bond has been reduced by two partial repayments. The first of these amounted to around € 55 million and took place on April 30, 2015, while the second totaling around € 185 million took place on May 15, 2015. At the date this report was printed, the nominal amount of the corporate bond was € 114,519,450.

The **PARTIAL REPAYMENTS OF THE HEIDELBERG 2011 CORPORATE BOND** described above were made by issuing two new capital market instruments: On March 30, 2015, we successfully issued another convertible bond with an issue volume of € 58.6 million (Heidelberg 2015 convertible bond). The unsecured, unsubordinated convertible bond has a term of seven years. The initial conversion price is € 3.1104; the coupon was set at 5.25 percent and is distributed at the end of every quarter. The convertible bond is admitted for trading on the open market of the Frankfurt Stock Exchange.

Another corporate bond with a nominal amount of € 205.4 million was placed on May 5, 2015 (Heidelberg 2015 corporate bond). The unsecured bond matures in May 2022 and bears interest at a coupon rate of 8 percent p. a. The corporate bond has been admitted for trading on the Luxembourg Stock Exchange.

German benchmark index consistently above 10,000 points

Following a good start to the 2014/2015 financial year, the German benchmark index DAX gained further momentum as a result of the announcement that the EU would continue with its expansive monetary policy, and on June 5, 2014 it rose above the 10,000 points mark for the first time in its history. However, the geopolitical tensions in Ukraine, Iraq and Syria, as well as the referendum in Scotland and the Chinese government's decision not to provide further economic assistance, subsequently temporarily unsettled the international capital markets. The index reached its low for the year of 8,476 points in October as a result of the poor economic and inflation data from Europe and weaker than expected labor market data from the US. It then continued to rise towards the end of the year, reaching a new all-time high of 12,167 points in mid-March 2015. After a consolidation phase, the DAX finally closed at 11,966 points at the end of the financial year on March 31, 2015, and thus closed the reporting year with a gain of around 25 percent.

Capital market communications: In constant dialog with private investors, 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 that 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 and rating agencies that regularly covered the Heidelberg share and bonds in the year under review. When issuing the additional convertible bond in March 2015 and the additional corporate bond in May 2015, we continued to build up capital market communication relationships with investors specializing in such bonds.

The analysts' conference in June 2014 was held at our plant in Wiesloch-Walldorf for the first time. On-site at the demo center for packaging printing, guests were able to gain an overview of the future of this growth area. In addition to our investor relations activities, our Company's locations 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 held roadshows in Germany and abroad and gave presentations at a number of international capital market conferences. 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. We therefore participate in events for private shareholders in cooperation with Schutzgemeinschaft der Kapitalanleger e. V. (SdK), Deutsche Schutzvereinigung für Wertpapierbesitz e. V. (DSW) and regional banks. This financial year, we were represented at a total of five events. Our upcoming events and the option to sign up for them can be found on our IR Web site in the section "Events for Private Investors". Beyond presenting the Company at these events, we also offer opportunities for personal meetings with the Company representatives present. Investors can also contact the Investor Relations team by telephone at any time on + 49-62 22-82 67121 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 and bonds, audio recordings of conference calls, the latest IR presentations, corporate news and dates of publications.

Annual General Meeting 2014 approves all agenda items by large majority

On July 24, 2014, around 1,750 shareholders attended our Annual General Meeting for the 2013/2014 financial year, which was held at the Rosengarten Congress Center in Mannheim. This meant that around 29 percent of Heidelberg's share capital was represented.

The Management Board explained the Company's strategy and the balance sheet figures for the past financial year (April 1, 2013 to March 31, 2014). In his speech, the Company's CEO Dr. Gerold Linzbach analyzed the status quo and revealed how the Company will develop in the medium term. The Company's shareholders then voted on four of the five agenda items. All these agenda items were approved by a significant majority.

Shareholder structure – free float at around 91 percent

The proportion of shares in Heidelberger Druckmaschinen Aktiengesellschaft in free float on March 31, 2015, was around 91 percent of the share capital of 257,437,779 shares.

Since summer 2014, Ferd. Rüesch AG has held 9.02 percent of the shares. At the time this report was printed, other shareholders holding more than three percent of Heidelberg shares were Universal-Investment-Gesellschaft mit beschränkter Haftung (8.18 percent), UBS AG (4.85 percent), Dimensional Fund Advisors LP (3.01 percent) and Dimensional Holdings Inc. (3.01 percent).

Credit rating as of March 31, 2015

	Standard & Poor's	Moody's
Company	B	B3
Outlook	stable	stable
Corporate bond 2011	CCC +	Caa 1

Key performance data of the Heidelberg share

Figures in € ISIN: DE 0007314007	2013/2014	2014/2015
Basic earnings per share [1]	0.02	– 0.29
Cash flow per share	0.30	– 0.48
High	3.10	2.82
Low	1.50	1.85
Price at beginning of financial year [2]	1.78	2.41
Price at end of financial year [2]	2.23	2.49
Market capitalization – financial year-end in € millions	523	641
Number of shares outstanding in thousands (reporting date)	234,438	257,438

Key performance data of the Heidelberg 2011 corporate bond

Figures in percent RegS ISIN: DE 000A1KQ1E2	2013/2014	2014/2015
Nominal volume in € millions	355	355 [4]
High	107.6	107.8
Low	98.1	93.3
Price at beginning of financial year [3]	98.9	106.1
Price at end of financial year [3]	106.1	104.4

Key performance data of the Heidelberg 2013 convertible bond

Figures in percent ISIN: DE 000A1X25N0	2013/2014	2014/2015
Nominal volume in € millions	60	60
High	134.7	129.7
Low	102.7	105.2
Price at beginning of financial year [3]	104.7	119.2
Price at end of financial year [3]	116.5	117.3

[1] Determined based on the weighted number of outstanding shares
[2] Xetra closing price, source: Bloomberg
[3] Closing price, source: Bloomberg
[4] Planned repayments: around € 55 million on April 30, 2015, and around € 185 million on May 15, 2015

Management Report 2014/2015

BASIC INFORMATION ON THE GROUP

Business Model of the Group

Company Profile

Heidelberger Druckmaschinen Aktiengesellschaft (Heidelberg) has been a major provider and reliable partner to the global printing industry for many years. We offer our customers all the components tailored to their requirements for successful business operations, primarily focusing on efficient and reliable production processes, economically optimal investments and smooth access to all necessary materials. Our business model is based on the three pillars of equipment, service and consumables. These form the foundation for our future growth as we continue to develop from being a technology-driven company to a market- and customer-oriented one. Heidelberg's goal is to increase the share of consolidated sales attributable to services and consumables to over 50 percent.

We have geared our portfolio towards the growth segments of our industry. We develop and produce core technologies for these ourselves, while complementary components and technologies are provided to our customers via strategic partnerships. Our products, service offerings and consumables, in addition to our partnerships, are tailored to meet specific future-oriented customer needs and are geared towards our customers' economic success.

To achieve this we offer an all-round service with reliable presses and fully integrated solutions with the right services and consumables, which guarantee the utmost availability of all means of production and a smooth-running, continuous production process. The range extends from state-of-the-art digital technologies to preconfigured standard offset presses with corresponding cost benefits and fast delivery times, through to individually configured special presses for maximum productivity and every conceivable print application.

Heidelberg has a substantial service volume. Around 40 percent of our sales are generated from services, consumables and spare parts. Print shops have a constant need for these products as well as for consulting and other services. Therefore, this segment is less susceptible to economic developments than the new machinery segment, provides a stable basis for our business activities, and is to be expanded further on an ongoing basis.

We also support our customers by offering suitable financing concepts for their investment projects.

We generate around 60 percent of sales from new machinery; in addition to printing presses for sheetfed offset, digital and flexo printing, this includes prepress and finishing machinery and our software for integrating all of the processes within a print shop. Above all we have continued to expand our activities in the area of digital printing, and we intend to keep pushing this moving ahead, both within and outside our industry.

In total around 12,000 people worldwide work for Heidelberg, around a third of them in our global sales and service network. In Germany, we produce highly automated and versatile high-tech machinery according to customer requirements in all format classes we offer. In Qingpu, near Shanghai, China, we manufacture high-quality preconfigured edition models.

With our own sales and service branches and via partners, we supply our customers all over the world with products, services and consumables, generating consolidated sales of around € 2.3 billion in the 2014/2015 reporting year.

Service Network, Sites and Production

- Global service, sales and logistics network supports print shop performance
- Flexibilization of production network
- China: Strong local presence

Approximately 85 percent of our sales are generated outside Germany. Our **SALES AND SERVICE NETWORK** spans the globe. In all key printing markets, we offer our customers high machine availability, guaranteed quality and on-time delivery directly or via partners. The acquisition of Printing Systems Group (PSG) in April 2015 is one example of the active management and targeted expansion of our sales and service network in growth areas.

A global service and sales network supports print shop performance

Our **SERVICE LOGISTICS NETWORK** ensures that customers can enjoy a reliable supply of original Heidelberg service parts over the entire product life cycle. Customers can choose what they need from a range of 300,000 different service parts. We have 120,000 service parts in stock, meaning that we can fulfill 95 percent of incoming orders on the day they are received and dispatch the respective parts to any destination worldwide within 24 hours. The order throughput time from receipt to dispatch is one hour. The core of our globally integrated logistics network is the World Logistics Center (WLC) at the Wiesloch-Walldorf production site, which controls and manages the logistics centers in the US, Japan and Hong Kong. We also use the network to supply customers with our consumables. The performance promise of our integrated logistics network supports our customers' performance around the world and ensures high machine availability and reliable quality.

In particular, the global logistics network serves to increase the penetration of the preventive service range in Heidelberg's portfolio. For example, if the Remote Monitoring functions identify the need to exchange parts long before machine downtime is required, the global logistics network ensures that the right service part is already in place when the engineer arrives. For more and more customers, our remote services are a vital factor in safeguarding the availability of their machines.

In cases where service quality and economic efficiency can be secured or increased, strategic partnerships are an important element of our service concept. The aim is to further reduce our warehousing and logistics costs in both the Heidelberg Equipment and Heidelberg Services segments. The optimization of our logistics concept is another important element of our program aimed at further reducing net working capital.

Our new service product "Performance Plus" is helping our customers to sustainably improve the productivity of their production system. Payment takes the form of traditional consulting fees or performance-based payment on attainment of the performance targets agreed between the customer and Heidelberg.

Heidelberg production network: Focus on greater flexibility

Heidelberg has **PRODUCTION SITES** in eight countries. They constitute a network that is organized by families of components or by products. In the period under review, we adjusted our sites to reflect market conditions in the various product segments and the Company's strategic reorientation. This will increase the flexibility of our production and improve our competitive strength. Our **SHEETFED OFFSET MACHINES** are constructed at two production sites: In Wiesloch-Walldorf, Germany, we assemble highly automated and more specially configured high-tech printing presses in all our format classes based on customer requirements. In Qingpu, near Shanghai, China, we produce high-quality preconfigured edition models. The other production sites manufacture individual parts and modules or construct **PREPRESS** or **POSTPRESS** machines. At the start of the new financial year, the Amstetten site was spun off to form a GmbH (limited liability company under German law) in order to harness the site's expertise to further expand business activities with industrial customers. The US, the United Kingdom and the Netherlands are home to our experts for specialty coatings, while our specialist for business and automation software is located in Belgium. The main production site for the **LABEL PRINTING SYSTEMS** of the Gallus Group, which was acquired in full in the year under review, is in St. Gallen, Switzerland.

In **MANUFACTURING**, our focus is on parts for which quality is a key factor and products that provide competitive benefits for us and our customers thanks to our specialization. We continually analyze costs and processes with a view to optimizing vertical integration.

Heidelberg is pressing ahead with the further development of its **PRODUCTION SYSTEM** with considerable intensity. The aim is to ensure that production reflects the changed conditions in terms of smaller series quantities and the need for greater flexibility. In the past year, activities in this area focused on revising our "method house" and developing it into a production system compass that describes the important factors for us with regard to successful production. The redesigned cockpit can illustrate the quality of the focus of the individual areas in terms of the respective challenges. Potential improvements can then be easily derived on this basis. The first pilot applications have confirmed the effectiveness of this approach.

A comprehensive project for the optimization of assembly processes at the Wiesloch-Walldorf site has also been initiated with the aim of combining similar assembly steps that are shared by different model series both spatially and organizationally. This will make assembly more flexible, efficient and cost-effective in future. The activities of this project combined with the production system tools have resulted in a substantial concentration of the required assembly space, and this process is continuing in the new financial year.

This means that the production system forms the backbone for continuous productivity improvements in production.

China: Strong local presence

All in all, Heidelberg has more than 1,000 employees in China, around 600 of whom work in sales and service roles. This puts Heidelberg in a strong position to realize future growth opportunities in China and Asia and further develop its position on these markets. Four branches in Beijing, Shanghai, Shenzhen and Hong Kong and two offices in Chengdu and Guangzhou serve to ensure comprehensive local customer care.

We have our own production site in China, which is one of our largest individual markets. The production area of around 45,000 square meters is now used for the local manufacture of more than 50 percent of printing units in the formats up to 70 × 100 cm that are sold in China. The product portfolio manufactured in China is adjusted and expanded continuously to reflect the requirements of the local market. The latest product from Qingpu is the Heidelberg Speedmaster CS 92 sheetfed offset printing press, which was specially developed in this format to meet the demands of the Chinese market. Qingpu already accounts for around 20 percent of the Company's total sheetfed offset production volume. The Qingpu site is profitable and is fully integrated into Heidelberg's plant network. This means that all of its processes and its quality are compliant with Heidelberg's uniform global quality standards even though the share of local suppliers is on the rise.

Markets and Customers

- Stable global printing volume in a transitional market environment
- Print shops increasingly looking for consulting and comprehensive services
- Focus on customer benefit and success

Printing technologies and the market for printed products are in transition

In last year's Annual Report, we described and presented the market for printed products. The statements and assumptions we made then still apply on the whole: The market for printed products is stable, and the annual global printing volume is in excess of € 400 billion. Printing primarily employs the sheetfed offset, web offset, flexo and digital printing processes. Heidelberg offers products, services and solutions for these printing processes with the exception of web offset printing (which is the main procedure used for high-volume printed products). With a share of the printing volume of around 40 percent, sheetfed offset printing remains the most frequently used printing technology. Since 2000, digital printing has steadily increased its share of the global printing volume to more than 10 percent.

The addressable MARKET for Heidelberg is changing from a supply and product perspective as well as in terms of regional distribution. In the medium term, we expect new machinery business in our traditional product segments, such as sheetfed offset printing or postpress, to see market development at a stable level. This segment is also subject to certain fluctuations due to economic factors. Digital printing is continuing to enjoy positive development and is occupying an increasingly important position in print shops' perceptions. We also see considerable potential in the area of services and consumables. Heidelberg intends to expand and continuously grow its market share in these segments.

Heidelberg serves a core market that had an estimated investment volume of almost € 14 billion in the 2014 calendar year. This is composed of the market for SHEETFED OFFSET PRINTING PRESSES (investment volume approx. € 2.3 billion), prepress and postpress equipment (investment volume approx. € 2.5 billion), services (investment volume approx. € 1.0 billion) and consumables (investment volume approx. € 7.9 billion, approximately half of which can be addressed by retailers due to direct sales by producers to print shops). We estimate that the addressable DIGITAL PRINTING market for Heidelberg had an investment volume of around € 2.3 billion in the 2014 calendar year.

There was no significant change in the COMPETITIVE STRUCTURE. The market for sheetfed offset presses continues to be characterized by German and Japanese manufacturers; Heidelberg is the leader with a market share of around 42 percent. Partly because of the weakness of the yen, Komori was able to increase its market share (to around 18 percent), and is now ahead of Koenig & Bauer (around 16 percent). Ryobi MHI (around 7 percent) and Manroland Sheetfed (around 5 percent) complete the picture.

REGIONALLY, printing service providers in the industrialized nations are subject to a highly dynamic market environment undergoing significant change. The consolidation process in some markets is still in progress. One positive development is that the market in countries such as the US has stabilized and confidence is on the rise. For the industry as a whole, growth is forecast in the Asia/Pacific region in particular. While the printing volume as a whole is increasing in the emerging economies, the industrialized nations are seeing a rise in the value of the individual printed products, e. g. due to elaborate finishing or customization. Greater individuality in turn requires more flexibility in terms of printing applications.

Industrialization in the industry; increase in sales per customer

We presented the characteristics of our CUSTOMER STRUCTURE in detail in last year's Annual Report, and the fundamental statements we made then still apply. The customer base has changed considerably over recent years. A process of industrialization is taking place: Where previously there were 200,000 all-round print shops, now the market consists of around 15,000 specialists. In the past financial year, we intensively examined the structure of these 15,000 customers in terms of their market segments and investment behavior. In particular, they include print shops in the areas of commercial printing (mostly medium-sized companies) and packaging printing (often multinational and international companies) as well as Web-to-print specialists. Around 80 percent of our sales are generated from some 3,000 medium-sized to extremely large customers.

We have realigned our global customer structure to address the decision makers in these market segments and adjusted our sales strategy accordingly. Although the customer base has contracted in recent years, we have improved the average sales per investing customer by 8 percent since 2010. This means that sales with our top customers are growing, which demonstrates that we are in contact with the right companies within the industry.

Print shops increasingly looking for consulting and comprehensive services

For our customers, the main thing is determining which business model and which print jobs will earn money for them. This means that we must view ourselves not only as a supplier of equipment and machinery, but also as a partner providing comprehensive support for our customers in terms of SERVICES, appropriate CONSUMABLES and CONSULTING. Whether the customers use 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.

To this end, we are expanding our consulting and service range with "Performance Plus" offerings in order to provide our customers with optimal support throughout the entire life cycle of their machines ("life cycle service"). Our corresponding product range includes consulting on improving productivity. The use of Web-based systems to support our customers is another example. We use state-of-the-art technology for rapid and effective communication in order to help our customers to ensure that their business operations enjoy the highest possible degree of availability. Distance is no longer a factor. More than 10,000 systems around the world are connected to our services, resulting in continuous, real-time growth in our expertise. This allows us to offer preventive maintenance services and improve the performance of our customers' machines using comparative data.

Management and Control

Heidelberger Druckmaschinen Aktiengesellschaft is a stock corporation under German law with a dual management structure consisting of the Management Board and the Supervisory Board.

The **MANAGEMENT BOARD** has four members: Dr. Gerold Linzbach (CEO), Dirk Kaliebe (CFO and head of Heidelberg Financial Services), Stephan Plenz (head of Heidelberg Equipment) and Harald Weimer (head of Heidelberg Services).

The **ORGANIZATIONAL CHART** (below) shows the allocation of the **BUSINESS AREAS (BAs)** to the Management Board divisions and the segments and the allocation of functional responsibilities within the Management Board as of March 31, 2015. **DR. GEROLD LINZBACH** is responsible for the areas of Corporate Development, Human Resources, Communications, Manufacturing, Assembly, Procurement, Quality and Environmental Management, Occupational Health and Safety, Corporate Marketing, and Internal Audit. In his function as CFO, **DIRK KALIEBE** is also the head of the Heidelberg Financial Services segment and is responsible for the Customer Financing BA and the areas of Controlling, Accounting, Treasury, Taxes, IT, Investor Relations, and Legal, Patents and Compliance. **HARALD WEIMER** is the head of the Heidelberg Services segment and responsible for the Consumables and CtP (Computer-to-Plate, platesetters) BA, the Remarketed Equipment BA and the Service and Service Parts BA. From April 1, 2015, the Postpress Commercial BA and the Postpress Packaging sub-area were moved to the Management Board division for Services. Harald Weimer also has overall responsibility for Sales, meaning that he is in charge of the Regional Markets and Service Organization. As the Management Board member responsible for the Heidelberg Equipment segment, **STEPHAN PLENZ** is in charge of the Sheetfed and Postpress Packaging, Postpress Commercial, Digital and Gallus BAs. He is also responsible for the functional areas of Product Management Equipment, Product Development and Product Safety.

Organizational chart as of March 31, 2015

Stephan Plenz Member of the Board Equipment	**Harald Weimer** Member of the Board Services *	**Dirk Kaliebe** Chief Financial Officer and Financial Services	**Dr. Gerold Linzbach** Chief Executive Officer
BUSINESS AREAS			
¬ Sheetfed and Postpress Packaging ¬ Postpress Commercial ¬ Digital ¬ Gallus	¬ Consumables and CtP ¬ Remarketed Equipment ¬ Service and Service Parts	¬ Financial Services	
FUNCTIONAL RESPONSIBILITIES			
¬ Product Management Equipment ¬ Product Development and Product Safety	¬ Regional Markets and Service Organization	¬ Controlling ¬ Accounting ¬ Treasury ¬ Taxes ¬ IT ¬ Investor Relations ¬ Legal, Patents and Compliance	¬ Corporate Development ¬ Chief Human Resources Officer ¬ Communications ¬ Internal Audit ¬ Manufacturing and Assembly ¬ Procurement ¬ Management of Quality and Environment ¬ Occupational Health and Safety ¬ Corporate Marketing

* As of April 1, 2015 the Postpress Commercial BA and the Postpress Packaging sub-area were moved to the Management Board division for Services

The **SUPERVISORY BOARD** consists of twelve members. In accordance with the German Codetermination Act, its most important duties include appointing and dismissing members of the Management Board, monitoring and advising the Management Board, adopting the annual financial statements, approving the consolidated financial statements, and approving or advising on key business planning and decisions. Details of the cooperation between the Management Board and the Supervisory Board and of corporate governance at Heidelberg can be found in the Annual Report in the Report of the Supervisory Board and the Corporate Governance Report.

Segments and Business Areas

In line with its internal reporting structure, the operating activities of the Heidelberg Group are divided into the following **SEGMENTS**: Heidelberg Equipment, Heidelberg Services and Heidelberg Financial Services. These are also the reportable segments in accordance with IFRS. Within the segments, Heidelberg 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, Sales and Administration 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”. Our **SHEETFED OFFSET, FLEXO AND DIGITAL** printing press technologies are developed, produced and marketed by the corresponding BAs. Finishing technologies for packaging and advertising are the responsibility of **POSTPRESS PACKAGING** and **POSTPRESS COMMERCIAL**. Taken together, these BAs account for around 60 percent of total sales. The global provision of service capacity and service parts is coordinated by the **SERVICE AND SERVICE PARTS BA**, which has around 3,000 service employees and a global logistics system for service parts. The **CONSUMABLES BA** ensures that our customers around the world are supplied with consumables. Remarketed printing presses, mainly manufactured by Heidelberg, are traded in the **REMARKETED EQUIPMENT BA**. These BAs contribute around 40 percent to total sales.

Group Corporate Structure and Organization

Heidelberger Druckmaschinen Aktiengesellschaft is the parent company of the Heidelberg Group. It carries out central management responsibilities for the entire Group, but is also operationally active in its own right.

The overview below shows which of the companies that are included in the consolidated financial statements were material subsidiaries as of March 31, 2015. The list of all shareholdings of Heidelberger Druckmaschinen Aktiengesellschaft can be found in the appendix to the notes to the consolidated financial statements on pages 154 to 157.

Overview of material subsidiaries included in the consolidated financial statements

Heidelberger Druckmaschinen Vertrieb Deutschland GmbH (D)	Heidelberg Grafik Ticaret Servis Limited Sirketi (TR)
Heidelberg Print Finance International GmbH (D)	Heidelberg CIS OOO (RUS)
Heidelberg Postpress Deutschland GmbH (D)	Heidelberg USA Inc. (USA)
Gallus Druckmaschinen GmbH (D)	Heidelberg Canada Graphic Equipment Ltd. (CDN)
Gallus Stanz- und Druckmaschinen GmbH (D)	Heidelberg Mexico Services S. de R.L. de C.V. (MEX)
Hi-Tech Coatings International B.V. (NL)	Heidelberg do Brasil Sistemas Graficos e Servicos Ltda. (BR)
Heidelberg Graphic Equipment Ltd. (GB)	Heidelberg Graphic Equipment (Shanghai) Co. Ltd. (PRC)
Heidelberg Schweiz AG (CH)	Heidelberg China Ltd. (PRC)
Gallus Ferd. Rüesch AG (CH)	Heidelberg Japan K.K. (J)
Heidelberg France S.A.S. (F)	Heidelberg Hong Kong Ltd. (PRC)
Heidelberg Druckmaschinen Austria Vertriebs-GmbH (A)	Heidelberg Graphics (Tianjin) Co. Ltd. (PRC)
Heidelberg Druckmaschinen Osteuropa Vertriebs-GmbH (A)	Heidelberg Graphics (Thailand) Ltd. (TH)
Heidelberg Polska Sp z.o.o. (PL)	Heidelberg Graphic Equipment Ltd. (AUS)
Heidelberg Baltic Finland OÜ (EST)	

Strategy: Targets and Measures

- Focus on sustainably profitable growth
  - Target for 2015/2016: EBITDA margin > 8 percent
  - Sales growth of 2 to 4 percent per year
- Strategic reorientation mostly completed
  - Portfolio restructured for profitable business areas and growth fields
  - Streamlining of Company structures to follow dynamic portfolio management
  - Steps taken to secure financial stability

In the 2014/2015 financial year Heidelberg largely completed the strategic reorientation of the Group. This entailed the reshaping of the Group's portfolio to focus on profitable business areas and growth fields. The Company's structures were also adjusted to the maturity of the respective markets. This has created the foundation for switching from a restructuring to a growth story.

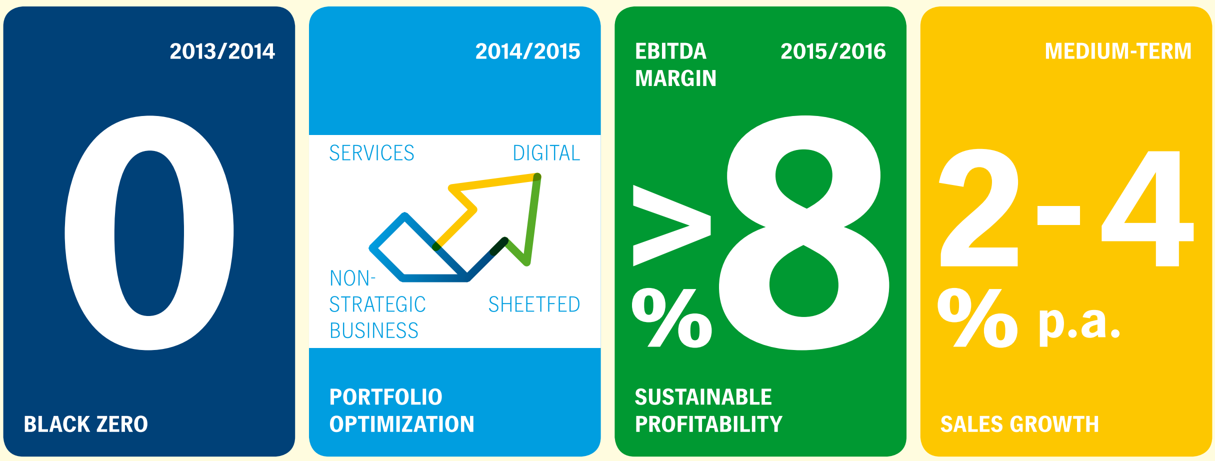
The successful transformation of the Company can also be seen by the new targets by which Heidelberg will measure itself in the future. For example, the EBITDA margin in the 2015/2016 financial year is to be improved to at least 8 percent. This value defines the future lower limit for sustainable corporate profitability. The expansion in activities with future growth potential is reflected in the sales increase intended in the medium term of 2 to 4 percent per year. This is to be achieved with both organic and external growth.

New branding – a reflection of a new corporate culture

In order to document the transition from the restructuring to the growth phase, we have established a new branding in the year under review that is a central element of a new corporate culture. Our external appearance has also been revised in this context, as can be seen in the design of this Annual Report. Our forward-looking attitude is also conveyed in a newly defined corporate vision and mission statement that will guide the activities of everyone in the Company.

Our vision

We are structuring our portfolio in line with the world market segments that will be attractive in the future. This is the basis for our future growth.



Our mission

Heidelberg will uphold its leading position as the printing industry's most reliable partner in the future as well. Given our precise understanding of customers' needs we offer them:

- Efficient and reliable production processes
- Economically optimal, rational investments
- Simple access to all necessary materials

We are more than machines!

Transformation at all levels

To rise to this challenge and to achieve the goal of sustainable profitability, Heidelberg has implemented a transformation process at all levels:

- In line with the right customers and work areas
- With value management in the Company's portfolio
- For on-time performance

Heidelberg's customer base has changed dramatically in recent years. What used to be around 200,000 generalists are today roughly 15,000 specialists, whose needs have to be addressed accordingly. This is done by delivering the right things to our customers at the right time. To achieve this we have established an awareness of values among all our employees. The motto for this is:

LISTEN. INSPIRE. DELIVER.

LISTEN:

We listen to our customers closely in order to understand their needs. But we also listen to each other as we are working together towards a common goal.

INSPIRE:

We want to inspire and impress our customers, anticipate the technology of the future and in doing so surpass customers' expectations. Internally it is crucial that we challenge and motivate each other in order to find new and better paths to our goal.

DELIVER:

We deliver what we promise. Every customer must be able to see the benefits of our products and actions. With each order we give a personal promise that we naturally keep. We also have to achieve the targets we define for ourselves. Our own actions have to serve profitability. This requires that we take responsibility and act accordingly.

Heidelberg benefits from its focus on growing customers

In recent years Heidelberg has concentrated on customers that have been able to grow in a difficult market environment. This can be seen by the fact that average sales per customer improved by 8 percent between 2010 and 2015. Today 80 percent of consolidated sales are generated with around 3,000 medium-sized to very large customers. This was made possible by developing from being a technology-driven company to a customer-oriented one.

Strategic reorientation based on four action areas

All activities are measured by their ability to achieve the target EBITDA return of at least 8 percent. Starting with our knowledge of customer and market requirements, in 2014/2015 we therefore reorganized the Heidelberg portfolio based on four strategic action areas:

- Streamlining low-margin activities
- Increasing profitability in the core business of sheetfed offset
- Expanding service and consumables business
- Generating medium-term potential in digital activities

Enhancing profitability by reorganizing non-profitable peripheral activities …

The reorganization of loss-making peripheral activities in 2014/2015 focused on the area of postpress. Thus, Heidelberg entered into a sales and service partnership with Masterwork Machinery from China in packaging, and in the commercial segment we sold parts of the portfolio to Müller Martini. The site structure was also optimized by initiating the necessary restructuring in Ludwigsburg and the closure of the Leipzig site. This affected 650 employees in total. We are anticipating an earnings improvement of around € 30 million per year as a result of these measures.

… and adjusting structures in line with the maturity of markets in the core business of sheetfed offset

The market volume in the core business area of sheetfed offset is generally stagnating at around € 2.3 billion, with pronounced, short-term fluctuations in investment behavior due to economic developments. Accordingly, in the year under review we further revised our structures in line with market maturity by downsizing around 350 jobs at the Wiesloch site. As a result we can react to fluctuations more flexibly and be profitable. Production for the strategically key Chinese market takes place locally in China. We are also streamlining our product portfolio to focus on profitable product lines.

Share of sales of service and consumables to rise to over 50 percent

Future sales growth will be generated firstly by investments in the growth segments of service and consumables, and secondly by expanding digital activities. The market volume for service, maintenance and service parts is relatively stable at approximately € 1.0 billion; here Heidelberg is benefiting from the fact that more than 50 percent of the addressable market is based on Heidelberg machinery. We anticipate growth potential in this higher-margin business from our global service and logistics network, the integration of independent providers into this network and increased value added for customers.

Heidelberg has improved its position in consumables by acquiring the European PSG Group and the Belgian BluePrint Products in the printing chemicals area. In future, the two transactions will result in additional sales totaling more than € 100 million. The medium-term target is to increase the share of consolidated sales attributable to services and consumables to over 50 percent. Currently it is around 40 percent. Other interesting acquisition candidates are being analyzed.

Digital growth area to be advanced with leading technology partners

In the digital printing growth area Heidelberg is focusing on its core competence and collaboration with world-leading technology partners. Thus, we have been working on the development of new products with Ricoh since 2011 and Fujifilm since fall 2013. In 2014 we also boosted our position with the full acquisition of the Swiss Gallus Holding in digital label printing and the full acquisition of the software manufacturer Neo7even. As a result of this cooperation with Gallus, the first new digital printing systems have already been presented and delivered. At the drupa trade fair in spring 2016 we will be presenting another new digital printing machine. The goal is to generate around 10 percent of sales from digital activities in the medium term. To achieve this, almost half of Heidelberg's research and development spending is already being channeled towards digital printing.

Steps taken to secure financial stability and liquidity

In addition to the strategic measures as part of the Group's transformation, to achieve sustainable profitability, Heidelberg also took several steps in 2014/2015 to secure long-term financial stability and liquidity. These include the diversification of financial instruments, prolonging maturity structures, improving financing costs and the reorganization of the Company pension scheme with the corresponding adjustment in pension commitments. While restructuring the Group, our asset and net working capital management enabled us to keep the ratio of net debt to EBITDA below the target level of 2 and thus secure financial stability. Details of this can be found in the report on the results of operations, net assets and financial position.

Key Performance Indicators

- Group controlling based on financial performance indicators
- ROCE and value added: Parameters for enhancing enterprise value

With the initiation and implementation of portfolio optimization measures, we achieved key strategic targets in the year under review. The next phase involves implementing further measures aimed at improving and sustainably safeguarding profitability.

Most significant control-relevant performance indicators

In its **MANAGEMENT OF THE GROUP**, the Management Board uses primarily **KEY FINANCIAL FIGURES** as a basis for its decisions. These control parameters are the main basis for the overall assessment of all issues and developments being assessed in the Group.

Our planning and management are based mainly on the sales and earnings development of the Group. In terms of operational financial performance measurement, the most significant control-relevant key financial performance indicators in addition to **SALES** for us are therefore the result of operating activities excluding special items (**EBITDA**) and **LEVERAGE**, i. e. net debt in relation to EBITDA. More detailed information on the development of these financial performance indicators can be found in the individual sections of the "Economic Report" on pages 48 to 65 and in the "Future Prospects" section starting on page 74.

Other financial and non-financial performance indicators

Other key figures applied in operational financial performance measurement are primarily the result of operating activities before interest and taxes excluding special items (**EBIT**), the **NET RESULT AFTER TAXES**, **NET WORKING CAPITAL** in relation to sales, and **FREE CASH FLOW**. Moreover, the return on capital employed (**ROCE**) will take on greater importance in our financial target system in the medium term. We are striving to sustainably increase our enterprise value after deducting capital costs, which we measure as **ECONOMIC VALUE ADDED** (**EVA**). We have already improved this parameter in the year under review and have covered our cost of capital for the first time including special effects. More information can be found in the "ROCE and Value Added" section on page 59.

In addition to financial key figures, the Management Board also uses **NON-FINANCIAL PERFORMANCE INDICATORS**, particularly relating to quality assurance.

Research and Development

- Significant expansion of activities in the digital area
- Focus on efficiency improvements in the sheetfed offset area
- Functional enhancements in the remote services area and new consulting concept

In our research and development activities, we always work in close cooperation with partners such as customers, suppliers, other companies and universities. By combining our strengths with those of our partners, we are able to meet the requirements of our customers and markets in a targeted and comprehensive way.

In the year under review, we primarily focused on the strategic growth areas in digital printing and increasing efficiencies in the sheetfed offset area.

Significant expansion of activities in the digital area

In order to achieve our medium-term growth targets in the digital area, we have made substantial investments in the expansion of our digital range while further stepping up our development activities in this area. We want to be able to offer integrated offset and digital solutions for the different market areas. Following the initial announcement in April 2014, we presented our new digital label printing machine, which features Fujifilm inkjet technology and was developed with Gallus within one year, at the "Gallus Innovation Days" in Switzerland in the fall. By combining flexo and inkjet printing together with the usual options offered by a Gallus platform, we opened up the possibility of industrial and economic production of small print runs and customized labels.

In addition, at the end of the 2014 calendar year our "Jetmaster Dimension" started operations for the first customers. This system allows for customized printing of three-dimensional objects – starting with balls – in line with customer requirements. Further applications are currently being analyzed or developed.

Together with Fujifilm, Heidelberg will continue to expand its range of inkjet digital printing systems for commercial and packaging printing step by step.

To meet the customer requirements for parallel use of highly productive offset and flexible digital solutions also in terms of the software, we have enhanced our print shop workflow Prinect accordingly. Our customers use this tool to manage and perform the entire order, production and distribution workflow in the print shop centrally and transparently and to make an economic assessment of the entire job. The new version incorporates improvements and enhancements of print production automation, simplified operation and an expansion of possible active orders.

Other focal areas included the development of a digital front end for processing data for print production and for ensuring optimal print quality, as well as the development of a print buyer portal. This portal integrates the modules for the approval workflow, production status tracking, product orders, warehouse release orders, the webshop and online editing.

Focus on efficiency improvements in the sheetfed offset area

In the sheetfed offset area, the main focus of our work – in addition to streamlining the product range, reducing complexity and lowering manufacturing costs – related to reducing set-up time and wastepaper (paper used when setting up the machine).

For example, we launched the blanket washup devices for the CX 102 for a better and faster washing result with lower consumption of cleaning agent. The XL 106 platform was expanded with the Autoplate Pro function, reducing set-up time by means of a fully automated process. Other key functions for reducing and managing wastepaper and simplifying operation are offered by the new, advanced inspection system InpressControl 2.

In addition to technical optimization and saving time and costs, our R&D projects are also aimed at better environmental compatibility. Examples of this are described in the "Sustainability" section of this report on pages 62 to 65.

The cross-format and cross-series transfer of technology plays an important role in all R&D projects with a view to cutting resource consumption and manufacturing costs. One example of this is the new platform for plate changers that is now being rolled out to additional series.

Functional enhancements in the remote services area and new consulting concept

In the growth area of Services, we also work continuously on improving our products and services in order to increase our customers' total output. Functional enhancements in our remote services range enable us to install security patches and hotfixes on a largely automated basis and carry out release changes for the entire system without requiring technicians on-site. In the reporting period, our remote range was also expanded with a new function: Remote Monitoring. This function allows us to identify impending machine failures preventatively at an early stage, long before a failure actually occurs. This makes it possible to guarantee our customers the greatest possible security in their production planning and increases machine availability. At present, 80 percent of electronic malfunctions can already be handled remotely.

Combining Remote Monitoring with the Heidelberg Performance Plus consulting concept enables print shops to take performance improvements to a whole new level. Remote Monitoring ensures the technical availability of the production platform, while Performance Plus optimizes the entire value-added chain. Performance Plus involves Heidelberg consulting experts working with the customer to analyze the print shop's current productivity level based on its key operating and financial indicators; the results are then compared with other similarly oriented companies in the industry. Entirely in line with the Industry 4.0 value chain organization concept, Heidelberg has access to the relevant data through the networking of machines installed worldwide with its remote service platform. Using lean management processes, Heidelberg then helps the customer implement its continuous improvement process to ensure targets are achieved on a lasting basis.

R&D in figures

Currently around 7.8 percent of our workforce is employed in the area of research and development. Roughly 50 percent of our R&D resources are allocated to the digital area.

In the year under review, we invested 5.2 percent of our sales in research and development.

We submitted a total of 94 new patent applications in the 2014/2015 financial year (previous year: 77). This means that Heidelberg's innovations and unique selling points are protected by around 3,800 active patents and patent applications worldwide.

Five-year overview: Research and development

	2010/2011	2011/2012	2012/2013	2013/2014	**2014/2015**
R&D costs in € millions	121	129	118	117	121
in percent of sales	4.6	5.0	4.3	4.8	5.2
R&D employees	1,135	1,103	1,017	977	933
Patent applications	92	96	117	77	94

Partnerships

- Partnerships and cooperations in growth segments
- Major milestones achieved
- Entry into new market segments

We consider an openness for PARTNERSHIPS to be an important strategic factor in our success, allowing us to quickly unlock new market segments in defined growth areas. We have been working with selected companies and institutes along our entire value chain for many years. In future, selected strategic partnerships will make an even stronger contribution to the Company's success. This approach was expanded further in the period under review and major milestones were achieved in conjunction with our partners. This allows us to combine external innovative strength with our own in order to provide customers with quicker access to new services and technologies, thereby saving time, money and effort. We place great value on close, long-term cooperation with our SYSTEM SUPPLIERS and include them in development processes at an early stage. In this way, we benefit from their experience and development activities. Innovative strength is an important criterion when it comes to selecting our suppliers.

As part of our strategic reorientation, we view DIGITAL BUSINESS as an extremely important growth market for Heidelberg. To expand our share of this market further, we are investing in new business applications and cooperating with innovative partners who are the leaders in their respective segment. Being able to offer integrated offset and digital solutions – including for industrial digital printing – for different market segments in future is unique within the industry and will support our aim to be the preferred partner in the industry. However, we are also working on areas of application outside the graphics industry and have presented the first products.

We have entered into a partnership with FUJIFILM, Japan, in the area of prepress and INKJET PRINTING TECHNOLOGY. In the period under review, we further intensified our cooperation and presented the first jointly developed products. The two companies have entered into an agreement on the next stage of the strategic partnership. Following the first successfully implemented projects in recent months, such as the presentation of a digital printing system for label printing or the launch of an OEM partnership for platesetters, the long-term cooperation between the two companies in the areas of digital printing and consumables was further intensified.

In particular, this is intended to intensify the joint development of new applications for digital printing. This encompasses inkjet digital printing systems for commercial and packaging printing, an area in which the first new machine will already be presented at drupa 2016. It also includes investigating potential applications for digital printing technologies outside the graphics industry. The new digital printing system for label printing that we presented in late 2014 together with our subsidiary Gallus is being prepared for series production from fall 2015. The two companies are seeking to meet future market demand for flexible, productive and competitive digital solutions and benefit from the growth in the digital printing market.

In the area of consumables, the existing partnership between Heidelberg and Fujifilm will be expanded primarily in the areas of printing chemicals, inks and coatings. We will also further intensify global cooperation activities in the rapidly growing flexo printing sector. Following the acquisition of the Fujifilm dealer in Sweden, we are now the exclusive provider of Fujifilm products for the printing plate business in this country.

With our partner RICOH, we are enabling our customers to enter the area of DIGITAL PRINTING and expand their activities with new solutions. We have been working in close cooperation with the Japanese manufacturer since the agreement of a global strategic partnership in 2011 and have offered our fully integrated and combined digital and offset solutions worldwide since 2012. In the meantime, we have sold more than 500 toner-based printer systems for the digital printing of small print runs and variable data for print shops with a focus on commercial printing. Heidelberg is increasingly benefiting from the growing number of installed printing systems and the consequent rise in annual service and consumables sales. Many print shops are using these systems to supplement their offset printing systems. In November 2014, Heidelberg presented a new, more powerful generation of digital printing systems from its partner Ricoh. The new Linoprint CV and Linoprint CP models focus on increased flexibility and productivity in the economic production of small or customized and hybrid print runs. They are equipped with a highly efficient, transparent digital printing workflow, the new Prinect Digital Front End. If customers fully integrate their digital printing systems into our Prinect print shop workflow, they can manage both offset and digital print jobs using a single workflow.

As part of the expansion of its digital printing business outside the traditional customer segments, Heidelberg acquired an equity interest in the software company NEO7EVEN in late 2013. Following on from this successful investment, the company was fully acquired in October 2014 and integration into the existing Heidelberg workflow software (Prinect) was accelerated. The investment represents Heidelberg's entry into the growth segment of multi-channel publishing, both within and outside the print media industry. The aim is to use Neo7even's software to open up new business options for print shops that go far beyond pure printing, enabling them to offer their customers media-neutral publishing services combining print and online to a greater extent in future.

As part of the strategic reorientation of the postpress business area, we entered into a partnership with MASTERWORKS MACHINERY (MK) in the area of packaging printing. Our customers in the packaging market can still purchase solutions for die cutters and folder gluers from us. Additionally, based on this close cooperation with its new partner, Heidelberg can now also exclusively offer selected MK products, thereby expanding the service range for our customers.

In the area of INTERNAL AND EXTERNAL LOGISTICS, we are working together with partners to optimize our processes and structures and reduce our costs. In operating our service logistics network, we cooperate with partners such as DHL Supply Chain and Schenker, whom we have entrusted with the operation of our three service parts warehouses in Asia (Hong Kong and Tokyo) and the US (Indianapolis). The logistics points work together with the World Logistics Center in a hub structure and are centrally managed from Germany. A network comprising various other local logistics providers ensures that service parts are sent from the hubs directly to the customer address without requiring interim storage locally. This allows us to achieve the ideal balance between net working capital, current operating costs and parts availability of 95 percent, a figure that is optimal within our industry – thereby providing our customers around the world with service parts as quickly as possible. We also offer this to other companies as a full service. These partnerships additionally serve to make our cost base more flexible. As part of an innovative logistics concept, we are working closely with LGI in Hall 11 at the Wiesloch-Walldorf production site. LGI carries out the major part of production logistics tasks there.

In the area of RESEARCH AND DEVELOPMENT, we exchange knowledge with a number of partners in order to bring about new developments more quickly. We test new developments prior to their market launch in cooperation with selected customers. Our internal research projects are supplemented by partnerships with institutes and universities such as Darmstadt University of Technology, Mannheim University of Applied Sciences, the University of Wuppertal and the SID (Sächsisches Institut für die Druckindustrie). These activities are rounded off by our cooperation within and membership of associations such as the VDMA, the FGD and Fogra, as well as DIN/ISO committees.

HEIDELBERG FINANCIAL SERVICES has been successfully supporting print shops in developing financing solutions for a number of years. We actively moderate between our customers and global financing partners. Tailored financing solutions are an essential element for our customers' success.

ECONOMIC REPORT

Macroeconomic and Industry-Specific Conditions

- Accelerating economic recovery in industrialized nations
- Muted growth in emerging markets
- Restrained propensity to invest in printing press industry

The pace of global economic expansion increased over the course of 2014. The economic recovery also progressed in the industrialized nations, though momentum remained moderate at 1.7 percent. On the emerging markets the economy continued to grow at a subdued rate at 4.3 percent. Among other things, this was due to China, where overall economic performance rose by only 7.4 percent in 2014 and was therefore slower than one year previously. However, the situation in Eastern Europe, under the influence of the conflict between Ukraine and Russia, and the economic situation in many Latin American countries, characterized by structural problems and rising rates of inflation, contributed to the downturn in growth in the emerging nations.

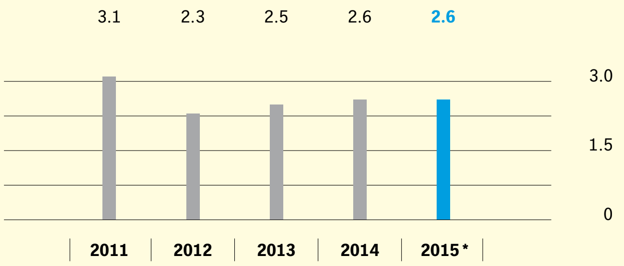
The printing press industry was unable to disconnect from the reduced momentum in the emerging nations, particularly in China. Based on statistics published by the German Engineering Federation (VDMA), sales of printing presses by German manufacturers declined by 12 percent year-on-year in 2014. Incoming orders decreased by 5 percent over the same period.

In the industrialized nations, the consolidation of print shops and changes in media consumption as a whole continue to have an adverse effect on investment behavior with regard to new machinery. In countries in which this consolidation has largely already occurred, such as the United States, there are already minor indications of an incipient recovery.

The development in global print production volumes remained stable. For this reason, the market volume in the service and consumables business remained unchanged. The total number of print shops – particularly small and medium-sized businesses – declined once again, but larger

Change in global GDP [1)]

Figures in percent



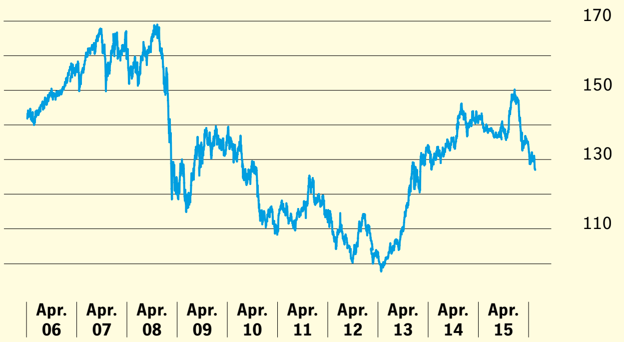
* Forecast

[1)] Data determined in accordance with the straight aggregate method. The chain-weighted method would deliver the following results: 2011: 3.1 %; 2012: 2.5 %; 2013: 2.6 %; 2014: 2.7 %; 2015: 2.9 %

Source: Global Insight (WMM); calendar year; as of April 2015

Development of EUR / JPY

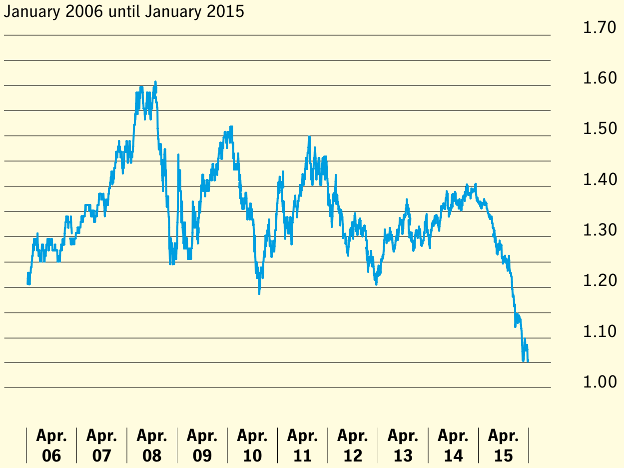
January 2006 until January 2015



Source: Global Insight

Development of EUR / USD

January 2006 until January 2015



Source: Global Insight

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.

Business Development

- Sales volume down around 4 percent on previous year
- Financial year greatly influenced by special items and special effects
- Portfolio optimization measures weigh on earnings

Overall assessment of the course of business

In the 2014/2015 financial year our central goals of portfolio optimization were implemented as advised. Services was boosted by acquisitions (BluePrint Products, Printing Systems Group, Fujifilm Sverige). The acquisitions implemented will generate sales and, after complete integration, also earnings contributions from the current financial year, thereby contributing to the sustained improvement of the business model. In the Digital segment we significantly expanded our position with the full takeover of the Gallus Group and the presentation of a digital label printing machine in the fall of the year under review.

As anticipated, the implementation of the portfolio measures initiated clearly impacted sales and earnings in the year as a whole. For example, the reorganization of the postpress area, entailing the disposal of interests in companies in this area, and the effects of the general slowdown in growth in China were central reasons for the fact that sales – contrary to expectations at the start of the year – did not match the previous year's level at € 2,334 million (€ 2,434 million). With the advancing implementation of our portfolio optimization projects we had therefore already issued guidance after the first half of 2014/2015 that sales for the year as a whole would be around 5 percent below the figure for the previous year. There was a slight positive influence on sales from bringing the financial year of the Gallus Group, which was acquired in full in the year under review, in line with that of the rest of the Group. This resulted in the inclusion of five quarters of the Gallus Group (January 1, 2014 to March 31, 2015) in the consolidated financial statements. Without this adjustment, the sales of the Heidelberg Group would have been not quite 5 percent below the figure for the previous year and therefore in line with the most recent forecast.

Despite the minor decline in volumes, we have achieved our goal of increasing operating profitability on a comparable basis as against the previous year. In implementing the portfolio measures we have also created the foundations for achieving an EBITDA margin of at least 8 percent from the 2015/2016 financial year.

In the year under review we additionally optimized the financing structure and thus achieved further diversification of our instruments and maturities. The non-recurring expenses of this optimization had a tangible impact on the financial result in the reporting year, but will lead to improvements in the future. Adjusted for special items, the net result after taxes was increased as planned. Overall, the net positive special effects of roughly € 50 million – including the reorganization of the Company pension scheme in Germany – and the net negative special items of almost € 100 million led to a net result after taxes that was negative at € –72 million (previous year: € 4 million). Thanks to the improved operating earnings and the consistently low net debt, we further lowered our leverage (net debt to EBITDA) and kept it below the target of 2.

Incoming orders on par with previous year

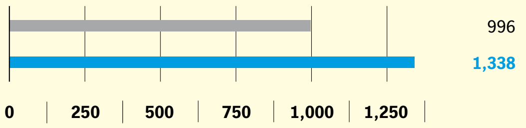
At € 2,434 million in the 2014/2015 financial year, incoming orders matched the previous year's level (previous year: € 2,436 million). A decline in the Asia/Pacific region was offset by increases in EMEA (Europe, Middle East and Africa) and North America.

Five-year overview: Business development

Figures in € millions	2010/2011	2011/2012	2012/2013	2013/2014	**2014/2015**
Incoming orders	2,757	2,555	2,822	2,436	2,434
Sales	2,629	2,596	2,735	2,434	2,334

Half-year sales

Figures in € millions



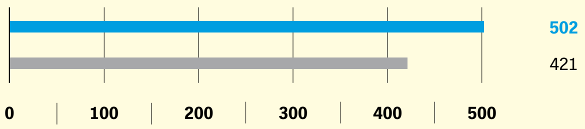
Sales: Significant increase in second half of year

As forecast, the consolidated sales volume was significantly higher in the second half of the year than in the first six months, though overall the figure failed to reach the previous year's level. The decline predominantly resulted from the Heidelberg Equipment segment, which was hit by the downturn in growth momentum in China and the reorganization of postpress. Regionally, Asia/Pacific and South America posted losses while sales were up in EMEA and North America.

The order backlog amounted to around € 502 million as of March 31, 2015, almost 20 percent higher than in the previous year (€ 421 million).

Order backlog at financial year-end

Figures in € millions



Results of Operations

- Operating result significantly improved also due to special effects
- Portfolio optimization leads to significant special items
- New bonds apply one-time pressure to net finance costs and promise future improvement

In the 2014/2015 financial year, EBITDA excluding special items increased, also owing to special effects. Due to negative special items from portfolio optimization of almost € 100 million, the net result after taxes was negative. Without these special items the figure would have increased in line with expectations.

Sales and result of operating activities

Figures in € millions	2013/2014	**2014/2015**
Sales	2,434	2,334
EBITDA [1]	143	188
in percent of sales	5.9	8.1
EBIT [2]	72	119

[1] Result of operating activities before interest, taxes, depreciation and amortization, excluding special items
[2] Result of operating activities before interest and taxes, excluding special items

Income statement: Operating result significantly improved also due to special effects

In the year under review EBITDA excluding special items amounted to € 188 million after € 143 million in the previous year. EBIT excluding special items also rose significantly year-on-year to € 119 million (previous year: € 72 million). The main factors contributing to the improvement were cost savings and, to a considerable extent, a positive one-time effect primarily from the reorganization of the Company pension scheme in Germany. Adjusted for these net non-recurring effects of around € 50 million, the operating margin – as planned – would have been slightly higher on a comparable basis than in the previous year. While income from the Gallus transaction with Ferd. Rüesch AG, St. Gallen, Switzerland, had a positive effect in the second quarter of the year under review, this was almost fully offset by the recognition of a fifth quarter of the Gallus Group to align the business years. The negative EBIT in the fifth quarter was primarily due to the changes in exchange rates between the euro and the Swiss franc. As a result of the higher sales volume in the second half of the year and, in particular, the net positive special effects in the fourth quarter of the financial year, the EBIT contribution of the second half of the year (€ 100 million) was significantly higher than that of the first half of the year (€ 19 million).

Income statement

Figures in € millions	2013/2014	**2014/2015**
Net sales	2,434	2,334
Change in inventories/ other own work capitalized	-15	23
Total operating performance	2,419	2,356
EBITDA excluding special items	143	188
Result of operating activities excluding special items	72	119
Special items	-10	-99
Financial result	-60	-96
Net result before taxes	2	-76
Taxes on income	-2	-4
Net result after taxes	4	-72

Income statement: Operating result slightly increased; portfolio optimization measures lead to high special items

Reflecting the development of sales, the Group's **TOTAL OPERATING PERFORMANCE** declined from € 2,419 million in the previous year to € 2,356 million in the year under review. The ratio of cost of materials to total operating performance climbed slightly due primarily to the sales mix to 47.2 percent (previous year: 45.9 percent).

At 31.0 percent the **STAFF COST RATIO** was down significantly on the previous year's level (35.4 percent), as were absolute staff costs. This was caused among other things by the reduction of staff and to a great extent by the positive special effect from the reorganization of the Company pension scheme in Germany. Around 400 further employees left the Group as of April 1, 2015.

As part of our asset management, we are using equipment longer and more efficiently. This allows us to carry out all necessary investments with a significantly reduced budget. As before, we are keeping our net investments at a level of around 2 percent of sales. Depreciation and amortization were virtually unchanged year-on-year at € 69 million.

OTHER OPERATING EXPENSES AND INCOME increased from a net amount of € 309 million to € 325 million in the year under review. Relative to total operating performance, the ratio was up slightly from 13 percent in the previous year to 14 percent in the year under review. The increase was essentially due to higher risk provisions and exchange rate losses on the Swiss franc. **SPECIAL ITEMS** for portfolio measures amounted to € -99 million in the reporting year (previous year: € -10 million). These relate to the portfolio optimization measures initiated and in some cases already implemented.

In March of the year under review we issued a second convertible bond and in May 2015 a new corporate bond, which were both used for the partial repayment of the 2011 corporate bond. Due to the non-recurring expenses of almost € 23 million resulting from the financing activities and the higher overall gross debt, the **FINANCIAL RESULT** amounted to € -96 million (previous year: € -60 million). Moving ahead, the financial result will improve sustainably as a result of lower interest payments for the new instruments.

Owing to the special items from portfolio optimization measures totaling around € 100 million and the negative financial result, **NET RESULT** was negative at € -76 million before taxes and € -72 million **AFTER TAXES**.

Five-year overview: Results of operations

Figures in € millions	2010/2011	2011/2012	2012/2013	2013/2014	**2014/2015**
Sales	2,629	2,596	2,735	2,434	2,334
Per capita sales [1] (in € thousands)	173	175	200	194	195
EBITDA [2]	104	90	80	143	188
in percent of sales	3.9	3.5	2.9	5.9	8.1
Result of operating activities [3]	4	3	-3	72	119
Special items	2	-142	-65	-10	-99
Financial result	-149	-90	-59	-60	-96
Net result after taxes	-129	-230	-117	4	-72
in percent of sales	-4.9	-8.9	-4.3	0.1	-3.1

First-time adoption of IAS 19 (2011) in 2013/2014 financial year. The figures for the 2012/2013 financial year were restated.
The figures of the financial years 2010/2011 to 2011/2012 have not been restated.

[1] Number of employees not including trainees
[2] Result of operating activities excluding special items and before depreciation and amortization
[3] Excluding special items

Net Assets

- Capital commitment reduced further through asset and net working capital management
- Continued reduction in volume of directly assumed sales financing
- Net debt still at low level; leverage below 2

We again reduced our capital commitment through our asset and net working capital management. Receivables from sales financing reached a new low thanks to the high level of liquidations and repayments. Despite the payments for the Focus efficiency program, as a result of the funds made available by asset and net working capital management and the income from the sales transactions in connection with the reorganization of postpress, only a minor negative free cash flow was generated, hence net debt was still kept at a low level.

Assets

Figures in € millions	31-Mar-2014	**31-Mar-2015**
Non-current assets	751	735
Inventories	623	637
Trade receivables	328	335
Receivables from sales financing	91	82
Current securities and cash and cash equivalents	243	286
Other assets	209	218
	2,244	2,293

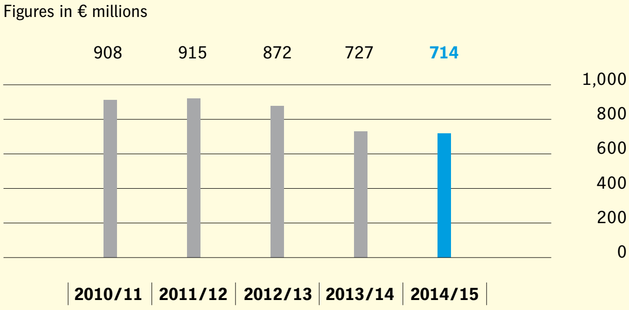
Assets: Capital commitment further reduced through asset and net working capital management

The TOTAL ASSETS of the Heidelberg Group amounted to € 2,293 million as of March 31, 2015. The slight increase was essentially caused by the temporarily higher liquidity position. Cash and cash equivalents and current securities were up € 43 million year-on-year as of the end of the reporting period as the issue proceeds from the issue of the convertible bond in late March 2015 could not yet be used for the partial repayment of the 2011 corporate bond at this time.

NON-CURRENT ASSETS continued to decline in the year under review for reasons of depreciation. In addition, as in previous years, we use leasing as a form of financing when this makes good business sense – particularly for vehicle fleets and IT.

We achieved our goal of keeping **NET WORKING CAPITAL** at less than 32 percent of sales on average over the year. Thanks to the optimization of inventory, systematic cash management in terms of receivables and liabilities and an improved ratio between advance payments and the order backlog, we were able to reduce tied capital by € 13 million in the year under review despite adverse exchange-rate effects.

Development of net working capital



INVENTORIES were slightly higher year-on-year at around € 637 million as of the end of the reporting period, while **TRADE RECEIVABLES** also climbed slightly from € 328 million in the previous year to € 335 million in the year under review.

We continued to successfully pursue our proven strategy of many years of arranging customer financing agreements with financing partners in the Heidelberg Financial Services segment. In light of the limited demand for direct financing on the one hand as well as repayments and liquidations on the other, **RECEIVABLES FROM SALES FINANCING** reached a new low. At € 82 million they were down by a further € 9 million on the figure for the previous year.

Equity and liabilities

Figures in € millions	31-Mar-2014	**31-Mar-2015**
Equity	359	183
Provisions	879	1,055
Financial liabilities	481	542
Trade payables	148	171
Other liabilities	377	342
	2,244	2,293

Equity and liabilities: Leverage remains below target figure of 2

Equity amounted to € 183 million as of March 31, 2015. A major reason for this decrease was the renewed significant drop in the discount rate for German pensions from 3.50 percent in the previous year to 1.70 percent as of the reporting date. In the year under review, this effect was partially compensated by the reorganization of the Company pension scheme in Germany, which was changed from a previously defined benefit plan to a defined contribution plan. The adverse impact of special items resulting from portfolio optimization measures was largely offset by the positive effect of the Gallus increase in capital in kind and favorable exchange rates. In the medium term, we are aiming to increase the equity ratio by a return to sustainable profitability.

Also taking into consideration the reorganization of the Company pension scheme, the change in the interest rate for pensions led to an increase in pension provisions from € 450 million as of March 31, 2014 to approximately € 605 million as of March 31, 2015, and, along with provisions for portfolio optimization measures, caused provisions to rise to a total of € 1,055 million.

At € 256 million (March 31, 2014: € 238 million), **NET DEBT** remained stable at a low level year-on-year. The ratio of net debt to EBITDA (**LEVERAGE**) was kept below the target of 2, including one-time positive effects it even fell to 1.4 (previous year: 1.7).

As part of the optimization of the capital structure, **FINANCIAL LIABILITIES** temporarily increased to € 542 million, from € 481 million as of March 31, 2014, in particular as a result of the issue of the convertible bond in March 2015. The 2011 corporate bond was not yet reduced by the proceeds from the convertible bond as of the balance sheet date. **TRADE PAYABLES** amounted to € 171 million as of March 31, 2015, an increase as against the previous year's figure of € 148 million.

Five-year overview: Net assets

Figures in € millions	2010/2011	2011/2012	2012/2013	2013/2014	**2014/2015**
Total assets	2,643	2,518	2,338	2,244	2,293
Total operating performance	2,598	2,622	2,690	2,419	2,356
Ratio of total assets to total operating performance (in percent)	102	96	87	93	97
Net working capital	908	915	872	727	714
in percent of sales [1]	34.5	35.2	31.9	29.9	30.6
Equity	869	576	402	359	183
in percent of total equity and liabilities	32.9	22.9	17.2	16.0	8.0
Net debt [2]	247	243	261	238	256
Leverage [3]	3.4	3.9	3.3	1.7	1.4

First-time adoption of IAS 19 (2011) in 2013/2014 financial year. The figures for the 2012/2013 financial year were restated.
The figures of the financial years 2010/2011 to 2011/2012 have not been restated.

[1] Net working capital in relation to sales for the last four quarters
[2] Net total of financial liabilities and cash and cash equivalents and current securities
[3] Net debt in relation to EBITDA excluding special items; in accordance with IAS 19 (2011) since 2012/2013 financial year, figures for previous years are unaudited statistical estimates

Financial Position

- Cash flow and free cash flow influenced by special items and special effects
- Financing sources and maturities diversified further
- Stable liquidity framework

In the year under review, we focused intensely on optimizing our financing structure. The sources of financing and maturities of instruments are appropriately diversified, and net debt is financed by basic funding until 2022.

Statement of cash flows: Cash flow and free cash flow strongly influenced by special items and special effects

The negative net result after taxes and the neutralization of non-cash income as well as other changes in pension provisions caused a highly negative CASH FLOW of € −120 million.

OTHER OPERATING CHANGES resulted in a net cash inflow of € 141 million. This was essentially due to a reduction of net working capital and receivables from customer financing. Thus, the balance of cash flow and other operating changes was once again positive at € 21 million (previous year: € 60 million).

Five-year overview: Financial position

Figures in € millions	2010/2011	2011/2012	2012/2013	2013/2014	**2014/2015**
Net result after taxes	−129	−230	−117	4	−72
Cash flow	−41	−130	−41	70	−120
Other operating changes	141	186	74	−10	141
Cash flow and other operating changes	100	56	33	60	21
of which: net working capital	125	24	57	113	96
of which: receivables from sales financing	32	29	40	21	20
of which: other	−16	133	−23	−144	25
Cash used in investing activities	−25	−46	−51	−38	−39
Free cash flow	75	10	−18	22	−17

First-time adoption of IAS 19 (2011) in 2013/2014 financial year. The figures for the 2012/2013 financial year were restated.
The figures of the financial years 2010/2011 to 2011/2012 have not been restated.

At € – 39 million the **CASH USED IN INVESTING ACTIVITIES** matched the previous year in the year under review. As planned, net investment remained at a low level of around 2 percent of sales.

FREE CASH FLOW was € – 17 million in the year under review. This figure includes payments of around € 43 million for the Focus efficiency program.

Financing structure: Further diversification of financing sources and maturities

The three pillars of our financing portfolio – corporate bonds, syndicated credit line and other instruments such as convertible bonds – are now well-balanced. Net debt of € 256 million is financed by basic funding until 2022.

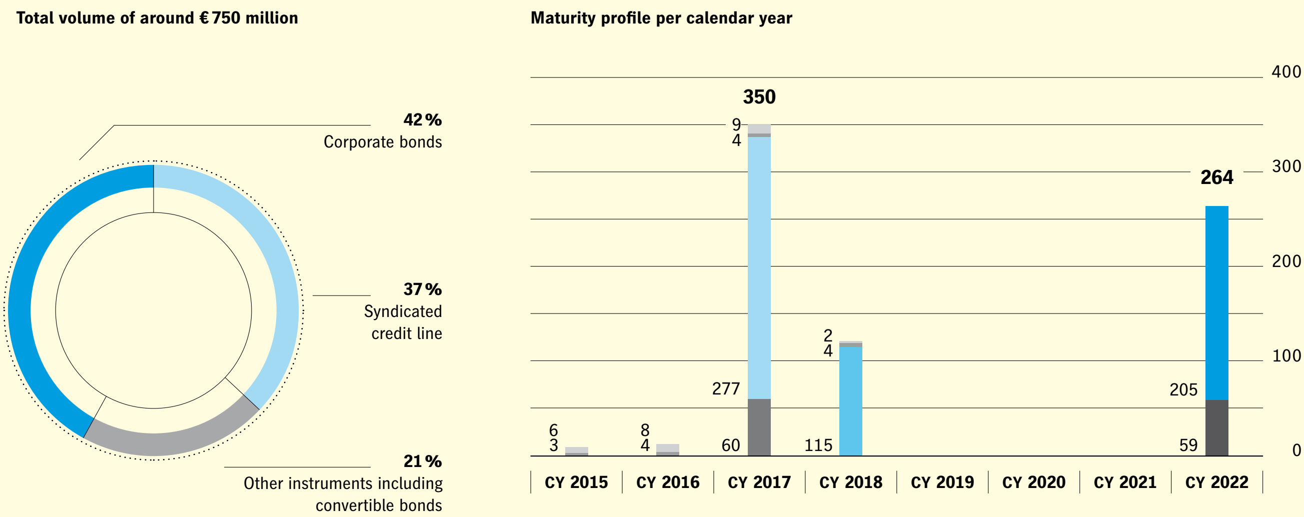
To achieve this, in the previous financial year 2013/2014, we already prolonged the syndicated credit facility early until mid-2017 and also diversified our financing sources by placing a convertible bond (maturing in July 2017). In the year under review, we significantly increased this diversification once more by issuing another convertible bond maturing in 2022 and also reduced our future financing costs as we repaid some of our higher-interest corporate bond with the net issue proceeds from the newly placed convertible bond in April 2015. In May 2015 we were able to reduce the existing bond again with the net issue proceeds from the issuance of another corporate bond (maturing in 2022) of around € 205 million, at the same time once more diversifying and prolonging the maturity structure.

With this range of instruments, Heidelberg currently has total credit facilities of around € 750 million with balanced diversification and a balanced maturity structure until 2022.

We supplement our financing with operating leases where economically appropriate. Other off-balance-sheet financing instruments do not have any significant influence on the economic position of the Group. Thus, Heidelberg continues to have 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.

Financing instruments and maturity profile

Figures in € millions



Note: Presentation after partial repayment of 2011 corporate bond; excluding other financial liabilities and finance leases

- Real estate lease (March 2018) | Amortizing
- Amortizing loan (December 2018)
- Convertible bond (July 2017)
- Convertible bond (March 2022; put option in 2020)
- Syndicated credit line (June 2017)
- Corporate bond (April 2018)
- Corporate bond (May 2022)

Segment Report

- Heidelberg Equipment: Results improved significantly, also due to special effects
- Heidelberg Services: Improved quality of results
- Heidelberg Financial Services: Successful cooperation with financing partners

Heidelberg Equipment segment: Slight decline in volumes, improved earnings

New machinery business is essentially affected by the economic downturn on the market in China, hence the effects of the decline are being felt mainly in the Equipment segment, as is the reduction due to the reorganization in postpress. Segment sales therefore declined by around 5.6 percent to € 1,391 million (previous year: € 1,474 million). In the year under review, the Heidelberg Equipment segment accounted for around 60 percent of Group sales.

Heidelberg Equipment

Figures in € millions	2013/2014	**2014/2015**
Incoming orders	1,477	1,481
Sales	1,474	1,391
Order backlog	389	463
EBITDA [1]	36	81
Result of operating activities [1]	–19	27
Special items	–8	–86
Investments	39	45
Employees [2]	8,360	7,939

[1] Excluding special items
[2] Number of employees not including trainees

The ORDER BACKLOG was € 463 million as of the end of the reporting period and therefore up considerably on the prior-year figure of € 389 million. Delivery times for our machines vary between three and six months depending on demand and product.

After € 36 million in the previous year and despite the lower level of sales, the segment was able to increase its EBITDA excluding special items to € 81 million, partly as a result of positive special effects primarily impacting this segment. The reorganization of the Company pension scheme in Germany and the portfolio measures already implemented had a net positive influence on the segment. The income from the Gallus transaction with Ferd. Rüesch AG, St. Gallen, Switzerland, in the first half of the year under review was almost fully offset by the recognition of a fifth quarter of the Gallus Group with a negative earnings contribution. Even without special items and special effects the result improved slightly. Special items of € –86 million were recognized in the segment in the year under review. These essentially resulted from portfolio optimization measures, such as the reorganization of postpress. In line with planning, there was a further reduction in the number of employees: The segment had a total of 7,939 EMPLOYEES as of March 31, 2015 (previous year: 8,360 employees). INVESTMENTS in the segment amounted to € 45 million in the year under review. In addition to replacement investments, we primarily invested in the expansion of our digital business.

Heidelberg Services segment: Improved quality of results

SALES in the Heidelberg Services segment amounted to € 935 million after € 952 million in the previous year. The slight decline was caused in particular by weak remarketed equipment business at the start of the financial year. Nonetheless, EBITDA excluding special items improved from € 97 million in the previous year to € 102 million. This was due to improved profit contributions and an improved cost structure. Special items of € –13 million were incurred in this segment.

Heidelberg Services

Figures in € millions	2013/2014	**2014/2015**
Incoming orders	951	946
Sales	952	935
EBITDA [1]	97	102
Result of operating activities [1]	82	86
Special items	– 2	– 13
Investments	13	14
Employees [2]	4,132	3,969

[1] Excluding special items
[2] Number of employees not including trainees

INVESTMENTS in the Heidelberg Services segment were stable year-on-year at € 14 million and related predominantly to replacement investments. The number of **EMPLOYEES** was also reduced in this segment over the course of the financial year.

Heidelberg Financial Services segment: Customer financing delivers positive earnings contribution; favorable financing environment supports further reduction of capital commitment

In a capital-intensive sector like the printing industry, financing solutions are crucial to our customers' success. Heidelberg Financial Services has been successfully supporting print shops in implementing their planned investments for a number of years, primarily by means of its dense network of financing partners. We actively moderate between our customers and financing partners. Where required, we help our customers – especially in emerging economies – to acquire Heidelberg technologies via direct financing provided by one of our Group-owned print finance companies.

In the past financial year, economic conditions in Brazil – a market with a historically high level of demand for direct financing solutions – deteriorated. In addition, the largely positive financing environment in the industrialized nations persisted. Against this backdrop, overall demand for new direct financing was low, and we were able to further reduce our receivables from sales financing, in part as a result of repayments and liquidations, from € 91 million in the previous year to € 82 million. As expected, the decline in the volume of receivables was accompanied by lower interest income of € 7 million (previous year: € 8 million). We were also able to significantly reduce the volume of counter-liabilities assumed.

EBITDA of the segment excluding special items was € 6 million. Despite the significant rise in the number of overdue receivables in Brazil due to exchange rate effects, we again benefited from a positive risk provisioning result, which reflects the stringent implementation of our receivables and risk management strategy. This is apparent not least in the loss ratio, which was below the long-term average.

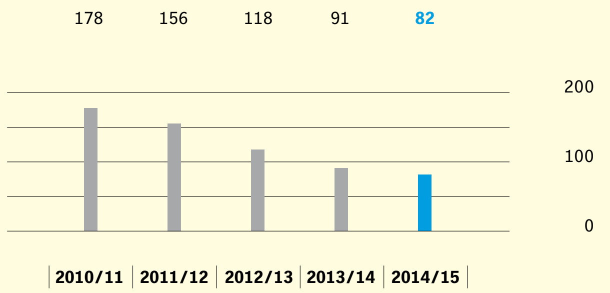
Heidelberg Financial Services

Figures in € millions	2013/2014	**2014/2015**
Sales	8	7
EBITDA [1]	10	6
Result of operating activities [1]	10	6
Employees [2]	47	43

[1] Excluding special items
[2] Number of employees not including trainees

Receivables from sales financing

Figures in € millions



Report on the Regions

- German and US markets exceed expectations
- Asia/Pacific region affected by slowdown in China business
- Good performance in Eastern Europe despite crisis in Russia

Europe, Middle East and Africa (EMEA): Incoming orders and sales up significantly year-on-year

In the year under review, the order volume in the EMEA region increased from € 906 million in the previous year to € 955 million, while the sales volume rose from € 861 million to € 921 million.

Germany was the largest individual market in the year under review, recording stable development in incoming orders and exceeding our expectations in terms of sales. The Sweden, Benelux and UK markets also enjoyed positive performance, while the Italian market saw strong incoming orders and sales on the back of a government investment program. There was stable sales development in France, whereas lower sales were recorded in South Africa, which is assigned to the EMEA region.

Asia/Pacific: Slowdown in growth momentum in China

In the Asia/Pacific region, incoming orders (€ 688 million; previous year: € 791 million) and sales (€ 657 million; previous year: € 821 million) were both down significantly year-on-year. This was due in particular to the slowdown in economic growth in China. Incoming orders in China have been stable at a lower level for the past six quarters. The Japanese market saw encouraging development, with the order and sales volume remaining unchanged year-on-year despite unfavorable exchange rate movements. India and South Korea also recorded positive performance, whereas the markets of Australia, Singapore, Taiwan and Thailand posted declines in sales, especially in the sale of new equipment.

Eastern Europe: Slight upturn in incoming orders, stable sales

With incoming orders of € 295 million (previous year: € 286 million) and sales of € 281 million (previous year: € 286 million), sales in the Eastern Europe region were largely unchanged as against the previous year, while incoming orders were higher. Following a substantial downturn in the previous financial year, the Turkish market saw a slight recovery in the year under review. Poland and the Czech Republic enjoyed encouraging performance. The political and economic problems in Ukraine and Russia had a tangible negative impact on incoming orders and sales in these markets in the year under review.

North America: US exceeds expectations, Canada and Mexico weak

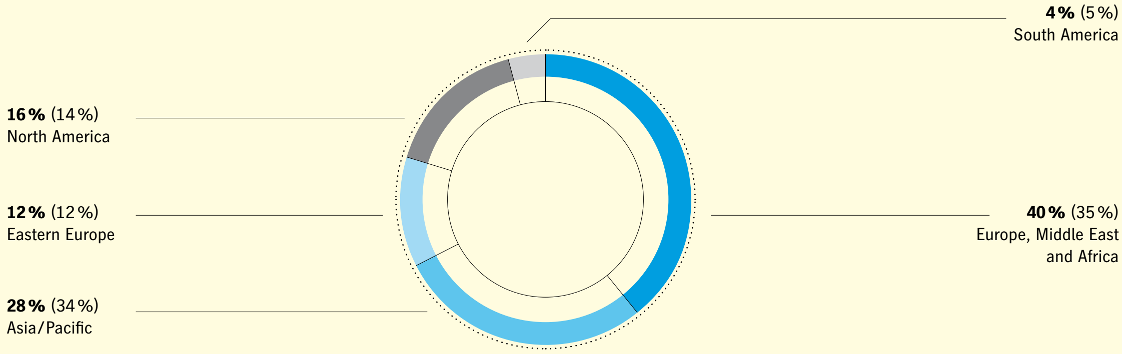
The North America region, which consists of the US, Canada and Mexico markets, recorded substantial growth in the year under review with incoming orders of € 388 million (previous year: € 345 million) and sales of € 377 million (previous year: € 350 million). This is attributable to the positive development in the US. The markets in Canada and Mexico failed to meet expectations, falling below the prior-year figures.

South America: Business situation remains unsatisfactory

Although incoming orders in the South America region were stable at € 108 million (previous year: € 109 million), sales declined substantially year-on-year to € 98 million

Sales by region

Proportion of Heidelberg Group sales (in parentheses: previous year)



(previous year: € 116 million). The Brazilian market enjoyed a slight upturn in the year under review, whereas the smaller markets in the region saw considerable weakness as a result of economic or political instability.

Incoming orders by region

Figures in € millions	2013/2014	**2014/2015**
EMEA	906	955
Asia/Pacific	791	688
Eastern Europe	286	295
North America	345	388
South America	109	108
Heidelberg Group	**2,436**	**2,434**

Sales by region

Figures in € millions	2013/2014	**2014/2015**
EMEA	861	921
Asia/Pacific	821	657
Eastern Europe	286	281
North America	350	377
South America	116	98
Heidelberg Group	**2,434**	**2,334**

ROCE and Value Added

- ROCE clearly positive even excluding special effects and at previous year's level
- Value added excluding special effects slightly improved

ROCE stands for "return on capital employed". We calculate this figure by comparing the result of operating activities excluding special items plus net investment income in relation to average capital employed. We determine our cost of capital using our weighted average cost of capital before taxes, which is currently around 9.0 percent (previous year: 9.0 percent). Following a positive ROCE in financial year 2013/2014 (€ 73 million), we were able to further improve ROCE to around € 116 million in the year under review. Without taking into account the special effects of around € 50 million, the figure would be only slightly below the prior-year figure despite lower sales. This was driven in particular by our cost savings. At the same time, we have reduced our operating assets by around 28 percent over the past five years. Our net working capital program enabled us to further scale back our capital commitment. Capital commitment also declined as a result of the lower level of receivables from sales financing, which fell by around € 9 million year-on-year due to the further reduction in the volume financed by us directly as well as liquidations and repayments. Accordingly, operating

Five-year overview: ROCE and value added

Figures in € millions	2010/2011	2011/2012	2012/2013	2013/2014	**2014/2015**
Operating assets (average) [1]	1,429	1,272	1,136	1,068	1,024
ROCE [2]	10	4	– 4	73	116
in percent of operating assets	0.7	0.3	– 0.4	6.8	11.3
Cost of capital	142	130	103	97	92
in percent of operating assets	9.9	10.2	9.1	9.0	9.0
Value added [3]	– 132	– 126	– 108	– 24	24
in percent of operating assets	– 9.2	– 9.9	– 9.5	– 2.2	2.3

First-time adoption of IAS 19 (2011) in financial year 2013/2014. The figures for financial year 2012/2013 were restated.
The figures for financial years 2010/2011 to 2011/2012 were not restated.

[1] Average operating assets less average operating liabilities
[2] Includes the result of operating activities excluding special items, plus net income from investments
[3] Result from ROCE less cost of capital

assets decreased by a further € 44 million year-on-year to total € 1,024 million. ROCE as a percentage of operating assets therefore increased to 11.3 percent in the year under review (previous year: 6.8 percent) and, with cost of capital of € 92 million, contributed a positive VALUE ADDED of € 24 million. The cost of capital also included the non-recurring expense from the remeasurement of the corporate bond in the year under review. Excluding special effects, ROCE as a percentage of operating assets would roughly match the previous year's level, while value added would even have improved slightly due to the lower cost of capital.

Employees

- Focus on change processes
- Company pension scheme in Germany revised and harmonized
- Active demographic management and implementation of a "Demographic Arena"

Human resources activities in the year under review again focused on supporting Group-wide 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 measures for optimizing the portfolio structure.

Remuneration components linked to financial targets

Heidelberg's primary objective for the coming years is clear – to secure its long-term profitability. Responsibilities have been clearly allocated and variable remuneration components are linked to the achievement of financial targets in a transparent manner: Defined financial goals are assigned various weightings in a scorecard depending on the respective function. The financial goals of the Heidelberg Group are taken into account in the variable remuneration for all senior executives. Our sales and services executives are measured against the sales generated, price quality, and compliance with cost and net working capital targets. In the centralized units, additional targets are agreed in a balanced scorecard that defines qualitative and quantitative goals. For this purpose, the four areas of "Customers", "Finances", "Employees" and "Processes" all receive equal weighting.

Portfolio optimization affects workforce structure

In the year under review, we continued to implement the measures resolved with the aim of optimizing our portfolio structure. A total of 588 employees left the Company in the year to March 31, 2015, mainly as a result of the reorganization of postpress and structural adjustments in sheetfed offset to reflect product maturity. We largely succeeded in finding socially responsible solutions and taking into account regional and portfolio-related aspects. In April 2015, Heidelberg acquired the Printing Systems Group in the Netherlands. This will lead to an increase in the workforce of around 400 employees in the 2015/2016 financial year.

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. Heidelberg remains an attractive employer brand, meaning that we receive sufficient applications even for specialist functions. The same applies to the occupations for which Heidelberg offers training: Attractiveness, and hence the level of demand for recognized good training, is high.

Looking to the future

We pay particular attention to ensuring Heidelberg's competitiveness and attractiveness as an employer. Among other things, we believe that the work-life balance will be extremely important when it comes to competing for qualified employees in the future. With our sabbatical and part-time initiative, we have provided employees with extensive opportunities to adjust their professional commitment to reflect the individual phases of their life. Further training requirements are covered largely through internal training sessions and our comprehensive e-learning programs. In recent years, our Educ@te Wiki portal has been developed from an online reference database to a comprehensive learning portal. In assembly, all employees and managers are subject to a regular and permanent learning and qualification process; qualification networks identify individual training requirements and ensure the qualification process.

One hundred young people began their training with Heidelberg at six locations in Germany on September 1, 2014. We are maintaining our policy of suitable vocational training despite the workforce reduction. Our range of training and study opportunities is permanently reviewed and adjusted to reflect changed conditions. In Germany, we provide training in 15 occupations and offer various bachelor programs in the areas of engineering, media and business. At present, Heidelberg is only able to take on a very limited number of trainees on completion of their training. Thanks to the high level of training and Heidelberg's continued excellent reputation as a training provider, however, most of these young people are able to find subsequent employment at other companies straight away. Training for affiliated and external companies has increased, with smaller businesses in particular taking advantage of Heidelberg's training expertise.

We intend to increase the proportion of women at Heidelberg, particularly in technical and scientific professions. Accordingly, we regularly participate in events such as the "Girls' Day". We showed more than 100 schoolgirls just how varied technical professions can be at our Wiesloch-Walldorf, Brandenburg and Amstetten presentations. At present, 14.1 percent of our trainees are female (previous year: 14.7 percent).

Company pension scheme in Germany revised and harmonized

In the year under review, we revised our Company pension scheme in Germany in order to ensure that we can continue to provide this service to our employees in Germany in future. Demographic development and the low interest rate environment raised huge questions with regard to the final salary pension commitment that had previously been agreed for a large proportion of the workforce. The steady fall in interest rates as a result of the sustained low-interest policy in the euro zone could result in a further risk in provisions for pension obligations in the future. In recent years there have already been considerable increases in provisions for guaranteed pension benefits. The new, harmonized system involving a contribution-based capital commitment, which was agreed in conjunction with the employee representatives, is a sustainable model that will remove a significant burden from the Company's balance sheet. The fundamental principle to contributions of the new agreement already applied to new positions and managers since 2006 has now been extended to all Heidelberg beneficiaries.

Active demographic management and implementation of a "Demographic Arena"

The considerable workforce reduction in recent years means that Heidelberg is increasingly confronted with the challenges resulting from the age structure of its workforce. The average age in the Company has increased considerably. Accordingly, the Human Resources department has been pursuing demographic initiatives for a number of years with the aim of securing its performance and improving its innovative strength on a sustainable basis. Building on the four "pillars of employability" – health, qualification and transfer of expertise, ergonomics, and communications – concrete measures have been drawn up and initiated for all four pillars.

Heidelberg implemented a "Demographic Arena" in the year under review. The results of individual projects are being presented at the Company's biggest site in Wiesloch-Walldorf in the same way as they would be at a trade fair. The aim is to establish an overview of the complexity of the task as a whole and to raise awareness of future challenges. To date, a good 5,000 employees at the site have been provided with information in two-and-a-half-hour tours and integrated into the change process, while more than 100 practical implementation meetings have been held with senior executives in particular.

Idea management: High rate of participation

Idea management allows Heidelberg's employees to make an active contribution to the Company's success by questioning and improving the status quo and simplifying complex processes, which resulted in cost savings of around € 5 million in the year under review.

Around 1,900 of the 2,650 ideas submitted in the past financial year were implemented. One in every three employees participated in idea management, which serves to underline the high level of workforce motivation.

Employees by region

Number of employees [1]	31-Mar-2014	**31-Mar-2015**
EMEA	9,009	8,601
Asia/Pacific	2,049	1,936
Eastern Europe	531	504
North America	768	738
South America	182	172
Heidelberg Group	**12,539**	**11,951**

[1] Excluding trainees

Five-year overview: Social key figures

	2010/2011	2011/2012	2012/2013	2013/2014	**2014/2015**
Number of employees (at balance sheet date; excluding trainees)	15,197	14,813	13,694	12,539	11,951
Trainees	631	601	521	502	427
Specialized training days	24,313	17,819	11,780	12,823	7,158
Turnover rate in percent [1)]	6.4	5.0	12.7	6.5	8.2
Average seniority (in years)	15.7	16.1	16.8	17.1	17.9
Percentage of female employees	14.1	14.4	14.6	14.8	14.8
Percentage of part-time employees (excluding partial retirement)	3.9	3.7	3.8	4.0	4.6

[1)] Departures excluding expiration of time-limited employment relationships, excluding departures due to corporate transitions, and including transition to partial retirement dormant phase at Heidelberger Druckmaschinen Aktiengesellschaft and including terminations for operational reasons

Sustainability

- Responsible management of resources and CO_2
- Ecological product optimization for the benefit of our customers
- Environmentally friendly Saphira Eco product line reassessed and expanded

For Heidelberg, 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.

Values, Code of Conduct and environmental policy apply worldwide

Compliance with standards of conduct and environmental standards is mandatory throughout the Group and is set out in the Heidelberg Group's environmental policy, among other things. 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 Heidelberg's Group-wide 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. For example, Heidelberg refuses to tolerate discrimination or the use of child labor.

The safety of our employees has top priority: Necessary workplace safety measures are implemented immediately – and this, of course, also includes our production sites outside Europe. Overall, the number of notifiable on-the-job accidents at our largest German production sites has increased slightly in the 2014 calendar year as a result of one additional notifiable accident. This results in an accident rate of 11.2 for calendar year 2014 (accidents per million hours worked; preliminary figure; excluding on-the-job accidents not yet recognized by the German employers' liability insurance association of the wood and metal industry (BGHM)), compared to 10.1 in the previous year. The prior-year figure was adjusted after the recognition processes by the BGHM were completed.

Education as cornerstone of social advancement

Heidelberg puts its social commitment into practice primarily in education projects and by supporting integrated social facilities at its respective production sites. As part of its involvement in the "Knowledge Factory – Companies for Germany" initiative, Heidelberg is involved in the "Education" working group and supports projects at around 15 schools that give children hands-on experience of technology and science. In collaboration with Heidelberg University of Education, Heidelberg launched a project for promoting language development a few years ago, which originally started at kindergartens and elementary schools and has now also been rolled out at high schools to support pupils with reading and speaking difficulties in particular. We also support local projects and institutions at our international production sites.

The educational concept at Heidelberg encompasses not just subject-based learning but also the social and personal aspects of education. For this reason, a joint project work week for all new trainees and students is held at the beginning of each training year and the social projects developed here are subsequently implemented. In the year under review, for example, two kindergartens benefited from a sensory experience station and new bird and insect houses, and a variety of action days have been organized for a daycare center and for a retirement home.

Responsible management of resources and CO_2

A growing number of purchasers of printing materials expect an ecological production process, while demand for climate-neutral printed products is rising continuously. To enable our customers to meet this demand, we offer an online platform for calculating and offsetting the unavoidable CO_2 emissions generated in manufacturing printed products. This means that products can be produced in a CO_2-neutral manner, allowing print buyers to reduce their carbon footprint. Modern machinery and improved processes are also helping to minimize the use of resources and cut costs. For print shops, resource-conserving production processes have always been an important criterion for efficiency. When it comes to environmental impact, the most important factor is paper consumption, followed by the energy consumption of the printing press. Process emissions and waste are also important factors.

For a number of years, we have used printing materials made of FSC- or PEFC-certified paper and cardboard from responsible forestry for our own printed products and also, wherever possible, in printing demonstrations at our print media centers and all of our trade show appearances worldwide. We are the only printing press manufacturer to precisely calculate the CO_2 emissions generated in manufacturing our machines using a method validated by the Fraunhofer Institut UMSICHT. Thus we can offer our customers the possibility of carbon offsetting for equipment purchased from Heidelberg. The unavoidable CO_2 emissions generated in manufacturing the machines are offset by investments in the PROJECT TOGO environmental protection project. Under the reforestation scheme in Togo, Western Africa, a natural forest without wood utilization is being established on 1,000 hectares of degraded land that was previously unused. In addition to reforestation, the Gold Standard-certified project involves social schemes such as well installation and school construction, health care and the production of green energy in the project area.

Ecological product responsibility right from the start

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. Responsibility for our products therefore begins in the development stage. We lay the foundations for sustainable products by systematically analyzing and – where possible – minimizing their environmental impact already in the product development phase, since this is where not only around 80 percent of all product-related costs but also at least the same proportion of their environmental impact over the entire product life cycle is determined.

In doing so, we firstly pursue the strategic approach of avoiding harmful substances in our products right from the start. For this purpose, Heidelberg has a list of prohibited substances that is mandatory for all suppliers. Secondly, we aim to minimize the potential environmental impact in the use phase and to make this as resource-efficient as possible for our customers, since the greatest environmental impact occurs during use of the printing presses. Both approaches are anchored in our Development department's Quality Gate process, meaning that each new development is already systematically analyzed with regard to its potential environmental impact during the project definition stage, is supported by the Product Environment department during preparation of the performance and technical specifications, and finally is subject to an ecological product review. This allows us to ensure that only products that meet our requirements are developed to market maturity.

Ecological product optimization for the benefit of our customers

With our products, we are systematically improving the environmental impact of our customers' print rooms: from reducing wastepaper (paper required for setting up the machine before the print run begins) and our extensive range of products for alcohol-free printing and the reduction of noise pollution, through to the energy-efficient

Star peripherals for our printing presses, such as dryers and air and powder supply systems. All of these measures also offer economic benefits for the printer.

The new version of our color measuring system Inpress-Control 2 reduces wastepaper by up to 75 percent compared to a machine set-up without a measuring system and by 20 percent compared to the first system. The elimination of machine stops for pulling sheets and measuring also reduces set-up times.

For the machines in our CX 102 series, as previously with other series, we have switched the washup device to a system with a blanket instead of cleaning using brushes. This saves 90 percent of the cleaning agent per washing cycle and per washup device. Besides the cost savings for the cleaning agent, the elimination of the need to collect and dispose of the large volume of used cleaning agent also has a positive effect here. The used blanket is also easier to dispose of ecologically.

The range of LED UV dryers for our sheetfed offset presses, which was expanded significantly in the year under review, contributes to reducing ozone and energy consumption. Combined with the corresponding inks, the printed sheet is ready for further processing more quickly since the ink sets completely; the protective coating that is otherwise often necessary is generally no longer required. The LED UV dryers' control system ensures that both the surface to be dried and the length of time the heaters are applied for are measured precisely and activated in line with the requirements.

In the year under review, automatic plate feeders were developed for our platesetters Suprasetter 106 and VLF, allowing plate stacks of up to 600 printing plates to be processed. This saves both time for unpacking the previous plate packs and also packaging materials. For example, in a stack with 600 printing plates up to 20 sets of packaging for individual packs are no longer required and therefore no longer need to be transported and disposed of. The first devices are to be delivered in the first quarter of the 2015/2016 financial year.

Environmentally friendly Saphira Eco product line reassessed and expanded

For the consumables in our environmentally friendly Saphira Eco line, we have undertaken to adhere to a catalog of criteria that conform to the strictest regional and international environmental certification programs. In the year under review, we revised this catalog of criteria with regard to meeting the criteria for the recently created Blue Angel environmental label for printing products (RAL ZU 195).

The new Saphira Low Migration series provides more safety in the production of packaging for pharmaceutical and food products – benefiting not only the printer, but also the consumer.

For LE-UV technology, an entire consumables portfolio consisting of inks, coatings, cleaning agents, dampening solutions, blankets, etc., has been selected, tested and optimized. Our customers can thus take advantage of all the benefits of UV technology – such as faster sheet drying, very high gloss and foil suitability – with significantly reduced energy use.

With the acquisition of the Belgian printing chemicals provider BluePrint Products in December 2014, Heidelberg expanded its range of consumables and also opened up the possibility of more direct influence on the environmental compatibility of, for example, cleaning agents and dampening solutions. Initial projects in this area are already being implemented.

Production sites: Focus on improving energy efficiency

The requirements with regard to reducing environmental impact and improving energy efficiency are growing for all production sites around the world. Heidelberg is meeting these challenges with a wide range of measures and activities at different levels. The success of these efforts is reflected in the re-certifications achieved over the past financial year: all 13 production sites already certified to date were re-certified in accordance with the combined certificate ISO 9001 and ISO 14001. In addition, the Amstetten production site also satisfied the requirements of ISO 50001 (EnMS) again.

We rolled out our energy monitoring system in the divisions as a useful tool for analyzing energy consumption. The divisions will actively use this system to develop measures for reducing energy consumption and to demonstrate their effectiveness. Several improvements have already been implemented thanks to the newly established transparency, and the subsequently adjusted operating methods have sustainably reduced the impact on the environment.

We also achieve an improvement in energy efficiency by continuously modernizing plant technology, which has a major impact on energy consumption. Examples include the use of energy-efficient drive and lighting technology and the changeover to modern gas burners.

In addition to the technical approach, our employees also play a very important role with regard to this issue. We have further raised awareness among the employees through extensive training. They are the key when it comes to dealing with energy responsibly.

Space optimization like that implemented at the sites in Wiesloch-Walldorf, Heidelberg and Kiel reduces the environmental impact, for example by the reduced floor space to be heated.

Five-year overview: Ecological key figures (calendar years)

	2010	2011	2012	2013	**2014**
Input					
Energy in GWh/a [1]	365	346	353	336	307
Energy in GWh/a [1] (weather-adjusted) [1, 2]	348	360	350	324	325
Water in m^3/a	298,645	333,551	313,013	283,027	322,041
Output					
CO_2 emissions in metric tons [3, 6]	211,896	150,953	175,185	160,373	151,862
Waste in metric tons	34,754	34,829	37,415	36,953	35,086
Key figures					
Energy consumption (kWh/a) per produced metric ton of output (weather-adjusted) [2, 4, 5]	6,061	6,006	5,706	5,641	6,128
Recycling rate in percent	93.07	94.50	96.17	95.59	95.03
CO_2 (in metric tons) per produced ton of output [2, 3, 4, 5, 6]	2.48	1.43	1.87	1.76	1.80

1) Total energy consumption of sites including car fleet and the Wiesloch-Walldorf company filling station
2) According to VDI 2067, heating energy consumption was adjusted based on the degree days figure of the Heidelberg site
3) CO_2 emissions resulting from energy consumption have been based on information from the respective electric utility at the particular production site; other emissions are based on GEMIS
4) Excluding Gallus, HTC, car fleet and the Wiesloch-Walldorf company filling station
5) Taking into account printing presses, prepress, postpress and external business activities (Amstetten foundry)
6) In the 2011 calendar year, the Amstetten site drew energy exclusively from renewable sources. This, in particular, led to considerable reductions in CO_2 emissions

Note: At the end of 2013, due to changes in general conditions, the ecological key figures have been redefined and recalculated and restated for the years 2010 until 2012. For this reason, the five-year overview now also takes into account contract manufacturing for external customers.

RISKS AND OPPORTUNITIES

Risk and Opportunity Management

Control System

Dealing responsibly with business risks and opportunities is a fundamental of good corporate governance. Heidelberg's Management Board ensures appropriate risk and opportunity management as well as risk controlling within the Group. Clear values, principles and guidelines help the Management Board and the management operate and control the Group. 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 must ensure that management decisions are implemented effectively, that business activities are profitable, that laws and internal regulations are observed, and that accounting is undertaken properly.

Manuals, guidelines and operating instructions are available at all times, among other things via the Group's Intranet. They form the basis for the Heidelberg Group's internal control system. It is the responsibility of all senior executives to establish an internal control system for their areas of responsibility, which includes the following subareas:

- **CONTROL ENVIRONMENT:** Integrity, ethical values and employee skills should be promoted. Senior executives convey the corporate strategy, and delegate responsibility and administrative authority to their subordinates.
- **RISK ASSESSMENT:** Senior executives must identify risks that could compromise the achievement of targets. They determine how the risks identified are dealt with.
- **CONTROL ACTIVITIES:** Senior executives establish regular activities to monitor compliance with their performance targets. They must also prevent undesirable risk-taking.
- **INFORMATION AND COMMUNICATIONS:** Senior executives must make adequate information available so that their subordinates can fulfill their responsibilities and control elements are documented.
- **MONITORING:** The effectiveness of controls must be regularly monitored, either through self-assessments or independent checks. In the case of IT-based controls, senior executives must ensure the security and reliability of the IT system.

The principle of **DUAL CONTROL** applies to all transactions. Every declaration of intent that is binding on the Heidelberg Group in Germany and abroad or exposes the Group to a risk must be authorized by at least two individuals. Sufficient **FUNCTIONAL SEPARATION** is assured through the organizational separation of administrative, implementing, accounting and authorization functions. Limits and responsibilities are predetermined in an **AUTHORIZATION TABLE** and must be observed when authorizing transactions. Within the framework of our planning process, the responsible division heads 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 on a regular basis about existing risks and their development. 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, in some cases from the directly responsible executives, on audit planning and findings.

Risk and opportunity management system

Risk and opportunity management is solidly integrated as part of our strategic and operational planning. Our Internal Audit team regularly controls the efficiency of our risk management system. Our risk early identification system satisfies the legal requirements of the German Corporate Sector Supervision and Transparency Act (KonTraG).

Our cross-sector committee is required to periodically analyze risks and opportunities from all angles. This applies in particular to non-quantifiable risks. The Risk

Committee consists of Management Board members and selected senior executives from various fields of business. It draws up the risk catalog with approximately 30 of the most significant risks, and among other things, they determine the materiality thresholds and the ranking of the risks. In addition, they continuously work on improving 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 Group’s overall risk as well as detect, assess and quantify opportunities. All operating units and divisions are integral components of this process. Information on risks is collected locally. The risk-significant areas of observation as well as the risk survey methodology are set out in the guidelines. The classification into risk categories is based on the potential impact on the net result after taxes 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 to the Group. Risk Controlling compiles the risks thus reported in a risk catalog three times a year at Group level and assigns them to risk categories. The reports are circulated to the entire Management Board as well as to the Audit Committee of the Supervisory Board.

As a central division, the Corporate Treasury department manages the Group’s financing activities and ensures its liquidity. We systematically minimize liquidity risks throughout the Group. We pinpoint the potential funding needs of affiliates and the resulting potential liquidity risks at an early stage with the help of our rolling liquidity planning system on a monthly basis. 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 on these instruments and on the impact of hedging transactions can be found in note 32 of the notes to the consolidated 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.

We also systematically reduce risks arising from sales financing. Close cooperation with external financing partners has made it possible for us to cut back considerably on financing arrangements taken on by Heidelberg in recent years. Moreover, we only make our own financing available following a comprehensive review that includes the customers’ business model and credit rating. We regularly monitor our sales financing commitments on the basis of internal rating processes. Similarly to the Basel standards, these comprise both debtor-specific and transaction-specific components. We operate a policy of risk provisioning that is appropriate for our business model in sales financing. We recognize appropriate risk provisions for recognizable risks at an early stage.

Internal control and risk management system relating to the Group accounting process

Accidental or deliberate accounting errors could theoretically result in a view of the net assets, financial position and results of operations that does not correspond to reality. We systematically undertake countermeasures against this risk, as well as against 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). By means of systematic controls and predetermined processes, which also require reviews based on random sampling, we undertake every conceivable measure to prevent errors in the consolidated financial statements and in the consolidated management report.

Central consolidated accounting responsibilities such as the consolidation of the financial figures and the review of recognized goodwill are undertaken by Financial Steering & Reporting (FR) on behalf of the entire Group. FR also regularly monitors whether the accounts are properly maintained and if the Group-wide Heidelberg Accounting Rules are adhered to, thereby ensuring that the financial information complies with regulatory requirements. In addition, our Internal Audit team, which has access to all data, examines individual areas and affiliates throughout the Group on the basis of random sampling. 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, for every invoice that is issued, and for every investment decision that is made. Compliance with all other internal guidelines and directives that have an impact on accounting operations is also monitored.

Risks are also reduced by a number of automated controls. Authorization models have been implemented in the Group-wide uniform IT system. If a unit is examined by the internal auditors, 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. All segments and regions report their financial data for consolidation to the Group in accordance with a reporting calendar that applies uniformly throughout the Group. Consolidation controls are carried out as well as controls on whether tax calculations are appropriate, and whether tax-related items that are included in the annual financial statements have been properly recorded. Overall, these procedures ensure that reporting on the business activities of the Group is consistent worldwide and in accordance with approved accounting guidelines. The effectiveness of the internal accounting control system is regularly monitored by our Internal Audit team.

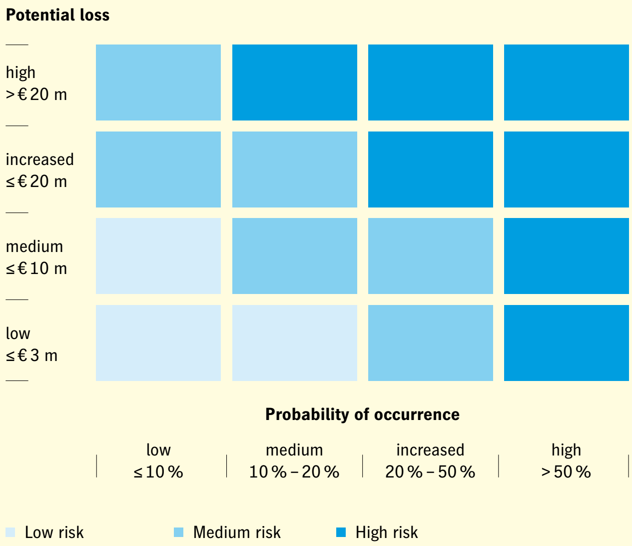
Risk and Opportunity Report

- No risks to the Group as a going concern are discernible for the foreseeable future
- Risks from developments in key markets
- Opportunities from strategic measures and economic upturn

Risks with a probability of more than 50 percent are integrated into our planning process and are therefore not discussed in the risk report. Here we distinguish between probability and possible loss between low, medium and high risks.

Our risks and opportunities are recognized and evaluated in the context of our key financial performance indicators, which are discussed in the “Key Performance Indicators” section on page 43. As our management processes focus on financial performance indicators, we also monitor and evaluate early warning indicators that suggest a rise in non-quantifiable risks.

Risk matrix



General statement by the Management Board on risks and opportunities

In order to determine our overall risk, we bundle individual risks with similar content. We do not offset them against opportunities.

NO RISKS TO THE HEIDELBERG GROUP 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.

We regard our STRATEGIC RISKS as 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 Heidelberg'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 we invest in possible new ventures, we weigh 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 conditions.

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.

There are risks of not achieving our earnings targets if, for example, our sales in the Heidelberg Equipment segment are weaker than forecast owing to general economic conditions.

OPPORTUNITIES for Heidelberg result in particular from the strategic measures aimed at sustainable profitable growth. The strategic reorientation and the restructuring of the portfolio with a view to profitable business areas and growth fields, and the further streamlining of Company structures were mostly completed in the year under review. Financial stability and liquidity, which are secured over the long term, entailing prolonged maturity structures, improved financing costs, and an optimized Company pension scheme in Germany, offer future opportunities for active portfolio management and growth. A more positive economic development than is currently forecast could also lead to an increase in the investment volume on the part of our customers.

Operational risks from the economy, market, industry and competition – economic and market risks

In the business planning for our Heidelberg Equipment and Heidelberg Services segments, we are assuming 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, there would be a risk that we might not be able to achieve the planned sales performance, particularly in our Heidelberg Equipment segment.

We give special attention to Germany and China, our most important individual sales markets. Economic growth has slowed and the recent downturn in exports suggests a further decline in economic growth. However, incoming orders in China have been stable at a lower level for the past six quarters.

The political and economic problems in Ukraine and Russia could negatively impact our business in Eastern Europe.

The Heidelberg Services segment is considerably less cyclical as it depends on the installed base and on the print production volume to a greater extent than on new machinery business. The most recent acquisitions (BluePrint Products, Printing Systems Group, Fujifilm Sverige) and the associated strengthening of services and consumables business contribute to Heidelberg becoming less dependent on economic fluctuations. We already generate around 40 percent of our sales in our Services segment and we plan to increase this share to over 50 percent in the medium term.

Industry and competition risks

In the year under review, manufacturers continued to reduce capacities to a significant extent. This also applies to us as a result of our reorganization, particularly in the Heidelberg Equipment segment.

In our core business, sheetfed offset printing, our activities have been dedicated in particular to reducing manufacturing costs in order to improve profitability, but also to reducing set-up times and increasing the energy efficiency of machinery so as to offer print shops quantifiable cost and competitive advantages. As part of our strategic reorientation, we view digital business as an important growth market for Heidelberg. We are therefore investing in new business applications and cooperating with innovative partners who are the leaders in their respective segment. Furthermore, we view ourselves not only as a supplier of equipment and machinery, but also above all as a partner providing a comprehensive range of services to our customers, as print shops are increasingly looking for consulting and comprehensive services. The products and solutions we offer are geared towards the trends that determine the ongoing development of the print media industry around the world. This is discussed in greater detail in the "Markets and Customers" and "Partnerships" sections.

In our research and development activities, we always work in close cooperation with partners such as customers, suppliers, other companies and universities. This enables us to meet the requirements of our customers and markets in a targeted and comprehensive way. Partnerships also allow us to combine the innovative strength of our partners with our own in order to respond more quickly to current market conditions and reduce our product risks. Before we invest in possible new ventures, we weigh the risks and opportunities on the basis of various scenarios. We then protect the results of our research and development work with our own property rights, thereby reducing risks in relation to research and development. Further information can be found in the "Research and Development" and "Partnerships" sections.

With regard to printing service providers, we continue to anticipate a changed and dynamic market environment. In the industrialized nations, we expect further consolidation with a decreasing number of printing companies and growing size of the companies. On the emerging markets – particularly in the Asia/Pacific region – we anticipate further growth in the printing volume, whereas in the industrialized nations we generally see a growing need for individualized and elaborately processed printed products.

The development of key foreign currencies such as the US dollar and the Japanese yen in relation to the euro may also have a major impact on our competition and thus directly on our sales volumes. A continued weak yen could lead to a considerable intensification of competition with our Japanese counterparts. By contrast, the appreciation of the US dollar strengthens the competitiveness of German companies. Following the decoupling of the Swiss franc from the minimum euro exchange rate, currency-related risks in particular could also arise for our business operations in Switzerland. We are seeking to reduce the influence of exchange rate developments by expanding our procurement and production outside the euro zone.

The risk that prices in the industry could come under pressure from increased competition, thereby threatening our sales targets, has decreased considerably in our view. Nonetheless, there is a risk that price increases on the market, particularly for new machinery, may be possible only to a limited extent.

Overall, we consider our operational risks from the economy, market, industry and competition to be medium.

Risks from global sales partnerships

As we are continuing to focus on global strategic partnerships, the termination of a SALES PARTNERSHIP in the various areas could embody risks for our business development. Through our recent acquisition of the Printing Systems Group, previously a major sales partner, we reduced our risks from global sales partnerships. We consider this risk to be medium.

Financial risks

Heidelberg is exposed to financial risks in the form of liquidity risks, risks from interest rate and exchange rate fluctuations, and the risk of default in relation to sales financing.

Liquidity risks arise from a potential lack of funds to service debt in terms of maturity and volume. Heidelberg recently further optimized its financing structure in terms of sources and maturities. In the year under review, we successfully issued a convertible bond maturing in 2022 at the end of March 2015 and thus further increased diversification while also reducing financing costs, as we used the net issue proceeds to repay part of the high-yield bond, which bears interest at a higher rate. In addition, in May 2015 we issued another bond maturing in 2022 and reduced the existing bond further, thereby diversifying and prolonging the maturity structure once more. Overall, Heidelberg has total credit facilities with balanced diversification and a balanced maturity structure until 2022. Our asset and net working capital management led to a further reduction in net debt in the year under review. The simultaneous improvement in operating profitability meant that our leverage was reduced further. The details of the financing structure are described in the "Financial Position" section on pages 54 and 55. Notes 29 and 38 of the notes to the consolidated financial statements also explain that financing is linked to standard financial covenants that we have committed to comply with over the term of the financing. If our 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 Group. There are currently no indications of such a development.

Interest rate, currency and exchange rate risks and opportunities

Interest rate risks arise from potential changes in market interest rates and affect floating rate liabilities. Fluctuations in interest rates may have either a positive or a negative impact on earnings. We no longer consider there to be any material interest rate risks.

A further decline in the discount rate for pension obligations would cause a reduction in equity. We were able to partially compensate for the resulting negative impact in the year under review by reorganizing the Company pension scheme in Germany, which was changed from a previously defined benefit plan to a defined commitment plan. On the other hand, an increase in the discount rate for pension obligations would have a correspondingly positive effect on equity.

Furthermore, exchange rate fluctuations could have a noticeable impact on equity in either direction.

Owing to our global operating activities, we are exposed to potential risks from exchange rate developments. We have hedged against the risk of fluctuating exchange rates of our principal foreign currencies for foreign currency volumes. Nonetheless, exchange rate risks remain which we constantly analyze and evaluate.

We currently consider our interest rate, currency and exchange rate risks and opportunities to be low to medium.

Sales financing risks

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 further reduced the volume of our Brazil portfolio in the year under review. As a result of the persistently weak economy in Brazil, we still have a relatively high share of overdue contracts. However, we have further reduced these by means of intensive receivables management. The risks arising from counter-liabilities that we have assumed again decreased year-on-year. Overall, losses on sales financing were below the long-term average. Our proven strategy of many years of externalizing financing arrangements generally helps us to reduce our sales financing risks.

We currently consider our sales financing risks to be low to medium.

Legal and compliance risks

As part of its general business operations, Heidelberg is involved in judicial and extra-judicial LEGAL DISPUTES whose outcome cannot be predicted with certainty. Legal disputes may arise, for example, in connection with product liability cases and warranties. Provisions are recognized accordingly for risks resulting from legal disputes, provided utilization is likely and the probable amount of the provision required can be reliably estimated. There are further legal disputes in connection with divestments and rental and consultancy agreements. Provisions are recognized in an appropriate amount for these cases, too. Additional risks – with a probability of less than 50 percent – are discussed appropriately in the risk report and are monitored closely. 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. We limit additional risks by means of systematic controls of adherence to our comprehensive guidelines in all areas. We currently consider our legal and compliance risks to be medium.

Supplier risks

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 thereby ensure the reliable supply of parts and components of the highest quality. A flexible material supply at the optimal inventory level is essential, especially in case of fluctuating demand. In order to keep capital commitment as low as possible, we continuously optimize inventories along the entire value chain. We have continued our purchasing activities in foreign currencies during the year under review in order to reduce risks associated with exchange rate fluctuations. As we generate just under three-quarters of our sales outside the euro zone, we are continuing to expand our global procurement, thereby making the Group less dependent on exchange rate effects. In the consumables area of the Heidelberg Services segment, we generally pursue a dual vendor strategy, which allows us to prevent unilateral dependencies. We deviate from this only in cases where mutual exclusivity is assured, and then, under appropriate market and competitive conditions, we also assume the sale of our partners' entire product range. At present, we consider our supplier risks to be low.

Production risks

Although Heidelberg has implemented very high technical standards and safety standards, the risk of a business interruption at the production sites cannot be entirely ruled out. Such interruptions may result from external factors that are beyond Heidelberg's control, such as natural disasters. A failure or interruption of manufacturing facilities could have a significant negative impact on Heidelberg. Specific risks in this context are covered by insurance policies with typical insured sums. We consider this risk to be low.

IT risks

Heidelberg relies on a wide range of IT systems. A serious system or application failure could have a direct impact on production or, for example, on the processing of the supply chain, resulting in corresponding business interruptions. However, we do not currently anticipate any serious risks of failure in our IT SYSTEMS. The probability that losses could result from attacks on these systems has been significantly reduced by extensive preventative measures. We made the necessary investments in our IT infrastructure in the year under review, thereby increasing overall system security. At present, we consider our IT risks to be low.

Opportunities from strategic measures and economic development

There are opportunities for Heidelberg arising in particular from our STRATEGIC MEASURES, which are described in detail in the "Strategy" section on pages 40 to 43. This relates in particular to the transformation of Heidelberg into a profit- and market-oriented company. We have resolved to focus on four action areas with different strategic conditions and management approaches. In the year under review, this already included the reorganization of non-profitable business areas and further structural adjustments in the core business of sheetfed offset. Within the four areas of activity, one notable development is the strong growth in future-oriented digital business. We are continuing to invest in this area – with about half of our R&D spending – and will strengthen it further in the context of our partnerships. In addition, the share of sales in our Services segment, which is less cyclical, is expected to rise to over 50 percent. We anticipate growth potential in this higher-margin area from our global service and logistics network and from the integration of independent providers into this network and increased value added for customers. With the acquisition of the European PSG Group and the Belgian BluePrint Products in the printing chemicals segment, we have strengthened our position in the area of consumables. Our complexity management strategy already implemented will be continued in the four action areas in order to further reduce complexity and thus costs while maintaining a consistently high level of service and quality.

Above and beyond this, a major opportunity for Heidelberg lies in the possibility of **MORE POSITIVE ECONOMIC PERFORMANCE** than is currently forecast. The economic upturn in the advanced economies could lead to a rise in the investment volume. In countries in which a consolidation has largely already occurred, such as the United States, there are already minor indications of an incipient recovery and confidence. 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.

OUTLOOK

Expected Conditions

- Global economy expected to remain at previous year's level
- Lingering economic uncertainty
- Slowdown in economic growth anticipated in China

Global economic growth is generally forecast to be at roughly the same level as 2014 in 2015. However, the economy is still prone to risks and disruptions. The advanced economies are expected to see higher growth rates than in the last two years, though economic expansion in the emerging nations will barely gain any momentum as lower commodities prices and structural problems are preventing a rapid return to high expansion rates. There is uncertainty regarding the start of interest rate hikes in the United States which could further affect exchange rates, and also as regards the impact of the decline in the price of oil. Moreover, geopolitical crises such as the Russia-Ukraine conflict or the unstable situation in the Middle East will continue to sway the trajectory of the global economy. The escalation of the current situation or new crises of global significance could result in substantially weaker expansion by the global economy.

According to Global Insight, a growth rate of 2.8 percent is forecast for the US despite recently disappointing economic data. A gradual improvement in momentum is expected for Japan, though it is only set for moderate growth of 0.9 percent. The economy is increasingly gathering pace in the euro area, hence growth in gross domestic product of 1.6 percent can be assumed for 2015. While the emerging nations will benefit from stronger demand in the developed economies, economic growth in 2015 is expected to slow to 6.5 percent in China while a decline of 1 percent is expected in Brazil.

Future Prospects

- Sales increase of 2 to 4 percent forecast
- Aiming for EBITDA margin of at least 8 percent
- Leverage still below 2

The development of global printing volumes is assumed to be stable and is expected to increase moving ahead thanks to the growth in the emerging nations, although media consumption and structural changes within the printing industry will continue to change in the industrialized nations. However, the investment behavior of the majority of our customers is also influenced by country-specific and general economic developments. The effects on the Heidelberg Equipment segment are generally considerably more pronounced and more direct than on the Heidelberg Services segment, which is less cyclical in nature. Owing to the economic risks and the ongoing consolidation of print shops in some industrialized nations, we are not anticipating an increase in the market volume for new sheetfed offset presses in the coming years and have adjusted our structures accordingly. At the same time, we have geared our portfolio towards profitability and further expanded the growth areas Services and Digital in the past financial year.

In light of this, for the current 2015/2016 financial year and in the medium term, we are striving for annual **SALES GROWTH** of 2 to 4 percent. As in the previous year, the share of sales is expected to be higher in the second half of the financial year than in the first half.

Assuming that the initiatives to increase margins and optimize the portfolio take effect in the current financial year, we are anticipating an operating margin on **EBITDA** of at least 8 percent of sales in the 2015/2016 financial year. The Heidelberg Equipment segment is expected to contribute within a range of 4–6 percent to this result and the Heidelberg Services segment 9–11 percent. In the Heidelberg Financial Services segment, we will continue to primarily externalize customer financing. The segment should continue to provide a positive EBITDA contribution.

The planned earnings improvements together with the measures aimed at the reduction and efficient utilization of our capital commitment are intended to strengthen our capital structure and keep our net debt at a low level that sustainably does not exceed twice the result of operating activities before interest, taxes, depreciation and amortization excluding special items (EBITDA) (**LEVERAGE**).

We will propose a dividend to the Annual General Meeting only 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 Group.

LEGAL DISCLOSURES

Remuneration Report – Management Board and Supervisory Board[1]

- Structure of the remuneration system for the Management Board unchanged as against the previous year
- Remuneration structure for the Management Board will continue to comply with statutory requirements (German Stock Corporation Act and German Act on the Appropriateness of Management Board Remuneration (VorstAG)) and requirements of the German Corporate Governance Code in future

The Supervisory Board discussed the appropriateness of Management Board remuneration and the structure of the remuneration system during the year under review. This was done in connection with the agreement and review of target agreements with Management Board members, among other things. With the introduction of the new remuneration system in financial year 2012/2013, the procedure and the parameters for measuring the variable remuneration components were defined and, in respect of the long-term variable remuneration components, adjusted to reflect the requirements of the loan agreement and its financial covenants. This practice continued in the year under review.

The overall structure and amount of remuneration of 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 remuneration and multi-year remuneration, which is calculated on the achievement of certain three-year targets using defined parameters, and secondly of benefits in kind and a Company pension scheme (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 for the year under review, the Supervisory Board and the Management Board again agreed to give priority to the annual financial targets, at least until the restructuring has been fully completed. Until further notice – starting with financial year 2012/2013 – the 30 percent of the personal bonus will be added on to the Company bonus subordinate to the financial targets on which it is based.

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

Following the corresponding measurement of target attainment for financial years 2012/2013 and 2013/2014, the temporary solution agreed in financial year 2012/2013 with an exceptional assessment period of two financial years led to the payment of a long-term bonus for the first time in the year under review.

Finally, it was determined that a minimum threshold of 25 percent will be set for target attainment so that the achievement of a target is assessed within a corridor of 25 percent to 100 percent.

[1] This remuneration report also forms part of the corporate governance report

This meant that the previous structure of Management Board remuneration was unchanged in the year under review.

The members of the Management Board have undertaken to each invest 10 percent of both the variable single-year and multi-year remuneration (before deduction of personal taxes) in shares of the Company that they may dispose of only after a holding period of 24 months. As such, the single-year variable remuneration and the multi-year variable remuneration alike provide an additional long-term performance incentive, increasingly gearing the remuneration structure towards sustainable business development. The corresponding shares of the single-year variable remuneration paid for financial year 2013/2014 and the multi-year variable remuneration for financial years 2012/2013 and 2013/2014 (temporary solution) were invested in shares of the Company by Dr. Gerold Linzbach, Dirk Kaliebe and Stephan Plenz 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 three Management Board members and published on the Company's Web site on July 28, 2014.

Remuneration in kind primarily consists of the value of the use of a company car, deductible in accordance with tax provisions, as well as the value for tax purposes of expenditure for other means of transportation (rail) and the assumption of accommodation costs.

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.

Remuneration of the individual members of the Management Board

Figures in € thousands		Non-performance-related components		Performance-related component		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	**2014/2015**	550	8	495	–	495	1,548
	2013/2014	550	8	495	–20	495	1,528
Dirk Kaliebe	**2014/2015**	390	15	351	–	351	1,107
	2013/2014	370	15	333	–20	333	1,031
Stephan Plenz	**2014/2015**	390	12	351	–	351	1,104
	2013/2014	370	11	333	–20	333	1,027
Harald Weimer [2]	**2014/2015**	325	24	293	–	97	739
	2013/2014	–	–	–	–	–	–

[1] Marcel Kiessling's term as a member of the Management Board ended on March 31, 2014. His contract of employment with Heidelberger Druckmaschinen Aktiengesellschaft ended on December 31, 2014. Remuneration (excluding in connection with his resignation) in financial year 2013/2014 totaled € 1,048 thousand and broke down as follows: € 370 thousand; additional benefits: € 12 thousand; single-year variable remuneration: € 333 thousand; multi-year variable remuneration: € 333 thousand

[2] Member of the Management Board since April 1, 2014

Remuneration and benefits paid to individual members of the Management Board [1) 2)]

Figures in € thousands	Dr. Gerold Linzbach Chief Executive Officer				Dirk Kaliebe Chief Financial Officer and Financial Services			
	2014/2015	2013/2014	2014/2015 (Min)	2014/2015 (Max)	**2014/2015**	2013/2014	2014/2015 (Min)	2014/2015 (Max)
Fixed remuneration	550	550	550	550	390	370	390	390
Additional benefits	8	8	8	8	15	15	15	15
Total	558	558	558	558	405	385	405	405
Single-year variable remuneration	495	495	138	495	351	333	98	351
Bonus waived	–	– 20	–	–	–	– 20	–	–
Multi-year variable remuneration	495	495	124	495	351	345	88	351
Tranche 2013/2014 [3)]	–	495	–	–	–	345	–	–
Tranche 2014/2015 [3)]	495	–	124	495	351	–	88	351
Total fixed and variable remuneration components	1,548	1,528	820	1,548	1,107	1,043	591	1,107
Cost of benefits	659	606	659	659	137	130	137	137
Total remuneration	2,207	2,134	1,479	2,207	1,244	1,173	728	1,244

Figures in € thousands	Stephan Plenz Member of the Board Equipment				Harald Weimer Member of the Board Services (since 1-Apr-2014)			
	2014/2015	2013/2014	2014/2015 (Min)	2014/2015 (Max)	**2014/2015**	2013/2014	2014/2015 (Min)	2014/2015 (Max)
Fixed remuneration	390	370	390	390	325	–	325	325
Additional benefits	12	11	12	12	24	–	24	24
Total	402	381	402	402	349	–	349	349
Single-year variable remuneration	351	333	98	351	293	–	81	293
Bonus waived	–	– 20	–	–	–	–	–	–
Multi-year variable remuneration	351	345	88	351	332	–	83	332
Tranche 2013/2014 [3)]	–	345	–	–	–	–	–	–
Tranche 2014/2015 [3)]	351	–	88	351	332	–	83	332
Total fixed and variable remuneration components	1,104	1,039	588	1,104	974	–	513	974
Cost of benefits	137	130	137	137	114	–	114	114
Total remuneration	1,241	1,169	725	1,241	1,088	–	627	1,088

1) In accordance with section 4.2.5 (3) of the German Corporate Governance Code in the version published on September 30, 2014
2) Marcel Kiessling's term as a member of the Management Board ended on March 31, 2014. The remuneration and benefits paid to him (excluding in connection with his resignation) in financial year 2013/2014 totaled € 1,281 thousand and were broken down as follows: Fixed remuneration: € 370 thousand; additional benefits: € 12 thousand; single-year variable remuneration: € 333 thousand; multi-year variable remuneration: € 333 thousand; cost of benefits: € 233 thousand
3) Term: 3 years

Inflow [1]

Figures in € thousands	Dr. Gerold Linzbach Chief Executive Officer		Dirk Kaliebe Chief Financial Officer and Financial Services		Stephan Plenz Member of the Board Equipment		Harald Weimer Member of the Board Services (since 1-Apr-2014)	
	2014/2015	2013/2014	**2014/2015**	2013/2014	**2014/2015**	2013/2014	**2014/2015**	2013/2014
Fixed remuneration	550	550	390	370	390	370	325	–
Additional benefits	8	8	15	15	12	11	24	–
Total	558	558	405	385	402	381	349	–
Single-year variable remuneration	495	495	351	333	351	333	293	–
Bonus waived	–	– 20	–	– 20	–	– 20	–	–
Multi-year variable remuneration	426	261	333	216	333	216	–	–
Tranche 2012/2013 [2]	–	261	–	216	–	216	–	–
Tranche 2012/2013 [3]	426	–	333	–	333	–	–	–
Total fixed and variable remuneration components	1,479	1,294	1,089	914	1,086	910	642	–
Cost of benefits [4]	659	606	137	130	137	130	114	–
Total remuneration	2,138	1,900	1,226	1,044	1,223	1,040	756	–
of which: agreed personal investment	92	74	68	53	68	53	29	–

[1] Marcel Kiessling's term as a member of the Management Board ended on March 31, 2014. The inflow for financial year 2013/2014 is broken down as follows: Fixed remuneration: € 370 thousand; additional benefits: € 12 thousand; single-year variable remuneration: € 333 thousand; multi-year variable remuneration: € 216 thousand; cost of benefits: € 233 thousand. He was owed his basic salary of € 292 thousand as of December 31, 2014. In exchange for the early termination of his contract of employment and as settlement for the remuneration lost, he received a one-time compensation payment of € 1,209 thousand, outplacement consulting costs of € 48 thousand (including VAT), and non-cash remuneration of € 2 thousand

[2] Two-year temporary tranche

[3] 3-year tranche

[4] Not yet accrued in the financial year

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 respective basic salary. 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, **STEPHAN PLENZ** and **HARALD WEIMER** have each been appointed as ordinary members of the Management Board for periods of three years. The pension agreements for Dirk Kaliebe, Stephan Plenz and Harald Weimer each 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. The annual contribution is 35 percent of the corresponding basic salary.

The pension agreements for all members of the Management Board stipulate that the amount paid can rise depending on the result 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 – having already been reached for Dirk Kaliebe, Stephan Plenz and Harald Weimer. 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. The other pension benefits (disability and surviving dependents' benefits) 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, Stephan Plenz and Harald Weimer.

MARCEL KIESSLING was an ordinary member of the Management Board until March 31, 2014; his contract of employment with Heidelberger Druckmaschinen Aktiengesellschaft ended 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. In financial year 2012/2013, the annual contribution was set at 35 percent of the corresponding basic salary. 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 benefits are not yet being paid in accordance with the terms of the pension plan at the respective date. Above and beyond this, the statutory vesting requirements for the pension benefits based on the pension contributions have been satisfied.

In terms of EARLY TERMINATION BENEFITS, all service agreements provide for the following uniform regulations in the event of the effective revocation of a Management Board member's appointment or a justifiable resignation by a member of the Management Board: The service agreement ends after the statutory notice period 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

Pension benefits of the individual members of the Management Board [1) 2)]

Figures in € thousands		Accrued pension funds as of the reporting date	Pension contribution for the reporting year [3)]	Defined benefit obligation	Service cost
Dr. Gerold Linzbach	**2014/2015**	1,551	655	1,575	659
	2013/2014	891	602	931	606
Dirk Kaliebe	**2014/2015**	1,086	137	1,250	137
	2013/2014	921	130	1,185	130
Stephan Plenz	**2014/2015**	1,006	137	1,168	137
	2013/2014	843	130	1,105	130
Harald Weimer [4)]	**2014/2015**	195	114	294	114
	2013/2014	–	–	–	–

1) Marcel Kiessling's term as a member of the Management Board ended on March 31, 2014. His contract of employment with Heidelberger Druckmaschinen Aktiengesellschaft ended on December 31, 2014. The pension contribution for the full financial year 2014/2015 will be credited to him on July 1, 2015. The resulting additional expense in the amount of € 103 thousand is included in the service cost of € 233 thousand for financial year 2013/2014

2) The pension entitlement achievable up until the age of 65 (Dirk Kaliebe; Stephan Plenz; Harald Weimer) 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 retirement 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. 36 percent, Stephan Plenz: approx. 34 percent and Harald Weimer: approx. 23 percent of the respective last fixed salary

3) For Dr. Gerold Linzbach, Dirk Kaliebe, Stephan Plenz and Harald Weimer, 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) Member of the Management Board since April 1, 2014

compensation at the time of termination of the service agreement in the amount of his or her previous total remuneration as per the service agreement for two years, but not exceeding the amount of the remuneration for the originally agreed remainder of the service agreement. 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.

Each member of the Supervisory Board receives fixed remuneration of € 40,000.00. The Chairman of the Supervisory Board receives three times this amount, the Deputy Chairman 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

Remuneration of the Supervisory Board (excluding VAT)

Figures in €	2013/2014				2014/2015			
	Fixed annual remuneration	Attendance fees	Committee remuneration	Total	Fixed annual remuneration	Attendance fees	Committee remuneration	Total
Robert J. Koehler [1]	120,000	4,500	5,000	129,500	120,000	5,000	5,000	130,000
Rainer Wagner [2]	80,000	6,500	10,500	97,000	80,000	6,000	10,500	96,500
Ralph Arns [3]	0	0	0	0	30,000	1,500	0	31,500
Edwin Eichler	40,000	2,500	0	42,500	40,000	2,500	0	42,500
Wolfgang Flörchinger [4]	13,333	1,000	0	14,333	0	0	0	0
Martin Gauß [4]	13,333	1,000	0	14,333	0	0	0	0
Mirko Geiger	40,000	6,000	7,500	53,500	40,000	6,000	7,500	53,500
Gunther Heller [4]	13,333	1,000	0	14,333	0	0	0	0
Jörg Hofmann [5]	40,000	2,500	0	42,500	13,333	1,000	0	14,333
Dr. Siegfried Jaschinski	40,000	5,500	7,500	53,000	40,000	5,500	7,500	53,000
Kirsten Lange [6]	0	0	0	0	6,667	1,500	0	8,167
Dr. Herbert Meyer	40,000	5,000	18,000	63,000	40,000	5,000	22,500	67,500
Dr. Gerhard Rupprecht [4]	13,333	500	1,500	15,333	0	0	0	0
Beate Schmitt	40,000	3,500	3,000	46,500	40,000	3,500	3,000	46,500
Lone Fønss Schrøder [7]	40,000	1,500	0	41,500	33,333	500	0	33,833
Prof. Dr.-Ing. Günther Schuh	40,000	3,000	0	43,000	72,365 [9]	3,500	3,000	78,865
Peter Sudadse [5]	40,000	4,000	0	44,000	13,333	1,500	0	14,833
Christoph Woesler [8]	30,000	3,500	0	33,500	40,000	3,000	0	43,000
Roman Zitzelsberger [3]	0	0	0	0	30,000	1,500	0	31,500
Total	643,332	51,500	53,000	747,832	639,031	47,500	59,000	745,531

1) Chairman of the Supervisory Board (until May 17, 2015)
2) Vice Chairman of the Supervisory Board (since May 18, 2015 has assumed the rights and obligations of the Chairman of the Supervisory Board until further notice)
3) Member of the Supervisory Board since July 24, 2014
4) Member of the Supervisory Board until July 23, 2013
5) Member of the Supervisory Board until July 24, 2014
6) Member of the Supervisory Board since February 2, 2015
7) Member of the Supervisory Board until January 31, 2015
8) Member of the Supervisory Board since July 23, 2013
9) of which: pro rata fixed remuneration for membership of the Board of Directors of a foreign subsidiary: € 32,365

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.

€ 1,500.00 per meeting for participation in 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 boost the Supervisory Board's role as a controlling body, remuneration does not include a variable, performance-based component.

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.

Takeover Disclosures in Accordance with Section 315 (4) of the German Commercial Code

- Disclosures on takeover barriers
- Disclosures including contingent and authorized capital

In accordance with section 315 (4) sentence 1 nos. 1–9 of the German Commercial Code (HGB), we address all points that could be relevant in the event of a public takeover bid for Heidelberg in the consolidated management report:

As of March 31, 2015, the **SUBSCRIBED CAPITAL** (share capital) of Heidelberger Druckmaschinen Aktiengesellschaft amounted to € 659,040,714.24 and was divided into 257,437,779 no-par-value bearer shares that are not subject to any restriction on transferability. As of the end of the reporting period, the Company held 142,919 treasury shares, from which no rights arise for the Company in accordance with section 71 b 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 Heidelberg's Articles of Association. 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. In accordance with Article 15 of the Articles of Association, the Supervisory Board is authorized to make amendments and additions to the Articles of Association that affect their wording only.

Heidelberg may acquire treasury shares only 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:

- for the disposal of treasury shares if sold in exchange for cash and at a price not significantly less than the stock market price as defined more precisely in the authorization; the volume of shares thus sold together with other shares issued with preemptive subscription rights disapplied since July 18, 2008 must not exceed the lesser of 10 percent of the share capital on July 18, 2008 in total 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 executed 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 executed in full or in part in each case.

On July 26, 2012, the Annual General Meeting authorized the Management Board, with the approval of the Supervisory Board, to issue 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 this 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 partial debentures resulting from the convertible bond issued in July 2013, the share capital was increased by € 488,547.84 utilizing Contingent Capital 2012. Accordingly, the available Contingent Capital 2012 now amounts to € 119,445,885.44.

On July 24, 2014, the Annual General Meeting authorized the Management Board, with the approval of the Supervisory Board, to issue 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 € 58,625,953.28, dated or undated, on one or several occasions by July 23, 2019, 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 € 58,625,953.28 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 this authorization. The share capital of Heidelberger Druckmaschinen Aktiengesellschaft was contingently increased by up to € 58,625,953.28 (CONTINGENT CAPITAL 2014) for this purpose; details of Contingent Capital 2014 can be found in Article 3 (4) of the Articles of Association. The resolution was entered in the Commercial Register on September 22, 2014.

The Annual General Meeting on July 26, 2012 authorized the Management Board, with the approval of the Supervisory Board, to increase the share capital of the Company by up to € 119,934,433.28 on one or several occasions in exchange for cash or non-cash contributions in the period up to and including July 25, 2017 ("AUTHORIZED CAPITAL 2012"). Preemptive subscription rights can be disapplied in accordance with the further conditions of authorization. Details of "AUTHORIZED CAPITAL 2012" can be found in Article 3 (5) of the Articles of Association. As a result of the capital increase against contribution in kind from the Gallus transaction that came into effect on August 14, 2014, "AUTHORIZED CAPITAL 2012" was reduced from € 119,934,433.28 to € 61,054,433.28.

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 and a bilateral loan agreement contain, in the versions 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.

The terms of the convertible bond that was placed on March 25, 2015 and issued on March 30, 2015 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.

The terms of the high-yield bond that was placed on April 17, 2015 and issued on May 5, 2015 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.

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 “Company” > “About Us” > “Corporate Governance”.

SUPPLEMENTARY REPORT

On May 5, 2015, Heidelberger Druckmaschinen Aktiengesellschaft issued a further high-yield, unsecured bond of € 205 million with a maturity of seven years and a coupon of 8.00 percent. With the full utilization of the net issue proceeds from the convertible bond issued on March 30, 2015 and this additional high-yield bond, the existing high-yield bond was repaid early in the first quarter of the 2015/2016 financial year to a level of approximately € 115 million. With the existing financing portfolio, Heidelberg has total credit facilities with balanced diversification and a balanced maturity structure until 2022.

On April 13, 2015, Heidelberg acquired the European Printing Systems Group (PSG), Almere, the Netherlands, a company with approximately 400 employees in Benelux and Southern Europe. With the acquisition of the PSG Group, Heidelberg has significantly expanded its service and consumables business. When the PSG Group is integrated in the Heidelberg Group, the acquisition will result in additional sales for Heidelberg exceeding € 100 million.

As of April 1, 2015, the business activities of the German site in Amstetten, Germany, were transferred to Heidelberg Manufacturing Deutschland GmbH, Wiesloch, Germany.

On May 17, 2015, Robert J. Koehler, Chairman of the Heidelberger Druckmaschinen Aktiengesellschaft Supervisory Board, died at the age of 66. Robert J. Koehler was appointed to the Heidelberger Druckmaschinen Aktiengesellschaft Supervisory Board in 2003. From 2011 to his death, he was Chairman. The Vice Chairman of the Supervisory Board, Rainer Wagner, has assumed the position of Chairman of the Supervisory Board until further notice.

Financial section 2014/2015

Consolidated income statement 2014/2015

Figures in € thousands	Note	1-Apr-2013 to 31-Mar-2014	**1-Apr-2014 to 31-Mar-2015**
Net sales	8	2,434,248	2,333,681
Change in inventories		– 29,394	6,130
Other own work capitalized		14,508	16,673
Total operating performance		**2,419,362**	**2,356,484**
Other operating income	9	106,343	120,942
Cost of materials	10	1,110,474	1,113,036
Staff costs	11	856,845	730,761
Depreciation and amortization	12	70,832	69,148
Other operating expenses	13	415,329	445,452
Special items	14	9,994	99,338
Result of operating activities		**62,231**	**19,691**
Financial income	16	12,512	9,534
Financial expenses	17	72,997	105,151
Financial result	15	**– 60,485**	**– 95,617**
Net result before taxes		1,746	– 75,926
Taxes on income	18	– 1,873	– 3,523
Net result after taxes		**3,619**	**– 72,403**
Basic earnings per share according to IAS 33 (in € per share)	35	**0.02**	**– 0.29**
Diluted earnings per share according to IAS 33 (in € per share)	35	**0.02**	**– 0.29**

Consolidated statement of comprehensive income 2014/2015

Figures in € thousands	Note	1-Apr-2013 to 31-Mar-2014	**1-Apr-2014 to 31-Mar-2015**
Net result after taxes		**3,619**	**– 72,403**
Other comprehensive income not reclassified to the income statement			
Remeasurement of defined benefit pension plans and similar obligations		– 11,653	– 248,159
Deferred income taxes	23	– 1,219	1,488
		– 12,872	**– 246,671**
Other comprehensive income which may subsequently be reclassified to the income statement			
Currency translation			
Change in other comprehensive income		– 32,647	95,154
Change in profit or loss		–	–
		– 32,647	95,154
Available-for-sale financial assets			
Change in other comprehensive income		99	391
Change in profit or loss		–	177
		99	568
Cash flow hedges			
Change in other comprehensive income		15,772	– 31,199
Change in profit or loss		– 17,115	16,025
		– 1,343	– 15,174
Deferred income taxes	23	– 226	276
		– 34,117	**80,824**
Total other comprehensive income		– 46,989	– 165,847
Total comprehensive income		**– 43,370**	**– 238,250**

Consolidated statement of financial position as of March 31, 2015

Assets

Figures in € thousands	Note	31-Mar-2014	31-Mar-2015
Non-current assets			
Intangible assets	19	220,939	210,457
Property, plant and equipment	20	506,993	487,404
Investment property	20	5,222	8,679
Financial assets	21	17,523	28,829
Receivables from sales financing	22	45,351	45,598
Other receivables and other assets [1]	22	22,541	18,762
Income tax assets		263	0
Deferred tax assets	23	51,404	62,036
		870,236	861,765
Current assets			
Inventories	24	622,735	637,074
Receivables from sales financing	22	45,587	36,182
Trade receivables	22	327,949	335,191
Other receivables and other assets [2]	22	109,280	99,184
Income tax assets		22,922	24,261
Securities	25	10,169	–
Cash and cash equivalents	25	232,657	285,961
		1,371,299	1,417,853
Assets held for sale	20	2,419	13,620
Total assets		**2,243,954**	**2,293,238**

[1] Of which financial assets € 12,228 thousand (previous year: € 12,337 thousand) and non-financial assets € 6,534 thousand (previous year: € 10,204 thousand)
[2] Of which financial assets € 56,721 thousand (previous year: € 62,804 thousand) and non-financial assets € 42,463 thousand (previous year: € 46,476 thousand)

Consolidated statement of financial position as of March 31, 2015

Equity and liabilities

Figures in € thousands	Note	31-Mar-2014	**31-Mar-2015**
Equity	26		
Issued capital		599,796	658,676
Capital reserves, retained earnings and other reserves		– 244,611	– 402,799
Net result after taxes		3,619	– 72,403
		358,804	183,474
Non-current liabilities			
Provisions for pensions and similar obligations	27	450,206	605,009
Other provisions	28	167,559	175,132
Financial liabilities	29	432,308	493,369
Other liabilities [3]	31	115,871	48,854
Deferred tax liabilities	23	7,562	10,499
		1,173,506	1,332,863
Current liabilities			
Other provisions	28	261,127	274,908
Financial liabilities	29	48,897	48,920
Trade payables	30	148,012	170,885
Income tax liabilities		3,611	1,104
Other liabilities [4]	31	249,997	281,084
		711,644	776,901
Total equity and liabilities		**2,243,954**	**2,293,238**

[3] Of which financial liabilities € 6,179 thousand (previous year: € 80,328 thousand) and non-financial liabilities € 42,675 thousand (previous year: € 35,543 thousand)
[4] Of which financial liabilities € 98,350 thousand (previous year: € 87,230 thousand) and non-financial liabilities € 182,734 thousand (previous year: € 162,767 thousand)

Statement of changes in consolidated equity as of March 31, 2015 [1)]

Figures in € thousands	Issued capital	Capital reserves	Retained earnings
April 1, 2013	599,308	27,098	39,439
Issue of convertible bond [2)]	–	1,301	–
Capital increase (partial conversion of convertible bond)	488	–	– 11
Loss carryforward	–	–	– 117,067
Total comprehensive income	–	–	– 12,872
Consolidation adjustments/other changes	–	–	– 1,125
March 31, 2014	**599,796**	**28,399**	**– 91,636**
April 1, 2014	599,796	28,399	– 91,636
Non-cash capital increase [3)]	58,880	– 4,804	–
Issue of convertible bond [4)]	–	5,816	–
Profit carryforward	–	–	3,619
Total comprehensive income	–	–	– 246,671
Consolidation adjustments/other changes	–	–	3,028
March 31, 2015	**658,676**	**29,411**	**– 331,660**

1) For further details please refer to note 26
2) After deduction of transaction costs of € 39 thousand
3) After deduction of transaction costs of € 388 thousand
4) After deduction of transaction costs of € 209 thousand

		Other retained earnings	**Total other retained earnings**	**Total capital reserves, retained earnings and other retained earnings**	**Net result after taxes**	**Total**
Currency translation	Fair value of other financial assets	Fair value of cash flow hedges				
– 150,044	– 946	3,733	– 147,257	– 80,720	– 117,067	401,521
–	–	–	–	1,301	–	1,301
–	–	–	–	– 11	–	477
–	–	–	–	– 117,067	117,067	–
– 32,647	99	– 1,569	– 34,117	– 46,989	3,619	– 43,370
–	–	–	–	– 1,125	–	– 1,125
– 182,691	**– 847**	**2,164**	**– 181,374**	**– 244,611**	**3,619**	**358,804**
– 182,691	– 847	2,164	– 181,374	– 244,611	3,619	358,804
–	–	–	–	– 4,804	–	54,076
–	–	–	–	5,816	–	5,816
–	–	–	–	3,619	– 3,619	–
95,154	487	– 14,817	80,824	– 165,847	– 72,403	– 238,250
–	–	–	–	3,028	–	3,028
– 87,537	**– 360**	**– 12,653**	**– 100,550**	**– 402,799**	**– 72,403**	**183,474**

Consolidated statement of cash flows 2014/2015[1)]

Figures in € thousands	1-Apr-2013 to 31-Mar-2014	**1-Apr-2014 to 31-Mar-2015**
Net result after taxes	3,619	– 72,403
Depreciation, amortization, write-downs and reversals[2)]	70,840	72,978
Change in pension provisions	21,498	– 94,433
Change in deferred tax assets/deferred tax liabilities/tax provisions	– 25,416	– 28,913
Result from disposals[2)]	– 480	2,985
Cash flow	**70,061**	**– 119,786**
Change in inventories	60,796	26,809
Change in sales financing	21,477	20,479
Change in trade receivables/payables	42,505	65,196
Change in other provisions	– 132,904	13,588
Change in other items of the statement of financial position	– 1,983	15,425
Other operating changes	**– 10,109**	**141,497**
Cash generated by operating activities[3)]	**59,952**	**21,711**
Intangible assets/property, plant and equipment/investment property		
Investments	– 51,339	– 58,469
Income from disposals	13,678	21,812
Business acquisitions/corporate sales		
Investments	– 1,000	– 12,714
Income from disposals	11,500	–
Financial assets		
Investments	– 939	– 12
Income from disposals	9	–
Cash used in investing activities before cash investment	**– 28,091**	**– 49,383**
Cash investment	– 10,190	10,190
Cash used in investing activities	**– 38,281**	**– 39,193**
Borrowing of financial liabilities	129,139	108,586
Repayment of financial liabilities	– 67,491	– 62,771
Cash generated by financing activities	**61,648**	**45,815**
Net change in cash and cash equivalents	**83,319**	**28,333**
Cash and cash equivalents at the beginning of the year	**157,492**	**232,657**
Currency adjustments	– 8,154	24,971
Net change in cash and cash equivalents	83,319	28,333
Cash and cash equivalents at the end of the year	**232,657**	**285,961**
Cash generated by operating activities	59,952	21,711
Cash used in investing activities	– 38,281	– 39,193
Free cash flow	**21,671**	**– 17,482**

1) For further details please refer to note 36
2) Relates to intangible assets, property, plant and equipment, investment property and financial assets
3) Includes income taxes paid and refunded of € 27,902 thousand (previous year: € 31,313 thousand) and € 733 thousand (previous year: € 1,797 thousand) respectively. Interest expenses and interest income amount to € 48,144 thousand (previous year: € 51,858 thousand) and € 12,025 thousand (previous year € 12,953 thousand) respectively.

Financial section 2014/2015

Notes to the consolidated financial statements for the financial year April 1, 2014 to March 31, 2015

Development of intangible assets, property, plant and equipment, and investment property

Figures in € thousands							Cost
	As of start of financial year	Change in scope of consolidation	Additions	Reclassifications[1]	Currency adjustments	Disposals	**As of end of financial year**
2013/2014							
Intangible assets							
Goodwill	123,857	–	–	–	– 17	–	123,840
Development costs	278,439	–	171	–	–	6,805	271,805
Software/other rights	104,830	–	4,320	559	– 205	3,949	105,555
Advance payments	4,066	–	33	– 554	–	–	3,545
	511,192	**–**	**4,524**	**5**	**– 222**	**10,754**	**504,745**
Property, plant and equipment							
Land and buildings	690,710	0	1,674	1,553	– 5,732	664	687,541
Technical equipment and machinery	606,156	–	13,734	8,951	– 1,420	31,930	595,491
Other equipment, operating and office equipment	706,681	0	28,466	3,382	– 5,728	36,674	696,127
Advance payments and assets under construction	14,200	–	3,542	– 12,507	1	263	4,973
	2,017,747	**0**	**47,416**	**1,379**	**– 12,879**	**69,531**	**1,984,132**
Investment property	**9,492**	**–**	**–**	**– 2,667**	**7**	**–**	**6,832**
2014/2015							
Intangible assets							
Goodwill	123,840	–	–	–	2,601	–	126,441
Development costs	271,805	–	5,944	3,512	27	7,035	274,253
Software/other rights	105,555	–	4,038	33	3,566	1,392	111,800
Advance payments	3,545	–	–	– 3,545	–	–	–
	504,745	**–**	**9,982**	**–**	**6,194**	**8,427**	**512,494**
Property, plant and equipment							
Land and buildings	687,541	–	2,858	– 58,802	25,665	5,852	651,410
Technical equipment and machinery	595,491	–	13,075	3,471	7,729	28,839	590,927
Other equipment, operating and office equipment	696,127	–	24,845	– 253	11,863	54,337	678,245
Advance payments and assets under construction	4,973	–	8,209	– 3,905	46	112	9,211
	1,984,132	**–**	**48,987**	**– 59,489**	**45,303**	**89,140**	**1,929,793**
Investment property	**6,832**	**–**	**–**	**5,341**	**269**	**–**	**12,442**

[1] Includes reclassifications to “Assets held for sale” of € 11,920 thousand (previous year: € 1,091 thousand)
[2] Including impairment loss of € 1,435 thousand (previous year: € 660 thousand), see note 12
[3] Including special items of € 1,380 thousand (previous year: € 0 thousand)

Cumulative depreciation and amortization								Carrying amounts
As of start of financial year	Change in scope of consolidation	Depreciation and amortization [2), 3)]	Reclassifications [1)]	Currency adjustments	Disposals	Reversals	**As of end of financial year**	**As of end of financial year**
3	–	–	–	0	–	–	3	123,837
195,386	0	14,429	–	–	6,805	–	203,010	68,795
81,127	–	3,832	5	– 270	3,901	–	80,793	24,762
0	–	0	–	–	–	–	–	3,545
276,516	**0**	**18,261**	**5**	**– 270**	**10,706**	**–**	**283,806**	**220,939**
455,281	0	12,602	781	– 1,909	603	–	466,152	221,389
471,319	–	14,775	– 698	– 926	27,325	–	457,145	138,346
560,630	0	25,124	692	– 3,938	28,666	–	553,842	142,285
0	–	–	–	–	–	–	–	4,973
1,487,230	**0**	**52,501**	**775**	**– 6,773**	**56,594**	**–**	**1,477,139**	**506,993**
2,504	**–**	**70**	**– 967**	**3**	**–**	**–**	**1,610**	**5,222**

3	–	–	–	1,601	–	–	1,604	124,837
203,010	–	14,073	–	–	3,518	–	213,565	60,688
80,793	–	4,464	–	2,959	1,348	–	86,868	24,932
–	–	–	–	–	–	–	–	–
283,806	**–**	**18,537**	**–**	**4,560**	**4,866**	**–**	**302,037**	**210,457**
466,152	–	12,351	– 44,174	11,113	3,487	–	441,955	209,455
457,145	–	13,787	611	6,899	24,957	–	453,485	137,442
553,842	–	25,838	– 702	7,427	39,456	–	546,949	131,296
–	–	–	–	–	–	–	–	9,211
1,477,139	**–**	**51,976**	**– 44,265**	**25,439**	**67,900**	**–**	**1,442,389**	**487,404**
1,610	**–**	**14**	**2,038**	**101**	**–**	**–**	**3,763**	**8,679**

General notes

1 Basis for the preparation of the consolidated financial statements

Heidelberger Druckmaschinen Aktiengesellschaft, based in Heidelberg, Germany, Kurfuersten-Anlage 52 – 60, is the parent company of the Heidelberg Group. The consolidated financial statements of Heidelberger Druckmaschinen Aktiengesellschaft were prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union and in accordance with the supplemental provisions of section 315 a (1) of the Handelsgesetzbuch (HGB – German Commercial Code). The consolidated financial statements also comply with the IFRS in force as of the end of the reporting period.

Certain consolidated income statement and consolidated statement of financial position items have been combined to improve the clarity of presentation. A breakdown of these items is presented in the notes to the consolidated financial statements.

The consolidated income statement has been prepared in line with the nature of expense method.

All amounts are stated in € thousands. For subsidiaries located in countries that are not members of the European Monetary Union, the annual financial statements prepared in local currency are translated into euros (see note 5).

These consolidated financial statements relate to the 2014/2015 financial year (April 1, 2014 to March 31, 2015). They were approved for publication by the Management Board of Heidelberger Druckmaschinen Aktiengesellschaft on May 22, 2015.

2 Adoption of amended or new standards

The Heidelberg Group applied all standards that were mandatory in the reporting year.

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) have approved the new standards and amendments to existing standards listed in the table below, which are effective for the first time in the 2014/2015 financial year. The amendment to IAS 36: Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets has been applied on a voluntary basis already since the previous year.

Standards	Publication by the IASB / IFRS IC	Date of adoption [1]	Published in Official Journal of the EU	Effects
Amendments to standards				
IAS 27: Separate Financial Statements (as revised in 2011)	12-May-2011	1-Jan-2014	29-Dec-2012	None
IAS 28: Investments in Associates and Joint Ventures (as revised in 2011)	12-May-2011	1-Jan-2014	29-Dec-2012	No material effects
Amendment to IAS 32: Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities	16-Dec-2011	1-Jan-2014	29-Dec-2012	No material effects
Amendment to IAS 36: Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets	29-May-2013	1-Jan-2014	20-Dec-2013	Clarification of the disclosures to be made in note 19
Amendments to IAS 39: Financial Instruments: Recognition and Measurement: Novation of Derivatives and Continuation of Hedge Accounting	27-Jun-2013	1-Jan-2014	20-Dec-2013	None
Amendments to IFRS 10: Consolidated Financial Statements, IFRS 11: Joint Arrangements and IFRS 12: Disclosure of Interests in Other Entities: Transition Guidance	28-Jun-2012	1-Jan-2014	5-Apr-2013	No material effects
Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities	31-Oct-2012	1-Jan-2014	21-Nov-2013	None
New standards				
IFRS 10: Consolidated Financial Statements	12-May-2011	1-Jan-2014	29-Dec-2012	None
IFRS 11: Joint Arrangements	12-May-2011	1-Jan-2014	29-Dec-2012	None
IFRS 12: Disclosure of Interests in Other Entities	12-May-2011	1-Jan-2014	29-Dec-2012	Expansion of the disclosures in note 3

[1] For financial years beginning on or after this date

New accounting provisions

The IASB and the IFRS IC approved and amended other standards and interpretations, whose application is not yet compulsory in the 2014/2015 financial year or which have not yet been endorsed by the European Union (EU). Heidelberg is not currently planning to apply these standards at an early date.

Standards	Publication by the IASB / IFRS IC	Effective date [1]	Published in Official Journal of the EU	Content	Expected effects
Amendments to standards					
Amendments to IAS 1: Disclosure Initiative	18-Dec-2014	1-Jan-2016	Outstanding	In particular, the amendments comprise clarification with regard to assessing the materiality of disclosures in the notes, the presentation of certain financial statement items, the structure of disclosures in the notes and the presentation of material accounting policies.	Currently being examined
Amendments to IAS 16: Property, Plant and Equipment and IAS 38: Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortization	12-May-2014	1-Jan-2016	Outstanding	In particular, the amendments clarify that depreciation of property, plant and equipment based on the revenues realized through the sale of goods produced by using these assets is not appropriate. This clarification applies, as a rebuttable presumption, to intangible assets. Thus, in clearly defined exceptional cases, amortization of these assets based on revenues might be appropriate.	Currently being examined
Amendments to IAS 16 and IAS 41: Agriculture: Bearer Plants	30-Jun-2014	1-Jan-2016	Outstanding	The amendments clarify that bearer plants used to produce agricultural products must be recognized as property, plant and equipment in accordance with IAS 16 in the future.	None
Amendments to IAS 19: Defined Benefit Plans: Employee Contributions	21-Nov-2013	1-Feb-2015	9-Jan-2015	The amendments comprise a simplification regarding employee or third-party contributions to defined benefit plans, whose amount is independent from the years of service. Such contributions can be recognized as a reduction of the current service cost in the period in which the associated work was performed.	Currently being examined
Amendments to IAS 27: Equity Method in Separate Financial Statements	12-Aug-2014	1-Jan-2016	Outstanding	The amendments reintroduce the option to apply the equity method in the separate financial statements of an investor for interests in subsidiaries, joint ventures and associates.	None
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	11-Sep-2014	Outstanding	Outstanding	The amendments clarify how the results of transactions between an investor and an associate or joint venture must be recognized. If the transaction relates to a business in accordance with IFRS 3, the profit or loss must be recognized in full. Otherwise there is partial recognition of the result.	No material effects
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exemption	18-Dec-2014	1-Jan-2016	Outstanding	The amendments address issues in connection with applying the exception to the consolidation requirements for investment companies that instead recognize their subsidiaries at fair value.	None

[1] For financial years beginning on or after this date

Standards	Publication by the IASB / IFRS IC	Effective date [1]	Published in Official Journal of the EU	Content	Expected effects
Amendments to IFRS 11: Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations	6-May-2014	1-Jan-2016	Outstanding	¬ The amendments clarify the accounting for acquisitions of an interest in a joint operation that constitutes a business as defined in IFRS 3. The acquirer of such an interest must apply all of the principles on business combinations accounting in IFRS 3 and other relevant IFRS except for those principles that conflict with the guidance in IFRS 11. ¬ In the event that a joint operator increases such an interest while retaining joint control, previously held interests in the joint operation are not remeasured.	None
Annual Improvements to IFRS 2010 – 2012 Cycle	12-Dec-2013	1-Feb-2015	9-Jan-2015	¬ Minor and non-urgent improvements are made to IFRS as part of the IASB's annual improvement project. These relate to the standards IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.	No material effects
Annual Improvements to IFRS 2011 – 2013 Cycle	12-Dec-2013	1-Jan-2015	12-Dec-2014	¬ Minor and non-urgent improvements are made to IFRS as part of the IASB's annual improvement project. These relate to the standards IFRS 1, IFRS 3, IFRS 13 and IAS 40.	No material effects
Annual Improvements to IFRS 2012 – 2014 Cycle	25-Sep-2014	1-Jan-2016	Outstanding	¬ Minor and non-urgent improvements are made to IFRS as part of the IASB's annual improvement project. These relate to the standards IFRS 5, IFRS 7, IAS 19 and IAS 34.	No material effects
New standards					
IFRS 9: Financial Instruments	24-Jul-2014	1-Jan-2018	Outstanding	¬ IFRS 9 replaces the previous standard IAS 39. ¬ IFRS 9 contains new regulations on the recognition and measurement of financial instruments. The basis for accounting is the cash flow properties and the business model by which the financial asset is managed. In the future, impairment on financial assets is to be based on forecast credit losses. IFRS 9 also contains revised regulations on hedge accounting.	Currently being examined
IFRS 14: Regulatory Deferral Accounts	30-Jan-2014	1-Jan-2016	Outstanding	¬ According to IFRS 14, rate-regulated entities adopting IFRS for the first time can continue to account for rate regulations according to the local accounting policies used previously. ¬ Regulatory deferral accounts and their effects are to be reported separately in the statement of financial position and statement of profit or loss and other comprehensive income. In addition, IFRS 14 requires disclosures in the notes regarding these items.	None

[1] For financial years beginning on or after this date

Standards	Publication by the IASB / IFRS IC	Effective date [1]	Published in Official Journal of the EU	Content	Expected effects
IFRS 15: Revenue from Contracts with Customers	28-May-2014	1-Jan-2017	Outstanding	¬ IFRS 15 provides a uniform, five-step model for calculating and recognizing revenue to be applied to all contracts with customers. It replaces the previous standards IAS 18 and IAS 11 and various revenue-related interpretations. ¬ Basically, revenues should reflect the transfer of goods or services at the amount that the company expects to receive as consideration (payment) for these goods or services. ¬ IFRS 15 contains extended guidelines on issues including multi-component agreements, service agreements and contractual amendments in addition to extended disclosures in the notes.	Currently being examined
New interpretation					
IFRIC Interpretation 21: Levies	20-May-2013	17-Jun-2014	14-Jun-2014	¬ The interpretation regulates accounting for public levies that are not income taxes according to IAS 12. It includes guidance on when to recognize an obligation to pay such a levy as a liability.	No material effects

[1] For financial years beginning on or after this date

3 Scope of consolidation

The consolidated financial statements of Heidelberger Druckmaschinen Aktiengesellschaft include a total of 66 (previous year: 67) domestic and foreign companies controlled by Heidelberger Druckmaschinen Aktiengesellschaft within the meaning of IFRS 10. Of these companies, 56 (previous year: 56) are located outside Germany.

	2013/2014	**2014/2015**
April 1	**72**	**67**
Initial consolidation due to formation	–	–
Initial consolidation due to acquisition	–	–
Merger	– 4	– 1
Deconsolidation	–	–
Liquidation	– 1	–
March 31	**67**	**66**

Control within the meaning of IFRS 10 exists when an investor controls the material activities of the investee, has exposure to variable returns from its involvement with the investee and the ability to utilize its control to influence the amount of returns from the investee. Inclusion in the consolidated financial statements occurs at the time that control is established. Subsidiaries that are of minor importance are not included. These subsidiaries are of minor significance if the total of the equity, total assets, sales and net profit or loss of the subsidiaries not included amounts to only an insignificant portion of the Group figure. The list of all shareholdings of Heidelberger Druckmaschinen Aktiengesellschaft, which is a component of the notes to the consolidated financial statements, can be found in the annex to these notes (see pages 154 to 157).

In connection with the reporting period of five subsidiaries being brought in line with the reporting year of the Heidelberg Group, two companies were included in the consolidated financial statements as of March 31, 2015 with a short financial year and three with an extended financial year, which in both cases ended on March 31, 2015.

The scope of consolidation changed as follows as against the previous year:

- **MERGER:**
  As of April 1, 2014 Saphira Handelsgesellschaft mbH, Waiblingen, Germany, was merged with Heidelberger Druckmaschinen Vertrieb Deutschland GmbH, Heidelberg, Germany.

On April 13, 2015, Heidelberg acquired the European "Printing Systems Group" (PSG), Almere, the Netherlands, a group of companies with around 400 employees in the Benelux countries and Southern Europe, for a purchase price of a low two-figure-million euro amount. For further details please refer to note 44.

SABAL GmbH & Co. Objekt FEZ Heidelberg KG is a structured entity that was founded to manage, let and utilize the research and development center in Heidelberg, and in which Heidelberger Druckmaschinen Aktiengesellschaft is the limited partner with an interest of 99.9 percent of the capital. In 2007 Heidelberger Druckmaschinen Aktiengesellschaft sold the research and development center to SABAL GmbH & Co. Objekt FEZ Heidelberg KG and rented the center from it. SABAL GmbH & Co. Objekt FEZ Heidelberg KG is not included in consolidation as Heidelberger Druckmaschinen Aktiengesellschaft does not control it. The carrying amount of the interest in SABAL GmbH & Co. Objekt FEZ Heidelberg KG is reported in financial assets and is around € 10 thousand.

4 Principles of consolidation

In accordance with IFRS 3, all business combinations are recognized using the purchase method in the form of the full revaluation method.

On first-time consolidation of acquired companies, the identifiable assets, liabilities and contingent liabilities are measured at fair value as of the date of acquisition. If the purchase price exceeds the fair value of the identifiable assets less liabilities and contingent liabilities, this is recognized as goodwill.

Intra-Group sales, expenses and income, receivables, liabilities and contingent liabilities are eliminated. Intra-Group transactions are calculated both on the basis of market prices and on the basis of arm's length transfer prices. Assets from commercial transactions among consolidated companies included in inventories are adjusted to eliminate intercompany profits and losses. In consolidation processes affecting profit or loss, income tax effects are taken into account and the corresponding deferred taxes are recognized.

5 Currency translation

In the individual financial statements of the consolidated companies, which are prepared in local currencies, monetary items in foreign currencies (cash and cash equivalents, receivables, liabilities) are measured at the exchange rate as of the end of the reporting period and exchange rate effects are recognized in profit or loss. Non-monetary items denominated in foreign currencies are posted at their historic exchange rates.

The financial statements of the companies included in consolidation that are prepared in foreign currency are translated on the basis of the functional currency concept (IAS 21) in accordance with the modified closing rate method. As our subsidiaries financially, economically and organizationally effect their transactions on an independent basis, the functional currency is usually the same as each subsidiary's respective local currency. Assets and liabilities are therefore translated at the closing rates, the equity – except income and expenses directly recognized in equity – at the historical rates, and expenses and income at the average exchange rates for the year. The difference resulting from the foreign currency translation is offset against other reserves.

Currency differences arising as against the previous year's translation in the Heidelberg Group are also offset against other reserves.

Accounting in line with IAS 29 was not required as the Heidelberg Group does not have any subsidiaries located in countries with hyperinflationary economies.

The main exchange rates used in currency translation are as follows:

	Average rates for the year		Reporting date rates	
	2013/2014 €1 =	**2014/2015 €1 =**	31-Mar-2014 €1 =	**31-Mar-2015 €1 =**
AUD	1.4589	1.4492	1.4941	1.4154
CAD	1.4250	1.4337	1.5225	1.3738
CHF	1.2274	1.1711	1.2194	1.0463
CNY	8.2319	7.7823	8.5754	6.6710
GBP	0.8428	0.7809	0.8282	0.7273
HKD	10.4291	9.7405	10.6973	8.3422
JPY	134.8667	138.4258	142.4200	128.9500
USD	1.3444	1.2561	1.3788	1.0759

AUD = Australian dollar
CAD = Canadian dollar
CHF = Swiss franc
CNY = Chinese yuan
GBP = Pound sterling
HKD = Hong Kong dollar
JPY = Japanese yen
USD = US dollar

6 General accounting policies

The accounting policies applied in the consolidated financial statements are presented below. Further information on the individual items of the consolidated income statement, consolidated statement of financial position and corresponding figures are presented in note 8 et seq.

General principles

In the opinion of the IASB, the consolidated financial statements present a true and fair view and a fair presentation (overriding principle) if the qualitative criteria of the presentation of accounts are met and the individual IFRS guidelines are complied with. Consequently, to achieve fair presentation, preparers cannot deviate from the individual regulations.

The consolidated financial statements were prepared based on the assumption of a going concern.

Uniform accounting policies

The consolidated financial statements are prepared on the basis of accounting policies that are applied uniformly throughout the Group. The consolidated financial statements are prepared in line with the principle of historical cost, with the exception of certain items of the statement of financial position, which are reported at fair value.

Consistency of accounting policies

With the exception of changes resulting from new or amended standards or interpretations (see note 2), the accounting policies applied in the previous year remain unchanged.

Revenue recognition

PRODUCT SALES are recognized when the material risks and rewards of ownership of the merchandise and products sold are transferred to the buyer. Neither a continuing managerial involvement nor effective control over the sold merchandise and products remain. The revenue amount can be reliably determined; the inflow of economic benefit from the sale is sufficiently probable.

Sales from SERVICES are recognized when the services are rendered provided that the amount of income can be reliably determined and the inflow of economic benefit arising from the transaction is sufficiently probable. Sales from long-term service contracts are generally distributed on a straight-line basis.

Income from OPERATING AND FINANCE LEASES is recognized based on the provisions of IAS 17.

Intangible assets

With the exception of goodwill, all intangible assets have a limited useful life and are therefore amortized on a straight-line basis over their expected useful life. In accordance with the option provided under IAS 38, intangible assets are measured at amortized cost. In accordance with IFRS 3 in conjunction with IAS 36, goodwill is tested for impairment on an annual basis if there is any evidence to suggest a loss of value. Purchased intangible assets are capitalized at cost. Internally generated intangible assets are capitalized to the extent that the criteria for recognition in IAS 38 are met. Manufacturing costs include all directly attributable costs.

Research and development costs

Development costs for newly developed products are capitalized at cost to the extent that expenses are directly attributable and if both the technical feasibility and the marketing of the newly developed products are assured (IAS 38). There must also be a sufficient degree of probability that the development activity will lead to future inflows of benefits. Capitalized development costs include all direct costs and overheads that are directly attributable to the development process. If capitalized development projects meet the criteria of qualifying assets, borrowing costs are capitalized as part of cost in line with IAS 23. The corresponding interest expense is calculated using the effective interest method. Capitalized development costs are amortized on the basis of the estimated period during which sales may be expected.

In accordance with IAS 38, research costs cannot be capitalized and are therefore recognized in profit or loss directly in the consolidated income statement.

Property, plant and equipment

Property, plant and equipment, including that leased in operating leases, are measured at cost less cumulative straight-line depreciation and cumulative impairment in line with the option provided under IAS 16.

In addition to direct costs, the cost also includes appropriate portions of material and production overheads.

Borrowing costs that can be assigned directly to qualifying assets are capitalized as a part of cost in line with IAS 23.

Costs of repairs to property, plant and equipment that do not result in an expansion or substantial improvement of the respective asset are recognized in profit or loss.

Investment property

Investment property (IAS 40: Investment Property) is recognized at cost less cumulative straight-line depreciation and cumulative impairment in line with the option provided under IAS 40. The fair value of investment property is disclosed in the notes to the consolidated financial statements.

This figure is mostly calculated by non-Group, independent experts in line with internationally acknowledged valuation methods; otherwise it is derived from the current market price of comparable real estate.

Leases

Under finance leases, economic ownership is attributed to lessees in those cases in which they bear substantially all the risks and opportunities of ownership of the asset (IAS 17). To the extent that economic ownership is attributable to the Heidelberg Group as the lessee, they are capitalized from the commencement of the lease term at the lower of fair value or the present value of the minimum lease payments. Depreciation is recognized using the straight-line method on the basis of the shorter of the economic life or the term of the lease.

If economic ownership is not assigned to the Heidelberg Group as the lessee and the leases in question are therefore operating leases, the lease installments are recognized in profit or loss in the consolidated income statement on a straight-line basis over the term of the lease. The operating leases in which we operate as the lessee predominantly relate to leased buildings. Some of the building leases contain prolongation options.

Depreciation and amortization

Amortization of intangible assets and depreciation of property, plant and equipment and investment property is calculated primarily on the basis of the following useful lives, which are applied uniformly throughout the Group (in years):

	2013/2014	**2014/2015**
Development costs	5 to 12	5 to 12
Software/other rights	3 to 9	3 to 9
Buildings	15 to 50	15 to 50
Technical equipment and machinery	12 to 31	12 to 31
Other equipment, operating and office equipment	5 to 27	5 to 27
Investment property	15 to 50	15 to 50

Impairment of non-financial assets

The carrying amount of intangible assets (including capitalized development costs) and of property, plant and equipment is reviewed at the end of each financial year for evidence and indications of impairment. An impairment loss is recognized if the impairment test finds that the recoverable amount of the asset is lower than its carrying amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use. If the asset is part of an independent cash-generating unit, impairment is determined on the basis of the recoverable amount of this cash-generating unit. If the reasons for impairment cease to apply, the impairment is reversed up to amortized cost (IAS 36).

The carrying amounts of goodwill are subject to impairment testing if there is evidence to suggest a decline in value. Regardless of whether there are indications of impairment, goodwill is tested for possible impairment annually. An impairment loss is recognized when the recoverable amount is less than the carrying amount of the cash-generating unit to which goodwill has been assigned. Any additional impairment requirements are recognized by way of the pro rata reduction of the carrying amounts of other assets. Goodwill impairment is not reversed in subsequent periods.

Inventories

Inventories are carried at the lower of cost and net realizable value. Valuations are generally determined on the basis of the weighted average cost method.

Costs include production-related full costs determined on the basis of normal capacity utilization.

In particular, the cost of products includes directly attributable direct costs (such as production materials and wages used in construction) and fixed and variable production overheads (such as materials and production overheads), including an appropriate depreciation on manufacturing equipment. Particular account is taken of costs that are charged to specific production cost centers.

The risks of holding inventories arising from reduced usability are taken into account by appropriate write-downs. These write-downs are recognized on the basis of the future production program or actual consumption. Individual periods are used for different inventory items, which are monitored and adjusted based on appropriate criteria. Measurement takes into account lower realizable net selling prices at the end of the reporting period. If the reasons for a lower valuation no longer apply to inventories that have formerly been written down and the net selling price has therefore risen, the reversal of the write-down is recognized as a reduction of material costs.

Financial instruments

Basic information

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognized when Heidelberg becomes party to a contract for the financial instrument. If the trade date and settlement date differ for standard purchases or sales, financial instruments are recognized at the settlement date. First-time measurement of financial assets and liabilities is at fair value. The carrying amount of financial instruments not measured at fair value through profit or loss includes the directly attributable transaction costs. Subsequent measurement of financial instruments is in line with the measurement categories defined in IAS 39: Financial Instruments: Recognition and Measurement. Under IAS 39, on first-time recognition financial assets and liabilities can be designated as financial instruments in the fair value through profit and loss category. Heidelberg did not exercise this option.

Financial assets and liabilities are reported without being offset. They are only offset when there is an enforceable legal right to do so at the end of the reporting period and the entity intends to settle them on a net basis. The recognized carrying amount of current and variable interest, non-current financial assets and liabilities is an appropriate estimate of the fair value.

In accordance with IAS 39, an impairment loss is recognized when there is sufficient objective evidence of impairment of a financial asset. Such evidence may lie in a deterioration of the customer's creditworthiness, delinquency or default, the restructuring of contract terms, or the increased probability that insolvency proceedings will be opened. The calculation of the amount of impairment needed takes into account historical default rates, the extent to which payment is past due, any collateral pledged and regional conditions. Financial assets are examined for impairment requirements individually (specific allowances for impairment losses). Appropriate risk provisioning was recognized for all discernible risks of default. The theoretically maximum remaining risk of default of financial assets is the same as their recognized carrying amounts.

For loans and receivables the amount of impairment is equal to the difference between the carrying amount and the present value of the expected future cash flows, discounted at the original effective interest rate of the financial asset. Impairment is either recognized directly in income by reducing the carrying amount of the financial asset or by using an allowance account. The way in which the impairment is shown is dependent on the estimated probability of the risk of default. The carrying amount of uncollectible receivables is derecognized. If the amount of the impairment is objectively reduced in subsequent reporting periods due to an event occurring after recognition of the impairment, the impairment recognized is reversed accordingly in income.

Impairment on available-for-sale financial assets measured at fair value is recognized in the consolidated income statement as the difference between cost (net of any principle repayments or amortization) and current fair value, less any impairment previously recognized in profit or loss. Reversals of impairment losses on equity instruments are not recognized in profit or loss. If the amount of the impairment on debt instruments is objectively reduced in subsequent reporting periods due to an event occurring after recognition of the impairment, the impairment recognized is reversed accordingly in income.

Impairment on available-for-sale financial assets carried at cost is recognized in profit or loss as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the current rate of return for similar financial assets. These impairment losses are not reversed.

Financial assets are derecognized when the contractual rights to cash flows end or substantially all the risks and rewards of ownership are transferred to another party. Financial liabilities are derecognized when the contractual obligation is discharged or legally cancelled.

If financial liabilities are extinguished in full or in part the issue of equity instruments by the obligor in accordance with IFRIC 19, the difference between the carrying amount of the liability repaid and the fair value of the equity instruments issued, is recognized in profit or loss. The costs attributable to the issue of equity instruments are deducted directly from equity (IAS 32).

The net gains and losses essentially include changes in the fair value and exchange rate effects recognized in net operating and net financial income, interest income and expense from financial instruments recognized in net financial income and income from the Gallus transaction. Changes in fair value also include the effects of available-for-sale financial assets recognized outside profit or loss.

For information on risk management please refer to note 32 and to the Risk and Opportunity Report in the Group management report.

Investments and securities

IAS 39 breaks down these financial instruments into the categories of financial instruments at fair value through profit and loss, financial investments held to maturity and financial assets available for sale.

Investments (including shares in affiliates) and securities are classified as financial assets available for sale. In line with IAS 39, these financial instruments are carried at fair value. Investments are measured at cost as their fair value cannot be reliably determined. Securities are measured at their stock market prices. If this value cannot be reliably determined, securities are measured at cost. Unrealized profits and losses arising from changes in fair value are recognized outside profit or loss, taking into consideration deferred taxes. At the time of a sale, realized profit or loss is taken directly to the income statement in net financial income. The carrying amounts of investments and securities measured at cost are reviewed for impairment as of the end of each reporting period; impairment losses are recognized in profit or loss.

The appropriate classification of securities is determined at the time of purchase and is reviewed as of the end of each reporting period.

Loans

Loans are credit that we extend and are classified as loans and receivables under IAS 39. Non-current non-interest-bearing and low-interest-bearing loans are carried at net present value. Measurement in subsequent periods is at amortized cost using the effective interest rate method.

Receivables from sales financing

Receivables from sales financing include receivables from our customers arising in connection with the financing of machinery sales and receivables under finance leases.

Finance leases include leased installations considered as sales under non-current financing. In line with IAS 17, these receivables are carried at the net investment value, i. e. discounted future minimum lease payments plus any unguaranteed residual values. Lease payments are broken down into repayments and interest income, and interest income is recognized in the consolidated income statement over the term of the leases reflecting a constant periodic return on the net investment.

Receivables from sales financing are assigned to the IAS 39 category loans and receivables and carried at fair value. Measurement in subsequent periods is at amortized cost using the effective interest rate method.

Trade receivables

First-time recognition of trade receivables is at fair value plus directly attributable transaction costs. Measurement in subsequent periods is at amortized cost using the effective interest rate method due to the loans and receivables measurement category.

Receivables and other assets

The receivables and other assets item includes both non-financial assets and financial assets including derivative financial instruments. With the exception of derivative financial instruments, financial assets are assigned to the loans and receivables category under IAS 39 and are therefore measured at amortized cost. Non-financial assets are measured in line with the respective applicable standard.

Cash and cash equivalents

Cash on hand and bank balances are carried at amortized cost. Bank balances have a remaining term of up to three months.

Financial liabilities

Primary financial instruments include financial liabilities, trade payables and non-derivative other financial liabilities. Trade payables and non-derivative other financial liabilities include deferred liabilities for outstanding invoices and deferred staff liabilities.

In accordance with IAS 39, primary liabilities are stated at fair value. Directly attributable transaction costs are included for financial liabilities not carried at fair value through profit or loss. Measurement in subsequent periods is at amortized cost using the effective interest rate method. Liabilities from finance leases are recognized in the amount of the present value of the minimum lease payments. Financial guarantees are recognized at the higher of the amount calculated in line with IAS 37 and the initial amount carried as a liability less any amortization. They are reported under other provisions.

Derivative financial instruments

Derivative financial instruments in the Heidelberg Group comprise hedging instruments used to manage interest rate and exchange rate fluctuations. These instruments serve to reduce income volatility. The Group does not enter into trading positions, i. e. derivatives without an underlying hedged item. We currently use over-the-counter (OTC) instruments. At present, these are exclusively forward exchange transactions.

The scope of hedging by financial derivatives comprises recognized, onerous and highly probable hedged items.

In accordance with IAS 39, derivatives meet the recognition criteria for assets and liabilities, as a result of which they must be capitalized (other assets) or expensed (other liabilities) at fair value. First-time recognition is as of the settlement date.

Under IAS 39, the distinction between a fair value hedge and a cash flow hedge is of fundamental importance for hedge accounting.

The aim of a fair value hedge is to offset the changes in fair value of assets and liabilities with opposing changes in the fair value of the designated hedging instrument. Any profit or loss resulting from the change in fair value of the designated hedging instrument is recognized directly in the consolidated income statement. From the inception of the hedge, changes in the fair value of the hedged item attributable to the hedged risk are also recognized in profit or loss.

A cash flow hedge serves to hedge the changes in cash flows that typically arise in connection with floating rate assets or liabilities recognized in the consolidated statement of financial position, foreign currency onerous contracts or planned future transactions. The gains and losses of the fair value of derivatives designated as a hedging instrument are recognized outside profit or loss until the respective hedged item becomes effective.

Hedging instruments that do not satisfy the documentation requirements of IAS 39 for hedge accounting or whose underlying hedged items no longer exist are classified as held for trading.

Hybrid financial instruments

Financial instruments that contain both a liability and an equity component are recognized in different items in the statement of financial position according to their nature. As of the date of issue the fair value of the liability component, which is the present value of the contractually determined future payments, is recognized as a bond liability. The conversion option is recognized in capital reserves as the difference between the issue proceeds and the fair value of the liability component. During the term of the bond the interest expense of the liability component is calculated using the market interest rate as of the issue date for a similar bond without a conversion option. The issuing costs of convertible bonds reduce the cost of the equity or liability components in direct proportion. The deduction from equity is recognized outside profit or loss after taking into account any related income tax benefit.

Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated in accordance with the standard international liability method (IAS 12). Under this method, deferred taxes are recognized for all temporary differences between IFRS carrying amounts and the tax carrying amounts of the individual companies or Group companies and on corresponding consolidation adjustments. In addition, deferred tax assets for future benefits from tax loss carryforwards are also taken into account. Deferred tax assets for accounting differences and for tax loss carryforwards are recognized in the amount for which it is probable that taxable income will be available, i.e. for which utilization seems reasonably assured. Deferred taxes are measured on the basis of the income tax rates of the respective countries. A tax rate of 28.33 percent (previous year: 28.28 percent) is used to calculate domestic deferred taxes. In addition to the corporation tax of 15 percent and the solidarity surcharge of 5.5 percent, the average trade tax rate was also taken into account.

In accordance with the provisions of IAS 12, neither deferred tax assets nor liabilities have been discounted. Deferred tax assets were offset against deferred tax liabilities when required according to the provisions of IAS 12. In line with this, offsetting must be effected if there is a legally enforceable right to offset the actual taxes and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority and originate from the same company or in the same group of controlled companies.

Assets and liabilities held for sale

Non-current assets and liabilities are classified as held for sale when disposal is highly likely and the asset is available for immediate sale in its present condition. In addition, the owner must have resolved to sell the individual asset or disposal group within one year.

Assets held for sale are carried at the lower of the carrying amount and fair value less costs to sell. Assets held for sale are no longer subject to scheduled depreciation or amortization.

Provisions for pensions and similar obligations

The pensions and similar obligations comprise the obligations of the Group to establish provisions under both defined benefit plans and defined contribution plans.

In the case of defined benefit plans, the pension obligations are calculated using the projected unit credit method (IAS 19). Under this method, expert actuarial reports are commissioned each year. The discount rate used for the present values of defined benefit obligations is based on the yields of high-quality corporate bonds with matching maturities and currencies and ratings of AA on the basis of the information provided by Bloomberg. This discount rate is also used to determine the net interest on the net liability/asset from defined benefit plans. Mortality and retirement rates are calculated in Germany according to the current 2005G Heubeck mortality tables and outside Germany according to comparable foreign mortality tables. Plan assets carried at fair value are offset against defined benefit obligations. Current service cost and any past service cost is recognized immediately and reported under staff costs; the net interest expense, as the net total of interest expenses on benefit obligations and interest income on plan assets, is reported in net finance costs.

Gains or losses resulting from changed expectations with regard to life expectancy, future pension and salary increases and the discount rate from the actual developments during the period are recognized outside profit or loss directly in other comprehensive income in the statement of comprehensive income. Recognition of the gains or losses from remeasurements reported in other comprehensive income in profit or loss in later periods is not permitted. The difference between the (interest) income on plan assets calculated at the start of the period and the actual return on plan assets determined at the end of the period is also recognized outside profit or loss in other comprehensive income.

In the case of defined contribution plans, compulsory contributions are offset directly as an expense. No provisions for pension obligations are recognized, as in these cases the Company does not have any obligation beyond that to pay premiums.

Other provisions

Other provisions, including tax provisions (for current taxes) are recognized when a past event gives rise to a current obligation, utilization is more likely than not and its amount can be reliably estimated (IAS 37). This means that the probability must exceed 50 percent. They are measured either at the most likely settlement amount or, if probabilities are equal, at the expected settlement amount. Provisions are only recognized for legal or constructive obligations in respect of third parties. Provisions are measured at full production cost, taking into consideration possible cost increases.

Provisions for restructuring measures are recognized to the extent that the criteria of IAS 37 are met.

Non-current provisions with a remaining term of more than one year are carried at the discounted settlement amount at the end of the reporting period on the basis of appropriate interest rates if the time value of money is material. The underlying interest rates depend on the term of the obligation.

Advance payments received

Advance payments received from customers are recognized under liabilities.

Government grants

For taxable government investment subsidies and tax-free investment allowances there is an option to recognize these as deferred income or deduct them when determining the carrying amount of the asset. Heidelberg reports these subsidies as deferred income that is reversed and recognized as income in line with the expected pattern of economic benefits from the asset over its useful life.

Contingent liabilities

Contingent liabilities are potential obligations that relate to past events and whose existence will not be confirmed until one or more uncertain future events occur. These future events, however, lie outside the sphere of influence of the Heidelberg Group. Furthermore, current obligations can represent contingent liabilities if the outflow of resources is not sufficiently probable to recognize a respective provision or if the amount of the obligation cannot be reliably estimated. The carrying amount of contingent liabilities is equal to the best possible estimate of the settlement amount resulting from the liability.

7 Estimates and judgments

When preparing consolidated financial statements, certain assumptions and estimates are made that have an effect on the amount and reporting of assets and liabilities, information on contingent assets and liabilities at the end of the reporting period and on income and expense reported in the period under review. The preparer of consolidated financial statements has a degree of discretion here.

The following are the key issues affected by assumptions and estimates:

- assessing the recoverability of goodwill,
- the measurement of other intangible assets and of items of property, plant and equipment,
- assessing impairment of trade receivables and receivables from sales financing,
- recognition and measurement of other provisions,
- recognition and measurement of provisions for pensions and similar obligations.

In the impairment test for goodwill, the recoverable amount of the cash-generating unit is determined as the higher of its fair value less the cost to sell and its value in use. The fair value here reflects the best estimate of the price independent market participants would receive under standard market conditions for the sale of the cash-generating units at the end of the reporting period. The value in use is the present value of the estimated future cash flows expected from the cash-generating unit. A change in determining factors may change the fair value or the value in use and could result in the recognition of an impairment loss.

The goodwill impairment test is based on the parameters listed in note 19. As in the previous year, increasing the discount rate before taxes by one percentage point to 8.1 percent (previous year: 10.7 percent) for the cash-generating unit Heidelberg Equipment and 8.3 percent (previous year: 11.0 percent) for the cash-generating unit Heidelberg Services would not result in any impairment requirements. The same applies to a reduction in the growth factor used to calculate the perpetual annuity by one percentage point either way and 5 percent for the reduction in the result of operating activities.

The useful lives used throughout the Group for intangible assets – with the exception of goodwill – and for items of property, plant and equipment are subject to management assessments. In addition, the impairment test determines the recoverable amount of the asset or cash-generating unit to which the asset is attributed as the higher of fair value less costs to sell and value in use. The fair value here reflects the best estimate of the amount for which an independent third party would acquire the asset at the end of the reporting period. The value in use is the present value of the estimated future cash flows that can be anticipated from the continued use of the asset or cash-generating unit. A change in determining factors may change the fair value or the value in use and could result in the recognition or reversal of an impairment loss.

Credit and default risks arise for trade receivables and receivables from sales financing to the extent that customers do not meet their payment obligations and assets are lost as a result. The necessary impairment is calculated in line with the creditworthiness of customers, any collateral pledged and experience based on historical default rates. The customer's actual default may differ from the expected default on account of the underlying factors.

The amount and probability of utilization are estimated in the recognition and measurement of other provisions. They are measured either at the most likely settlement amount or, if probabilities are equal, at the expected settlement amount. The amount of the actual utilization can deviate from estimates. Please refer to note 27 for information on the sensitivity analysis regarding provisions for pensions and similar obligations.

The assumptions and estimates are based on the information and data currently available. Actual developments can deviate from the estimates. The carrying amounts of the relevant assets and liabilities are adjusted accordingly if actual amounts deviate from estimated values.

Notes to the consolidated income statement

8 Net sales

In addition to income from sales of products and services, sales include income from commission, finance and operating leases totaling € 4,352 thousand (previous year: € 4,579 thousand) and interest income from sales financing and finance leases amounting to € 6,997 thousand (previous year: € 8,140 thousand).

Further information on sales can be found in the segment report and the report on the regions in the Group management report. The classification of sales by segment and sales by region are shown in note 37.

9 Other operating income

	2013/2014	**2014/2015**
Reversal of other provisions and deferred liabilities	49,769	45,174
Income from Gallus transaction	–	18,123
Income from operating facilities	8,453	11,278
Recoveries on loans and other assets previously written down	16,226	10,955
Hedging/exchange rate gains	5,172	9,290
Income from disposals of intangible assets, property, plant and equipment and investment property	1,393	1,624
Other income	25,330	24,498
	106,343	**120,942**

The income from the Gallus transaction results from the difference between the carrying amount of the previous liability and the fair value of the equity instrument at the time of repayment plus the cash component.

The other income item contains a large number of individual matters.

10 Cost of materials

	2013/2014	**2014/2015**
Cost of raw materials, consumables and supplies, and of goods purchased and held for resale	999,044	1,006,304
Cost of purchased services	109,440	104,347
Interest expense of Heidelberg Financial Services	1,990	2,385
	1,110,474	**1,113,036**

The ratio of the cost of materials to total operating performance is 47.2 percent (previous year: 45.9 percent).

11 Staff costs and number of employees

	2013/2014	**2014/2015**
Wages and salaries	696,472	688,754
Cost of/income from pension scheme	38,248	–81,248
Other social security contributions and expenses	122,125	123,255
	856,845	**730,761**

The income from the pension scheme is economically closely related to the past service cost in connection with the reorganization of the Company pension scheme in Germany, which was changed from previously being a defined benefit plan to a defined contribution plan. Further details can be found in note 27.

The number of **EMPLOYEES** [1] was:

	Average		As of	
	2013/2014	**2014/2015**	31-Mar-2014	**31-Mar-2015**
Europe, Middle East and Africa	9,297	8,838	9,009	8,601
Asia/Pacific	2,073	1,986	2,049	1,936
Eastern Europe	541	516	531	504
North America	776	751	768	738
South America	201	180	182	172
	12,888	12,271	12,539	11,951
Trainees	561	501	502	427
	13,449	**12,772**	**13,041**	**12,378**

[1] Not including interns, graduating students, dormant employees and employees in the exemption phase of partial retirement

12 Depreciation and amortization

Depreciation and amortization including impairment of € 69,148 thousand (previous year: € 70,832 thousand) relate to intangible assets (€ 18,537 thousand; previous year: € 18,261 thousand), property, plant and equipment (€ 50,597 thousand; previous year: € 52,501 thousand) and investment property (€ 14 thousand; previous year: € 70 thousand).

Impairment of € 1,435 thousand (previous year: € 660 thousand) essentially relates to other equipment, operating and office equipment and is primarily attributable to the Heidelberg Equipment segment.

13 Other operating expenses

	2013/2014	**2014/2015**
Other deliveries and services not included in the cost of materials	102,840	116,196
Special direct sales expenses including freight charges	92,765	94,192
Rent and leases	52,753	52,378
Travel expenses	39,592	38,559
Hedging/exchange rate losses	6,963	17,519
Additions to provisions and accruals relating to several types of expense	4,752	16,480
Bad debt allowances and impairment on other assets	13,566	12,098
Insurance expense	10,247	10,373
Costs of car fleet (excluding leases)	6,702	6,070
Other overheads	85,149	81,587
	415,329	**445,452**

14 Special items

Expenses of € 123,878 thousand included in special items in the reporting period are essentially the result of the adjustment of staff capacity at the production sites in Heidelberg, Wiesloch-Walldorf, Brandenburg, Amstetten and Ludwigsburg and the closure of the Leipzig site. The income of € 24,540 thousand reported in special items in the period under review predominantly results from the transfer of service activities for the discontinued saddle stitcher and adhesive binder products to Swiss company Müller Martini Holding AG and the sale of assets from the development and production of postpress packaging equipment to the Company's Chinese sales partner Masterwork Machinery Co., Ltd.

15 Financial result

	2013/2014	**2014/2015**
Financial income	12,512	9,534
Financial expenses	72,997	105,151
Financial result	**– 60,485**	**– 95,617**

16 Financial income

	2013/2014	**2014/2015**
Interest and similar income	7,234	5,058
Income from financial assets/loans/securities	5,278	4,476
Financial income	**12,512**	**9,534**

17 Financial expenses

	2013/2014	**2014/2015**
Interest and similar expenses	68,121	97,213
of which: net interest cost of pensions	(13,414)	(14,778)
Expenses for financial assets/loans/securities	4,876	7,938
Financial expenses	**72,997**	**105,151**

Interest and similar expenses include expenses in connection with the convertible bonds, the credit facility and the remeasurement of the high-yield bond (see note 29). The net interest expense for pensions is the net total of interest expenses on defined benefit obligations (DBO) and (interest) income on plan assets.

Expenses for financial assets/loans/securities include write-downs of € 2,661 thousand (previous year: € 8 thousand).

18 Taxes on income

Taxes on income are broken down as follows:

	2013/2014	**2014/2015**
Current taxes	18,074	– 6,193
of which Germany	(– 4,080)	(– 18,314)
of which abroad	(22,154)	(12,121)
Deferred taxes	– 19,947	2,670
of which Germany	(219)	(3,271)
of which abroad	(– 20,166)	(– 601)
	– 1,873	**– 3,523**

As in the previous year, the application of amended or new standards did not result in any additional tax expenses or tax income.

Taxes on income comprise German corporate tax (15 percent) including the solidarity surcharge (5.5 percent), trade tax (12.50 percent; previous year: 12.45 percent) and comparable taxes of the foreign subsidiaries. The nominal total German tax rate is 28.33 percent for the financial year (previous year: 28.28 percent).

No deferred tax liabilities were recognized for temporary differences on shares in subsidiaries of € 216,180 thousand (previous year: € 276,437 thousand) as it is unlikely that these differences will reverse in the foreseeable future or the corresponding effects are not subject to taxation. Any recognition of deferred taxes would be based on the respective applicable tax rates in line with local taxation on distributed dividends.

Deferred tax expenses resulting from the write-down and deferred tax income from the reversal of a previous write-down of deferred tax assets on temporary differences in the reporting year amounted to € 828 thousand (previous year: € 0 thousand) and € 5,233 thousand (previous year: € 21,155 thousand) respectively.

Total tax loss carryforwards for which no deferred tax assets were recognized that can be used until 2021 and later amount to € 1,234,434 thousand (previous year: until 2020 and later € 1,177,230 thousand).

Deferred tax assets are only recognized for tax loss carryforwards if their realization is guaranteed in the near future. Write-downs of deferred tax assets for loss carryforwards recognized in previous years were recognized in the amount of € 4,534 thousand in the year under review (previous year: € 0 thousand). Deferred tax assets totaling € 4,123 thousand (previous year: € 0 thousand) were recognized in the reporting year on tax loss carryforwards not previously recognized. In the reporting year, and as in the previous year, no deferred tax assets on current tax losses were recognized in profit or loss.

Deferred tax assets of € 1,588 thousand (previous year: € 7,373 thousand) were capitalized at companies that generated a tax loss in the reporting year or in the prior financial year, as on the basis of tax planning it was assumed that positive taxable income will be available in the foreseeable future. No income from loss carrybacks was recognized in the reporting year or the previous year.

Unutilized tax credit for which no deferred tax assets have been recognized in the consolidated statement of financial position amounted to € 6,388 thousand (previous year: € 4,081 thousand).

Current taxes were reduced in the reporting year by € 6,851 thousand (previous year: € 4,355 thousand) as a result of deferred tax assets for tax loss carryforwards that had not previously been taken into account. In the reporting period, current income taxes included net prior-period income of € 38,770 thousand (previous year: € 29,616 thousand).

Taxes on income can be derived from the net result before taxes as follows:

	2013/2014	**2014/2015**
Net result before taxes	1,746	– 75,926
Theoretical tax rate in percent	28.28	28.33
Theoretical tax income/expense	**494**	**– 21,510**
Change in theoretical tax income/expense due to:		
Differing tax rate	– 3,551	524
Tax loss carryforwards [1]	30,760	24,167
Reduction due to tax-free income	– 4,704	– 5,276
Tax increase due to non-deductible expenses	18,700	24,309
Change in tax provisions/taxes attributable to previous years/impairment or reversal of deferred tax assets on temporary differences	– 43,576	– 25,754
Other	4	17
Taxes on income	**– 1,873**	**– 3,523**
Tax rate in percent	**– 107.28**	**4.64**

[1] Amortization and reversals of tax loss carryforwards, utilization of non-recognized tax loss carryforwards and non-recognition of current losses

Notes to the consolidated statement of financial position

19 Intangible assets

GOODWILL includes amounts arising from the acquisition of businesses (asset deals) and from capital consolidation. For the purpose of impairment testing, assets are allocated to cash-generating units. These are the same as the segments (see note 37). The carrying amounts of the goodwill associated with the cash-generating units Heidelberg Equipment and Heidelberg Services total € 69,290 thousand (previous year: € 69,270 thousand) and € 55,547 thousand (previous year: € 54,567 thousand) respectively.

According to IAS 36, as part of the impairment test the recoverable amount of the cash-generating units is determined based on the higher of the fair value less costs to sell and the value in use. The fair value here reflects the best estimate of the price independent market participants would receive under standard market conditions for the sale of the cash-generating units at the end of the reporting period. The value in use is the present value of the estimated future cash flows expected from the cash-generating unit. The calculation of the value in use by Heidelberg on the basis of the discounted cash flow method is based on the planning authorized by the Management Board, which in turn is based on medium-term planning for the result of operating activities for a period of five (previous year: five) financial years. This planning process is based on past experience, external information sources and expectations of future market development. Key assumptions on which the calculation of the value in use by the management is based include future developments of sale prices and the forecasts of market prices for raw materials, the Company's investment activities, the competitive situation, growth rates and the costs of capital. As a result, and as in the previous year, there were no impairment requirements for the Heidelberg Equipment, Heidelberg Services or Heidelberg Financial Services cash-generating units.

The calculated cash flows were discounted on the basis of market data using weighted average costs of capital (WACC) before taxes of 7.1 percent (previous year: 9.7 percent) for the Heidelberg Equipment cash-generating unit and of 7.3 percent (previous year: 10.0 percent) for the Heidelberg Services cash-generating unit. As in the previous year Heidelberg uses constant growth rates of 1 percent to show expected inflation to extrapolate cash flows beyond the detailed planning period.

Sensitivity analyses were conducted as part of the impairment test in accordance with the requirements of IAS 36.134; no impairment requirements were identified (see note 7).

Capitalized DEVELOPMENT COSTS relate for the most part to the development of machinery in the Heidelberg Equipment segment. Non-capitalized development costs from all segments – including research expenses – amount to € 114,716 thousand in the reporting year (previous year: € 116,725 thousand).

20 Property, plant and equipment, investment property and assets held for sale

The carrying amounts of assets capitalized in non-current assets from finance leases in which we are the lessee are € 2,323 thousand (previous year: € 2,907 thousand) for land and property and € 1,569 thousand (previous year: € 2,459 thousand) for other equipment, operating and office equipment. The latter are vehicles and IT equipment.

The carrying amounts of assets capitalized in non-current assets from operating leases in which we are the lessor are € 9,967 thousand (previous year: € 10,480 thousand). These assets are reported under technical equipment and machinery. These assets are printing presses leased to customers. The gross carrying amounts were € 27,330 thousand (previous year: € 22,957 thousand) and cumulative depreciation amounted to € 17,363 thousand (previous year: € 12,477 thousand). Depreciation of € 3,184 thousand (previous year: € 3,592 thousand) was recognized in the reporting year. Future lease income of € 2,003 thousand (previous year: € 2,373 thousand) is anticipated from operating leases. Payments with maturities of up to one year, between one and five years and more than five years amount to € 759 thousand (previous year: € 899 thousand), € 1,179 thousand (previous year: € 1,349 thousand) and € 65 thousand (previous year: € 125 thousand) respectively.

In connection with a loan received (carrying amount: € 25,526 thousand; previous year: € 33,288 thousand), the lender was granted usufructuary rights on three developed plots of land (carrying amount: € 32,532 thousand; previous year: € 33,532 thousand). In connection with the refinancing of the Heidelberg Group (see note 29), property, plant and equipment, investment property and assets held for sale were pledged as collateral by way of assignment and the appointment of a collective land charge. The carrying amounts of this collateral as of the end of the reporting period were € 336,474 thousand (previous year: € 355,584 thousand), € 4,656 thousand (previous year: € 2,956 thousand) and € 13,620 thousand (previous year: € 1,700 thousand).

The carrying amounts of property, plant and equipment that are partially unused or are no longer used are of minor significance.

For property, plant and equipment leased to customers of the Heidelberg Group in finance leases, corresponding receivables have been capitalized in the amount of the discounted future minimum lease payments. Leased items are therefore not reported under non-current assets.

The fair value of investment property (IAS 40: Investment Property) corresponds to the second level in the measurement hierarchy according to IFRS 13 and is € 11,973 thousand (previous year: € 7,431 thousand). Investment property with a fair value of € 7,207 thousand (previous year: € 4,364 thousand) was measured by non-Group independent experts in line with internationally acknowledged valuation methods. The other fair values were derived from current market prices of comparable real estate. As in the previous year, only immaterial current income or expenses were incurred in connection with investment property in the reporting year.

The assets classified as held for sale as of March 31, 2015 are essentially developed land for which the sale is planned and has been initiated. The assets are primarily attributable to the Heidelberg Equipment segment.

21 Financial assets

Financial assets include shares in subsidiaries totaling € 21,477 thousand (previous year: € 9,992 thousand), other investments of € 3,455 thousand (previous year: € 4,456 thousand) and securities of € 3,897 thousand (previous year: € 3,075 thousand). Information on the fair value of the financial assets is included in note 32.

22 Receivables and other assets

			31-Mar-2014			**31-Mar-2015**
	Current	Non-current	Total	Current	Non-current	**Total**
Receivables from sales financing	**45,587**	**45,351**	**90,938**	**36,182**	**45,598**	**81,780**
Trade receivables	**327,949**	**–**	**327,949**	**335,191**	**–**	**335,191**
Other receivables and other assets						
Other tax assets	20,134	–	20,134	14,513	–	14,513
Loans	476	8,657	9,133	543	8,781	9,324
Derivative financial instruments	5,274	–	5,274	4,667	–	4,667
Deferred interest	333	–	333	189	–	189
Deferred income	9,415	3,722	13,137	12,627	5,054	17,681
Other assets	73,648	10,162	83,810	66,646	4,926	71,572
	109,280	**22,541**	**131,821**	**99,184**	**18,762**	**117,946**

In the reporting year, plan assets of € 2,605 thousand (previous year: € 5,081 thousand) are included in non-current other assets (see note 27).

In connection with the refinancing of the Heidelberg Group (see note 29), trade receivables, receivables from sales financing and other receivables and other assets were assigned as collateral by way of undisclosed assignment. The carrying amounts of this collateral as of the end of the reporting period were € 112,329 thousand (previous year: € 94,308 thousand), € 50,285 thousand (previous year: € 60,478 thousand) and € 4,060 thousand (previous year: € 6,056 thousand) respectively.

Receivables from sales financing

RECEIVABLES FROM SALES FINANCING are shown in the following table:

Contract currency	Carrying amount 31-Mar-2014 in € thousand	Remaining term in years	Effective interest rate in percent	Carrying amount **31-Mar-2015** in € thousand	Remaining term in years	Effective interest rate in percent
EUR	56,927	up to 8	up to 14	46,875	up to 7	up to 14
KRW	8,601	up to 7	up to 10	15,029	up to 7	up to 9
AUD	12,683	up to 7	up to 12	9,002	up to 7	up to 11
USD	5,305	up to 5	up to 10	3,069	up to 4	up to 10
Various	7,422			7,805		
	90,938			**81,780**		

The effective interest rates correspond to the agreed nominal interest rates.

The fair value of receivables from sales financing is essentially the reported carrying amount. This fair value is based upon expected cash flows and interest rates with matching maturities taking into account the customer-specific credit rating.

A specific allowance for impairment losses of € 10,100 thousand (previous year: € 10,359 thousand) was recognized for receivables from sales financing with a gross carrying amount of € 29,636 thousand (previous year: € 34,876 thousand). The derived market value of the collateral held for receivables from machinery sales was € 73,366 thousand (previous year: € 79,791 thousand) as of the end of the reporting period. This collateral is essentially reservations of title, with the amount of security varying from region to region.

The carrying amount of receivables from sales financing not subject to a specific impairment allowance which are also offset by rights of recourse to the delivered products was past due as follows as of the end of the reporting period:

	31-Mar-2014	**31-Mar-2015**
Receivables from sales financing neither past due nor impaired	55,250	49,865
Receivables past due but not impaired		
less than 30 days	4,110	6,477
between 30 and 60 days	651	476
between 60 and 90 days	724	498
between 90 and 180 days	2,185	934
more than 180 days	3,501	3,994
Total	11,171	12,379
	66,421	**62,244**

The total impairment loss in the period for receivables from sales financing was € 3,044 thousand (previous year: € 4,092 thousand). Of this, impairment amounts booked to allowance accounts developed as follows:

	2013/2014	**2014/2015**
As of the start of the financial year	19,086	10,807
Additions	4,007	3,013
Utilization	– 4,627	– 911
Reversals	– 6,670	– 3,378
Change in scope of consolidation, currency adjustments, other changes	– 989	569
As of the end of the financial year	**10,807**	**10,100**

Receivables from sales financing include lease receivables from finance leases in which in particular our financing companies act as lessors. The present value of outstanding lease payments (carrying amount) is € 307 thousand (previous year: € 317 thousand). As in the previous year, there is no cumulative impairment on these lease receivables.

Credit risks arising from receivables from sales financing are concentrated within the print media industry on account of the sector in which we operate. A significant proportion of receivables from sales financing is due from customers located in emerging countries.

Trade receivables

A specific allowance for impairment losses of € 28,663 thousand (previous year: € 28,715 thousand) was recognized for trade receivables with a gross carrying amount of € 37,032 thousand (previous year: € 36,036 thousand). The carrying amount of trade receivables not subject to a specific impairment allowance was past due as follows as of the end of the reporting period:

	31-Mar-2014	**31-Mar-2015**
Trade receivables neither past due nor impaired	238,139	241,991
Receivables past due but not impaired		
less than 30 days	46,792	51,431
between 30 and 60 days	15,672	13,409
between 60 and 90 days	4,833	5,618
between 90 and 180 days	7,491	8,224
more than 180 days	7,701	6,149
Total	82,489	84,831
	320,628	**326,822**

The carrying amount of the trade receivables is primarily to be taken as an appropriate estimate of the fair value.

The derived market value of the collateral held for receivables from machinery sales was € 182,722 thousand (previous year: € 182,906 thousand) as of the end of the reporting period. This collateral is essentially reservations of title, with the amount of security varying from region to region.

The total impairment loss in the period for trade receivables was € 6,645 thousand (previous year: € 9,263 thousand). Of this, impairment amounts booked to allowance accounts developed as follows:

	2013/2014	**2014/2015**
As of the start of the financial year	41,235	32,406
Additions	6,904	5,174
Utilization	– 3,761	– 2,836
Reversals	– 10,589	– 8,112
Change in scope of consolidation, currency adjustments, other changes	– 1,383	2,031
As of the end of the financial year	**32,406**	**28,663**

There were no significant concentrations of risk in trade receivables in the reporting year.

Other receivables and other assets

The carrying amount of the other receivables and other financial assets (not including derivative financial instruments) is primarily to be taken as an appropriate estimate of the fair value.

Specific allowances for impairment losses of € 5,381 thousand (previous year: € 5,051 thousand) and € 5,945 thousand (previous year: € 4,528 thousand) relate to loans (gross carrying amount: € 14,706 thousand; previous year: € 14,184 thousand) and other financial assets (gross carrying amount: € 54,652 thousand; previous year: € 56,783 thousand) respectively.

Of the impairment recognized on loans in the previous year, € 301 thousand (previous year: € 44 thousand) was utilized and € 17 thousand (previous year: € 0 thousand) was reversed. Additions to impairment losses of € 8 thousand were required (previous year: € 11 thousand). Of the impairment recognized on other financial assets in the previous year, € 26 thousand (previous year: € 10 thousand) was utilized and € 104 thousand (previous year: € 0 thousand) was reversed. Additions of € 2,111 thousand were required (previous year: € 203 thousand).

€ 1,856 thousand (previous year: € 146 thousand) of unimpaired loans and other financial assets were past due by more than 180 days.

Derivative financial instruments essentially include asset cash flow hedges of € 1,443 thousand (previous year: € 4,429 thousand) and asset fair value hedges of € 3,222 thousand (previous year: € 598 thousand).

23 Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities break down as follows:

	31-Mar-2014		**31-Mar-2015**	
	Asset	Liability	Asset	Liability
Tax loss carry-forwards	4,502	0	4,599	0
Assets:				
Intangible assets/ property, plant and equipment/ investment property/ financial assets	8,005	5,632	7,517	9,041
Inventories, receivables and other assets	8,631	2,502	8,458	1,944
Securities	6	0	0	0
Liabilities:				
Provisions	24,125	3,284	30,065	3,154
Liabilities	10,321	330	15,728	691
Gross amount	55,590	11,748	66,367	14,830
Offsetting	4,186	4,186	4,331	4,331
Carrying amount	**51,404**	**7,562**	**62,036**	**10,499**

Deferred tax assets include non-current deferred taxes of € 32,551 thousand (previous year: € 26,992 thousand). Deferred tax liabilities include non-current deferred taxes of € 7,642 thousand (previous year: € 4,736 thousand).

Due to currency translation, deferred tax assets increased by € 8,601 thousand (previous year: decreased by € 2,523 thousand) in the reporting year. As in the previous year, there was no change recognized outside profit or loss in deferred tax liabilities owing to changes in the scope of consolidation.

The income taxes recognized in the consolidated statement of comprehensive income break down as follows:

			2013/2014			2014/2015
	before income taxes	Income taxes	after income taxes	before income taxes	Income taxes	after income taxes
Remeasurement of defined benefit pension plans and similar obligations	–11,653	–1,219	–12,872	–248,159	1,488	–246,671
Currency translation	–32,647	0	–32,647	95,154	0	95,154
Financial assets available for sale	99	0	99	568	–81	487
Cash flow hedges	–1,343	–226	–1,569	–15,174	357	–14,817
Total other comprehensive income	**–45,544**	**–1,445**	**–46,989**	**–167,611**	**1,764**	**–165,847**

24 Inventories

	31-Mar-2014	31-Mar-2015
Raw materials and supplies	99,288	90,447
Work and services in progress	287,983	299,577
Finished goods and goods for resale	234,212	245,015
Advance payments	1,252	2,035
	622,735	**637,074**

In order to adjust inventories to the net realizable value, impairment of € 4,132 thousand was recognized in the year under review (previous year: € 2,779 thousand). The reason for the write-down to the lower net realizable value is primarily the decreased likelihood of market success for a small portion of our inventories. Remarketed equipment was repossessed as collateral owing to the insolvency of customers. In the year under review, remarketed equipment of € 400 thousand (previous year: € 400 thousand) was reported under finished goods and goods held for resale. The repossession of this collateral resulted in cash and cash equivalents of € 157 thousand (previous year: € 812 thousand) at German companies in the reporting period.

The carrying amount of the inventories pledged as collateral in connection with the refinancing of the Heidelberg Group (see note 29) was € 372,357 thousand (previous year: € 379,505 thousand).

25 Securities and cash and cash equivalents

The securities classified as available for sale in accordance with IAS 39 and that were entirely fixed-rate securities (previous year: € 10,169 thousand) were repaid in full by the issuers in the reporting period. Information on the fair value of the securities is included in note 32.

Cash and cash equivalents consist of cash on hand and bank balances; their carrying amount is to be taken as an appropriate estimate of the fair value. Restrictions on disposal of cash and cash equivalents due to foreign exchange restrictions amount to € 27,950 thousand (previous year: € 31,006 thousand). Bank balances are exclusively held for short-term cash management purposes.

26 Equity

Share capital/number of shares outstanding/treasury stock

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

The share capital of Heidelberger Druckmaschinen Aktiengesellschaft amounts to € 659,040,714.24 (previous year: € 600,160,714.24) and is divided into 257,437,779 shares (previous year: 234,437,779). For information on the issue of new shares from Authorized Capital 2012 in the reporting year, please see the comments on the non-cash capital increase under “Authorized capital”.

As of March 31, 2015, the Company holds 142,919 shares, as in the previous year. The amount of these shares allocated to share capital is € 366 thousand, as in the previous year, with a notional share of share capital of 0.06 percent as of March 31, 2015 (previous year: 0.06 percent).

The shares were acquired in March 2007. The pro rata cost of the acquisition was € 4,848 thousand. Additional pro rata transaction fees amounted to € 5 thousand. The pro rata cost of the acquisition was therefore € 4,853 thousand. These shares can 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, with the approval of the Supervisory Board, to issue 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. Shareholder preemptive subscription rights can 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. As a result of the conversion of five partial bonds on November 18, 2013, 190,839 new shares were issued from Contingent Capital 2012. Accordingly, the 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.

On July 24, 2014, the Annual General Meeting authorized the Management Board, with the approval of the Supervisory Board, to issue 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 € 58,625,953.28, dated or undated, on one or several occasions by July 23, 2019, 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 € 58,625,953.28 in total, in accordance with the further conditions of these bonds.

Shareholder preemptive subscription rights can be disapplied in accordance with the further conditions of authorization. The share capital of Heidelberger Druckmaschinen Aktiengesellschaft was contingently increased by up to € 58,625,953.28 (**CONTINGENT CAPITAL 2014**) for this purpose; details of Contingent Capital 2014 can be found in Article 3 (4) of the Articles of Association. The resolution was entered in the commercial register on September 22, 2014.

On March 30, 2015, Heidelberger Druckmaschinen Aktiengesellschaft issued an unsecured, unsubordinated convertible bond with an option for conversion into shares in Heidelberger Druckmaschinen Aktiengesellschaft. This convertible bond has a volume of € 58.6 million and is convertible into approximately 18.84 million no-par shares. The convertible bond was issued in denominations of € 100,000. It has a term of seven years, was issued at 100 percent of the nominal value and is 100 percent repayable. The coupon is 5.25 percent p. a. and is distributed at the end of every quarter. The initial exercise price per underlying share is € 3.1104 at an initial conversion ratio of 32,150.2058.

From April 20, 2018, 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. Each bondholder is entitled to demand the repayment of all or some of his/her bonds for which the conversion right was not exercised and for which early repayment was announced by Heidelberger Druckmaschinen Aktiengesellschaft as of March 30, 2020 at the set nominal amount plus interest incurred by March 30, 2020 (exclusively).

Authorized capital

In accordance with the resolution of the Annual General Meeting on July 26, 2012, the Management Board was authorized, with the approval of the Supervisory Board, to increase the share capital of the Company by up to € 119,934,433.28 on one or several occasions against cash contributions by July 25, 2017 (**AUTHORIZED CAPITAL 2012**). Preemptive subscription rights can be disapplied in accordance with the further conditions of authorization. The capital increase resolution was entered in the commercial register on August 13, 2012/August 24, 2012.

Ferd. Rüesch AG, Switzerland, contributed its 70 percent interest in Gallus Holding Aktiengesellschaft, St. Gallen, Switzerland, as a contribution in kind to Heidelberger Druckmaschinen Aktiengesellschaft against the issue of new shares. The capital increase against contribution in kind from authorized capital was implemented with preemption rights disapplied. As consideration for the interest in Gallus Holding Aktiengesellschaft contributed, Heidelberger Druckmaschinen Aktiengesellschaft granted Ferd. Rüesch Aktiengesellschaft a total of 23,000,000 new no-par value shares and an additional cash payment in the single-digit million euro range. The issue price of the new shares is € 2.70 per new share. The capital increase became effective on entry in the commercial register of the Mannheim Local Court on August 14, 2014. As a result, the share capital increased by € 58,880,000.00 to € 659,040,714.24 (March 31, 2014: € 600,160,714.24) and is now divided into 257,437,779 (March 31, 2014: 234,437,779) shares.

Authorized Capital 2012 was reduced accordingly from € 119,934,433.28 to € 61,054,433.28 (March 31, 2014: € 119,934,433.28); details on Authorized Capital 2012 can be found in Article 3 (5) of the Articles of Association.

Capital reserves

The capital reserves essentially include amounts from the capital increase in accordance with section 272 (2) 1 of the Handelsgesetzbuch (HGB – German Commercial Code), from the non-cash capital increase in the context of the Gallus transaction, from simplified capital reductions in accordance with section 237 (5) of the Aktiengesetz (AktG – German Stock Corporation Act) and expenses from the issuance of option rights to employees in line with IFRS 2: Share-based Payment and the difference between the issue proceeds and the fair value of the liability component from the bonds (see “Contingent capital”).

As part of the Gallus transaction, the equity instruments issued to extinguish a financial liability to creditors were measured on addition at the quoted price of shares of Heidelberger Druckmaschinen Aktiengesellschaft at the time of repayment in accordance with IFRIC 19.

Retained earnings

The retained earnings include the earnings generated but not yet distributed of Heidelberger Druckmaschinen Aktiengesellschaft and its consolidated subsidiaries in previous years, the effects of consolidation and the effects of the remeasurement of net liabilities (assets) under defined benefit pension plans.

Other retained earnings

The other retained earnings include exchange rate effects and IAS 39 fair value changes in equity.

Appropriation of the net profit of Heidelberger Druckmaschinen Aktiengesellschaft

The loss of € 109,362,407.15 incurred by Heidelberger Druckmaschinen Aktiengesellschaft in the 2013/2014 financial year was withdrawn in full from other retained earnings in its annual financial statements.

The net loss of € 126,518,459.51 incurred by Heidelberger Druckmaschinen Aktiengesellschaft in the year under review will be carried forward in full to new account.

27 Provisions for pensions and similar obligations

The Heidelberg Group operates pension schemes – either directly or through premium payments to schemes financed by private institutions – for the majority of employees for the time after their retirement. The amount of benefit payments depends on the conditions in particular countries. The amounts are generally based on the term of employment and the salary of the employees. Liabilities include both those arising from current pensions and vested pension rights for pensions payable in the future. Financing of pension payments expected following the start of benefit payments is distributed over the employee's full period of employment.

Notes on significant pension commitments

HEIDELBERGER DRUCKMASCHINEN AKTIENGESELLSCHAFT, HEIDELBERGER DRUCKMASCHINEN VERTRIEB DEUTSCHLAND GMBH and HEIDELBERG POSTPRESS DEUTSCHLAND GMBH (EACH BASED IN HEIDELBERG, GERMANY) accounted for € 1,082 million (previous year: € 938 million) of the present value of the defined benefit obligation (DBO) and € 517 million (previous year: € 518 million) of plan assets.

To date, benefit commitments essentially comprised retirement, disability and surviving dependents benefits (widows', widowers' and orphans' pension) plus an age bonus and death benefits. The amount of retirement and disability pensions was based on the pension group to which the employee is assigned on the basis of his/her pensionable income and the eligible years of service. In the event of disability this also takes into account creditable additional periods of coverage. Pensionable years of service are all years of service spent by the employee at the Company, starting from the age of 20, until the pension begins.

The funded, defined benefit plans financed at Heidelberger Druckmaschinen Aktiengesellschaft and Heidelberger Druckmaschinen Vertrieb Deutschland GmbH were closed to new entrants on February 28, 2006.

The employees of Heidelberger Druckmaschinen Aktiengesellschaft and Heidelberg Vertrieb Deutschland GmbH who joined the Company after March 1, 2006 were assigned to an employer-financed defined contribution policy offered by an insurance provider.

By way of agreement with the Group Works Council of February 27, 2015, Heidelberger Druckmaschinen Aktiengesellschaft and Heidelberger Druckmaschinen Vertrieb Deutschland GmbH introduced a new pension system effective from January 1, 2015 with greater incentives for private retirement provision. This agreement changed the defined benefit plan described above to a defined contribution plan, which also still includes retirement, disability and surviving dependents benefits (widows', widowers' and orphans' benefits). The new general works agreement applies to future pensions for active employees at Heidelberger Druckmaschinen Aktiengesellschaft and Heidelberger Druckmaschinen Vertrieb Deutschland GmbH.

The pension components vested in accordance with the old system were transferred in the form that a corresponding initial component was credited to the pension account of the respective employee as of April 1, 2015 for the pension commitments as of March 31, 2015 (transfer date). The amount of this initial component is based on the monthly pension achieved by March 31, 2015 multiplied by a flat-rate capitalization factor. The annual pension contribution is determined based on the employee's completed years of service on the basis of the respective eligible remuneration. In addition, for each active employee with a deferred compensation plan, the employer will provide a further annual contribution to the employee's pension account based on his/her supplementary benefit contribution and amounting to a quarter of the cumulative deferred compensation amount of the employee per financial year and capped at a maximum amount. The pension credit is paid out in twelve annual installments, or optionally the employee can choose 14 annual installments with an increased initial installment. Alternatively, the employee can access his/her pension credit as a pension for life and, under certain conditions, have this paid out as a one-time capital payment. The installment/annuity payment option of 60 percent/40 percent constitutes a further actuarial assumption for calculation of the present value of the defined benefit obligation in Germany.

As part of a contractual trust arrangement (CTA) at Heidelberger Druckmaschinen Aktiengesellschaft and Heidelberger Druckmaschinen Vertrieb Deutschland GmbH set up in March 2006, assets were transferred to a trustee, Heidelberg Pension Trust e. V., Heidelberg, which is legally independent from the Company. The respective trust agreement establishes a management trust between the respective company and the trustee and a security trust between the trustee and the beneficiaries (dual trust). The purpose of the CTA is to finance all pension obligations. The respective plan assets are managed by the trustee in accordance with the respective trust agreement.

As of March 1, 2006 a defined contribution plan was introduced for key executives. This provides for interest on contributions based on salary and EBIT at rates based on the respective maximum permissible interest rate for life assurance companies in Germany and the investment of the CTA's assets. This plan provides for a capital payout with the option of conversion into a pension for life. Furthermore, this group of persons has the option of deferred compensation to increase the employer-funded benefit scheme.

In Germany there are no legal or regulatory minimum allocation obligations.

For details of the pension commitments for members of the Management Board of Heidelberger Druckmaschinen Aktiengesellschaft please see the remuneration report in the Group management report.

The **HEIDELBERG GROUP PENSION SCHEME** in the UK comprises defined benefit and defined contribution plans. The Heidelberg Pension Scheme accounts for € 258 million (previous year: € 211 million) of the present value of the defined benefit obligation (DBO) and € 253 million (previous year: € 203 million) of plan assets. The defined benefit portion is based on final salary with a guaranteed pension level. The pension level is dependent on the length of employment and the respective salary before retiring. Pension payments are adjusted based on the development of the retail price index. This plan is subject to the statutory funding objective under the UK Pension Act 2004. The necessary financing is performed at least every three years by way of so-called technical assessments. These determine whether the statutory funding objective has been complied with. The defined benefit plan is managed by a trustee, the board of which is elected partly by the Company and partly by the members of the plan. The trustee is responsible for obtaining the assessment, the pension payments and investing the plan assets; if necessary these functions are transferred to professional advisors. The last assessment of technical funding took place as at March 31, 2012 and – on the basis of the assumptions at this date determined by the trustee – identified a technical funding deficit of GBP 18.8 million. On the basis of this, an agreement was reached between Heidelberg and the trustee in the previous year for annual payments over ten years of GBP 2.47 million, starting from the previous year. The assessment of the technical financing as of March 31, 2015 is not yet complete.

The PENSION FUNDS OF THE SWISS COMPANIES, which manage pension assets as foundations independent of the Company and are subject to Swiss legislation on occupational pensions, accounted for € 168 million (previous year: € 126 million) of the present value of the defined benefit obligation (DBO) and € 154 million (previous year: € 124 million) of plan assets. These obligations are based on retirement, disability and surviving dependents benefits. The retirement benefits are usually a pension. This is determined based on the individual pension credit saved by the employee by the time of retirement and the regulatory conversion rates. However, at the discretion of the employee, pension credit can also be drawn in the form of a lump-sum payment. Disability and surviving dependents benefits are calculated from the pension credit projected at regulatory retirement age and/or are defined as a percentage of the pay insured. For each insured employee, the Swiss companies pay an annual employer's contribution to the respective pension fund. The amount of this is determined in the respective pension regulations as a percentage of the pay insured and can be adjusted by the pension fund board of trustees, which consists of equal numbers of employer and employee representatives. In the event of a severe deficit the pension fund board of trustees can resolve to impose recapitalization contributions, if there are no other measures to remedy the deficit. In such an event, the Swiss companies would be legally required to pay at least as much as the respective employee contributions.

The HEIDELBERG AUSTRALIA SUPERANNUATION FUND in Australia comprises defined benefit and defined contribution plans. The Heidelberg Australia Superannuation Fund accounts for € 11 million (previous year: € 10 million) of the present value of the defined benefit obligation (DBO) and € 13 million (previous year: € 13 million) of plan assets. The defined benefit component is based on the average final salary and the length of employment. As their pension benefit, some entitled members of this plan receive the higher of the respective defined benefit obligation and an obligation accrued during the qualifying period based on the individual contributions by the employee and corresponding capital gains; entitlement to this is dependent on when employees joined the plan. The Heidelberg Australia Superannuation Fund is subject to the statutory minimum benefit obligation as per the superannuation guarantee legislation, which provides for a gradual increase in minimum obligations from July 1, 2013. It is managed by an independent trustee, the board of which is equally appointed by the Company and elected by the members of the plan. The trustee is required to act in the best interests of the plan members.

Notes on risks

In addition to the standard actuarial risks, the defined benefit obligations are exposed in particular to financial risks in connection with plan assets, which above all can comprise counterparty and market price risks.

The plan assets serve exclusively to satisfy defined benefit obligations. The funding of these defined benefit obligations with assets constitutes a reserve for future cash outflows in the form of pension payments, which is based on the statutory regulations in place in some countries and is voluntary in others, such as Germany.

The ratio of the fair value of plan assets and the present value of the defined benefit obligations is referred to as the funding ratio of the respective pension plan. If the defined benefit obligations (DBO) exceed the plan assets, this is a plan deficit; the reverse is an excess.

However, it should be noted that both the defined benefit obligations and the plan assets fluctuate over time. This gives rise to the risk of a growing plan deficit.

Depending on the statutory regulations in the respective countries, there is a legal obligation to reduce this deficit by contributing additional funding. Fluctuations can arise in the measurement of defined benefit obligations in that the underlying actuarial assumptions, such as discounting rates, the development of pensions and salaries or life expectancy are subject to adjustments that can materially influence the amount of defined benefit obligations. The return on plan assets is assumed in the amount of discounting rates, which are also used in determining the defined benefit obligations and are based on corporate bonds rated AA. If the actual return on plan assets is less than the discounting rates applied, the net liability under defined benefit plans increases. However, given the equity backing ratio it is assumed that the actual return can contribute to greater volatility in the fair value of plan assets in the medium and long term. Possible inflation risks, which could lead to a rise in defined benefit obligations, exist to the extent that some plans are based on final salary.

The material German and international pension plans in the Heidelberg Group are subject to actuarial risks such as investment risk, interest rate risk, longevity risk and risks of pay increases. The Swiss pension funds are also exposed to the risk that, in the event of a severe deficit, the effectiveness of recapitalization would be limited to the extent that this would have to be covered by future pension beneficiaries and the employer as it is legally prohibited to include current pensioners in the recapitalization.

The information on pensions is structured as follows:

1) Composition and development of the net carrying amounts
2) Development of net liability from defined benefit plans
3) Composition of plan assets
4) Costs of defined contribution plans
5) Sensitivity analysis
6) Forecast contributions to plan assets, future forecast pension payments and duration

1) The net carrying amounts broke down as follows at the end of the financial year:

	31-Mar-2014	**31-Mar-2015**
Provisions for pensions and similar obligations	450,206	605,009
Assets from defined benefit pension plans	5,081	2,605
Net carrying amounts at the end of the financial year	**445,125**	**602,404**

The assets from defined benefit pension plans are reported under non-current other assets.

2) The net liability under defined benefit plans developed as follows:

	Funded benefit obligations	Unfunded benefit obligations	Present value of the defined benefit obligations	Fair value of plan assets	Total
As of April 1, 2013	**1,255,650**	**29,459**	**1,285,109**	**– 872,099**	**413,010**
Current service cost	21,520	1,736	23,256	–	23,256
Interest expense (+)/income (–)	43,384	719	44,103	– 30,689	13,414
Past service cost/gains (–)/losses (+) from settlements and curtailments	172	– 266	– 94	–	– 94
Remeasurements:					
Gains (–)/losses (+) from changes in demographic assumptions	2,389	–	2,389	–	2,389
Gains (–)/losses (+) from changes in financial assumptions	– 658	4	– 654	–	– 654
Gains (–)/losses (+) from experience-based adjustments	– 5,142	226	– 4,916	–	– 4,916
Difference between interest income recognized in profit or loss and actual income from plan assets	–	–	–	14,834	14,834
Currency translation differences	2,009	– 1,635	374	– 1,612	– 1,238
Contributions:					
Employers	–	–	–	– 6,884	– 6,884
Pension plan participants	1,956	–	1,956	– 2,069	– 113
Payments made	– 46,099	– 1,309	– 47,408	39,327	– 8,081
Changes in the scope of consolidation, other changes	**215**	**– 13**	**202**	**–**	**202**
As of March 31, 2014	**1,275,396**	**28,921**	**1,304,317**	**– 859,192**	**445,125**

	Funded benefit obligations	Unfunded benefit obligations	Present value of the defined benefit obligations	Fair value of plan assets	**Total**
As of April 1, 2014	**1,275,396**	**28,921**	**1,304,317**	**– 859,192**	**445,125**
Current service cost	24,639	2,169	26,808	–	26,808
Interest expense (+)/income (–)	45,246	721	45,967	– 31,189	14,778
Past service cost/gains (–)/losses (+) from settlements and curtailments	– 117,359	– 3,513	– 120,872	–	– 120,872
Remeasurements [1]:					
Gains (–)/losses (+) from changes in demographic assumptions	– 22,602	363	-22,239	–	– 22,239
Gains (–)/losses (+) from changes in financial assumptions	293,392	2,120	295,512	–	295,512
Gains (–)/losses (+) from experience-based adjustments	244	– 1,094	– 850	–	– 850
Difference between interest income recognized in profit or loss and actual income from plan assets	–	–	–	– 24,264	– 24,264
Currency translation differences	54,299	1,308	55,607	– 51,976	3,631
Contributions:					
Employers	–	–	–	– 7,211	– 7,211
Pension plan participants	2,367	–	2,367	– 2,417	– 50
Payments made	– 45,626	– 1,102	– 46,728	38,842	– 7,886
Changes in the scope of consolidation, other changes	– 539	461	– 78	–	– 78
As of March 31, 2015	**1,509,457**	**30,354**	**1,539,811**	**– 937,407**	**602,404**

[1] The following assumptions were made to calculate the remeasurement of net liabilities (net assets) under defined benefit plans: a discount rate for German companies of 1.70 percent as of March 31, 2015 (March 31, 2014: 3.50 percent), which was determined by modifying the rounding method (from September 30, 2014: 10 (previously: 25) basis points) and extrapolation (without modification of the rounding system and extrapolation: 1.50 percent), an increase in pensions based on future inflation forecasts of 1.60 percent (March 31, 2014: 1.75 percent), a salary trend of 2.75 percent (March 31, 2014: 3.00 percent), an average retirement age based on the statutory standard age limit of 64.5 years (March 31, 2014: 63 years) and an invalidity rate based on past data (March 31, 2014: probabilities taken from the 2005 G Heubeck mortality tables); without these adjustments the losses as part of the remeasurement of defined benefit plans as of March 31, 2015 would have been € 68,265 thousand higher. For an entity abroad a discount rate of 3.60 percent (March 31, 2014: 4.40 percent), which is based on a modified investment universe (without modification: 3.40 percent), a modified salary increase (based on the future development of the inflation rate) of 2.00 percent (March 31, 2014: 3.30 percent), which was based on the Consumer Price Index (March 31, 2014: rate is based on the Retail Price Index) (without modification: 3.05 percent) and a modified rate of tax-free cash of 20.00 percent (March 31, 2014: 15.00 percent) which is based on experiences of the pension plan (without modification: 15.00 percent) was used; without these modifications the losses in the course of the remeasurement of the defined benefit pension plan for this entity abroad would have been higher by € 26,098 thousand as of March 31, 2015.

The following key actuarial assumptions were applied in calculating the present value of defined benefit obligations:

In percent	2013/2014		**2014/2015**	
	Domestic	Foreign	Domestic	Foreign
Discount rate	3.50	3.72	1.70	2.48
Expected future salary increases	3.00	2.73	2.75	1.64
Expected future pension increases	1.75	1.96	1.60	1.72

The figures for international companies are average values weighted with the present value of the respective defined benefit obligation.

3) The fair value of plan assets breaks down by the following asset classes as follows:

	2013/2014	of which:		**2014/2015**	of which:	
		with a market price quoted on an active market	without a market price quoted on an active market		with a market price quoted on an active market	without a market price quoted on an active market
Cash and cash equivalents	23,668	23,668	–	33,736	33,536	200
Equity instruments	157,046	157,046	–	175,211	175,187	24
Debt instruments	381,925	373,709	8,216	399,768	396,418	3,350
Real estate	19,575	–	19,575	22,110	–	22,110
Derivatives	1,295	–805	2,100	–3,188	–1,247	–1,941
Securities funds	218,270	189,758	28,512	256,927	162,525	94,402
Qualifying insurance policies	31,605	–	31,605	31,614	–	31,614
Other	25,808	4,386	21,422	21,229	21,229	–
	859,192	**747,762**	**111,430**	**937,407**	**787,648**	**149,759**

As in the previous year, the plan assets contain no financial instruments of companies of the Heidelberg Group or real estate or other assets used by companies of the Heidelberg Group.

4) The expenses for defined contribution plans amounted to € 53,629 thousand (previous year: € 55,809 thousand) in the reporting year and essentially include contributions to statutory pension insurance.

5) The following table shows how the present value of material defined benefit obligations in Germany and abroad would have been affected by changes in the main actuarial assumptions:

	31-Mar-2014	Change in %	**31-Mar-2015**	Change in %
Present value of the essential defined benefit obligations [1]	1,286,135		1,518,953	
Present value of the essential defined benefit obligations assuming that				
the discount rate was				
0.50 percentage point higher	1,187,809	−7.6	1,399,516	−7.9
0.50 percentage point lower	1,398,444	+8.7	1,654,462	+8.9
the expected future salary increase was				
0.25 percentage point higher	1,288,800	+0.2	1,522,019	+0.2
0.25 percentage point lower	1,283,512	−0.2	1,516,018	−0.2
the expected future pension increase was				
0.25 percentage point higher	1,331,230	+3.5	1,563,751	+3.0
0.25 percentage point lower	1,251,469	−2.7	1,467,599	−3.4
Increase in life expectancy per entitled beneficiary [2]	1,331,223	+3.5	1,571,191	+3.4

[1] Present value of defined benefit obligations calculated on the basis of the "Actuarial assumptions" table
[2] To simulate this increased life expectancy, the biometric probabilities for "age x" in the generation and periodic tables were replaced by the corresponding figures for "age x+1" in each case (age shift)

In the sensitivity analysis, one actuarial assumption was changed at a time while the other actuarial assumptions remained constant. In actual fact, there are dependencies between actuarial assumptions, particularly between the discount rate and forecast pay increases, as both are based to a certain degree on the forecast inflation rate. The sensitivity analysis does not take these dependencies into account. The sensitivity analysis is performed on the basis of the projected unit credit method, which was also used to calculate the defined benefit obligations.

6) The forecast contributions to plan assets are expected to amount to € 10.4 million in the 2015/2016 financial year (previous year: € 9.3 million). With regard to the essential defined benefit obligations, undiscounted pension payments amounting to € 47.9 million (previous year: € 47.1 million) are anticipated for the 2015/2016 financial year. The weighted average duration of the material defined benefit obligations is 17.5 years (previous year: 17.4 years).

28 Other provisions

	Current	Non-current	31-Mar-2014 Total	Current	Non-current	31-Mar-2015 Total
Tax provisions	14,505	73,773	**88,278**	15,537	43,579	**59,116**
Other provisions						
Staff obligations	64,588	28,668	93,256	69,353	23,273	92,626
Sales obligations	86,035	10,120	96,155	84,156	9,307	93,463
Other	95,999	54,998	150,997	105,862	98,973	204,835
	246,622	93,786	**340,408**	259,371	131,553	**390,924**
	261,127	167,559	**428,686**	274,908	175,132	**450,040**

	As of 1-Apr-2014	Change in scope of consolidation, currency adjustments, reclassification	Utilization	Reversal	Addition	As of 31-Mar-2015
Tax provisions	**88,278**	2,422	7,693	29,135	5,244	**59,116**
Other provisions						
Staff obligations	93,256	4,909	54,143	3,016	51,620	92,626
Sales obligations	96,155	8,179	32,317	31,154	52,600	93,463
Other	150,997	23,841	67,045	11,191	108,233	204,835
	340,408	36,929	153,505	45,361	212,453	**390,924**
	428,686	39,351	161,198	74,496	217,697	**450,040**

Additions include accrued interest and the effects of the change in discount rates of € 7,613 thousand (previous year: € 1,719 thousand). These relate to expenses of € 3,820 thousand (previous year: € 1,204 thousand) for staff obligations, € 210 thousand (previous year: € 100 thousand) for sales obligations and expenses of € 3,583 thousand (previous year: € 415 thousand) for miscellaneous other provisions.

As in previous years, tax provisions primarily recognize the risks of additional assessments.

Staff provisions essentially relate to bonuses (€ 28,223 thousand; previous year: € 27,309 thousand), expenses for early retirement payments and for the partial retirement program (€ 13,654 thousand; previous year: € 16,839 thousand) and anniversary expenses (€ 20,092 thousand; previous year: € 15,889 thousand).

Sales provisions mainly relate to warranties, reciprocal liability and buyback obligations (€ 55,076 thousand; previous year: € 56,864 thousand). The provisions for warranty obligations and obligations to provide subsequent performance and product liability serve to cover risks that are either not insured or which go beyond insurable risks. Utilization of these provisions in Germany is predominantly expected over a short- to medium-term horizon. € 3,948 thousand (previous year: € 6,129 thousand) of the reciprocal liability and buyback obligations of € 4,539 thousand (previous year: € 7,483 thousand) relates to financial guarantees issued to finance partners of our customers for sales financing. The maximum risk of default of these financial guarantees that can result in cash outflows in the subsequent financial year is € 16,789 thousand (previous year: € 23,114 thousand). Utilization of the provisions for reciprocal liability and buyback obligations is predominantly expected over a short- to medium-term horizon. In connection with the finance guarantees for sales financing, there are claims against third parties for the transfer of machinery. Outstanding claims were not capitalized.

MISCELLANEOUS OTHER PROVISIONS include provisions for onerous contracts and legal disputes of € 89,428 thousand (previous year: € 60,199 thousand). Furthermore, there are provisions of € 91,988 thousand (previous year: € 57,559 thousand) essentially relating to the Focus efficiency program and our portfolio adjustments. Utilization of these latter provisions is generally expected over a short-term horizon; utilization of the remaining miscellaneous other provisions is predominantly expected over a short to medium-term horizon.

In the context of its general business activities, Heidelberg is involved in legal disputes in court and out of court. The outcome of these disputes cannot be predicted with certainty. For example, legal disputes can arise in connection with product liability and warranties. Provisions are recognized for risks resulting from legal disputes not already covered by insurance, provided that utilization is likely and the amount can be reliably estimated. The assumptions required for this mean that the recognition and measurement of provisions for legal disputes is subject to uncertainty.

The provisions recognized as of the end of the reporting period for legal disputes essentially relate to the categories described below.

There are legal disputes concerning machinery in the current product portfolio and machinery whose production has already been discontinued. There are also warranties in connection with sales of machinery that could also lead to rescission. Provisions have been recognized at an appropriate amount for these; their amount is monitored on an ongoing basis and adjusted as necessary.

There are further legal disputes in connection with divestments and rental and consulting agreements. Provisions have also been recognized at an appropriate amount for these.

29 Financial liabilities

				31-Mar-2014				**31-Mar-2015**
	Up to 1 year	Between 1 and 5 years	More than 5 years	Total	Up to 1 year	Between 1 and 5 years	More than 5 years	**Total**
High-yield bond [1]	15,142	345,545	–	360,687	26,264	352,582 [2]	–	378,846
Convertible bonds [1]	1,138	56,935	–	58,073	1,155	108,399	–	109,554
Amounts due to banks [1]	16,321	25,496	–	41,817	18,037	29,022	–	47,059
From finance leases	1,867	3,718	614	6,199	1,454	3,366	–	4,820
Other	14,429	–	–	14,429	2,010	–	–	2,010
	48,897	431,694	614	**481,205**	48,920	493,369	–	**542,289**

[1] Including deferred interest
[2] The early partial repayment of the high-yield bond in the first quarter of the 2015/2016 financial year had already been initiated/was planned as of March 31, 2015.

High-yield bond

On April 7, 2011, in connection with the refinancing agreed on March 25, 2011, Heidelberg issued a high-yield, unsecured bond of € 304 million with a seven-year term and a coupon of 9.25 percent p.a.

On December 10, 2013, Heidelberg increased the high-yield bond by € 51 million to € 355 million. The increase was made with the same conditions as the issue of the high-yield bond in 2011; the issue price was 105.75 percent.

The early partial repayment of the high-yield bond in the first quarter of the 2015/2016 financial year by way of full utilization of the net issue proceeds from the convertible bond issued on March 30, 2015 (see "Convertible bonds") and the other high-yield bond issued on May 5, 2015 (see note 44) had already been initiated/was planned as of March 31, 2015.

The carrying amount of the existing high-yield bond essentially rose as a result of its corresponding remeasurement of € 16,200 thousand to € 378,846 thousand (previous year: € 360,687 thousand).

The fair value of the high-yield bond on the basis of its market price of € 370,769 thousand (previous year: € 376,588 thousand) was determined in line with the first level of the IFRS 13 measurement hierarchy as it was measured based exclusively on prices observed on an active market.

Convertible bonds

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 initial volume of € 60 million and is convertible into approximately 22.9 million no-par shares. The convertible bond was issued in denominations of € 100,000. It has a term of four years, was issued at 100 percent of the nominal value and is 100 percent repayable. The coupon is 8.50 percent p.a. and is distributed at the end of every quarter. The initial exercise price is € 2.62 per underlying share at an initial conversion ratio of 38,167.9389. As a result of the conversion of five partial bonds on November 18, 2013 (see note 26), the original total nominal amount of the convertible bond decreased by € 0.5 million from € 60 million to € 59.5 million.

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.

The liability component of the convertible bond was recognized at present value on issue, taking into account a market interest rate, and is increased at the end of each reporting period by the interest portion of that period in line with the effective interest rate method. The amount of interest accrued, which results from the difference between the coupon and the effective interest rate, was € 308 thousand in the year under review.

On March 30, 2015, Heidelberger Druckmaschinen Aktiengesellschaft issued an unsecured, unsubordinated convertible bond with an option for conversion into shares in Heidelberger Druckmaschinen Aktiengesellschaft. This convertible bond has a volume of € 58.6 million and is convertible into approximately 18.84 million no-par shares. The convertible bond was issued in denominations of € 100,000. It has a term of seven years, was issued at 100 percent of the nominal value and is 100 percent repayable. The coupon is 5.25 percent p.a. and is distributed at the end of every quarter. The initial exercise price per underlying share is € 3.1104 at an initial conversion ratio of 32,150.2058.

From April 20, 2018, 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. Each bondholder is entitled to demand the repayment of all or some of his/her bonds for which the conversion right was not exercised and for which early repayment was announced by Heidelberger Druckmaschinen Aktiengesellschaft as of March 30, 2020 at the set nominal amount plus interest incurred by March 30, 2020 (exclusively).

The liability component of the convertible bond was recognized at present value on issue, taking into account a market interest rate, and is increased at the end of each reporting period by the interest portion of that period in line with the effective interest rate method. The amount of interest accrued, which results from the difference between the coupon and the effective interest rate, was € 5 thousand in the year under review.

The fair value of the convertible bond on the basis of the stock exchange listing corresponds to the first level of the IFRS 13 measurement hierarchy and is € 69,777 thousand (previous year: € 69,345 thousand) compared to the carrying amount of € 58,777 thousand (previous year: € 58,073 thousand). The fair value of the 2015 convertible bond on the basis of the stock exchange listing also corresponds to the first level of the IFRS 13 measurement hierarchy and is € 60,882 thousand compared to the carrying amount of € 50,777 thousand.

Amounts due to banks

Amounts due to banks are shown in the table below:

Type	Contract currency	Carrying amount 31-Mar-2014 in € thousand	Remaining term in years	Effective interest rate in %	Carrying amount **31-Mar-2015** in € thousand	Remaining term in years	Effective interest rate in %
Loans	EUR	33,288	up to 4	up to 6.74	41,317	up to 4	up to 6.74
Loans	Various	7,463	up to 1	up to 12.50	5,247	up to 1	up to 13.00
Other	Various	1,066	up to 1	up to 4.00	495	up to 1	up to 3.50
		41,817			**47,059**		

The stated effective interest rates largely match the agreed nominal interest rates.

The stated carrying amounts essentially correspond to the respective nominal values and include contractually agreed interest adjustment terms for variable interest of up to six months.

In connection with the borrowing of a long-term loan of € 25,526 thousand (previous year: € 33,288 thousand), the lender was granted usufractory rights to three developed properties. The basis of this is a sale (usufructuary rights) and leaseback transaction in accordance with SIC 27, which provides for a fixed basic term for the lease agreement of ten years and two renewal options of four years each. The usufractory rights each have a term of 18 years. The usufractory rights can be commuted after ten years. The fair value of this loan calculated on the basis of the discounted cash flow method using market interest rates corresponds to the second level in the fair value hierarchy according to IFRS 13 and is € 26,264 thousand (previous year: € 34,097 thousand).

The Heidelberg Group was able to meet its financial obligations at all times in the reporting year. The CREDIT LINES not yet fully utilized in our Group of € 329,302 thousand (previous year: € 379,031 thousand) can be used as financing for general business purposes and for measures in connection with our Focus efficiency program and our portfolio adjustments (see note 14).

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 credit facility contain standard financial covenants regarding the financial situation of the Heidelberg Group.

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

An amortizing loan of € 20 million maturing in December 2018 was issued in April 2014; its fair value calculated on the basis of the discounted cash flow method using market interest rates was determined in line with the second level of the IFRS 13 fair value measurement hierarchy and is € 16,933 thousand compared to the carrying amount of € 15,792 thousand. The borrowing of this loan initially reduced the revolving credit facility to around € 319 million, and the agreement with the syndicate banks of December 2013 reduced it further to around € 277 million on December 31, 2014.

In order to adjust the originally agreed financial covenants to a level in line with the changes in the economic environment as part of our portfolio adjustments, an amendment to the credit terms was agreed with the syndicate banks in March 2015.

The carrying amounts of the collateral pledged in connection with the loan agreements as part of a collateral pool concept is shown under the appropriate notes. Furthermore, collateral was also provided in the form of pledged shares in subsidiaries. The additional liability comprises the net assets of these companies including the carrying amounts of other collateral provided and in line with country-specific regulations on liability limitation.

The carrying amount of the other amounts due to banks and other financial liabilities is primarily to be taken as an appropriate estimate of the fair value.

Liabilities from finance leases

Liabilities from finance leases are as follows:

				31-Mar-2014				**31-Mar-2015**
	Up to 1 year	Between 1 and 5 years	More than 5 years	Total	Up to 1 year	Between 1 and 5 years	More than 5 years	**Total**
Total lease payments	–	–	–	17,631	–	–	–	18,657
Lease payments already made	–	–	–	–9,977	–	–	–	–12,831
Outstanding lease payments	2,315	4,695	644	7,654	1,819	4,007	–	5,826
Interest portion of outstanding lease payments	–448	–977	–30	–1,455	–365	–641	–	–1,006
Present value of outstanding lease payments (carrying amount)	1,867	3,718	614	**6,199**	1,454	3,366	–	**4,820**

30 Trade payables

Trade payables are usually secured by reservation of title until payment has been completed. The carrying amount of the trade payables is to be taken as an appropriate estimate of the fair value.

31 Other liabilities

				31-Mar-2014				**31-Mar-2015**
	Up to 1 year	Between 1 and 5 years	More than 5 years	Total	Up to 1 year	Between 1 and 5 years	More than 5 years	**Total**
Deferred liabilities (staff)	41,495	–	–	41,495	45,077	–	–	45,077
Advance payments on orders	76,039	–	–	76,039	87,295	–	–	87,295
From derivative financial instruments	1,755	–	–	1,755	15,909	–	–	15,909
From other taxes	40,381	–	35	40,416	43,206	–	–	43,206
For social security contributions	6,928	813	360	8,101	6,844	813	183	7,840
Deferred income	40,477	18,925	3,312	62,714	46,026	19,646	3,273	68.945
Other	42,922	10,555	81,871	135,348	36,727	7,171	17,768	61,666
	249,997	30,293	85,578	**365,868**	281,084	27,630	21,224	**329,938**

Derivative financial instruments

Derivative financial instruments include liabilities from cash flow hedges of € 14,673 thousand (previous year: € 496 thousand) and from fair value hedges of € 1,236 thousand (previous year: € 1,259 thousand).

Deferred income

Deferred income includes taxable investment subsidies of € 1,257 thousand (previous year: € 1,272 thousand), tax-free investment allowances of € 70 thousand (previous year: € 137 thousand) and other deferred income of € 67,617 thousand (previous year: € 61,306 thousand).

Taxable subsidies essentially comprise funds under the regional economic promotion program for investing in Brandenburg. The subsidies were for Heidelberger Druckmaschinen Aktiengesellschaft in connection with the joint task for the development area totaling € 391 thousand (previous year: € 575 thousand).

Tax-free allowances include allowances under the German Investment Allowance Act of 1999/2005/2007/2010 of € 70 thousand (previous year: € 137 thousand), mainly for the Brandenburg location.

OTHER DEFERRED INCOME essentially includes advance payments for future maintenance and services and non-recurring payments for heritable building rights under sale-and-leaseback agreements. These amounts are reversed to profit or loss over the term of the agreement.

Miscellaneous other liabilities

Recognized liabilities are essentially the undiscounted contractual cash flows. The carrying amount of the remaining miscellaneous other financial liabilities is primarily to be taken as an appropriate estimate of the fair value.

A liability previously reported under other liabilities was derecognized by way of the issuance of equity instruments as part of the Gallus transaction. The difference between the carrying amount of the repaid liability and the fair value of the equity instrument at the time of repayment plus the cash component is reported under other operating income (note 9). The liabilities not yet paid from the cash component are included in this item.

32 Disclosures on financial instruments

Carrying amounts of financial instruments

The carrying amounts of financial instruments can be transitioned to the measurement categories of IAS 39:

Reconciliation > Assets

Items in statement of financial position	IAS 39 measurement category [1]	Carrying amounts			Carrying amounts		
				31-Mar-2014			**31-Mar-2015**
		Current	Non-current	Total	Current	Non-current	**Total**
Financial assets							
Shares in affiliated companies	AfS	–	9,992	9,992	–	21,477	21,477
Other investments	AfS	–	4,456	4,456	–	3,455	3,455
Securities	AfS	–	3,075	3,075	–	3,897	3,897
		–	17,523	17,523	–	28,829	28,829
Receivables from sales financing							
Receivables from sales financing not including finance leases	LaR	45,302	45,319	90,621	36,109	45,364	81,473
Receivables from finance leases	n. a.	285	32	317	73	234	307
		45,587	45,351	90,938	36,182	45,598	81,780
Trade receivables	LaR	327,949	–	327,949	335,191	–	335,191
Other receivables and other assets							
Derivative financial instruments	n. a. [2]	5,274	–	5,274	4,667	–	4,667
Miscellaneous financial assets	LaR	57,530	12,337	69,867	52,054	12,228	64,282
		62,804	12,337	75,141	56,721	12,228	68,949
Miscellaneous other assets		46,476	10,204	56,680	42,463	6,534	48,997
		109,280	22,541	131,821	99,184	18,762	117,946
Securities	AfS	10,169	–	10,169	–	–	–
Cash and cash equivalents	LaR	232,657	–	232,657	285,961	–	285,961

[1] Information on abbreviations of the IAS 39 measurement categories: AfS: available-for-sale financial assets, L&R: loans and receivables, n. a.: no IAS 39 measurement category
[2] Derivative financial instruments include € 2 thousand in short-term hedges (previous year: € 247 thousand) assigned to the IAS 39 measurement category of financial instruments held for trading

Reconciliation > Equity and liabilities

Items in statement of financial position	IAS 39 measurement category [1]	Carrying amounts			Carrying amounts		
				31-Mar-2014			**31-Mar-2015**
		Current	Non-current	Total	Current	Non-current	**Total**
Financial liabilities							
High-yield bond	FLaC	15,142	345,545	360,687	26,264	352,582	378,846
Convertible bonds	FLaC	1,138	56,935	58,073	1,155	108,399	109,554
Amounts due to banks	FLaC	16,321	25,496	41,817	18,037	29,022	47,059
Liabilities from finance leases	n. a.	1,867	4,332	6,199	1,454	3,366	4,820
Other financial liabilities	FLaC	14,429	–	14,429	2,010	–	2,010
		48,897	432,308	481,205	48,920	493,369	542,289
Trade payables	FLaC	148,012	–	148,012	170,885	–	170,885
Other liabilities							
Derivative financial instruments	n. a. [2]	1,755	–	1,755	15,909	–	15,909
Miscellaneous financial liabilities	FLaC	85,475	80,328	165,803	82,441	6,179	88,620
		87,230	80,328	167,558	98,350	6,179	104,529
Miscellaneous other liabilities		162,767	35,543	198,310	182,734	42,675	225,409
		249,997	115,871	365,868	281,084	48,854	329,938

[1] Information on abbreviations of the IAS 39 measurement categories: FLaC: financial liabilities at amortized cost, n. a.: no IAS 39 measurement category
[2] As in the previous year, derivative financial instruments include no short-term hedges assigned to the IAS 39 measurement category of financial instruments held for trading

Liquidity risk of financial liabilities

The following table shows the contractually agreed, undiscounted cash flows of financial liabilities. The yield curves of the respective currencies valid as of the end of the reporting period were used to determine the variable interest payments from financial instruments. Where necessary, foreign currencies were translated at closing rates. Financial liabilities repayable on demand are always assigned to the earliest time band. Utilization of the syndicated credit facility is on a short-term basis. The period of utilization is normally not more than three months. These loans have therefore been assigned to the "Up to 1 year" column, although the agreements on which they are based run until mid-2017.

	31-Mar-2014	**31-Mar-2015**
Up to 1 year	73,751	65,151
Between 1 and 5 years	575,531	610,660
More than 5 years	644	–
	649,926	**675,811**

Net gains and losses

The net gains and losses are assigned to the IAS 39 measurement categories as follows:

	2013/2014	**2014/2015**
Financial assets available for sale	3,303	– 363
Loans and receivables	4,497	– 7,108
Financial liabilities at amortized cost	– 45,689	– 51,318 [1]

[1] Including income from the Gallus transaction of € 18,123 thousand

Changes in the value of available for sale financial assets of € 391 thousand (previous year: € 99 thousand) were also recognized in other comprehensive income.

Net gains and losses include € 4,670 thousand (previous year: € 4,831 thousand) of interest income and € 72,009 thousand (previous year: € 49,735 thousand) of interest expenses for financial assets and financial liabilities not measured at fair value through profit or loss.

In addition, there are net losses of € 915 thousand (previous year: € 0 thousand) from financial instruments held for trading. These financial instruments relate to hedges that do not satisfy the documentation requirements of IAS 39 for hedge accounting or whose underlying hedged items no longer exist.

Derivative financial instruments

The Corporate Treasury department of Heidelberger Druckmaschinen Aktiengesellschaft is responsible for all hedging and financing activities of Heidelberger Druckmaschinen Aktiengesellschaft and our subsidiaries. It is also responsible for the cash pooling operations of our Group as a whole. Within the Corporate Treasury department, we ensure that there is both a functional and a physical separation of the trading, processing and risk control activities, and that this is regularly reviewed by our Internal Audit department.

The prerequisite for an adequate risk management system is a well-founded database. The Corporate Treasury department of Heidelberger Druckmaschinen Aktiengesellschaft operates a Group-wide financial reporting system – the Treasury Information System. This system is used to identify interest rate, currency and liquidity risks within the Group and to derive appropriate action plans and strategies with which to manage these risks on a central basis in line with guidelines issued by the Management Board. Heidelberg operates a monthly, annualized consolidated liquidity planning system on a rollover basis, which makes it possible to manage current and future liquidity needs in a timely manner.

The Heidelberg Group is exposed to market price risks in the form of interest rate and exchange rate fluctuations. In general, derivative financial instruments are used to limit these risks. Corresponding contracts with third-party banks are mainly concluded through Heidelberger Druckmaschinen Aktiengesellschaft. The credit ratings of these business partners are reviewed regularly. The risk control activities include an ongoing market evaluation of contracted transactions.

CURRENCY RISKS arise in particular as a result of exchange rate fluctuations in connection with net risk positions in foreign currency.

These occur for receivables and liabilities, anticipated cash flows and onerous contracts. Interest rate risks generally occur for floating rate refinancing transactions. In hedge accounting, the derivative financial instruments designated as a hedge of these currency risks are shown as follows:

	Nominal volumes		Fair values	
	31-Mar-2014	**31-Mar-2015**	31-Mar-2014	**31-Mar-2015**
Currency hedging				
Cash flow hedge				
Forward exchange transactions	170,667	229,416	3,859	– 13,230
of which: assets	(120,683)	(55,960)	(4,344)	(1,443)
of which: liabilities	(49,984)	(173,456)	(– 485)	(– 14,673)
Currency options	6,445	–	74	–
of which: assets	(6,111)	–	(85)	–
of which: liabilities	(334)	–	(– 11)	–
	177,112	229,416	3,933	– 13,230
Fair value hedge				
Forward exchange transactions	227,677	228,011	– 661	1,986
of which: assets	(89,724)	(126,261)	(598)	(3,222)
of which: liabilities	(137,953)	(101,750)	(– 1,259)	(– 1,236)

The nominal volumes result from the total of all the purchase and sale amounts of the underlying hedged items. For information on the calculation of fair values, see the "Fair values of financial assets and derivative financial instruments" section of this note.

The positive and negative fair values of the derivative financial instruments designated as hedging instruments are offset by opposing value developments in the hedged items. All derivative financial instruments are carried as assets or liabilities at their corresponding fair values.

The following table shows the contractually agreed, undiscounted incoming and outgoing payments for derivative financial instruments. The yield curves of the respective currencies valid as of the end of the reporting period were used to determine the variable interest payments from financial instruments. Where necessary, foreign currencies were translated at closing rates.

	31-Mar-2014	**31-Mar-2015**
	Total undiscounted cash flows [1]	Total undiscounted cash flows [1]
Derivative financial liabilities		
Outgoing payments	– 188,353	– 267,504
Associated incoming payments	186,643	252,709
Derivative financial assets		
Outgoing payments	– 218,927	– 204,189
Associated incoming payments	224,046	206,220

[1] Total relates to cash flows with a term of up to 1 year. As in the previous year, there were no cash flows with a term to maturity of 1 to 5 years and more than 5 years.

Currency hedging

Cash flow hedge

The forward exchange transactions and currency options outstanding as of the end of the reporting period essentially hedge highly likely currency risks expected from purchase volumes of our subsidiaries over the next 12 months. Therefore, the remaining term of these derivatives at the end of the reporting period was up to one year. Of the hedges, 41 percent (previous year: 48 percent) of the hedging volume relates to the US dollar and 19 percent (previous year: 35 percent) to the Japanese yen as of the end of the reporting period.

As of the end of the reporting period, hedges resulted in total assets of € 1,443 thousand (previous year: € 4,429 thousand) and liabilities of € 14,673 thousand (previous year: € 496 thousand). The change in value of the designated portion of the hedge was recognized outside profit and loss and will be recognized in income from operating activities over the subsequent twelve months. As the forecast purchasing volumes of our subsidiaries are no longer highly likely, cash flow hedges were terminated early and expenses totaling € 623 thousand (previous year: € 0 thousand) were transferred from the hedge reserve to the financial result.

Fair value hedge

This is essentially the exchange rate hedge for loan receivables and liabilities in foreign currencies within the Group. The opposing net results on the fair value of hedges of € 42,082 thousand (previous year: € 11,884 thousand) and the translation of hedged items at closing rates of € 40,866 thousand (previous year: € 13,549 thousand) are reported in the consolidated income statement.

Interest rate hedging

Cash flow hedge

The Heidelberg Group limits the risk from increasing interest expenses for refinancing by using interest rate swaps, under which Heidelberg receives variable-rate interest and pays fixed interest (payer interest rate swap). No interest rate swaps were held in the reporting year, which was also the case on March 31, 2014.

Sensitivity analysis

In order to clearly show the effects of currency and interest rate risks on the consolidated income statement and the equity, the impact of hypothetical changes in exchange rates and interest is shown below in the form of sensitivity analyses. It is assumed here that the position at the end of the reporting period is representative for the financial year.

Recognized CURRENCY RISKS as defined by IFRS 7 are caused by monetary financial instruments not in the functional currency. The portfolio of primary monetary financial instruments is mainly held directly in the functional currency or transferred to the functional currency through the use of derivatives. It is therefore assumed in this analysis that changes in exchange rates show no influence on income or equity with regard to this portfolio. The impact of the translation of the subsidiaries' financial statements into the Group currency (translation risk) is not taken into account either. Accordingly, the analysis includes the derivative financial instruments that were concluded in order to hedge highly probable future cash flows in a foreign currency (cash flow hedge). Assuming a 10 percent increase in the value of the euro against all currencies, the hedge reserve would have been € 12,633 thousand (previous year: € 11,271 thousand) higher as of the end of the reporting period and the financial result would have been € 33 thousand (previous year: € 11 thousand) lower. Assuming a 10 percent decrease in the value of the euro, the hedge reserve would have been € 15,440 thousand (previous year: € 13,775 thousand) lower and the financial result would have been € 40 thousand (previous year: € 14 thousand) higher.

In accordance with IFRS 7, recognized interest rate risks of the Heidelberg Group must also be shown. These are partly due to the portion of primary floating rate financial instruments that were not hedged through the use of derivative financial instruments within cash flow hedging transactions. In addition, a hypothetical change in market interest rates with regard to derivative financial instruments would result in changes to the hedge reserve in the cash flow hedge. However, fixed-income financial instruments carried at amortized cost and floating rate financial instruments hedged within cash flow hedges are not subject to any recognized interest rate risk.

These financial instruments are therefore not taken into account. Assuming an increase of 100 basis points in the market interest rate across all terms, the hedge reserve would have been unchanged (previous year: unchanged) as of the end of the reporting period and the financial result would have been € 708 thousand (previous year: € 551 thousand) higher. Assuming a decrease of 100 basis points in the market interest rate across all terms, the hedge reserve would have been unchanged, as in the previous year, and the financial result would have been € 708 thousand (previous year: € 551 thousand) lower.

Risk of default

The Heidelberg Group is exposed to default risks to the extent that counterparties do not fulfill their contractual obligations arising from derivative financial instruments. In order to control this risk, default risks and changes in credit ratings are continually monitored. There is a theoretical risk of default (credit risk) for the existing derivative financial instruments in the amount of the asset fair values as of the end of the respective reporting period. However, no actual default of payments from these derivatives is expected at present.

Fair values of financial assets, securities and derivative financial instruments

Financial assets and financial liabilities are allocated to the three levels of the fair value hierarchy as set out in IFRS 13 depending on the availability of observable market data.

The individual levels are defined as follows:

LEVEL 1: Financial instruments traded on active markets whose quoted prices can be used to measure fair value without adjustment.

LEVEL 2: Measurement on the basis of measurement procedures whose inputs are derived from observable market data, either directly or indirectly.

LEVEL 3: Measurement on the basis of measurement procedures whose inputs are not derived from observable market data.

Securities are classified as financial assets available for sale and recognized at fair value. The underlying quoted prices for the measurement of the vast majority of securities correspond to level 1 of the fair value hierarchy set out in IFRS 13, as only quoted prices observed on active markets are used in measurement. If the fair value of securities cannot be reliably determined, they are carried at cost.

The fair values of derivative financial instruments correspond to changes in value arising from a notional revaluation taking into consideration market parameters applicable at the end of the reporting period. The fair values are calculated using standardized measurement procedures (discounted cash flow and option pricing models). This corresponds to level 2 of the fair value hierarchy set out in IFRS 13, as only input data observable on the market, such as exchange rates, exchange rate volatilities and interest rates, is used.

The financial assets and financial liabilities recognized at fair value were assigned to the IFRS 13 fair value hierarchy as follows on March 31, 2015:

	31-Mar-2014				31-Mar-2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	**Total**
Securities	12,835	–	–	12,835	3,446	–	–	3,446
Derivative financial assets	–	5,274	–	5,274	–	4,667	–	4,667
Assets carried at fair value	**12,835**	**5,274**	**–**	**18,109**	**3,446**	**4,667**	**–**	**8,113**
Derivative financial liabilities	–	1,755	–	1,755	–	15,909	–	15,909
Liabilities carried at fair value	**–**	**1,755**	**–**	**1,755**	**–**	**15,909**	**–**	**15,909**

In the reporting year, there were no reclassifications between the first and second levels of the fair value hierarchy.

The shares in affiliated companies amounting to € 21,477 thousand (previous year: € 9,992 thousand) and other investments of € 3,455 thousand (previous year: € 4,456 thousand) are classified as financial assets available for sale and measured at cost, as their fair values cannot be reliably calculated due to the lack of a market for these shares.

Offsetting financial assets and financial liabilities

For Germany, the following table shows the carrying amounts of the recognized derivative financial instruments subject to master netting agreements and the offsetting between trade receivables and payables:

	Gross amount	Offsetting imple-mented	Reported net amount	Amounts not offset	Net amount
31-Mar-2014					
Derivative financial instruments (assets)	5,274	–	5,274	– 682	4,592
Trade receivables	329,244	– 1,295	327,949	–	327,949
Derivative financial instruments (liabilities)	1,755	–	1,755	– 682	1,073
Trade payables	149,307	– 1,295	148,012	–	148,012
31-Mar-2015					
Derivative financial instruments (assets)	4,667	–	4,667	– 1,331	3,336
Trade receivables	335,882	– 691	335,191	–	335,191
Derivative financial instruments (liabilities)	15,909	–	15,909	– 1,331	14,578
Trade payables	171,576	– 691	170,885	–	170,885

33 Guarantees and contingent liabilities

Contingent liabilities from guarantees, amounting to € 4,879 thousand as of March 31, 2015 (previous year: € 3,257 thousand), comprise among others reciprocal liability and buyback obligations for third-party liabilities in connection with long-term sales financing, which in turn largely correspond to rights of recourse on the delivered products. The contingent liabilities in connection with legal disputes are immaterial.

34 Other financial liabilities

Other financial liabilities break down as follows:

				31-Mar-2014				**31-Mar-2015**
	Up to 1 year	Between 1 and 5 years	More than 5 years	Total	Up to 1 year	Between 1 and 5 years	More than 5 years	**Total**
Lease obligations	40,619	100,699	53,486	194,804	39,003	105,799	43,293	188,095
Investments and other purchasing commitments	27,734	6,649	–	34,383	12,380	7,570	–	19,950
	68,353	**107,348**	**53,486**	**229,187**	**51,383**	**113,369**	**43,293**	**208,045**

The figures shown are nominal values.

The minimum lease payments for operating leases primarily comprise:

- the research and development center (Heidelberg) in the amount of € 24,569 thousand (previous year: € 28,071 thousand);
- the Print Media Academy (Heidelberg) in the amount of € 19,919 thousand (previous year: € 23,878 thousand);
- the World Logistics Center (WLC) (Wiesloch-Walldorf plant) in the amount of € 15,715 thousand (previous year: € 18,790 thousand);
- the X-House administrative building (Heidelberg) in the amount of € 5,708 thousand (previous year: € 7,252 thousand);
- the administrative and production building in Rochester, New York, USA, in the amount of € 16,122 thousand (previous year: € 15,123 thousand);
- the administrative and production building in Durham, USA, in the amount of € 12,440 thousand (previous year: € 12,240 thousand); and
- motor vehicles with a total value of € 22,417 thousand (previous year: € 20,047 thousand).

Investments and other purchasing commitments are essentially financial liabilities in connection with orders of property, plant and equipment and obligations for the purchase of raw materials and supplies.

Future payments for other financial liabilities are partially offset by future incoming payments for license agreements.

Additional information

35 Earnings per share in accordance with IAS 33

	2013/2014	2014/2015
Net result after taxes (€ thousands)	3,619	– 72,403
Number of shares in thousands (weighted average)	234,174	248,725
Basic earnings per share (€)	0.02	– 0.29
Diluted earnings per share (€)	0.02	– 0.29

The basic earnings per share are calculated by dividing the net result after taxes by the weighted average number of the shares outstanding in the reporting year of 248,725 thousand (previous year: 234,174 thousand). The weighted number of shares outstanding was influenced by the holdings of treasury shares. There were still 142,919 treasury shares as of March 31, 2015 (March 31, 2014: 142,919).

The calculation of diluted earnings per share assumes conversion of outstanding debt securities (convertible bond) to shares. The convertible bonds are only included in the calculation of diluted earnings per share when they have a diluting effect in the respective reporting period.

Taking into account the corresponding number of shares from the convertible bonds issued on July 10, 2013 and March 30, 2015, there is no dilution of earnings per share, as the net income for the period is adjusted for the interest expense (coupon and accrued interest) recognized in the financial result for the convertible bonds. In the future, these instruments can have a fully diluting effect. There were no circumstances leading to the dilution of earnings per share in the previous year.

The reconciliation of basic earnings per share to diluted earnings per share is as follows:

	2014/2015	
	Potentially dilutive financial instruments (total)	Dilutive financial instruments applied in calculation
Numerator for basic earnings per share (€ thousand)	**– 72,403**	**– 72,403**
Plus effects from the convertible bond recognized in profit or loss (€ thousand)	– 5,785	–
Numerator for diluted earnings per share (€ thousand)	**– 66,618**	**– 72,403**
Number of shares (thousand)		
Denominator for basic earnings per share (weighted average number of shares, thousand)	**248,725**	**248,725**
Convertible bond 2013	22,710	–
Convertible bond 2015	103	–
Denominator for diluted earnings per share (thousand)	**–**	**248,725**
Denominator for potentially diluted earnings per share (thousand)	**271,538**	**–**
Basic earnings per share (€)	–	– 0.29
Diluted earnings per share (€)	–	– 0.29

36 Information on the consolidated statement of cash flows

The consolidated statement of cash flows shows the changes in the cash and cash equivalents of the Heidelberg Group during the financial year as a result of cash inflows and outflows. Cash flows are broken down into operating, investing and financing activities (IAS 7). The changes in statement of financial position items shown in the consolidated statement of cash flows cannot be derived directly from the consolidated statement of financial position as the effects of currency translation and changes in the scope of consolidation do not affect cash and have therefore been eliminated.

€ 9,982 thousand (previous year: € 4,524 thousand) of investments in intangible assets, property, plant and equipment and investment property relates to intangible assets, € 48,487 thousand (previous year: € 46,815 thousand) to property, plant and equipment. Investments do not include additions from finance leases of € 500 thousand (previous year: € 601 thousand). € 44 thousand (previous year: € 48 thousand) of income from the disposal of intangible assets, property, plant and equipment and investment property relates to intangible assets and € 21,768 thousand (previous year: € 13,630 thousand) to property, plant and equipment. Investments in business acquisitions relate to the acquisition of shares in subsidiaries.

The payments from operating leases in which Heidelberg is the lessee are shown in the consolidated statement of cash flows under operating activities. The repayment portion of lease installments for finance leases in which Heidelberg is the lessee is reported under financing activities. The interest portion of lease installments is shown under operating activities.

Payments received from operating and finance leases in which Heidelberg is the lessor are reported under changes in cash from operating activities.

The carrying amounts of the collateral pledged in connection with the loan agreements as part of a collateral pool concept is shown under the appropriate notes. Please see note 29 for information on the unutilized credit lines.

Cash and cash equivalents include cash and cash equivalents only (€ 285,961 thousand; previous year: € 232,657 thousand).

Detailed information on the consolidated statement of cash flows can be found in the Group management report.

37 Information on segment reporting

	Heidelberg Equipment		Heidelberg Services		Heidelberg Financial Services		**Heidelberg Group**	
	1-Apr-2013 to 31-Mar-2014	**1-Apr-2014 to 31-Mar-2015**	1-Apr-2013 to 31-Mar-2014	**1-Apr-2014 to 31-Mar-2015**	1-Apr-2013 to 31-Mar-2014	**1-Apr-2014 to 31-Mar-2015**	1-Apr-2013 to 31-Mar-2014	**1-Apr-2014 to 31-Mar-2015**
Net sales	1,474,015	1,391,354	952,093	935,330	8,140	6,997	2,434,248	2,333,681
EBITDA excluding special items (segment result)	36,314	80,517	97,177	101,875	9,566	5,785	143,057	188,177
Depreciation and amortization [1]	55,459	53,755	15,370	15,390	3	3	70,832	69,148
EBIT excluding special items	–19,145	26,762	81,807	86,485	9,563	5,782	72,225	119,029

[1] Depreciation and amortization including impairment

In the Heidelberg Group, segments are defined by the services performed by the divisions. The segments are based on internal reporting in line with the MANAGEMENT APPROACH.

The Heidelberg Group's structure is broken down in line with the internal organizational and reporting structure into the segments Heidelberg Equipment, Heidelberg Services and Heidelberg Financial Services. Heidelberg Equipment essentially comprises new machinery business. Services, consumables, service parts and remarketed equipment business are bundled in the Heidelberg Services segment. The Heidelberg Financial Services segment comprises sales financing business. Further information on the business activities, products and services of the individual segments can be found in the chapters "Management and Control" and "Segments and Business Areas" in the Group management report.

Regionally, we distinguish between Europe, Middle East and Africa, Asia/Pacific, Eastern Europe, North America and South America.

Further information on the business areas can be found in the chapters "Segment report" and "Report on the regions" in the Group management report. Transfer prices for internal Group sales are determined using a market-driven approach, based on the principle of dealing at arm's length.

Notes on segment data

Segment performance is measured on the basis of EBITDA excluding special items – the result of operating activities before interest, taxes and depreciation and amortization excluding special items.

In the year under review and the previous year, the Heidelberg Group did not generate more than 10 percent of (net) sales with any one customer.

Inter-segment sales are of minor financial significance.

The segment result is transitioned to the net result before taxes as follows:

	1-Apr-2013 to 31-Mar-2014	**1-Apr-2014 to 31-Mar-2015**
EBITDA excluding special items (segment result)	143,057	188,177
Depreciation and amortization	70,832	69,148
EBIT excluding special items	72,225	119,029
Special items	9,994	99,338
Financial income	12,512	9,534
Financial expenses	72,997	105,151
Financial result	– 60,485	– 95,617
Net result before taxes	**1,746**	**– 75,926**

Information by region

Net sales by region according to the domicile of the customer were as follows:

	1-Apr-2013 to 31-Mar-2014	**1-Apr-2014 to 31-Mar-2015**
Europe, Middle East and Africa		
Germany	336,770	356,172
Other Europe, Middle East and Africa region	523,934	565,048
	860,704	921,220
Asia/Pacific		
China	413,528	292,694
Other Asia/Pacific region	407,783	364,040
	821,311	656,734
Eastern Europe	285,693	280,826
North America		
USA	251,922	300,604
Other North America region	98,149	76,342
	350,071	376,946
South America	116,469	97,955
	2,434,248	**2,333,681**

Of the non-current assets, which comprise intangible assets, property, plant and equipment and investment property, € 471,346 thousand (previous year: € 509,002 thousand) relates to Germany and € 235,194 thousand (previous year: € 224,152 thousand) to other countries.

38 Capital management

In the context of implementing the holistic management approach, it is the task of capital management to provide the best possible support in the attainment of the Heidelberg Group's goals. The focus here is on ensuring liquidity and creditworthiness and increasing the enterprise value of the Heidelberg Group on an ongoing basis. We calculate the value contribution for a reporting period, the benchmark used for this, as the net total of return on capital employed (ROCE) and capital costs (see Group management report, pages 59 and 60). The value contribution shows whether the Heidelberg Group earned its capital costs in the period under review. The following capital structure is used to calculate the cost of capital:

	2013/2014	**2014/2015**
Equity	358,804	183,474
Net deferred taxes	43,842	51,537
Adjusted equity	**314,962**	**131,937**
Annual average	344,310	223,450
Pension provisions	450,206	605,009
Tax provisions	88,277	59,116
Net tax receivables/liabilities	708	5,536
Non-operating financial liabilities	459,171	519,817
Liabilities	**998,363**	**1,189,478**
Annual average	955,979	1,093,921
Adjusted total capital	**1,313,325**	**1,321,415**
Annual average	1,300,289	1,317,370

For the Heidelberg Group, capital management prioritizes reducing the commitment of capital, strengthening the equity and securing liquidity. In the year under review, the equity of the Heidelberg Group declined from € 358,804 thousand to € 183,474 thousand. Based on total assets, the equity ratio therefore dropped from 16.0 percent to 8.0 percent.

Owing to the slightly negative free cash flow in the year under review, net debt was up year-on-year at € 256,328 thousand (previous year: € 238,379 thousand). The net debt is total financial liabilities less cash and cash equivalents and current securities.

Heidelberg is not subject to any capital requirements arising from its Articles of Association.

Already in the previous year, firstly the revolving credit facility was prematurely extended until mid-2017 and, secondly, the Company's financing sources were diversified further by issuing a convertible bond and increasing the high yield bond via tap. In the year under review, the diversification was increased further by issuing another convertible bond on March 30, 2015 with a term of seven years.

As of March 31, 2015, the financing of the Heidelberg Group mainly consists of an unsecured high-yield bond including increase via tap with a maturity of seven years in a nominal amount of € 355 million, a convertible bond totaling € 59.5 million with a maturity of four years, another convertible bond of € 58.6 million issued on March 30, 2015 with a maturity of seven years as well as a revolving credit facility with a banking syndicate totaling around € 277 million with a maturity until mid-2017.

The financing agreements for the credit facility contain standard financial covenants regarding the financial situation of the Heidelberg Group.

In order to adjust the originally agreed financial covenants to a level in line with the changes in the economic environment as part of our portfolio adjustments, an amendment to the credit terms was agreed with the syndicate banks in March 2015.

The early partial repayment of the high-yield bond in the first quarter of the 2015/2016 financial year by way of full utilization of the net issue proceeds from the convertible bond issued on March 30, 2015 and the other high-yield bond issued on May 5, 2015 had already been initiated/was planned as of March 31, 2015.

Heidelberg's financing structure is well-balanced with regard to the diversification of instruments and the maturity profile. For further details regarding the financing instruments, please refer to note 29.

39 Declaration of compliance in accordance with section 161 AktG

The Management Board and the Supervisory Board of Heidelberger Druckmaschinen Aktiengesellschaft issued the declaration of compliance in accordance with section 161 of the German Stock Corporation Act and made it permanently accessible to the shareholders on the website WWW.HEIDELBERG.COM under “Company” > “About Us” > “Corporate Governance”. Earlier declarations of compliance are also permanently available here.

40 Executive bodies of the Company

The basic characteristics of the remuneration system and amounts of remuneration for the members of the Management Board and Supervisory Board are presented in the remuneration report. The remuneration report is part of the Group management report (see pages 75 to 81) and the corporate governance report.

The members of the Supervisory Board and the Management Board are listed in the separate overview presented on pages 158 to 159 (Supervisory Board) and 160 (Management Board).

The total cash remuneration (= total remuneration) of the Management Board for the year under review including non-cash remuneration amounted to € 4,498 thousand (previous year: € 4,634 thousand), comprising variable single-year remuneration of € 1,490 thousand (previous year: € 1,434 thousand) and variable multi-year remuneration of € 1,294 thousand (previous year: € 1,494 thousand).

The IFRS service cost for members of the Management Board amounted to € 1,047 thousand in the year under review (previous year: € 1,099 thousand).

As in the previous year, members of the Management Board held no stock options as of 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 € 3,591 thousand (previous year: € 5,224 thousand); this comprises € 911 thousand (previous year: € 899 thousand) in obligations to former members of the Management Board and their surviving dependents of Linotype-Hell Aktiengesellschaft, 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 connection with his departure in the previous year.

The pension obligations (defined benefit obligations) to former members of the Management Board and their surviving dependents amount to € 61,670 thousand (previous year: € 51,662 thousand); € 10,014 thousand (previous year: € 9,252 thousand) of this relates to 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 as of the end of the reporting period.

No loans or advances were made to members of the Company's Management Board or the Supervisory Board in the reporting period. One member of the Management Board had a loan secured by real estate dating back to before Board membership at an annual interest rate of 4.25 percent. This loan was originally granted by a foreign subsidiary to finance a home for the member at his work place abroad. As of March 31, 2014 this loan amounted to around € 515 thousand with a remaining term of around 31 months. The loan was repaid in full in the reporting year.

The Heidelberg Group has not undertaken any contingent liabilities for either 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 € 746 thousand (previous year: € 748 thousand). In addition, one member of the Supervisory Board received pro rata temporis fixed remuneration of € 32 thousand for his/her membership on the Board of Directors of a foreign subsidiary. This remuneration does not include VAT.

41 Related party transactions

Business relations exist between numerous companies and Heidelberger Druckmaschinen Aktiengesellschaft and its subsidiaries in the course of ordinary business. This also includes associated companies, which are regarded as related companies of the Heidelberg Group. Related parties include members of the Management Board and the Supervisory Board.

In the reporting year transactions were carried out with related parties that resulted in liabilities of € 5,879 thousand (previous year: € 4,589 thousand), receivables of € 10,941 thousand (previous year: € 11,552 thousand), expenses of € 17,014 thousand (previous year: € 15,364 thousand) and income of € 8,758 thousand (previous year: € 7,869 thousand), which essentially includes sales. Write-downs of € 286 thousand were recognized on receivables from related parties in the reporting year (previous year: € 200 thousand). All transactions were concluded at standard market terms and did not differ from trade relationships with other companies.

Members of the Supervisory Board received remuneration of € 390 thousand (previous year: € 368 thousand) from Heidelberger Druckmaschinen Aktiengesellschaft in the year under review under employment agreements.

42 Exemption under section 264 (3) and section 264 b of the German Commercial Code

The following subsidiaries exercised the exemption provisions of sections 264 (3) and 264 b HGB with regard to the preparation and disclosure of financial statements in the period under review:

- Heidelberger Druckmaschinen Vertrieb Deutschland GmbH, Wiesloch [1), 2)];
- Heidelberg Postpress Deutschland GmbH, Heidelberg [1), 2)];
- Heidelberg China-Holding GmbH, Wiesloch [2)];
- Heidelberg Boxmeer Beteiligungs-GmbH, Heidelberg [2)];
- Heidelberg Print Finance International GmbH, Heidelberg [3)];
- Heidelberg Consumables Holding GmbH, Wiesloch [2)];
- Heidelberger Druckmaschinen Real Estate GmbH & Co. KG, Walldorf [1), 2)].

1) Exempt from preparing a management report in accordance with section 264 (3) / section 264b HGB
2) Exempt from disclosing annual financial statements in accordance with section 264 (3) / section 264b HGB
3) Exempt from disclosing annual financial statements and a management report in accordance with section 264 (3) in conjunction with section 340a (2) sentence 4 HGB

43 Auditor's fees

In the reporting year, the following expenses were incurred for services by the auditors:

	2013/2014	**2014/2015**
Fees for		
Audits of financial statements	753	799
Other assurance services	413	174
Tax advisory services	6	16
Other services	704	1,098
	1,876	**2,087**

44 Events after the end of the reporting period

On May 5, 2015, Heidelberger Druckmaschinen Aktiengesellschaft issued a further high-yield, unsecured bond of € 205 million with a maturity of seven years and a coupon of 8.00 percent. With the full utilization of the net issue proceeds from the convertible bond issued on March 30, 2015 and this additional high-yield bond, the existing high-yield bond was repaid early in the first quarter of the 2015/2016 financial year to a level of approximately € 115 million. With the existing financing portfolio, Heidelberg has total credit facilities with balanced diversification and a balanced maturity structure until 2022.

On April 13, 2015, Heidelberg acquired the European Printing Systems Group (PSG), Almere, the Netherlands, a company with approximately 400 employees in Benelux and Southern Europe. With the acquisition of the PSG Group, Heidelberg has significantly expanded its service and consumables business. When the PSG Group is integrated in the Heidelberg Group, the acquisition will result in additional sales for Heidelberg exceeding € 100 million.

As of April 1, 2015, the business activities of the German site in Amstetten were transferred to Heidelberg Manufacturing Deutschland GmbH, Wiesloch, Germany.

On May 17, 2015, Robert J. Koehler, Chairman of the Heidelberger Druckmaschinen Aktiengesellschaft Supervisory Board, died at the age of 66. Robert J. Koehler was appointed to the Heidelberger Druckmaschinen Aktiengesellschaft Supervisory Board in 2003. From 2011 to his death, he was Chairman. The Vice Chairman of the Supervisory Board, Rainer Wagner, has assumed the position of Chairman of the Supervisory Board until further notice.

Heidelberg, May 22, 2015

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 consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Heidelberg, May 22, 2015

HEIDELBERGER DRUCKMASCHINEN
AKTIENGESELLSCHAFT
The Management Board

Dr. Gerold Linzbach   Dirk Kaliebe

Stephan Plenz   Harald Weimer

Auditor's report

We have audited the consolidated financial statements prepared by Heidelberger Druckmaschinen Aktiengesellschaft, Heidelberg, comprising the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in consolidated equity, the statement of cash flows and the notes to the consolidated financial statements, together with the Group management report for the financial year from April 1, 2014 to March 31, 2015. The preparation of the consolidated financial statements and the Group management report in accordance with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to section 315a (1) of the Handelsgesetzbuch (HGB – German Commercial Code) are the responsibility of the Management Board of the Company. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group 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 consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidated financial statements, the determination of the entities to be included in consolidation, the accounting policies and consolidation principles used, and significant estimates made by the Company's Management Board, as well as evaluating the overall presentation of the consolidated financial statements and the Group 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 consolidated financial statements comply with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to section 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Mannheim, May 26, 2015

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Martin Theben	ppa. Stefan Sigmann
Wirtschaftsprüfer	Wirtschaftsprüfer

Financial section 2014/2015

List of shareholdings

List of shareholdings as per Section 285 no. 11 and Section 313 para. 2
(in conjunction with Section 315a para. 1) of the German Commercial Code

(Figures in € thousands)

Name	Country/Domicile		Shareholding in percent	Equity	Net result after taxes
Affiliated companies included in the consolidated financial statements					
Germany					
Gallus Druckmaschinen GmbH	D	Langgöns-Oberkleen	100 [1)]	493 [5)]	– 2,089 [5)]
Gallus Stanz- und Druckmaschinen GmbH	D	Weiden	100 [2)]	781 [5)]	– 4,436 [5)]
Heidelberg Boxmeer Beteiligungs-GmbH [3)]	D	Heidelberg	100	127,091	16,995
Heidelberg China-Holding GmbH [3)]	D	Wiesloch	100	58,430	29,925
Heidelberg Consumables Holding GmbH [3)]	D	Wiesloch	100	20,025	2,062
Heidelberg Postpress Deutschland GmbH [3)]	D	Heidelberg	100	25,887	– 27,524
Heidelberger Druckmaschinen Real Estate GmbH & Co. KG	D	Walldorf	100	116,310	6,433
Heidelberger Druckmaschinen Vermögensverwaltungs-gesellschaft mbH	D	Walldorf	100	24	– 1
Heidelberger Druckmaschinen Vertrieb Deutschland GmbH [3)]	D	Wiesloch	100	54,901	14,031
Heidelberg Print Finance International GmbH [3)]	D	Heidelberg	100	34,849	2,513
Outside Germany [4)]					
Baumfolder Corporation	USA	Sidney, Ohio	100	2,020	– 91
Europe Graphic Machinery Far East Ltd.	PRC	Hong Kong	100	248	2
Gallus Ferd. Rüesch AG	CH	St. Gallen	100 [1)]	43,716 [9)]	– 2,658 [9)]
Gallus Holding AG	CH	St. Gallen	100	106,663 [9)]	9,270 [9)]
Gallus Inc.	USA	Philadelphia, Pennsylvania	100 [2)]	3,820 [9)]	1,491 [9)]
Heidelberg Americas, Inc.	USA	Kennesaw, Georgia	100	116,813	63,862
Heidelberg Asia Pte. Ltd.	SGP	Singapore	100	13,657	1,482
Heidelberg Baltic Finland OÜ	EST	Tallinn	100	6,017	125
Heidelberg Boxmeer B.V.	NL	Boxmeer	100	40,643	2,234
Heidelberg Canada Graphic Equipment Ltd.	CDN	Mississauga	100	3,459	– 3,633
Heidelberg China Ltd.	PRC	Hong Kong	100	11,420	– 2,886
Heidelberg do Brasil Sistemas Graficos e Servicos Ltda.	BR	São Paulo	100	4,427	853
Heidelberg France S.A.S.	F	Roissy-en-France	100	5,446	– 596
Heidelberg Grafik Ticaret Servis Limited Sirketi	TR	Istanbul	100	5,031	1,003
Heidelberg Graphic Equipment (Shanghai) Co. Ltd.	PRC	Shanghai	100	106,429	9,390
Heidelberg Graphic Equipment Ltd. – Heidelberg Australia –	AUS	Notting Hill, Melbourne	100	22,623	– 1,629
Heidelberg Graphic Equipment Ltd. – Heidelberg New Zealand –	NZ	Auckland	100	3,405	147
Heidelberg Graphic Equipment Ltd. – Heidelberg UK –	GB	Brentford	100	26,963	11,007
Heidelberg Graphic Systems Southern Africa (Pty) Ltd.	ZA	Johannesburg	100	2,464	131
Heidelberg Graphics (Beijing) Co. Ltd.	PRC	Beijing	100	1,660	899

Name	Country/Domicile		Shareholding in percent	Equity	Net result after taxes
Heidelberg Graphics (Thailand) Ltd.	TH	Bangkok	100	9,120	1,119
Heidelberg Graphics (Tianjin) Co. Ltd.	PRC	Tianjin	100	18,496	13,209
Heidelberg Graphics Taiwan Ltd.	TWN	Wu Ku Hsiang	100	6,643	393
Heidelberg Group Trustees Ltd.	GB	Brentford	100	0	0
Heidelberg Hong Kong Ltd.	PRC	Hong Kong	100	16,836	1,697
Heidelberg India Private Ltd.	IN	Chennai	100	6,385	759
Heidelberg International Finance B.V.	NL	Boxmeer	100	45	– 2
Heidelberg International Ltd. A/S	DK	Ballerup	100	48,214	3,892
Heidelberg International Trading (Shanghai) Co. Ltd.	PRC	Shanghai	100	1,028	647
Heidelberg Japan K.K.	J	Tokyo	100	32,535	3,696
Heidelberg Korea Ltd.	ROK	Seoul	100	4,143	1,447
Heidelberg Magyarország Kft.	HU	Kalasch	100	6,175	906
Heidelberg Malaysia Sdn Bhd	MYS	Petaling Jaya	100	– 261	– 996
Heidelberg Mexico Services, S. de R.L. de C.V.	MEX	Mexico City	100	1,613	– 107
Heidelberg Mexico, S. de R.L. de C.V.	MEX	Mexico City	100	9,806	– 1,003
Heidelberg Philippines, Inc.	PH	Makati City	100	6,565	320
Heidelberg Polska Sp z.o.o.	PL	Warsaw	100	11,901	2,201
Heidelberg Praha spol s.r.o.	CZ	Prague	100	2,877	842
Heidelberg Print Finance Australia Pty Ltd.	AUS	Notting Hill, Melbourne	100	27,753	535
Heidelberg Print Finance Korea Ltd.	ROK	Seoul	100	18,819	391
Heidelberg Print Finance Osteuropa Finanzierungsvermittlung GmbH [6]	A	Vienna	100	11,961	– 20
Heidelberg Schweiz AG	CH	Bern	100	11,032	3,141
Heidelberg Shenzhen Ltd.	PRC	Shenzhen	100	8,640	1,747
Heidelberg Slovensko s.r.o.	SK	Bratislava	100	1,739	311
Heidelberg Sverige AB	S	Solna	100	8,302	1,335
Heidelberg USA, Inc.	USA	Kennesaw, Georgia	100	89,994	12,104
Heidelberger CIS OOO	RUS	Moscow	100	– 5,259	– 1,576
Heidelberger Druckmaschinen Austria Vertriebs-GmbH	A	Vienna	100	27,201	3,549
Heidelberger Druckmaschinen Osteuropa Vertriebs-GmbH [6]	A	Vienna	100	7,527	2,418
Heidelberger Druckmaschinen WEB-Solution CEE Ges.m.b.H	A	Vienna	100	2,046	– 2,319
Hi-Tech Coatings International B.V.	NL	Zwaag	100	10,387	504
Hi-Tech Coatings International Limited	GB	Aylesbury, Bucks	100	7,320	811
Linotype-Hell Ltd.	GB	Brentford	100	4,715	0
Modern Printing Equipment Ltd.	PRC	Hong Kong	100	2,473	– 986
MTC Co., Ltd.	J	Tokyo	99.99	8,059	2
P.T. Heidelberg Indonesia	ID	Jakarta	100	7,891	954

Name		Country/Domicile	Shareholding in percent	Equity	Net result after taxes
Affiliated companies not included in the consolidated financial statements owing to immateriality for the net assets, financial positions and results of operations					
Germany					
D. Stempel AG i. A. [7]	D	Heidelberg	99.23	78	– 17
Heidelberg Catering Services GmbH [3]	D	Wiesloch	100	386	– 2,868
Heidelberg Direkt Vertriebs GmbH [7]	D	Heidelberg	100	305	– 18
Menschick Trockensysteme GmbH	D	Renningen	100 [8]	618 [9]	– 88 [9]
Heidelberg Manufacturing Deutschland GmbH [3), 10]	D	Wiesloch	100	26	0
Sporthotel Heidelberger Druckmaschinen GmbH [3]	D	Heidelberg	100	26	– 143
Neo7even GmbH	D	Siegen	100	1,823	– 1,473
Outside Germany [4]					
BluePrint Products NV	BE	Sint-Niklaas	100	1,475	683
Cerm Benelux NV	BE	Oostkamp	100	1,188	168
Fujifilm Sverige AB	S	Stockholm	100	1,786	23
Gallus Ferd. Rüesch (Shanghai) Co. Ltd.	PRC	Shenzhen	100 [8]	251 [9]	17 [9]
Gallus Printing Machinery Corp.	USA	Philadelphia, Pennsylvania	100 [8]	– 1,485 [9]	– 147 [9]
Gallus Australia Pty Ltd.	AUS	Bayswater	100 [8]	184 [9]	41 [9]
Gallus India Private Limited	IN	Mumbai	100 [8]	316 [9]	36 [9]
Gallus Mexico S. de R.L. de C.V.	MEX	Mexico City	100 [8]	162 [9]	– 9 [9]
Gallus South East Asia Pte. Ltd.	SGP	Singapore	100 [8]	– 1,125 [9]	– 831 [9]
Gallus-Group UK Ltd.	GB	Royston	100 [8]	299 [9]	– 194 [9]
Heidelberg Asia Procurement Centre Sdn Bhd	MYS	Petaling Jaya	100	124	– 3
Heidelberg Graphic Systems Ltd.	CY	Nicosia	99.90	– 14	– 17
Heidelberg Lebanon	LB	Beirut	99.96	– 33	– 262
Heidelberg Postpress Slovensko spol. s r.o.	SK	Nové Mesto nad Váhom	100	5,861	525
Heidelberg Used Equipment Ltd. [7]	GB	Brentford	100	774	81
Heidelberger Druckmaschinen Ukraina Ltd.	UA	Kiev	100	– 2,998	– 2,653
Inline Cutting L.L.C.	USA	Baltimore, Maryland	100 [8]	– 1,605	0

Name	Country/Domicile		Shareholding in percent	Equity	Net result after taxes
Associated companies and joint ventures not accounted for using the equity method owing to immateriality for the net assets, financial positions and results of operations					
Outside Germany [4]					
Heidelberg Middle East FZ Co.	AE	Dubai	50	697	0
Print Media Academy Ceska Republika a.s.	CZ	Pardubice	24	71	40
Other shareholdings (>5%)					
Germany					
SABAL GmbH & Co. Objekt FEZ Heidelberg KG	D	Munich	99.90	–4,843	–453

[1] Indirect equity investment through Gallus Holding AG
[2] Indirect equity investment through Gallus Ferd. Rüesch AG
[3] Before profit/loss transfer
[4] Disclosures for companies outside Germany in accordance with IFRS
[5] Shortened financial year (1-Jan-2015 until 31-Mar-2015)
[6] Before profit/loss transfer and capital transactions
[7] Prior-year figures, since financial statements not yet available
[8] Indirect equity investment (Gallus Group)
[9] Extended financial year (1-Jan-2014 until 31-Mar-2015)
[10] Formerly Kurpfalz Asset Management GmbH

The Supervisory Board

Robert J. Koehler
until May 17, 2015
Former Chairman of the Management Board of SGL Carbon SE, Wiesbaden
Chairman of the Supervisory Board
a) Klöckner & Co. SE
Freudenberg SE
Freudenberg & Co. KG
b) Benteler International AG, Austria (Chairman)

Rainer Wagner*
Chairman of the Central Works Council, Heidelberg/Wiesloch-Walldorf
Deputy Chairman of the Supervisory Board; since May 18, 2015 has assumed the rights and obligations of the Chairman of the Supervisory Board until further notice

Ralph Arns*
since July 24, 2014
Deputy Chairman of the Central Works Council, Heidelberg/Wiesloch-Walldorf

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

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

Jörg Hofmann* **
until July 24, 2014
Vice Chairman of IG Metall, Frankfurt am Main
a) Daimler AG
Robert Bosch GmbH

Dr. Siegfried Jaschinski
Member of the Management Board and partner of Augur Capital AG, Frankfurt am Main
a) Schnigge Wertpapierhandelsbank AG
b) Veritas Investment GmbH

Kirsten Lange
since February 2, 2015
Managing director of Voith Hydro Holding GmbH & Co. KG, Heidenheim

Dr. Herbert Meyer
Independent business consultant, Königstein/Taunus and Member of the Auditor Oversight Commission (AOC), Berlin
a) HT Troplast GmbH
MainFirst Bank AG
d.i.i. Investment GmbH
b) Verlag Europa Lehrmittel GmbH & Co. KG (Member of the Advisory Board)

Beate Schmitt*
Full-time member of the Works Council, Heidelberg/Wiesloch-Walldorf

Lone Fønss Schrøder**
until January 31, 2015
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, Brønby/Denmark (Member of the Board of Directors)
Svenska Handelsbanken AB, Stockholm/Sweden (Member of the Board of Directors)
Volvo Personvagnar AB, Göteborg/Sweden (Member of the Board of Directors)

Prof. Dr.-Ing. Günther Schuh
Professor and holder of the chair in production engineering at RWTH Aachen University, Aachen; member of the Management Board of e.GO Mobile AG
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* **
until July 24, 2014
Deputy Chairman of the Central Works Council, Heidelberg/Wiesloch-Walldorf

Christoph Woesler*
Head of Procurement Electric/Electronics
Chairman of the Speakers Committee for the Executive Staff, Wiesloch-Walldorf

Roman Zitzelsberger*
since July 24, 2014
Regional head of IG Metall Baden-Württemberg, Stuttgart

* Employee representative
** As of the date of departure
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)
until May 17, 2015
Rainer Wagner*
Ralph Arns
since September 30, 2014
Mirko Geiger
Kirsten Lange
since March 24, 2015
Lone Fønss Schrøder
until January 31, 2015
Prof. Dr.-Ing. Günther Schuh
Peter Sudadse
until July 24, 2014

MEDIATION COMMITTEE UNDER ARTICLE 27 PARAGRAPH 3 OF THE CODETERMINATION ACT

Robert J. Koehler
until May 17, 2015
Rainer Wagner*
Ralph Arns
since September 30, 2014
Dr. Herbert Meyer
Peter Sudadse
until July 24, 2014

COMMITTEE ON ARRANGING PERSONNEL MATTERS OF THE MANAGEMENT BOARD

Robert J. Koehler (Chairman)
until May 17, 2015
Rainer Wagner*
Beate Schmitt
Prof. Dr.-Ing. Günther Schuh

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

Robert J. Koehler (Chairman)
until May 17, 2015
Edwin Eichler
Kirsten Lange
since March 24, 2015
Lone Fønss Schrøder
until January 31, 2015

STRATEGY COMMITTEE

Robert J. Koehler (Chairman)
until May 17, 2015
Rainer Wagner*
Edwin Eichler
Mirko Geiger
Dr. Siegfried Jaschinski
Kirsten Lange
since March 24, 2015
Dr. Herbert Meyer
Lone Fønss Schrøder
until January 31, 2015
Prof. Dr.-Ing. Günther Schuh

* Since May 18, 2015 has assumed the rights and obligations of the Chairman of the Supervisory Board until further notice

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)
Heidelberg Graphic Equipment
(Shanghai) Co. Ltd., China
(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.,
Australia
Heidelberg Graphic Equipment Ltd., UK
Heidelberg USA, Inc., USA

Stephan Plenz
Sandhausen
Head of the Heidelberg
Equipment Segment
** Gallus Holding AG, Switzerland
(Chairman of the Administration Board)

Harald Weimer
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.,
Australia
Heidelberg Japan K.K., Japan

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

Supervisory Board and corporate governance

Obituary – Robert J. Koehler

ROBERT J. KOEHLER
Chairman of the Supervisory Board

Heidelberger Druckmaschinen Aktiengesellschaft mourns the death of its Chairman of the Supervisory Board – Robert J. Koehler

It was with profound regret that news was received of the death, at age 66, of Robert J. Koehler, for many years Chairman of the Supervisory Board of Heidelberger Druckmaschinen Aktiengesellschaft. Koehler, a graduate in business economics, had been a member of the Company's Supervisory Board since September 2003. He succeeded Dr. Mark Wössner as Chairman in July 2011.

During his time in office, Robert J. Koehler made a substantial contribution to the Company. In his positions at Heidelberg over many years and through some very challenging times, he combined dedication, passion, professional expertise, conscientiousness and skill. He was a highly respected and exceptionally knowledgeable consultant for the Company. In particular, Robert J. Koehler played a key role in the success of the Company's realignment, a major milestone in its history. He actively supported the strategic reorientation toward building up the digital printing and services side of the business which Heidelberg views as important pillars for future growth. Heidelberg also benefited greatly from his international experience and the foresight and clarity that defined his approach to business. The Company has a great deal to thank him for.

His passing will be deeply regretted not just among his close family and relatives, but also at Heidelberg. The Supervisory Board, Management Board and staff will all remember him with the highest esteem.

We are grateful that we were able to prepare and complete the Report of the Supervisory Board and the Corporate Governance Report before the recent passing of Mr. Koehler. It is with gratitude and respect that we publish the following pages in his name.

Report of the Supervisory Board

Dear shareholders,

In financial year 2014/2015, Heidelberg systematically focused its portfolio on profitability and growth. The reorganization of the Group's operations was an important step in improving its economic situation and making progress towards the target of an EBITDA margin of at least 8 percent. Despite this, the Management Board and the Supervisory Board are continuing to focus on all areas of the Group in order to ensure that they are able to respond flexibly to any changes in the market and competitive environment.

Close cooperation between Management Board and Supervisory Board
The Management Board regularly informed the Supervisory Board both in writing and verbally about all relevant aspects of the Company's development and compliance topics. Cooperation with the Management Board was characterized by intensive dialog. We maintained a continuous dialog with the Management Board at regular Supervisory Board and committee meetings and additional meetings with shareholder representatives. Additionally, the Chairman of the Supervisory Board maintained regular contact with the CEO concerning the preparation and coordination of the relevant Company decisions.

The shareholder and employee representatives met several times at separate meetings to discuss the current situation in detail and prepare for upcoming decisions.

In financial year 2014/2015, the Heidelberg Supervisory Board performed the duties incumbent upon it according to the legal provisions and the Articles of Association with utmost care. The monitoring of the Management Board by the Supervisory Board was based in particular on ensuring the lawfulness, propriety, adequacy and economic efficiency of Group-wide management by the Management Board. The Supervisory Board received detailed reports from the Management Board for this purpose. The positive cooperation between the Management Board and Supervisory Board was demonstrated not only at the four ordinary and two extraordinary Supervisory Board meetings, at which the Management Board informed us in detail of current developments and business development, but also in the many discussions and reports involving the CEO, the CFO and their colleagues on the Management Board between meetings.

The Supervisory Board discussed the Management Board's reports in detail and debated the prospects of the Company and its individual areas.

We were promptly and extensively involved in all significant decision-making processes at all times. Resolutions on urgent issues were passed in writing; this occurred once during the year under review.

With the exception of Ms. Lone Fønss Schrøder, all of the members of the Supervisory Board took part in more than half of the meetings.

Major topics of the Supervisory Board meetings

Our discussions and decisions in the year under review focused on the ongoing strategic development of the Company, necessary organizational adjustments, and the market and competitive environment on the one hand, and the net assets, results of operations and the liquidity situation on the other; we also discussed safeguarding the capital structure of the Company. In addition, the development of sales and earnings and Heidelberg's financial position were always a subject of discussion by the Supervisory Board in the year under review.

At its meeting on June 5, 2014, the Supervisory Board addressed the planned acquisition of a stake in Gallus Holding AG and the disposal of postpress activities. Development in the Asia sales region was also presented to the Supervisory Board. The Supervisory Board approved the consolidated and single-entity financial statements for financial year 2013/2014 following the presentation and discussion of the auditor's report, thereby following the recommendation of the Audit Committee. It also approved the agenda for the 2014 Annual General Meeting. The Supervisory Board also resolved on the level of target attainment for the Management Board bonuses for financial year 2013/2014.

At the meeting before the Annual General Meeting on July 24, 2014, the Supervisory Board discussed the reporting of the Management Board on the business situation and the report of the Audit Committee as of every meeting held in the year under review. The meeting also served as preparation for the Annual General Meeting that followed. The Supervisory Board also resolved to commission PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft as the auditor for financial year 2014/2015 and to amend the wording of the Articles of Association to reflect the acquisition of the Gallus Group.

Following the account of the current business situation in the Supervisory Board meeting on November 26, 2014, the Supervisory Board was then informed in detail about the meetings of the Audit Committee, the Personnel Matters Committee and the Strategy Committee. The Supervisory Board also discussed Management Board matters including the extension of Dirk Kaliebe's contract. Finally, the declaration of compliance for 2014 was approved at this meeting.

The topics discussed at the Supervisory Board's last meeting of the reporting year, on March 24, 2015, were the planning for the coming financial year and projections for the following years. The Supervisory Board acknowledged and approved the planning presented and received information about various current refinancing projects and considerations. In addition, an extraordinary meeting of the Supervisory Board on March 20, 2015 addressed the placement of the convertible bond that was successfully issued on March 30, 2015, and transferred the authority for approving the determination resolution to a special committee. The special committee held a meeting by telephone on the evening of March 24, 2015 and eventually approved the determination of the price for the new convertible bond on March 25, 2015.

Corporate governance

The corporate governance of the Company was a regular topic of the discussions in the Supervisory Board, as were the recommendations of the German Corporate Governance Code revised in 2014. Our Rules of Procedure were not required to be updated. Further information on the Company's corporate governance and related activities by the Supervisory Board is provided in the Corporate Governance Report. This can be found on our Web site www.heidelberg.com under "Company" > "About Us" > "Corporate Governance".

Work in the committees

The Supervisory Board of the Company has set up six committees to support it in its work:

- Mediation Committee
- Management Committee
- Audit Committee
- Nomination Committee
- Personnel Matters Committee
- Strategy Committee

The chairs of the respective committees must provide the Supervisory Board with regular and comprehensive information about their activities at the meetings of the Supervisory Board. The composition of the committees is presented in the notes to the consolidated financial statements.

The Personnel Matters Committee met twice in financial year 2014/2015. Its work focused on remuneration issues and other issues concerning members of the Management Board. The Audit Committee held five meetings. It examined quarterly and event-driven questions relating to the Company's net assets, financial position and results of operations and its risk reporting. Furthermore, together with the auditor, this committee also focused intensively on the single-entity and consolidated financial statements as well as the interim financial statements, the accounting policies applied, and the specifics of the annual and consolidated financial statements. Other topics discussed at the meetings included the liquidity situation of the Heidelberg Group and the refinancing, the development of the capital structure (own and borrowed funds), risk management, the internal controlling and audit system, compliance, the implementation and impact of the portfolio and restructuring measures, the accounting treatment of pension provisions, investment controlling and sales financing. The Strategy Committee met twice and discussed the strategic orientation of the individual business areas, particularly consumables, service, digital and sheetfed. The Management Committee and the Nomination Committee did not meet in the year under review. The search for a successor to Ms. Lone Fønss Schrøder took the form of an informal, consensual process involving the members of the Supervisory Board. Furthermore, the Mediation Committee in accordance with section 27 (3) of the German Codetermination Act (MitBestG) did not have to be convened.

A temporary special committee, the Convertible Bond Committee, was formed in the year under review.

Heidelberg refinances successfully

In the reporting year, further important milestones were initiated and implemented to ensure the financial framework remains stable. The reorganization of the Company pension scheme in February 2015 was the Company's response to the steady fall in interest rates as a result of the sustained low-interest policy in the euro zone, which might otherwise have led to a further rise in provisions for pension obligations in future. This represented an important step towards strengthening the Company's statement of financial position. The successful placement of a convertible bond with an issue volume of € 58.6 million also led to a lasting reduction in financing costs and the further diversification of the maturity profile. The reorientation of the portfolio and the reorganization of the pension scheme put into place two major building blocks for the Company's future. Heidelberg thus has a sound financial framework for business development and a diversified financing structure.

Strategic development through cooperation and partnerships

In financial year 2014/2015, the Management Board and the Supervisory Board took important decisions aimed at further improving the Company's profitability. The full acquisition of the Gallus Group is intended to accelerate the development and utilization of Heidelberg digital products in the growing label market. Following his acquisition of around 9 percent of Heidelberg's shares as consideration for the stake in Gallus, Ferdinand Rüesch also became a new key strategic shareholder of the Company. The stronger capital structure achieved by Heidelberg as a result helped to support the Company's strategic reorientation. The Company also reorganized its portfolio in the postpress business area. In the postpress commercial business area, only the established folding machines and cutters will continue to be marketed by Heidelberg. The Swiss company Müller Martini has taken over service activities for the installed base of discontinued products. The reduction in in-house capacities necessitated the closure of the Leipzig site. In late October, a partnership agreement in the area of postpress equipment for packaging printing was signed with the Company's Chinese partner Masterwork Machinery Co., Ltd. The acquisition of the Belgian consumables provider BluePrint Products NV also served to further expand the Company's product range in the growth area of consumables. With this transaction, Heidelberg has acquired important expertise in the development and production of printing chemicals. The agreement with the investment company CoBe Capital on the acquisition of the European Printing Systems Group (PSG) represented another milestone for Heidelberg in its efforts to intensify its high-margin, stable business in the area of services and consumables. By eliminating low-margin activities, improving profitability in its core business area of sheetfed offset and expanding its service and consumables business and its digital activities, Heidelberg has laid the foundations for generating an EBITDA margin of at least 8 percent in financial year 2015/2016 as forecast.

Composition of the Management Board and Supervisory Board

The composition of the Supervisory Board changed in the year under review. Ms. Lone Fønss Schrøder stepped down from the Supervisory Board with effect from January 31, 2015. She was replaced by Ms. Kirsten Lange, who was appointed as a new member of the Supervisory Board by court order with effect from February 2, 2015 until the forthcoming Annual General Meeting. The Supervisory Board will continue to monitor the Company's interests and its long-term development and work towards its well-being.

Thank you from the Supervisory Board

The Supervisory Board would like to thank Ms. Schrøder for her work for the good of the Company. This year, my particular thanks go once again to the employees of Heidelberg and their representatives in the Supervisory Board, the Works Councils and the Speakers Committee for all their work. I would also expressly like to include the members of the Management Board, who have done everything possible in difficult times to turn Heidelberg into a healthy and sustainably profitable enterprise once again. I would like to conclude by thanking you, dear shareholders, for the confidence you have placed in our Company and in the shares of Heidelberger Druckmaschinen AG.

Wiesbaden, in May, 2015

FOR THE SUPERVISORY BOARD

ROBERT J. KOEHLER

Chairman of the Supervisory Board

ADDENDUM:
Audit of the single-entity and consolidated financial statements

The Annual General Meeting on July 24, 2014, appointed PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft as the auditor. This company audited the single-entity financial statements for the 2014/2015 financial year, the management report of Heidelberger Druckmaschinen Aktiengesellschaft and the consolidated financial statements and Group management report of the Heidelberg Group prepared by the Management Board and issued each with unqualified opinions. The single-entity financial statements, the consolidated financial statements, the management report of the Company and the management report of the Heidelberg Group were submitted to the Supervisory Board immediately on their completion. The reports of the auditors were distributed to all the members of the Supervisory Board in time before the accounts meeting of the Supervisory Board on June 2, 2015. The auditors who signed the audit reports took part in the Supervisory Board’s discussions. During the meeting, they reported on the results and on the fact that there are no significant weaknesses in the internal controlling or risk management system with regard to the (Group) accounting process. They were available to the members of the Supervisory Board to answer questions. The auditor also informed the meeting about the services provided in addition to the audit of the financial statements and confirmed that there were no circumstances giving rise to concerns over its impartiality. The audit report does not include any comments or indications of any inaccuracies in the declaration of compliance with the German Corporate Governance Code.

The Audit Committee recommended the adoption of the single-entity and the approval of the consolidated financial statements at the meeting of the Supervisory Board on June 1, 2015. We examined and accepted the annual financial statements, the consolidated financial statements, the management report of Heidelberger Druckmaschinen Aktiengesellschaft and the management report of the Heidelberg Group prepared by the Management Board. We thereby concurred with the audit findings of both sets of financial statements, adopted the single-entity financial statements and approved the consolidated financial statements for the year ended March 31, 2015.

Königstein (Taunus), June 2, 2015

DR. HERBERT MEYER
Chairman of the Audit Committee

Corporate governance and compliance

- Recommendations of the German Corporate Governance Code complied with few exceptions
- Compliance activities anchored in Heidelberg Group by Code of Conduct
- Compliance resources expanded
- Planned focus in financial year 2015/2016: Review, revision and/or adjustment of the existing compliance management system

The standards of good corporate governance set out in the German Corporate Governance Code were again an important guideline for the Management Board and the Supervisory Board of Heidelberger Druckmaschinen Aktiengesellschaft in the 2014/2015 financial year. The recommendations and suggestions of the Code are still complied with to the greatest possible extent. Ensuring effective management and control in an evolving corporate structure remains the priority. It is regularly checked to ensure that all laws and regulations are complied with throughout the Group and that recognized standards and recommendations are followed in addition to the Company's values, Code of Conduct and corporate guidelines.

Declaration of compliance in accordance with Section 161 of the German Stock Corporation Act

The Management Board and the Supervisory Board issued the following declaration of compliance on November 26, 2014: "Since issuing its last declaration of compliance on November 27, 2013, Heidelberger Druckmaschinen Aktiengesellschaft has complied with all recommendations of the Government Commission of the German Corporate Governance Code as amended June 24, 2014, and as promulgated by the German Federal Ministry of Justice in the official section of the Federal Gazette on September 30, 2014 with the following exceptions, and will continue to comply with these recommendations in the future with the following exceptions:

Heidelberger Druckmaschinen Aktiengesellschaft deviated from the recommendations in items 4.1.5, 5.1.2 sentence 2 and 5.4.1 (2) of the Code as amended June 24, 2014, and will also continue to deviate from these in the future to the extent that an appropriate consideration or participation of women is intended or provided for. The Supervisory Board and the Management Board of the Company have taken measures in the past year for the professional advancement of women in the Company. However, the Supervisory Board and the Management Board will continue to be guided exclusively by the abilities and qualifications of the available candidates in recommendations and decisions in personnel matters in the future, and not to accord the candidates' gender any special or emphasized significance. The Supervisory Board and the Management Board welcome all efforts to counter discrimination based on gender or any other form of discrimination and to appropriately promote diversity.

The Management Board and the Supervisory Board intend to update the annual declaration of compliance, prospectively on November 25, 2015, following due examination." ALL DECLARATIONS OF COMPLIANCE are made permanently available on our Web site www.heidelberg.com under Company > About Us > Corporate Governance. The CURRENT DECLARATION OF COMPLIANCE of November 26, 2014 can also be found there; it is also included in the current, detailed CORPORATE GOVERNANCE DECLARATION. This declaration – as well as our corporate governance report – is likewise permanently available on our Web site www.heidelberg.com under Company > About Us > Corporate Governance.

Compliance management

The activities of the Heidelberg Group are subject to various national and international legal provisions and guidelines as well as the Group's own Code of Conduct, which was introduced on June 1, 2005, and has since remained largely unchanged. The Code of Conduct forms the foundation of the compliance culture at Heidelberg. This is supplemented by a comprehensive system of values, principles, general and other internal guidelines hierarchically structured as a pyramid. The aim of these regulations is to provide the executive bodies and employees of the Heidelberg Group with guidance on how to use and practice these rules for fair, constructive and productive dealings in day-to-day operations with respect to the general public, customers and suppliers, competitors, other business partners and shareholders, but also other Heidelberg employees. Therefore, integrity in everyday business and respectful cooperation at all work levels is expected. The central task of the Compliance Office is to ensure Company-wide compliance with these regulations – both by the Group's bodies and each individual employee. The Compliance Office is integrated into the legal department and was strengthened with the appointment of a full-time employee in the year under review. Owing to a change in the Management Board's organizational chart, the Chief Compliance Officer has reported directly and been subordinate to the CFO and head of the Heidelberg Financial Services segment since December 1, 2014. Heidelberg's measures to ensure compliance with Company-wide regulations are based on a preventative and risk-based approach. Compliance checks are carried out for identified compliance risks in certain compliance areas (e. g. environmental and product safety) with the responsible operational compliance experts to determine any need for further improvement. This centers around a threat analysis, knowledge of the legal requirements, the level of organization and documentation, the functionality of processes in the compliance area concerned and the tracking of prior audit findings. Where necessary, measures in addition to ordinary training requirements can be arranged. Several compliance areas are subjected to cursory checks at the smaller Heidelberg production sites in the context of compliance checks at production sites. Other compliance issues such as antitrust law, corruption prevention, capital market law or conduct in the event of official investigations are addressed by targeted information, presentations at management meetings, specific training sessions or specially formed committees or working groups, such as the Ad Hoc Committee. Independently of this, Heidelberg executives are responsible for ensuring that their own conduct and that of their employees in their areas and organizational units is compliant. In the 2015/2016 financial year, there will be a continued focus on the review, revision and/or adjustment of the existing compliance management system in order to improve it also in light of current developments. Plans include the expansion of the top-down approach, the establishment of a whistleblower system, an accompanying communication campaign, and the review and optimization of processes. Another priority will remain advice and training for employees in the areas of corruption prevention and antitrust law in particular. Internal findings and comparison and communication with other companies contribute to the ongoing development of our compliance management system. In its meetings, the Audit Committee of the Supervisory Board regularly discusses compliance issues and activities. The Chief Compliance Officer issues a comprehensive compliance report semiannually on behalf of the Management Board.

Heidelberg, in May, 2015

For the
Supervisory Board
Robert J. Koehler

For the
Management Board
Dr. Gerold Linzbach

2014/2015 in Review


April 2014

First LE UV machine for Austria

A Speedmaster XL 106 with LE UV (low energy) was installed at the print shop Paul Gerin GmbH & Co KG in Wolkersdorf, near Vienna. The eight-color machine with a perfecting device and coating unit was the first with this innovative drying technology in Austria. It has enabled the print shop to offer even more finishing options.

June 2014

Investment in digital packaging printing

With the full acquisition of Gallus Holding AG by means of a non-cash capital increase, Heidelberg accelerated the development of digital products in the growing label market. Following his acquisition of around 9 percent of Heidelberg's shares as consideration for the stake in Gallus, Ferdinand Rüesch also became a new key strategic shareholder of the Company.

1,000th Speedmaster XL 75 delivered to Mexico

The Mexican packaging print shop Grupo Reyes Hermanos installed a large-scale set of Heidelberg machines. The machine for the Cimmex site was the 1,000th Speedmaster XL 75 to be produced since it was first unveiled at drupa 2008.

August 2014

Postpress business area reorganized

In future, products and solutions in the area of postpress packaging will be developed and manufactured by the new Chinese partner Masterwork Machinery Co., Ltd., with Heidelberg retaining responsibility for sales and service. In the postpress commercial business area, only the established folding machines and cutters will continue to be marketed by Heidelberg. The Leipzig site has been closed in connection with this.

September 2014

New digital printing machine for the label market

A new digital printing machine for the growth market of digitally printed labels was unveiled at Gallus in St. Gallen. This marked the next milestone for Heidelberg in its strategic reorientation: significantly improving its sales in the medium term, particularly in the digital sector. The machine was jointly developed with Gallus on the basis of Fujifilm inkjet technology in less than 12 months.

Packaging printer RockTenn receives 100 th large-format press

RockTenn, USA, a leading manufacturer of folding cartons, corrugated packaging and POS displays for the global market, purchased the 100 th large-format press from Heidelberg. In recent years, RockTenn has invested in numerous large-format presses at its folding-carton and POS-display plants.


October 2014

New training center inaugurated

Trainees took part in the inauguration ceremony of the new, near-4,000-square-meter center at the Wiesloch-Walldorf site. It has space for around 250 people. Heidelberg currently has around 400 young people in training across Germany at locations including, among others, Brandenburg and Amstetten as well as Wiesloch-Walldorf and Heidelberg.

More powerful digital printing systems

Some three years after the Linoprint range of digital printing systems went on sale, Heidelberg unveiled a new, more powerful generation of digital printing machines. The new models focus on increased flexibility and productivity in the economic production of small or customized and hybrid print runs. The new systems are based on the partnership with Ricoh.

November 2014

First products from partnership with MK

Heidelberg unveiled a new die cutter and folding-carton gluing machines at the Packaging Days. The Promatrix and Diana Smart resulted from the recently concluded partnership with the Chinese manufacturer Masterwork Machinery Co. Ltd., and are sold exclusively by Heidelberg.

Acquisitions in the growth areas of consumables and digital

Expansion is being rigorously pursued in the profitable and less cyclical area of consumables. The acquisition of the Belgian consumables provider BluePrint Products NV was the next step here. With this transaction, Heidelberg acquired important expertise in the development and production of printing chemicals. External growth continued to be stepped up in the future-oriented digital business, and the full acquisition of the software producer Neo7even was completed.

December 2014

Consulting concept to improve performance

Many industrial print shops can significantly improve their economic efficiency with the new partnership-oriented consulting concept Performance Plus. It is based on the extensive consulting expertise of Heidelberg's experts. With this service, the customer receives an extremely ambitious performance commitment. The customer and Heidelberg share the benefits of this improvement on a partnership basis.

January 2015

A round object in a square hole

At an inauguration ceremony, Liechtenstein-based BVD Druck+Verlag AG (BVD) became one of the first print shops to commission the "4D printing system" Jetmaster Dimension. The system enables individual printing on commercially available soccer balls. BVD is thus extending its business model towards end users.

February 2015

Balance sheet strengthened by new Company pension scheme

The Company's pension scheme is to be reorganized. Under the future arrangement, it will be changed from a defined-benefit plan to a defined-contribution plan. The associated effect will remove expenses of around € 100 million from the balance sheet on a one-off basis. With this step, the Company is also responding to the continuous fall in interest rates due to the ongoing low interest-rate policy in the euro zone.

Over 10,000 systems connected with remote services

For ten years now, our remote services have been a success story and a milestone in terms of Internet-based fault processing within the print media industry. Ever since, Heidelberg has been gradually expanding the range of services towards prevention. Around 10,000 systems in 50 countries worldwide are now connected to our remote-service platform. More than 2,000 customer inquiries per month are handled remotely. Around 70 percent of all faults in the electronic area can be rectified remotely here.

March 2015

Acquisition of the European PSG Group

With this announced acquisition, Heidelberg intends to significantly expand its service and consumables business. With around 400 employees in Benelux and Southern Europe, PSG has established structures in the printing industry as well as a strong market position, and has been working as a partner of Heidelberg for several decades. PSG already generates more than half of its sales from services and consumables.

Financing costs reduced

Heidelberg is continuously optimizing its financing structure, and has successfully placed a new convertible bond of around € 59 million with a 7-year term on improved conditions. The Company is thus taking advantage of the currently attractive capital-market situation. An existing high-yield bond will be partly paid off with the issue proceeds.

Financial calendar 2015 / 2016

June 10, 2015	Press Conference, Annual Analysts' and Investors' Conference
July 24, 2015	Annual General Meeting
August 12, 2015	Publication of First Quarter Figures 2015 / 2016
November 13, 2015	Publication of Half-Year Figures 2015 / 2016
February 10, 2016	Publication of Third Quarter Figures 2015 / 2016
June 8, 2016	Press Conference, Annual Analysts' and Investors' Conference
July 28, 2016	Annual General Meeting

Subject to change

Publishing information

Heidelberger Druckmaschinen
Aktiengesellschaft
Kurfürsten-Anlage 52–60
69115 Heidelberg
Germany
www.heidelberg.com

Investor Relations
Tel.: +49-62 22-82 67121
Fax: +49-62 22-82 67129
investorrelations@heidelberg.com

Produced on Heidelberg machines using Heidelberg technology.

CONCEPT / DESIGN — WENSAUER & PARTNER Werbeagentur GmbH, Ludwigsburg
TYPO-DESIGN / REALIZATION — Hilger & Boie Design, Wiesbaden
TRANSLATION SERVICES — EVS Translations, Offenbach
PROOFREADING — AdverTEXT, Düsseldorf
PHOTO CREDITS — Archive Heidelberger Druckmaschinen AG, Martin Baitinger, Stuttgart (page 19 and 26/27), Jan Reumann, Bad Vilbel (page 23 and 25)
PRINT — W. Kohlhammer Druckerei GmbH & Co. KG, Stuttgart

PRINTED IN GERMANY.

Five-year overview – Heidelberg Group

Figures in € millions	2010/2011	2011/2012	2012/2013*	2013/2014*	**2014/2015**
Incoming orders	2,757	2,555	2,822	2,436	2,434
Net sales	2,629	2,596	2,735	2,434	2,334
Foreign sales share in percent	84.9	85.1	85.6	86.2	84.7
EBITDA [1]	104	90	80	143	188
in percent of sales	3.9	3.5	2.9	5.9	8.1
Result of operating activities [2]	4	3	-3	72	119
Income before taxes	-143	-229	-126	2	-76
Income after taxes	-129	-230	-117	4	-72
in percent of sales	-4.9	-8.9	-4.3	0.1	-3.1
Research and development costs	121	129	118	117	121
Investments	79	70	82	52	59
Total assets	2,643	2,518	2,338	2,244	2,293
Net working capital [3]	908	915	872	727	714
Receivables from sales financing	178	156	118	91	82
Equity	869	576	402	359	183
in percent of total equity and liabilities	32.9	22.9	17.2	16.0	8.0
Financial liabilities	395	438	419	481	542
Net debt [4]	247	243	261	238	256
Cash flow	-41	-130	-41	70	-120
in percent of sales	-1.6	-5.0	-1.5	2.9	-5.1
Free cash flow	75	10	-18	22	-17
in percent of sales	2.9	0.4	-0.6	0.9	-0.7
ROCE in percent	0.7	0.3	-0.4	6.8	11.3
Return on equity in percent [5]	-14.8	-39.9	-29.2	1.0	-39.3
Earnings per share in €	-0.83	-0.98	-0.50	0.02	-0.29
Dividend in €	–	–	–	–	–
Share price at financial year-end in € [6]	3.34	1.50	1.80	2.23	2.49
Market capitalization at financial year-end	779	351	421	523	641
Number of employees at financial year-end [7]	15,197	14,813	13,694	12,539	11,951

*) First-time adoption of IAS 19 (2011) in financial year 2013/2014. The figures of the 2012/2013 financial year were restated.
The figures of the financial years 2010/2011 through 2011/2012 have not been restated.

[1] Result of operating activities before interest and taxes and before depreciation and amortization, excluding special items
[2] Excluding special items
[3] The total of inventories and trade receivables less trade payables and advance payments
[4] Net total of financial liabilities and cash and cash equivalents and securities
[5] After tax
[6] Adjusted to the number of shares following the capital increase; Xetra closing price, source prices: Bloomberg
[7] Number of employees excluding trainees

Heidelberger Druckmaschinen Aktiengesellschaft
Kurfürsten-Anlage 52–60
69115 Heidelberg
Germany
www.heidelberg.com