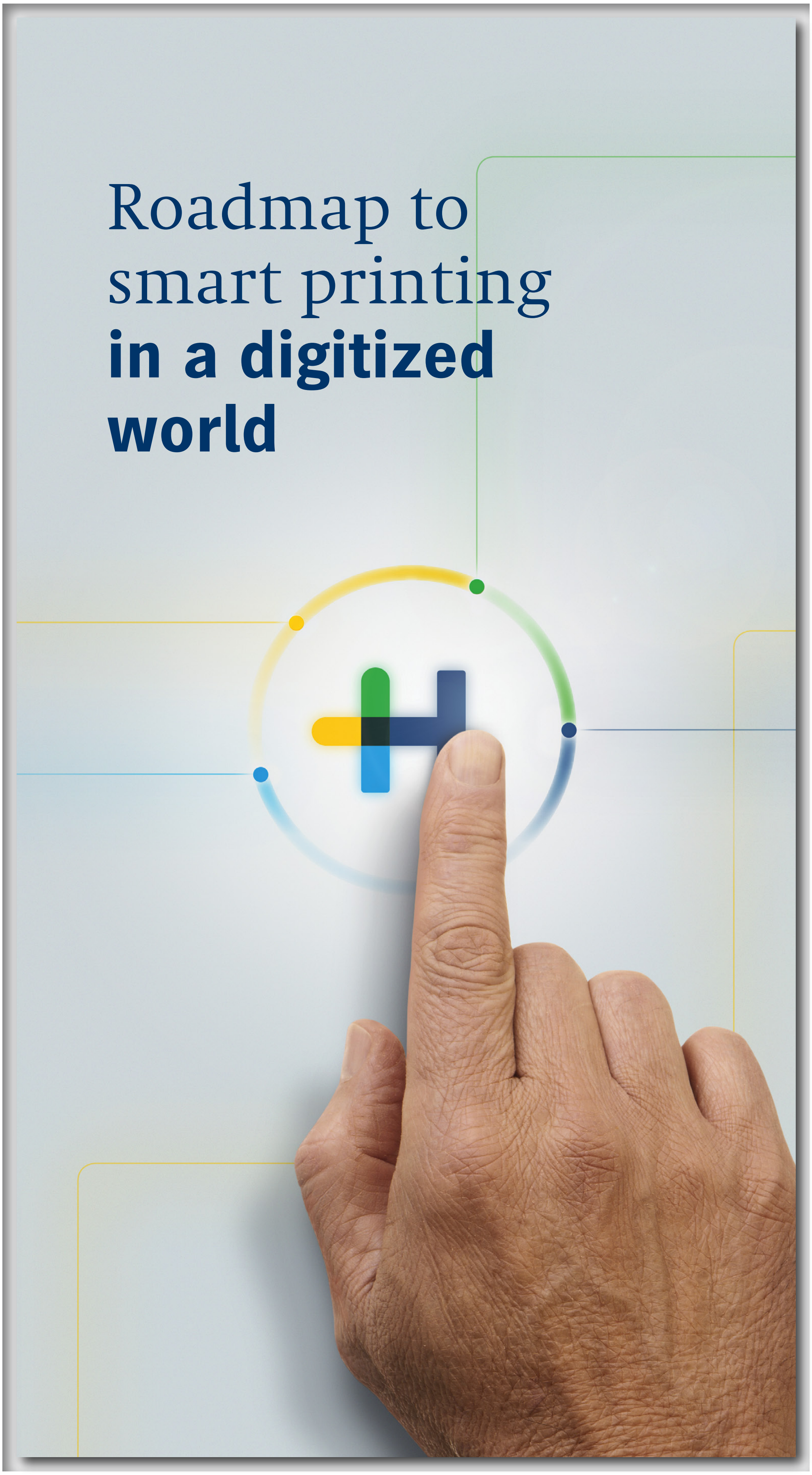
Annual Report 2015/2016

Roadmap to smart printing **in a digitized world**



HEIDELBERG

Two-year overview – Heidelberg Group

Figures in € millions	2014/2015	**2015/2016**
Incoming orders	2,434	2,492
Net sales	2,334	2,512
EBITDA [1]	188	189
in percent of sales	8.1	7.5
Result of operating activities [2]	119	116
Net result after taxes	– 72	28
in percent of sales	– 3.1	1.1
Research and development costs	121	122
Investments	59	65
Equity	183	287
Net debt [3]	256	281
Free cash flow	– 17	– 32
Earnings per share in €	– 0.29	0.11
Number of employees at financial year-end [4]	11,951	11,565

[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.

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What we've been working on since last year…

From left to right: Dr. Gerold Linzbach, Dirk Kaliebe, Harald Weimer, Stephan Plenz

Letter from the Management Board

Ladies and gentlemen,

The 2015/2016 year under review was a turning point on our journey of strategic realignment. Heidelberg's course is again set for growth and sustained profitability. While the times of our realignment were defined by figures deeply in the red, an excessive cost base and high financing costs, we have now changed Heidelberg so much that we can even use the potential unearthed for a successful turnaround. Now we have to keep this positive momentum going in the drupa year, so that you, too, will benefit from our increased enterprise value.

The significant increase in sales in what remains a challenging market environment, an operating profit of € 189 million and, above all, substantial earnings after taxes of € 28 million are proof that our business strategy is right and that our portfolio is viable for the future. We have been fortunate enough to see an improvement after taxes of more than € 100 million. The EBITDA margin, which had been less than 3 percent three years ago despite higher sales, amounted to nearly 8 percent last year. The statement of financial position is very solid with net debt of less than € 300 million, a leverage ratio of 1.5 and a financial framework secure until 2024. We have achieved important refinancing successes in the reporting period. We are extremely proud of all this, but we will not make the mistake of resting on our laurels. Rather, this is the time to actively shape the future. In the years ahead Heidelberg has excellent prospects of achieving sustainably profitable growth based on its realignment and our portfolio for the future.

What is the basis of our confidence? Firstly, we have adapted to the difficult conditions and have become more flexible and less cyclical with our four-field strategy within the Heidelberg Equipment and Heidelberg Services segments and our refocused portfolio. Secondly, our accounts and finances are on a new and highly solid footing, and we can invest in growth areas and in increasing our innovative strength. In plain language this means that everything else is secondary to our focus on growth and profitability. We are systematically expanding the growth areas of digital, services and software, thus increasing the share of sales in more profitable activities. We see ourselves as the defining provider in our industry when it comes to the future issue of digitization, which there will certainly be no getting round in the years ahead. We are advancing our transformation from a pure technology focus to a systematic customer focus.

As an active player in shaping the future of print, we must accept that our printing customers are demanding both more efficiency and greater flexibility. Therefore, under the slogan "Simply Smart", in the future we will be offering customers a "Smart Print Shop" – the integration of digital and offset printing including software, consumables and services from a single source. We will present this solution tailored to meet customer needs as the "new" Heidelberg for the first time at the drupa trade show in June 2016. The response from printing companies has been extremely positive.

In light of this, and in view of the expansion steps and measures intended in the coming years, we have set specific operational goals by which we want to be measured. We are forecasting continuous sales growth of up to 4 percent per year, which – including other acquisitions in the services field in particular – will result in consolidated sales of around € 3 billion in the medium term. Against this backdrop, profitability will be at a high level by the standards of our industry with an EBITDA margin ranging between 7 and 10 percent. As we will also gradually reduce our financing costs even further, Heidelberg should be sustainably profitable after taxes. With positive free cash flow and low leverage, we can continue to develop our growth areas and so drive ahead the Group's expansion in the coming years.

The success for the positive development at Heidelberg is guaranteed by a new sense of values which is part of a fundamental cultural change. This is manifested in the Group by the systematic customer orientation encapsulated by "Listen. Inspire. Deliver". This transformation, which is well on its way, is underpinned by a redefinition of the culture of innovation. In the future we must always be able to provide our customers with the right product at the right time. If we are successful in this – and this is one of the main tasks facing the Company's top management – then 2015/2016 was just the beginning. And then we will also finally be able to win back confidence and achieve a correspondingly significant increase in the value of the Company in the form of a higher share price.

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

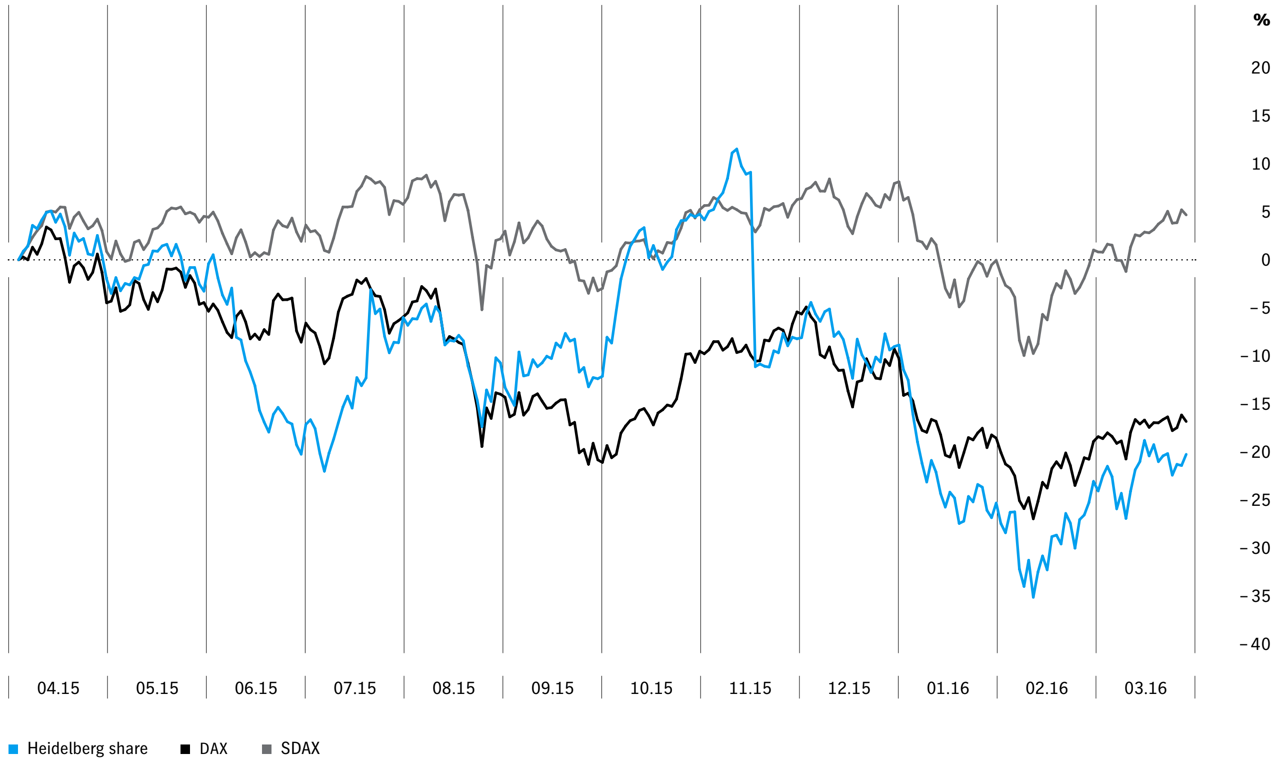
Sincerely,

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, 2015 = 0 percent)



The Heidelberg share and the Heidelberg bonds

- Closing price of € 1.99 down around 20 percent on previous year
- Heidelberg bonds were traded almost continuously at over 100 percent

The price performance of the **HEIDELBERG SHARE** was mixed in the 2015/2016 reporting year. While the shares closely followed the DAX in the first quarter, they climbed significantly over the second quarter and at the beginning of the third quarter especially. Riding this upward trend, Heidelberg's shares reached their highest point for the year of € 2.78 on November 9, 2015. With the publication of the half-year results in mid-November, the shares came heavily under pressure as a result of short-selling and ended the third quarter as of December 31, 2015 at a price of € 2.27. In the fourth quarter of financial year 2015/2016, Heidelberg's shares were unable to break away from the negative performance of the DAX and, as of March 31, 2016, were around 20 percent below their value at the beginning of the financial year at € 1.99; the German benchmark index posted a decline of around 17 percent in this period. In particular, the persistently high number of short sales by around 12 hedge funds from the United States and the United Kingdom, which held up to as much as 15 percent of total shares, had a big impact on the performance of the stock in the reporting year. Fortunately, several funds reduced their short positions in Heidelberg shares again at the end of the financial year and thereafter. Equally pleasing was the development in **TRADING VOLUME**, a key investment criterion for large institutional investors such as banks, pension funds and asset managers. The already high average volume traded on all German stock exchanges on each trading day rose to around 1.7 million shares in financial year

2015/2016 (previous year: around 1.6 million). In the index ranking of Deutsche Börse AG, on the basis of which the composition of its indexes is decided, Heidelberger Druckmaschinen AG was ranked at position 72 in terms of free float market capitalization and 51st in terms of trading volume as of March 31, 2016.

The **CONVERTIBLE BONDS** issued were influenced strongly by the share price performance. Following initial price gains, they had to experience strong declines over the year under review. At the end of the fourth quarter, a recovery set in, in line with the share. No bonds were converted in financial year 2015/2016.

The **2011 CORPORATE BOND** started financial year 2015/2016 at around 105 percent and was traded at over 100 percent almost throughout. It reached its highest level at 106.0 percent on August 10, 2015, and its low for the year at 99.4 percent at the end of December 2015. It ended the year under review at a price of 102.4 percent as of March 31, 2016, and therefore slightly below its level at the start of the financial year.

Since April 2015, the 2011 Heidelberg corporate bond has been reduced by three partial repayments; the first of these in the amount of around € 55 million on April 30, 2015, the second at around € 185 million on May 15, 2015, and the third at around € 64.5 million on April 15, 2016. The full repayment of the approximately € 50 million remaining is planned for June 10, 2016.

The **2015 CORPORATE BOND** issued on May 5, 2015, reached its high for the year of 105.6 percent in early June 2015. Like the shares and the convertible bonds, it also reached its low for the year at 92.2 percent in February 2016. Nonetheless, it was listed at 100 percent almost throughout and ended the year under review at a price of 99.2 percent, slightly below its level at the start of the financial year, as of March 31, 2016.

German benchmark index shaken by substantial price fluctuations

The German DAX benchmark index began the first quarter of the reporting year 2015/2016 at around 12,000 points and – driven above all by the large-scale bond purchase program of the European Central Bank, a weak euro and improved economic data in the euro area – went on to reach an all-time high of 12,375 points. This was followed by several months of consolidation, due to various negative factors such as the threat of a Greek exit from the euro zone and the slowing pace of growth in China. Weak Chinese growth figures, the unexpected devaluation of the yuan and the VW diesel affair triggered the clear slump in prices on the DAX that followed. However, the benchmark index recovered at the beginning of the third quarter of 2015/2016. The reasons for this turnaround included good economic data from Germany and the US, plus the market's expectations regarding an imminent rate hike by the US Federal Reserve Bank (Fed). The DAX ended the quarter at 10,743 points. In the fourth quarter of 2015/2016 the stock market was again dominated by geopolitical events such as those in the Middle East in addition to the fall in the price of oil. Added to this were the terrorist attacks in Paris, Brussels and Istanbul plus the Brexit debate and the European refugee crisis. This led to uncertainty among capital market participants and, as a result, to a period of high volatility for the DAX, which brought it to a low of 8,753 points in early February 2016. Subsequently, a slight recovery set in, raising the index to 9,966 points as of the end of the financial year on March 31, 2016. Hence, the DAX was down by 16.7 percent overall.

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.

The analysts' conference was held at our plant in Wiesloch-Walldorf for the second time in June 2015. This year participants were given an overview of the strategic reorientation in our newly opened Commercial Print Media Center. On a total area of more than 4,700 m², they experienced integrated print production in which customer benefits were the common thread running through the practical demonstrations. The central point is an innovative presentation platform that uses interactive media to demonstrate the issues of workflow, consumables and service in addition to their role in the overall process from the perspective of a customer in terms of high quality and stable production.

In addition to the analyst and investor conference on the annual financial statements and regular conference calls on the publication of quarterly figures, our investor relations activities focus on communicating with investors, analysts and other capital market participants at a number of international capital market conferences and roadshows in Germany and abroad. Our work was supplemented by a series of visits to our Company's production sites 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.

Contact with PRIVATE INVESTORS is very important to us, which was reflected in the past financial year not least by the higher number of our events for private shareholders in cooperation with Schutzgemeinschaft der Kapitalanleger (SdK), Deutsche Schutzvereinigung für Wertpapierbesitz (DSW) and regional banks. We presented the strategic reorientation of Heidelberg at eight events in total. Our upcoming events and the option to sign up for them can be found on our IR Web site under "Private shareholder events". Beyond presenting the Company at these events, we also offer opportunities for personal meetings with the Company representatives. 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 2015 approves all agenda items by significant majority

On July 24, 2015, around 1,650 shareholders attended our Annual General Meeting for the 2014/2015 financial year, which was held at the Rosengarten Congress Center in Mannheim. This meant that around 30 percent of Heidelberg's share capital was represented.

The Management Board explained the Company's strategy and the accounts for the past financial year (April 1, 2014 to March 31, 2015). Dirk Kaliebe stood in for the ill CEO Gerold Linzbach and analyzed where Heidelberg stands today and revealed how the Company will develop in the medium term. The Company's shareholders then voted on six of the seven agenda items. The matters to be resolved included the election of Kirsten Lange to the Supervisory Board and the creation of new contingent and authorized capital. 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, 2016, was around 91 percent of the share capital of 257,437,779 shares. Ferd. Rüesch AG has held 9.02 percent of the shares since summer 2014. At the time this report was printed, other shareholders holding more than 3 percent of Heidelberg shares were Union Investment Privatfonds GmbH (5.12 percent), Dimensional Fund Advisors LP (3.01 percent) and Dimensional Holdings Inc. (3.01 percent).

Credit rating as of March 31, 2016

	Standard & Poor's	Moody's
Company	B	B3
Outlook	stable	stable

Key performance data of the Heidelberg share

Figures in € ISIN: DE 0007314007	2014/2015	**2015/2016**
Basic earnings per share [1]	–0.29	0.11
Cash flow per share	–0.48	0.38
High	2.82	2.78
Low	1.85	1.62
Price at beginning of financial year [2]	2.41	2.51
Price at end of financial year [2]	2.49	1.99
Market capitalization – financial year-end in € millions	641	512
Number of shares outstanding in thousands (reporting date)	257,438	257,438

Key performance data of the Heidelberg 2011 corporate bond

Figures in percent RegS ISIN: DE 000A1KQ1E2	2014/2015	**2015/2016**
Nominal volume in € millions	355 [3]	50.0 [3]
High	107.8	106.0
Low	93.3	99.4
Price at beginning of financial year [4]	106.1	104.6
Price at end of financial year [4]	104.4	102.4

Key performance data of the Heidelberg 2015 corporate bond [5]

Figures in percent RegS ISIN: DE 000A14J7A9	2014/2015	**2015/2016**
Nominal volume in € millions	–	205.4
High	–	105.6
Low	–	92.2
Price at beginning of financial year [4]	–	98.4
Price at end of financial year [4]	–	99.2

Key performance data of the Heidelberg 2013 convertible bond

Figures in percent ISIN: DE 000A1X25N0	2014/2015	**2015/2016**
Nominal volume in € millions	60	60
High	129.7	119.7
Low	105.2	97.5
Price at beginning of financial year [4]	119.2	117.8
Price at end of financial year [4]	117.3	103.7

Key performance data of the Heidelberg 2015 convertible bond [6]

Figures in percent ISIN: DE 000A14KEZ4	2014/2015	**2015/2016**
Nominal volume in € millions	58.6	58.6
High	–	108.7
Low	–	87.9
Price at beginning of financial year [4]	–	104.5
Price at end of financial year [4]	–	94.8

[1] Determined based on the weighted number of outstanding shares
[2] Xetra closing price, source: Bloomberg
[3] Partial repayments were made on April 30, 2015, May 15, 2015 and April 15, 2016. Repayment in full is planned for June 10, 2016.
[4] Closing price, source: Bloomberg
[5] Placement on May 5, 2015
[6] Placement on March 30, 2015

Interview with Dr. Gerold Linzbach

In financial year 2015/2016, Heidelberg achieved the sales growth it was aiming for and significantly higher profitability. This reflects the success of the restructuring and reorientation of the Group. Now the Company faces the challenge of proving this in the long term. Chief Executive Officer Gerold Linzbach describes the cultural change needed for this: He believes the key to the future success of the Company lies in Heidelberg's ability to map the individual needs of customers with smart solutions and products and thus to achieve profitable growth.

Dr. Linzbach, financial year 2015/2016 was a special year for you in terms of your health, and for Heidelberg in terms of its operating activities and strategy. Most importantly, how are you?

Dr. Gerold Linzbach: Happily I'm doing just fine again. In 2015, my body let me know in no uncertain terms that more than 30 years in top management positions took their toll on me as well. My illness is over and I've been fully back at work since the beginning of 2016.

How did your absence affect Heidelberg's development?

Dr. Gerold Linzbach: Not at all. Once again it paid off that we lead our Group as a strong team. All strategic measures were systematically implemented, operational performance improved as planned, and we have laid the foundation for enduringly profitable future growth.

Why is now the right time to buy Heidelberg shares?

Dr. Gerold Linzbach: Because we have managed to turn a restructuring story into a growth story. In the last three years we have fundamentally adapted our company profile and product range to the changing general environment. And we at Heidelberg are well on our way to completing our cultural transformation from a primarily technology-oriented group to a customer-oriented one. Our positive operating performance in this period shows that we are successful.

Where does the growth come from exactly?

Dr. Gerold Linzbach: At Heidelberg we have identified three promising growth blocks where we have an enormous competitive edge thanks to our advanced technology and application expertise and our globally established, unique distribution network. The first of these is our business with consumables, where we already anticipate great potential in the short term to increase our market share substantially. On the service market we will also benefit from our range of new performance-driven service products as we have the largest installed printing press base in the industry. Our innovative strength and cooperations with leading international partners will also lead to dynamic growth on the digital market in the medium and long term. This is the case both in the hardware sector and for software and ink.

What does this mean for the coming years in terms of numbers?

Dr. Gerold Linzbach: After having achieved substantial growth in sales and earnings in financial year 2015/2016, we have set ourselves specific operational targets by which we can measure our performance. These include annual sales growth of up to 4 percent. Through organic and external growth we are therefore aiming for consolidated sales of around € 3 billion in the foreseeable future. At least 50 percent of this will be generated with services, and 10 to 20 percent coming from the digital sector. This development will reduce our cyclical sensitivity significantly and help to increase profitability.

You previously set the bar for your EBITDA margin at a minimum of 8 percent. Is this still the case?

Dr. Gerold Linzbach: This is still the case. Given the necessary start-up investments for the dynamically developing digital field and the results of this preliminary work, we have somewhat increased our margin targets for the coming years. Depending on the specific sales mix, we are striving for returns in the range of 7 to 10 percent. What is much more important – and this is really a huge success in view of the sometimes massive losses in the past – is that we want to generate sustainably higher earnings after taxes. In 2015/2016 we already reported an uptick in earnings of € 100 million and a net profit of € 28 million.

The industry environment is still challenging. What makes you so confident that Heidelberg can rise above this?

Dr. Gerold Linzbach: You're right. Anyone who cannot see what makes customers successful is still facing a difficult situation. We are therefore in the process of transforming Heidelberg from a company formerly highly focused on technology to one systematically focused on its customers. We are following the changing needs of our amended customer structure. What used to be around 200,000 generalists are today roughly 15,000 specialists. They operate completely industrialized print shops on a 24/7 schedule. Our answer to this is: "Simply Smart". This is the slogan we used to present the digitized future of the industry at our trade show drupa this spring.

"Simply Smart"…?

Dr. Gerold Linzbach: … Exactly. We can be successful in the printing industry in the long term only if our customers can operate efficiently and profitably. So our products and solutions have to enable us to provide customers with what they need to achieve sustainable success. This is done with a print shop integrated and networked along the entire value chain. We make this possible with "smart" products and services in the groups "Smart Print Shop", "Smart Services" and "Smart Collaboration". Thus we are systematically expanding our growth segments packaging, digital and services.

Let's take a closer look at these growth areas. Where is the charm here?

Dr. Gerold Linzbach: Let's start with digital. The digitization of the printing industry, as has already happened in other industries, can no longer be stopped. We are advancing the growth potential this means under our own steam, with innovations such as an autonomously operating pressroom and our new digital printing product family "Fire". But we are also benefiting from the cooperation with leading international technology partners such as Ricoh and Fujifilm. We are also expanding through acquisitions – with the Swiss Gallus Holding in digital label printing and CERM in the software area. This way we intend to generate more than 10 percent of total sales from digital activities in the medium term. We also want to grow our consumables area primarily through acquisitions. We did this in 2015 with the acquisitions of PSG and BluePrint Products, for example. Here we anticipate considerable growth potential, higher profitability and less susceptibility to cyclical effects as well.

What is happening in your traditional equipment business in sheetfed offset?

Dr. Gerold Linzbach: Here we are the undisputed market and technology leader in a relatively stable market environment. We intend to hold this position and, as in recent years already, make our cost structures both leaner and more flexible. Digitization plays a major role here as well, and we also see opportunities for price increases through integration into the digital world using our "Simply Smart" range. In summary: stable sales with rising margins. For the Group as a whole, this means that the share of sheetfed presses will decrease in the medium term from well over 50 percent of sales to just 30 to 40 percent. By contrast, the growth areas of services and digital will rise to a level of 60 to 70 percent.

And you can manage this growth entirely on your own? Do you have that much money in your pocket?

Dr. Gerold Linzbach: Even during the crisis years, we never stopped investing around 5 percent of sales in research and development. Roughly half of this already goes towards expanding our digital portfolio and software today. So we are working with the available budget and are also entering into partnerships to develop market potential more quickly. In order to expand business in services and consumables through major acquisitions, we have secured a long-term financial framework. We even financed the acquisitions I have mentioned in the last few years with our own ongoing income. We have significantly more clout.

So a historic company like Heidelberg is taking a new approach?

Dr. Gerold Linzbach: Absolutely right, as a logical consequence of our customer orientation. The future of Heidelberg is based on a cultural change that demands the fulfillment of the individual needs of our customers and the provision of correspondingly smart, intelligent products and services. To do this we have to take all our employees and imbue them with a new sense of values encapsulated by "Listen. Inspire. Deliver.". We have to "listen" to know what our customers actually expect. Incidentally, this also applies to the capital market, to our shareholders. We have to "inspire" our customers with innovative products, like "Simply Smart". And as for "deliver", we clearly have to deliver what we promise. For our customers and for our shareholders. And I promise you this as the Chief Executive Officer of this Company. And that also brings us full circle to your question as to why people should buy Heidelberg shares now.

Management Report 2015/2016

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; we are advancing the digitalization of the industry, providing integrated and reliable production processes, financially optimal investments and smooth access to all necessary materials.

We have geared our portfolio towards the growth segments of our industry. It is based on equipment, service and consumables. Services and consumables together account for around half of total Group sales. Within our portfolio we are continuing to expand the growth segments of packaging, digital and services through partnerships as well. On the one hand, the priority is to integrate and automate customers' entire value chains and thereby to enhance the competitiveness of print shops. Also, system operations will be both increasingly smart and autonomous in the future with the right services. On the other hand, new digital printing offerings target customers' expanded business models.

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.

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

In total around 11,500 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 produce 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 € 2.5 billion in the 2015/2016 reporting year.

Service network, sites and production

- Cloud-based service platform to increase competitive capability
- Flexibilization of production network
- China: Vital 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 successful integration of Printing Systems Group (PSG) shows 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

The range of the global Heidelberg SERVICE ORGANIZATION is highly valued by our customers and is considered an engineering leader beyond the printing industry. To maintain and expand this competitive edge, Heidelberg works closely with universities, such as the University of St. Gallen, Switzerland, or RWTH Aachen University and shares information with other companies. 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 250,000 different service parts. We have 125,000 service parts permanently in stock, meaning that

›The Services segment is resilient to economic cycles, highly profitable and has additional growth opportunities‹

HARALD WEIMER
- Born in 1964
- At Heidelberg since 1998
- Member of the Management Board, responsible for the Heidelberg Services segment, since 2014

Mr. Weimer, the Services area is becoming increasingly important at Heidelberg. Are its days of being purely an engineering company over?

Harald Weimer: Heidelberg is much more than just printing presses today. We also serve customers' needs beyond machine technology, which means measurable financial benefits for both sides. For our business model, this means that the Services segment is resilient to economic cycles, highly profitable and has additional growth opportunities. This stabilizes our sales and our earnings. Our market share in consumables is still low, and we anticipate substantial growth potential here. The importance of the Services segment will also continue to increase in the coming years. We are striving for a share of more than 50 percent of consolidated sales.

And how does this benefit customers?

Harald Weimer: What counts most in a connected world is enabling smooth operations for our increasingly industrial customers. To do this we provide printers with information, support and contacts from the Heidelberg cloud tailored to them: starting with an overview of their installed base, available updates and direct access to our experts. Furthermore, we offer our customers practical solutions for maximum equipment availability, increasing their overall productivity and maximizing access to consumables tested by Heidelberg. Our customers earn good money with our help, which is good for us as well.

In 2015 you acquired the PSG Group and BluePrint Products. Do you have other acquisition candidates in the pipeline?

Harald Weimer: Both PSG and Blueprint are ideal examples of where our expansion path should lead. Both have been earning money for our Company from day one, require only very low integration costs and support our growth through an extended product portfolio and improved market access. We still have our eye on a few other interesting companies. These may be smaller, but, like PSG, also have sales volumes in the nine-figure range. This ensures our growth, and our customers appreciate our coordinated offering – fully automated and networked from a single source.

This interview is not part of the consolidated management report.

we can fulfill 98 percent of incoming orders on the day they are received and dispatch the respective parts to any destination worldwide within 24 hours. 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.

Through strategic partnerships with logistics providers, we are constantly optimizing our logistics network and thus also continuously reducing net working capital.

Cloud-based service platform to increase competitive capability

The cooperation between Heidelberg and its customers will change radically in the digital age as well. The Company is working on new cloud-based service platforms that bundle the services offered by Heidelberg and make them easily accessible. The basis of this service platform is the Heidelberg Remote Service Network that connects more than 10,000 machines and another 15,000 software products with Heidelberg Services. Since last year, we have been operating this revised platform as a cloud solution that we have developed with leading technology providers. The many machines connected are constantly providing status updates. By applying big data analytics, we can offer customers additional data-driven services thanks to new smart services.

Examples include **PREDICTIVE MONITORING**, with which we help customers to increase the availability of printing presses. The goal is to reduce unplanned downtime. Thanks to the constant analysis of machine data, potential disruptions are detected as early as possible and either resolved straight away by remote service or during the next scheduled servicing.

Another new data-driven service is **PERFORMANCE PLUS**. The goal of this is to increase the productivity of the production system (machines/people/processes). Productivity data are regularly analyzed for potential improvements. Using lean management methods, the improvements are then implemented sustainably with the customer on site. If successfully implemented, the customer shares the profit from the improvement with Heidelberg.

Customers access the service platform using a customer portal including various apps. All the information, support and contacts from Heidelberg that the customer needs are provided: starting with an overview of the installed base, available updates, pending fault messages, self-help tools and data on machine availability and productivity.

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. Our **SHEETFED OFFSET MACHINES** are built 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 in China, we produce high-quality preconfigured models. The other production sites manufacture individual parts and modules or build **PREPRESS** or **POSTPRESS** machines. In the period under review, 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 UK and the Netherlands are home to our experts for specialty coatings, while our specialist for business and automation software is located in Belgium. The primary production site for **LABEL PRINTING SYSTEMS** is St. Gallen (Gallus) in Switzerland.

In **MANUFACTURING** we focus 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. There are also structural changes in this area. Production and maintenance at the Wiesloch-Walldorf site will be concentrated from five to two halls in the future. This will significantly improve the use of space, optimize processes and reduce interfaces.

Heidelberg is continuing the development of its **PRODUCTION SYSTEM** with high intensity in order to realize continuous cost savings in the future as well. The new production system compass identifies the success factors for lean and efficient production and offers all employees starting points to generate further potential for improvement. The next step now is to include the administrative areas even more. Efficient process and project management are the main areas of the ongoing development in the lean administration environment.

Further progress has also been made in optimizing the assembly processes at the Wiesloch-Walldorf production site. This will make assembly more flexible, efficient and cost-effective. 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. The project is now around 50 percent complete and will be wrapped up by the end of the financial year 2016/2017.

China: Vital local presence

In total, Heidelberg has more than 900 employees in China, around 530 of whom work in sales and service positions. This puts Heidelberg in a strong position to realize future growth opportunities in China and Asia and further develop its position on these markets. Three branches in Beijing, Shanghai and Shenzhen and three offices in Hong Kong, 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 Asian market. The Qingpu production site is fully integrated into Heidelberg's plant network. This means that all 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

- Print production volume relevant to Heidelberg growing
- Importance of industrial-scale printing companies increasing
- Heidelberg is excellently positioned to support these printing companies with products, services and print shop-specific solutions

Printing technologies and the market for printed products are in transition

The market for printed products is stable with a global print volume of more than € 400 billion per year. While print volumes are continuing to grow overall in the emerging economies, print service providers in the industrialized nations are facing a highly dynamic and rapidly changing market environment. The increasing substitution of printed products and business stationery by the Internet and the impact of demographic change on the buying and reading habits of the population is leading to a decline in annual sales. However, finishing and customization increase the value of individual printed products, as these applications preserve the appeal of print media in the communications mix. There is also growth in packaging and label printing.

Technologically, two-thirds of the print volume is already created using sheetfed offset, flexographic and digital printing processes today, and the trend is rising. To address this print production volume relevant to Heidelberg, we offer products, services and solutions for these printing technologies. Sheetfed offset printing accounts for around 40 percent of the printing volume, and is still 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. Flexo printing, an important technology on the packaging market, continues to benefit from the stable and significant growth in packaging and labels, and holds a share of around 13 percent of global print volumes.

The change in the printing industry is also shown by the fact that the industrialization of the industry across all segments is driving forward structural change. Globally, we are seeing the growth of ever larger, usually international printed media groups, combined with a decline in small and medium-sized businesses. The consolidation process is not yet over on many markets. Shorter production times, workflow automation and the regular review and fine-tuning of cost efficiency are increasingly a part of day-to-day life for printing operations. Achieving operational excellence is an important way of achieving the economies of scale necessary to compete.

But business innovations and new business models, often in conjunction with intelligent data management, can frequently be seen as well. This is especially true in digital printing. Print shops are attempting to reposition themselves – away from being copiers and towards being innovative and consulting service providers.

Heidelberg – Growth through "Smart Print Shop", "Smart Services" and "Smart Collaboration"

Heidelberg guides its customers through this structural change and is the preferred partner for achieving business excellence and business innovation. Heidelberg therefore focuses not just on the equipment, but rather on the overall integrated process and all the components necessary. For customers to be sustainably profitable, they need the right equipment for economically optimal operations, efficient service for effective and reliable production processes and a stable supply of all the necessary consumables. Whether 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 goal is to contribute to their success with our knowledge, our technology and service expertise and our application savvy. To this end, we are expanding our consulting and service range in order to provide our customers with optimal support throughout the entire life cycle of their machinery ("life cycle service"). In particular, our corresponding product range comprises services to increase machinery availability and consulting to enhance productivity. To do this we are using the world's largest networked basis of printing presses that are connected with Heidelberg via state-of-the-art cloud technologies. Services are based on the comprehensive evaluation of data from the more than 10,000 presses connected using big data analysis. The success of this strategy is shown by the fact that the average sales to the major investing customers have been increasing continuously since 2010.

›Simply Smart focuses on customers’ needs and will revolutionize the future of the printing industry‹

STEPHAN PLENZ

- Born in 1965
- At Heidelberg since 1986
- Member of the Management Board, responsible for the Heidelberg Equipment segment, since 2008

Mr. Plenz, Heidelberg’s motto at the drupa trade show is “Simply Smart”. What does that mean?

Stephan Plenz: What matters most for Heidelberg is the success and thus the sustainability of our customers. We are always focused on how our products and services will benefit our customers, how they can increase their value added and thereby their profitability. The Simply Smart concept is built on the perfect combination of equipment, services and consumables for the digitization of our industry. This is based on three pillars: the Smart Print Shop, the networked print shop with all technologies such as offset and digital but also postpress. Second is Smart Services, a data-based service offering that helps customers to use their systems efficiently. And finally Smart Collaboration, the perfect cooperation between our customers and ourselves, where we offer our customers personalized access to cloud-based service and support. Simply Smart focuses entirely on customers’ needs and will revolutionize the future of the printing industry.

What role does traditional offset printing play in this context?

Stephan Plenz: Our customers operate on a moving scale between operational excellence and business innovation. From a cost perspective and due to the enormous productivity, offset printing is the right printing technology for a variety of applications. Digital printing still counts for a smaller share of printed products generated today, but is becoming dynamically more important because it increases customers’ flexibility and thus makes new business models possible. This begins with increasing demand for smaller, personalized printing variants and extends to completely new business areas such as individual printing of three-dimensional surfaces. With our “Omnifire”, customers can individually print on objects such as footballs or packaging and achieve better margins thanks to the personalization. This is where we have potential for the future. It is crucial that we serve customers’ established business models efficiently and can offer them new and innovative options.

How long will you still earn money with offset printing? Or is everything going digital?

Stephan Plenz: Our customers earn money with the efficient operation of their business models, with offset and digital printing. Heidelberg is the only provider to support both technologies and integrate them fully into a workflow. We offer our customers the digitization of print shops, enabling future security and ushering them into a new era in terms of competitiveness. Offset printing will benefit from this as well. With our new equipment and concepts through to autonomous printing, we have the possibility to further improve our margins with stable sales in this area. On the other hand, we are counting on digital printing as a growth market, because above all the flexibility of equipment increases our customers’ competitive capability. We therefore expect double-digit growth rates in this promising segment in the medium term. We are the only provider to advise our customers regardless of the technology they use. Both sides benefit from this, including financially.

This interview is not part of the consolidated management report.

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 (Chief Executive Officer), Dirk Kaliebe (Chief Financial Officer 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, 2016. **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, Marketing and Internal Audit. In his role 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) BA, the Remarketed Equipment BA and the Service and Service Parts BA. 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, Digital and Gallus business areas. He is also responsible for the functional areas of Product Management Equipment, Product Development and Product Safety.

The **SUPERVISORY BOARD** consists of 12 members. In accordance with the German Stock Coporation Act (AktG), its most important duties include appointing and dismissing members of the Management Board, monitoring and

Organizational chart as of March 31, 2016

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 ¬ Digital ¬ Gallus	¬ Consumables and CtP ¬ Remarketed Equipment ¬ Service and Service Parts ¬ Postpress*	¬ 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 ¬ Marketing

* Since April 1, 2015, the Postpress Commercial BA and the Postpress Packaging sub-area have been reassigned to the Management Board division for Services, previously: Management Board division for Equipment.

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 business areas. Finishing technologies for packaging and advertising are the responsibility of the **POSTPRESS BA**. 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**.

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, 2016. 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 142 to 145.

Overview of material subsidiaries included in the consolidated financial statements

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

Strategy: Targets and Measures

We have systematically adapted our Company to dynamically changing conditions in recent years with far-reaching restructuring measures. The portfolio has been transformed for our goal of profitability and cash generation, and geared towards the growth areas of the market. This process is now largely complete. Thus, Heidelberg has laid the foundations for sustainable, profitable growth in financial year 2015/2016. This is reflected in an improved sales and earnings performance, reduced financing costs and therefore a positive after-tax result.

We believe that our sources of growth lie in the area of services, which already represents roughly half of our total sales, and in industrially usable (digital) printing technologies. Our digital printing technology is focused on the customer's need to achieve the increasing demands for flexibility in the field of industrial printing.

Profitable growth on the market for sheet-fed presses, our core business, is barely possible for Heidelberg any more, owing to our high market share, among other things. Here we are concentrating on further improving margins while retaining stable sales. We are advancing the digitization of the entire process of printing, which is

Heidelberg's path to sustainable profitability

Until 2015:
Implementation of restructuring and optimization

- Adjustment of structures to dynamic market changes
  - Restructuring and cost reduction
  - Streamlining of structures
  - Portfolio optimization with divestments and acquisitions
- Establishment of a four-field strategy (HDE: sheetfed offset, digital printing, HDS: consumables, service)
- Asset management and net working capital management to finance Group restructuring
- Refinancing to diversify funding framework and optimize maturity profile

Starting position 2010/2011:
Sales: € 2,629 million
EBITDA margin: 3.9 percent
Losses after taxes: € – 129 million
Leverage: 3.4

Status quo: 2015/2016
Solid foundation laid

- Strategic reorientation completed
- Solid foundation laid for sustainable growth
- Profitability increased
- Stable financing scalable for future growth
- Continuous optimization of refinancing costs

Key figures 2015/2016:
Sales: € 2,512 million
EBITDA margin (adjusted for exchange rate effects): 7.8 percent
Profit after taxes: € 28 million
Leverage: 1.5

Outlook:
Sustainable profitable growth

- **Transformation from a purely technology-oriented to a more customer-oriented company**
- **Strategic focus on growth and profitability:**
  - Expansion in the growth areas of digital, services and software
  - Increase share of sales in higher-margin service area to at least 50 percent
  - Promote digitalization
  - Focus on industrial printers

Outlook:
- Sales growth of up to 4 percent per year to around € 3 billion
- High profitability: EBITDA margin 7 to 10 percent; thus sustained positive after-tax result and leverage less than 2 to finance expansion and optimization of capital structure

DIRK KALIEBE

- Born in 1966
- At Heidelberg since 1998
- Member of the Management Board, CFO and responsible for the Heidelberg Financial Services segment, since 2006

›Financially speaking we are excellently positioned for the planned growth‹

Mr. Kaliebe, is Heidelberg able to fund its growth initiatives?

Dirk Kaliebe: Clearly yes! We have achieved a broad diversification of the financial framework on three pillars with a long-term positioning. At the same time we have managed to further reduce interest costs. We have thus created a large canvas for investment in growth areas such as digital and services. Financially speaking we are excellently positioned for the planned growth.

This means that further acquisitions are possible or expected?

Dirk Kaliebe: We have been able to change gears from restructuring to growth mode. We are continuing to invest a significant amount in our own research and development with a focus on digitization. At the same time, we are probing the market for interesting companies that are a fit for us and that strengthen our business model. Especially in the area of consumables, we are monitoring the market for logical additions very closely. If the conditions are right, we want to continue to grow here also through acquisitions.

Does the funding from the European Investment Bank also fit with growing the business?

Dirk Kaliebe: The European Investment Bank is supporting us in research and development, especially in the future field of digitization. We have received € 100 million on favorable terms and with a long duration for this. We are the first German company to receive money from this funding pot and are quite proud of this. We see this as a great vote of confidence in our strategy, solidity and product quality. Moreover, this is another excellent diversification of funding sources.

This interview is not part of the consolidated management report.

reflected in the increasing autonomy of equipment, software development and a range of smart, performance-enhancing services. Here we see major customer interest and Heidelberg has established an excellent position over the years. Our close global customer contacts built on our broad installed base also help us to achieve greater sales with service and consumables.

Overall, the operational performance of Heidelberg is characterized by the continuous development of the four-field strategy established in 2014 with a strategic focus within the Heidelberg Equipment (HDE) and Heidelberg Services (HDS) segments on:

- HDE
  - SHEETFED OFFSET: In a mature but steady market, in sheetfed offset Heidelberg has the strongest position, the largest market share of new presses and the widest installed base. This provides a large base volume of cash-generating core business and allows for growth in the services and consumables business.
  - DIGITALIZATION AND DIGITAL PRINTING: Medium and long-term profitable growth in hardware, software and consumables (ink).
- HDS
  - CONSUMABLES: Starting from a small market share, short-term growth potential both organically and through acquisitions.
  - SERVICE: Broad installed press base provides short- and medium-term growth potential for new, cloud- and performance-oriented service products.

Heidelberg a preferred partner for industrial printing

Now that the strategic framework has been set for a sustained profitable future, Heidelberg is increasingly in a development and transformation process, moving away from being a purely technology-driven company to being a customer-oriented one. The strategic focus for the coming years is therefore on the targeted networking of divisions within this four-field strategy and specific measures for all business units. This should enable the Company to achieve the following targets by 2022:

- SALES GROWTH: Up to 4 percent p.a. to a consolidated sales target of € 3 billion through organic and external growth
- Shift in PORTFOLIO FOCUS (in terms of sales) to:
  - a minimum of 50 percent services, 50 percent equipment, of which digital rising 10 percent to 20 percent
- Persistently high PROFITABILITY: EBITDA margin 7 percent to 10 percent
- Focus on increasing AFTER-TAX PROFITS, including by reducing interest expenses
- Continued low debt: leverage < 2

Established system of values as a basis for a successful future

The strategy and values system are transported by the corporate vision and mission, which guide all the Company's actions.

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!

Focus on customer orientation

To rise to this challenge and to achieve the goal of sustainable profitability, we have implemented a transformation process:

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

Listen. Inspire. Deliver.

LISTEN	INSPIRE	DELIVER
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.	**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.	**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. But we also have to achieve the targets we define for ourselves. Our own actions, for which we take responsibility, serve the goal of profitability. This requires that we take responsibility and act accordingly.

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. Heidelberg generates 80 percent of its sales per year from 3,000 predominantly medium-sized and large customers. We will only be successful here in the future by developing even more from being a technology-driven company to being a customer-oriented one.

Cultural change as an internal driver

The change in the system of values is part of a fundamental cultural shift with a stronger CUSTOMER FOCUS and the refinement of the culture of innovation at Heidelberg necessary for this. Heidelberg has to provide its customers with the right product at the right time. To achieve this, an awareness of values was established among all our employees. The motto for this is: LISTEN. INSPIRE. DELIVER.

Strategic measures for achieving goals

Heidelberg is aiming to be industrial printers' preferred partner in the future as well with the combination and networking of its range of presses, service and consumables. Its dynamic portfolio geared towards further growth and profitability, the stronger corporate and innovation culture, its new financial scope and its solid financing form the foundation for the sustainable profitability to which the Company aspires.

The timely and systematic implementation of the business area projects introduced for the Heidelberg Equipment (HDE) and Heidelberg Service (HDS) segments is now the top priority in order to make the business model more robust against cyclical fluctuations in the traditional core business. The next few years will focus on the further improvement of operating margins in all segments.

Heidelberg Equipment (HDE)

Sheetfed offset: Margin improvements in stagnant market environment

The market volume in the new machinery business in sheetfed offset is stable at around € 2.3 billion p. a. despite pronounced short-term fluctuations in investment behavior due to economic developments. Heidelberg is the market leader in this area with a market share of over 40 percent in new machinery and the largest installed base. Thanks to the adjustment of structures in recent years, the area can respond more flexibly to fluctuations. The focus is primarily on maintaining the leading market and technology positions, including by increasing networking and digitalization in this market segment. Against this backdrop, the goal for the years ahead is to improve the margin through price increases and reductions in production costs, and to continuously look for further optimization potential. The continuous adjustment of (cost) structures and vertical integration in line with the maturity of these products in the life cycle therefore remain essential.

Raising growth potential in digital with innovative strength of technology partners

The digitalization of the printing industry, as has already happened in other industries, can no longer be stopped. This will mean enormous growth potential for our Company in the coming years. This will be leveraged organically by expanding innovation leadership in this area. In recent years we therefore shifted half of research resources from offset to digital. As a result, product launches – such as the new "Fire" product series – have been reduced to 15 months from a theoretical product concept to a sellable product.

In digital printing Heidelberg is focusing on its core competence and collaboration with world-leading technology partners. Thus, the Company has been working on the development of new products with Ricoh since 2011 and Fujifilm since fall 2013. In 2014 we boosted our position with the full acquisition of Swiss company Gallus Holding in digital label printing and the acquisition of a multichannel publishing software manufacturer. The goal is to generate more than 10 percent of sales from digital activities in the medium term.

Heidelberg Services (HDS)

In recent years, thanks in part to acquisitions, Heidelberg has made progress in its efforts to strengthen the less cyclical Heidelberg Services (HDS) segment, which essentially consists of the two working areas Services and Consumables. Following the acquisition of PSG in the spring of 2015, the sales split between HDS and HDE is almost equal.

The SERVICES area remains stable at a high level. The market volume for service, maintenance and spare parts is relatively constant at € 1.3 billion annually. In this area the Company benefits from the fact that more than 50 percent of the addressable market is based on Heidelberg machinery. Growth potential in this higher-margin business mainly lies in the global service and logistics network, the integration of independent providers into this network and increased value added for customers (performance-based services).

While the global print volume remains relatively constant at around € 400 billion per year in total, individual areas such as packing are still seeing increases. The development of the CONSUMABLES area is closely related to this and, given that Heidelberg still has a small market share, the low capital commitment and the fragmented manufacturer base, is the most interesting growth area within the industry in the short term. As in the recent past, Heidelberg is constantly searching the market for interesting and suitable acquisition targets that will also contribute to increased profitability.

Established track record in the successful integration of acquired companies

In addition to leveraging organic growth potential generated in particular by strengthening the innovation pipeline and the research and development area, Heidelberg has established a successful track record in integrating acquired companies in recent years. Besides the full takeover of the Gallus Group already mentioned to expand the digital offering in label printing, the position in consumables was strengthened by the acquisitions of the British-Dutch Hi-Tech Coatings, the European PSG Group and the Belgian BluePrint Products in printing chemicals with a future increase in sales of more than € 100 million in total.

In the future we also plan to expand the Company's portfolio with external growth in the areas of services and digital. The Company is focusing on access to complementary services or technologies to ensure rapid integration into existing infrastructures.

Financial freedom enables future growth

Despite substantial investment in growth areas and in research and development, in recent years Heidelberg has been able to safeguard its financial stability and liquidity in the long term. Through the diversification of financial instruments, the extension of the term structure, the improvement of financing costs and the reorganization of occupational pensions, it has managed to establish a sound basis for the planned growth and a sustained positive post-tax result. With asset and net working capital management, the ratio of net debt to operating earnings (EBITDA) was kept below the target of 2 as of the end of the financial year 2015/2016 during the Group's restructuring.

A strategic (financing) partner was recently found in the European Investment Bank (EIB). With a development loan of € 100 million, EIB is supporting Heidelberg's research and development activities at attractive terms, especially with regard to digitalization and the expansion of the digital printing portfolio. The 2011 corporate bond will be repaid in full ahead of schedule at the beginning of the financial year 2016/2017. This will further reduce the financing costs of the Company significantly once again.

Heidelberg actively shaping the future of print

As the industry environment continues to change rapidly, printers must continuously boost their own efficiency and respond ever more quickly and more flexibly to the global requirements of end customers. The goal is to shape the digitalization of one's own business model and involve print contractors in this process. Heidelberg is driving the digitalization of the industry and further expanding the growth segments of packaging, digital and services.

On the one hand, customers expect us to maintain the competitiveness of the "bread-and-butter" business of printing with maximum efficiency and flexibility. But they also demand innovative business models and pioneering printing applications. What counts today is relieving customers of routine tasks so that they can take care of their core activities and develop new business ideas as well. And it is important to look at customers and their needs individually, rather than lumped together. If a partner to the printing industry wants to be able to secure such successful companies as customers, it must be able to offer a complete "Smart Print Shop". This means the integration of digital and offset printing in addition to the necessary software so that any order can even be managed using a tablet in the future. And even if a defect does occur, it is ideally resolved by the service team online immediately and smartly from anywhere in the world. This is the future of the printing industry.

Under the motto "Simply Smart", Heidelberg is introducing the digitalized future of the industry at drupa 2016 in Düsseldorf. The focus will firstly be on integrating offset customers' entire value chains with the possibilities and growing offerings of the digital domain and on automating them in order to increase the competitive capability of print shops. As such, these systems will work more and more autonomously in the future with the right services. Secondly, new digital printing offerings (software and the new "Fire" family) will target advanced business models for customers. Heidelberg delivers "smart" products and services that are presented under the headings "Smart Print Shop", "Smart Services" and "Smart Collaboration".

Key Performance Indicators

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

With the implementation of portfolio optimization measures, we have already achieved key strategic targets. The next phase is to continue to adapt our portfolio and structures to future requirements in order to safeguard profitability in the long term.

Most significant controlling performance indicators

In its MANAGEMENT OF THE GROUP, the Management Board primarily uses KEY FINANCIAL FIGURES as the 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 mainly based on the sales and earnings development of the Group. In terms of operational financial performance measurement, the most significant key financial performance indicators relevant to control in addition to **SALES** are the result of operating activities before interest, taxes, depreciation and amortization without special items (**EBITDA**), the **NET RESULT AFTER TAXES** 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 35 to 41 and in the "Future prospects" section starting on page 59.

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**), **NET WORKING CAPITAL** in relation to sales and **FREE CASH FLOW**. Moreover, we determine the return on capital employed (**ROCE**). 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 including special effects for the first time. More information can be found in the "ROCE and value added" section on page 45.

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

Research and Development

Heidelberg has to provide its customers with the right product at the right time. "Listening", as a feature of the enhanced customer focus, characterizes the culture of innovation at Heidelberg. While printing was historically predominantly an artisanal technique for reproducing the same thing over and over as efficiently as possible, the requirements of our customers have changed fundamentally. What matter today are flexibility, which means always being able to print new versions again at low expense, the integration of processes into a consistent end-to-end process, automation through "smart products" that communicate with each other and operate autonomously, and the plannability of resource utilization and equipment availability. With our ideas and products we want to inspire our customers, surprise them and deliver value added that leads to success. This is what research and development are about at Heidelberg.

Digital offering significantly expanded

As stated in last year's consolidated management report, we have invested significantly in expanding our digital offering, while at the same time stepping up development activities in this area to realize our growth objectives in the digital area. The promise of Heidelberg's positioning here is also shown by the fact that the European Investment Bank (EIB), after extensive review, is supporting our research and development activities with a focus on digitalization, software integration and the expansion of the digital printing portfolio with a loan.

At drupa 2016, Heidelberg will be presenting its entire digital printing offering under a single family name, the "Fire" product line. The Speedmaster range (sheetfed offset) is primarily for preserving the competitive capability of a print shop's core business (operational excellence), while the digital printing portfolio particularly targets innovative business models and pioneering printing applications (business innovation). Now that the entire product family has the same name, Heidelberg is simultaneously increasing the clarity of its full range and the brand's recognition value for customers.

The Omnifire 250 was presented as a four-color press at the Inprint trade show in Munich in November 2015. This platform for printing three-dimensional objects combines inkjet technology with high-precision robotics to print three-dimensional objects in color in high quality. The next stages will be to further expand this platform in terms of printable object sizes and geometries. Heidelberg is also working on the development of systems suitable for industrial applications, for example, in the automotive industry. The launch of the next major system, the Omnifire 1000, is scheduled for the end of 2016.

Also in the fall of 2015, we presented our Labelfire 340, which opens up the possibility of industrial and economic production of small print runs and customized labels by combining flexo and inkjet printing together with the usual options offered by a Gallus platform, at LabelExpo in Brussels and began ramping up production. The field test is progressing successfully, and the first production presses were delivered at the beginning of the 2016/2017 financial year.

As already announced, Heidelberg will continue to work with Fujifilm to gradually expand its range of inkjet digital printing systems for advertising and packaging printing.

At drupa 2016 in May/June, we will be presenting a B1-format industrial digital press with a focus on packaging applications, the Primefire 106. The trade press received a first sneak preview in February 2016 and was impressed by the progress achieved by the two companies Fujifilm and Heidelberg in just 15 months.

The digital portfolio is rounded out by our Versafire models, which are being developed in close cooperation with Ricoh and are operated with Heidelberg's digital front end for data preparation for print production and to ensure optimum print quality.

Our digital strategy is completed by our cross-technology print shop workflow Prinect. With this application we also meet customer requirements on the software side with the parallel use of highly productive offset and flexible digital solutions. Order, production and delivery processes in the print shop can be centrally and transparently assessed and efficiently managed.

New generation of presses in sheetfed offset

Under the motto "Simply Smart", Heidelberg is introducing the digital future of the print media industry with the networking of all processes to benefit customers. The new generation Speedmaster can be integrated into this digitalized process world more easily and more quickly. The new Prinect Press Center XL 2 is not just the digital interface in workflow, but also the intelligent human-machine interface that helps the user to harness the full potential of the machine's performance. In addition to the new XL wallscreen, operation has been further developed and made easier. The user can now swipe across the new multi-touch screen and the touchpad as if on a smartphone or tablet.

This focus has also been included in the new product design, which is characterized by clear and geometric shapes and above all assists users with simple operation. The design therefore highlights the new generation of machines that will be presented at drupa. This approach has won three products the prestigious international "red dot design award" in the product design category. The digital 4D inkjet printing system Omnifire 250 and the sheetfed offset printing presses Speedmaster XL 106 and XL 162 impressed the jury with their innovation, quality and ergonomics.

We have developed a consistent design for all machines that focuses on digital networking and ease of use. All Heidelberg equipment is based on the same operating philosophy, with the result that users can easily switch between offset and digital printing.

The further technical content to be found in the new equipment generations that focuses on reducing set-up time will be announced at the time of the drupa trade show in May/June 2016.

R&D in figures

Currently around 7.7 percent of our workforce is employed in the area of research and development. In the year under review, we invested almost 5 percent of our sales in research and development.

We submitted a total of 76 new patent applications in the 2015/2016 financial year (previous year: 94). This means that Heidelberg's innovations and unique selling points are protected by around 3,470 active patents and patent applications worldwide.

Five-year overview: Research and development

	2011/2012	2012/2013	2013/2014	2014/2015	**2015/2016**
R&D costs in € millions	129	118	117	121	122
in percent of sales	5.0	4.3	4.8	5.2	4.9
R&D employees	1,103	1,017	977	933	888
Patent applications	96	117	77	94	76

Partnerships

- Partnerships and cooperations in growth segments
- Key projects for the future
- Tapping new market segments

We consider an openness to 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 key projects were defined for the future. 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.

As part of our strategic reorientation, we see 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 already introduced our first products here.

We introduced a new generation of inkjet digital printing system in the B1 format with FUJIFILM, Japan, at the end of the financial year. Above all, this system meets our customers' requirements for more flexibility, higher productivity and customization. Thanks to this strategic development project from two industry leaders, innovative and industrially produced digital printing applications will be possible in the future. Both companies also want to open up new market segments with this project. The official product presentation to a wide audience as Heidelberg Primefire 106 will take place in Düsseldorf at the drupa 2016 trade show.

Both Fujifilm and Heidelberg are planning the marketing and distribution of the new system. Sales are scheduled to start at the end of 2017; the first field test installation is already planned for after drupa.

As another milestone, at the Labelexpo Europe trade show in Brussels at the end of 2015, we officially launched our new Gallus Labelfire 340 digital printing press. The sales channel for the new system is the Heidelberg subsidiary Gallus. The new label printing system is based on state-of-the-art inkjet technology from Fujifilm and is the result of a joint development by the partners Heidelberg, the Heidelberg subsidiary GALLUS and FUJIFILM. The press sets new standards in the market segment of industrial label printing with respect to the combination of print quality, flexibility and productivity.

Since the start of the partnership between Heidelberg and RICOH in 2011, more than 1,000 digital printing systems have already been installed for the economic and flexible production of small runs, including variable data printing. Heidelberg Versafire CP/CV is the new name for the existing Linoprint CP/CV digital printing systems. The Heidelberg Versafire is therefore the all-round system for the economical production of small and personalized runs. We launched the system in cooperation with the partner Ricoh and have continued its constant development since then. 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.

The strategic partnership between us and the Chinese MASTERWORK MACHINERY CO. (MK) in the field of further processing for packaging printing has started successfully. Here we sell the die cutters and folder gluers produced by Masterwork through our worldwide distribution network and handle the service. The goal is to steadily expand the business volume by gradually broadening the product portfolio.

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 Wiesloch-Walldorf in a hub structure and are centrally managed from Germany. 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 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 in addition to 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

Global economic momentum remained weak in 2015 with growth of 2.4 percent. Forecasts were gradually adjusted downward during the year – for the economy as a whole and in major industrial sectors. In the emerging and developing countries, growth according to preliminary assessments has slowed to 3.5 percent. In industrialized countries, gross domestic product increased by an average of 1.9 percent. In the EURO ZONE, the economy continued to recover during 2015. The gross domestic product rose by 1.5 percent in real terms.

The US ECONOMY remained robust in 2015. The growth in economic output was again heavily driven by consumer spending at 2.4 percent in real terms. At the end of the year the Fed slightly increased the prime rate for the first time in seven years.

Despite expansionary fiscal policy, JAPAN'S economic output increased by only 0.5 percent. Private consumption was weak and exports also weighed on the overall economic result.

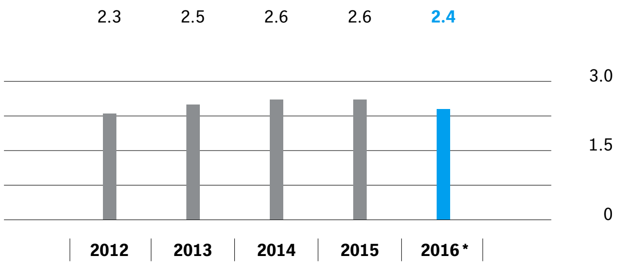
The economic situation in the emerging and developing countries was highly mixed in 2015. Many countries dependent on raw material exports such as BRAZIL and RUSSIA thus found themselves in recession. The ailing economy in CHINA was again cause for concern in 2015. According to official figures, China's economy expanded by 6.9 percent. This is accompanied by significantly reduced growth in industrial production, although the basis for growth (GDP) has increased by nearly 150 percent in the last decade.

The GERMAN ECONOMY began 2015 with a stable start to the year. Economic growth remained steady until the end of the year, with the result that gross domestic product grew by 1.4 percent on average over the year in real terms.

2015 fell short of original expectations for German engineering. The real growth in production remained flat at the previous year's level. Exports of machinery and equipment increased by nominally 2.6 percent compared to the previous year. Incoming orders were up by 1 percent year-on-year in 2015 in real terms. This increase applies equally to domestic and foreign demand.

Change in global GDP [1)]

Figures in percent



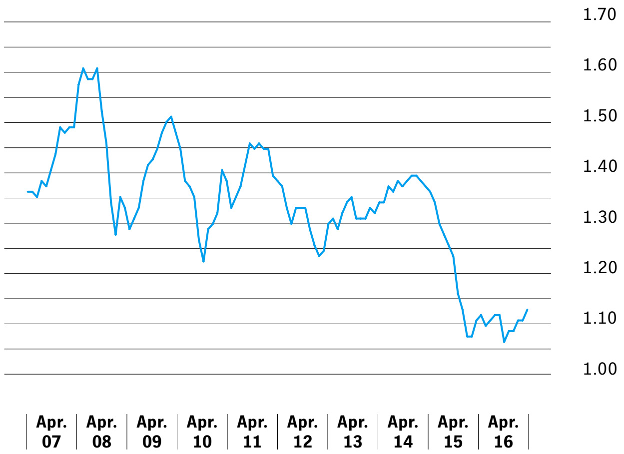
* Forecast
1) Data determined in accordance with the straight aggregate method.

The chain-weighted method would deliver the following results:
2012: 2.5 %; 2013: 2.6 %; 2014: 2.7 %; 2015: 2.9 %; 2016: 2.6 %

Source: Global Insight (WMM); calendar year; as of April 2016

Development of EUR / USD

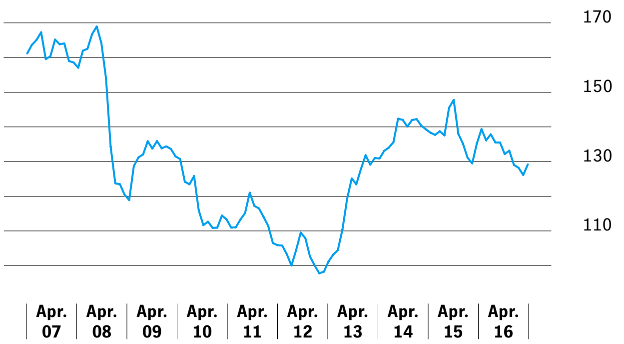
January 2007 until January 2016



Source: Global Insight

Development of EUR / JPY

January 2007 until January 2016



Source: Global Insight

Business Development

- Sales volume up around 8 percent on previous year, around 4 percent after adjusting for exchange rate effects
- Operating result (EBITDA) € 189 million
- Net result after taxes € 28 million
- Leverage kept below 2

Overall assessment of business development

After a successful reorientation, we ended the financial year 2015/2016 with a significant profit. The Company has therefore come a long way in establishing itself as sustainably profitable. The development of the growing digital business and the continuous expansion of service business created the foundation for growth. Thus, sales increased by around 8 percent to € 2,512 million in the reporting year. As forecast, they were around 4 percent higher than in the previous year after adjusting for exchange rate effects.

We also achieved our goal of increasing operating profitability on a comparable basis as against the previous year. At € 189 million, EBITDA was on a par with the previous year. The previous year's figure included net special effects of around € 50 million. Based on sales after adjusting for exchange rate effects, our forecast of an EBITDA margin of at least 8 percent was almost achieved. The costs of integrating the acquired Printing Systems Group reduced the operating result in the year under review. The segments Heidelberg Equipment and Heidelberg Services were within the forecast earnings ranges of 4 to 6 percent and 9 to 11 percent respectively.

As planned, the net result after taxes was increased considerably and was clearly positive at € 28 million after a loss of € –72 million in the previous year. Thanks to the improved operating earnings and the consistently low net debt, as forecasted we kept our leverage (net debt to EBITDA) below the target of 2.

In the year under review we further optimized the financing structure and thus achieved further diversification of our instruments and maturities. This will lead to lower interest payments and an improved financial result in the future.

Incoming orders up slightly on previous year

At € 2,492 million, total incoming orders in the financial year 2015/2016 were around 2 percent higher than in the previous year (€ 2,434 million). While Brazil and China posted declines in incoming orders due to the continuing prolonged recession and subdued growth respectively, the EMEA (Europe, Middle East and Africa) and North America regions increased their orders.

Sales increased significantly

Sales increased by around 8 percent in the reporting year to € 2,512 million (previous year: € 2,334 million). The sales increase was also due to the successful integration of the acquired PSG at around € 100 million. Sales per employee (excluding trainees) climbed from € 195 thousand to € 217 thousand in the reporting year. The Heidelberg Equipment and Heidelberg Services segments contributed almost equally to growth. As forecast, sales after adjusting for exchange rate effects (€ 2,426 million) were around 4 percent higher than in the previous year.

The order backlog amounted to around € 460 million as of March 31, 2016, down on the previous year as expected (€ 502 million) in the run-up to the industry trade show drupa in May/June 2016.

Five-year overview: Business development

Figures in € millions	2011/2012	2012/2013	2013/2014	2014/2015	**2015/2016**
Incoming orders	2,555	2,822	2,436	2,434	2,492
Sales	2,596	2,735	2,434	2,334	2,512

Results of Operations

- Operating result increased on comparable basis
- Reduced interest expenses
- Clearly positive net result after taxes

At € 189 million, EBITDA was on a par with the previous year. The previous year's figure included net special effects of around € 50 million. The EBITDA margin was 7.8 percent of sales after adjusting for exchange rate effects (7.5 percent without adjustment).

Sales and result of operating activities

Figures in € millions	2014/2015	2015/2016
Sales	2,334	2,512
EBITDA [1]	188	189
in percent of sales	8.1	7.5
EBIT [2]	119	116

[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 increased on like-for-like basis

In the year under review, EBITDA excluding special items amounted to € 189 million after € 188 million in the previous year, which had included net special effects of around € 50 million. EBIT excluding special items was also at the same level of the previous year at € 116 million (€ 119 million), which was likewise influenced by these positive special effects. The main factors contributing to the improvement in the financial year 2015/2106 were cost savings, improved margins from the portfolio optimization and positive HR effects in Germany (in particular the reorganization of the Company pension scheme and voluntary occupational social benefits), though these were offset by expenses for the planned implementation of partial retirement agreements concluded at German production sites in the previous year. There was also a positive effect of around € 19 million from the reversal in profit or loss of the negative difference from the first-time consolidation of the acquired PSG.

Income statement

Figures in € millions	2014/2015	2015/2016
Net sales	2,334	2,512
Change in inventories/ other own work capitalized	23	8
Total operating performance	2,356	2,520
EBITDA excluding special items	188	189
Result of operating activities excluding special items	119	116
Special items	– 99	– 21
Financial result	– 96	– 65
Net result before taxes	– 76	31
Taxes on income	– 4	3
Net result after taxes	– 72	28

Income statement: Clearly positive net result after taxes

Reflecting the development of sales, the Group's TOTAL OPERATING PERFORMANCE climbed from € 2,356 million in the previous year to € 2,520 million in the year under review. The ratio of cost of materials to total operating performance fell slightly to 46.8 percent (previous year: 47.2 percent) due primarily to the sales mix.

At 32.7 percent, the STAFF COST RATIO was up year-on-year (31.0 percent). In the previous year there was the clear positive effect on staff costs of the income from the reorganization of the Company pension scheme in Germany.

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. Compared to the previous year, depreciation and amortization climbed slightly from € 69 million in the previous year to € 73 million as a result of the acquisition of the former PSG companies.

OTHER OPERATING EXPENSES AND INCOME were stable year-on-year at a net amount of € 330 million (€ 325 million) in the year under review. SPECIAL ITEMS amounted to € – 21 million in the period under review (previous year: € – 99 million) and related primarily to partial retirement agreements in the double-digit million euro range concluded in the previous year in connection with the adjustment of personnel capacities at Company sites in Germany. A single-digit million euro amount was recognized in income for the sale of the former Group headquarters in Heidelberg in the fourth quarter of the financial year 2015/2016.

In March 2015 Heidelberg 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. As a result of the lower interest rates for the two instruments and the absence of non-recurring expenses for the refinancing in the previous financial year, the **FINANCIAL RESULT** improved to € – 65 million (previous year: € – 96 million). In the future, the financial result will be improved further by the full repayment of the 2011 corporate bond announced in May 2016.

Owing to the significantly lower special items from the portfolio optimization and the improved financial result, the net result before taxes was clearly positive at € 31 million (previous year: € – 76 million) as was the **NET RESULT AFTER TAXES** at € 28 million (previous year: € – 72 million).

Five-year overview: Results of operations

Figures in € millions	2011/2012	2012/2013	2013/2014	2014/2015	**2015/2016**
Sales	2,596	2,735	2,434	2,334	2,512
Per capita sales [1] (in € thousands)	175	200	194	195	217
EBITDA [2]	90	80	143	188	189
in percent of sales	3.5	2.9	5.9	8.1	7.5
Result of operating activities [3]	3	– 3	72	119	116
Special items	– 142	– 65	– 10	– 99	– 21
Financial result	– 90	– 59	– 60	– 96	– 65
Net result after taxes	– 230	– 117	4	– 72	28
in percent of sales	– 8.9	– 4.3	0.1	– 3.1	1.1

First-time adoption of IAS 19 (2011) in financial year 2013/2014. The figures for the 2012/2013 financial year were restated. The figures for financial year 2011/2012 were not 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 despite the increased sales 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 as well as a decreased demand for direct funding. As a result of the funds made available by asset and net working capital management and the income from the sale of the former head offices in Heidelberg, net debt was still kept at a low level.

Assets

Figures in € millions	31-Mar-2015	**31-Mar-2016**
Non-current assets	735	724
Inventories	637	607
Trade receivables	335	361
Receivables from sales financing	82	65
Current securities and cash and cash equivalents	286	215
Other assets	218	230
	2,293	**2,202**

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

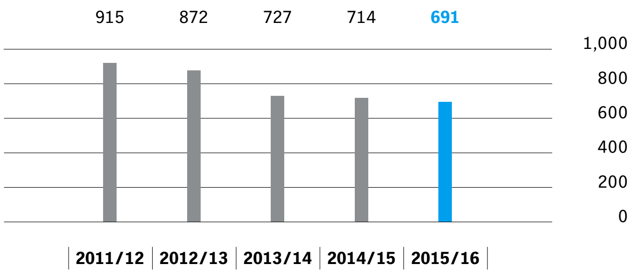
The TOTAL ASSETS of the Heidelberg Group amounted to € 2,202 million as of March 31, 2016. The reasons for the decline were essentially the temporarily increased liquidity position in the previous year and reductions in net working capital.

NON-CURRENT ASSETS continued to decline in the year under review, essentially on account of depreciation. In addition, as in previous years, we used leasing as a form of financing whenever this made good business sense – particularly for vehicle fleets and IT.

We continued to make progress with the optimization of NET WORKING CAPITAL and reduced it to less than 30 percent of sales on average for 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, committed capital was reduced further as of the end of the financial year.

Development of net working capital

Figures in € millions



INVENTORIES were down year-on-year at around € 607 million as of the end of the reporting period, while TRADE RECEIVABLES amounted to € 361 million as of March 31 of the year under review (previous year: € 335 million).

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 € 65 million they were down by a further € 17 million on the figure for the previous year.

Equity and liabilities

Figures in € millions	31-Mar-2015	**31-Mar-2016**
Equity	183	287
Provisions	1,055	930
of which pension provisions	605	534
Financial liabilities	542	496
Trade payables	171	179
Other equity and liabilities	342	310
	2,293	**2,202**

Equity and liabilities: Leverage remains below target figure of 2

On the **EQUITY AND LIABILITIES SIDE**, the Heidelberg Group's equity rose to € 287 million as of March 31, 2016, compared to the end of the previous financial year. This was essentially due to the increase in the domestic pension discount rate from 1.7 percent as of March 31, 2015 to currently 2.4 percent as of March 31, 2016 and the positive net result after taxes. The equity ratio thus amounted to 13 percent at the reporting date. Accordingly, pension provisions declined from € 605 million in the previous year to € 534 million as of March 31, 2016, meaning that total provisions fell to € 930 million as a result of this and the lower provisions for portfolio optimization.

At € 281 million (March 31, 2015: € 256 million), **NET DEBT** was up slightly as against the previous year, but was still at a low level. At 1.5, the ratio of net debt to EBITDA (leverage) was maintained at significantly less than the target level of 2.

As part of the optimization of the capital structure, **FINANCIAL LIABILITIES** declined to € 496 million after € 542 million as of March 31, 2015. **TRADE PAYABLES** amounted to € 179 million as of March 31, 2016, an increase as against the previous year's figure of € 171 million.

Five-year overview: Net assets

Figures in € millions	2011/2012	2012/2013	2013/2014	2014/2015	**2015/2016**
Total assets	2,518	2,338	2,244	2,293	2,202
Total operating performance	2,622	2,690	2,419	2,356	2,520
Ratio of total assets to total operating performance (in percent)	96.0	86.9	92.8	97.3	87.4
Net working capital	915	872	727	714	691
in percent of sales [1]	35.2	31.9	29.9	30.6	27.5
Equity	576	402	359	183	287
in percent of total equity and liabilities	22.9	17.2	16.0	8.0	13.0
Net debt [2]	243	261	238	256	281
Leverage [3]	3.9	3.3	1.7	1.4	1.5

First-time adoption of IAS 19 (2011) in financial year 2013/2014. The figures for the 2012/2013 financial year were restated. The figures for financial year 2011/2012 were not 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 year are unaudited statistical estimates

Financial Position

- Financing sources and maturities diversified further
- Interest costs reduced
- Stable liquidity framework, long-term security

In the year under review, we continued to focus on optimizing our financing structure. The sources of financing and maturities of instruments are appropriately diversified, and net debt is financed beyond 2022.

As a result of one-off payments for portfolio optimization, the PSG acquisition and prepayment penalties for the partial repayment of the 2011 bond in May 2015, the free cash flow was still negative.

Statement of cash flows: Clearly positive cash flow

Cash flow was also clearly positive at € 99 million thanks to the positive net result after taxes.

OTHER OPERATING CHANGES resulted in a net cash outflow of € – 58 million. Essentially this was due to payments for portfolio optimization. Thus, the balance of cash flow and other operating changes was once again positive at € 41 million (previous year: € 21 million).

CASH USED IN INVESTING ACTIVITIES was € – 74 million in the year under review and also included the acquisition of PSG. As planned, net investment remained at a low level of around 2 percent of sales.

FREE CASH FLOW, which was € – 32 million in the reporting year, included payments for the portfolio optimization of around € 41 million, prepayment penalties for the partial repayment of the 2011 bond of around € 11 million and the proceeds from the sale of the former head offices in Heidelberg.

Financing structure: Further diversification of financing sources and maturities

The three pillars of our financing portfolio – corporate bonds, the syndicated credit line and other instruments such as convertible bonds and a development loan from the European Investment Bank (EIB) – are well balanced. Net debt of € 281 million is financed by basic funding beyond 2022.

Five-year overview: Financial position

Figures in € millions	2011/2012	2012/2013	2013/2014	2014/2015	**2015/2016**
Net result after taxes	– 230	– 117	4	– 72	28
Cash flow	– 130	– 41	70	– 120	99
Other operating changes	186	74	– 10	141	– 58
Cash flow and other operating changes	56	33	60	21	41
of which: net working capital	24	57	113	96	35
of which: receivables from sales financing	29	40	21	20	10
of which: other	133	– 23	– 144	25	– 104
Cash used in investing activities	– 46	– 51	– 38	– 39	– 74
Free cash flow	10	– 18	22	– 17	– 32
in percent of sales	0.4	– 0.7	0.9	– 0.7	– 1.3

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

After the extensive refinancing activities in recent years, the EIB loan with its long-term focus rounds out the Company's financing mix until 2024 and thereby systematically aids the continuing innovation strategy in the field of digitalization. In June 2016 we will repay the 2011 corporate bond ahead of schedule in full, thus further reducing interest expenses.

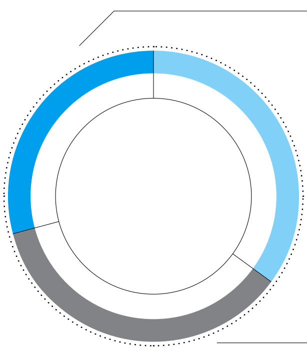
With its range of instruments, Heidelberg currently has total credit facilities of around € 700 million.

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 the diversification of sources and maturities to further bring down interest expenses and to noticeably reduce our dependency on individual instruments or due dates.

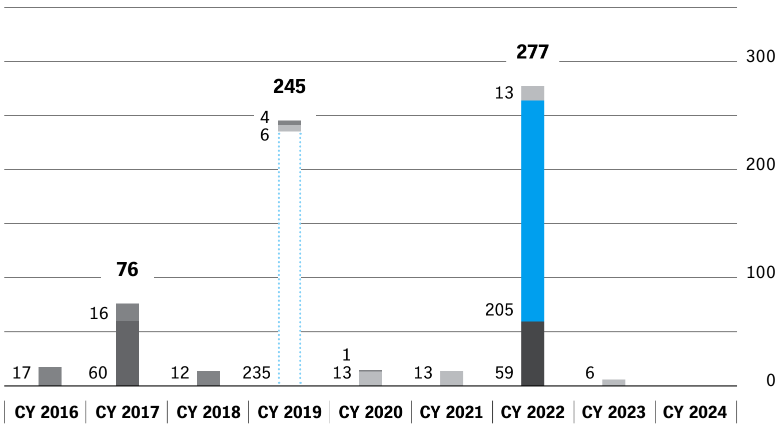
Financing instruments and maturity profile

Figures in € millions

Total volume of around € 700 million



Maturity profile per calendar year



Note: As of June 2016. Presentation after complete repayment of 2011 corporate bond; excluding other financial liabilities and finance leases

- Other instruments | amortizing
- Convertible bond (July 2017)
- Convertible bond (March 2022; put option in 2020)
- Syndicated credit line (June 2019)
- Corporate bond (May 2022)
- EIB loan | amortizing

Segment Report

- Heidelberg Equipment: Sales increased
- Heidelberg Services: Sales up, margin improved
- Heidelberg Financial Services: Successful cooperation with financing partners

The realignment of the postpress business area in the past financial year involved a shift in our focus from in-house production to sales and marketing and service. The postpress business areas (postpress commercial and postpress packaging) have therefore been allocated to the Heidelberg Services segment since April 1, 2015. The figures for financial year 2014/2015 were restated accordingly. The figures for the previous year therefore show a shift in sales of around € 140 million from Heidelberg Equipment to Heidelberg Services with a reclassification effect in EBITDA of € 31 million.

Heidelberg Equipment segment: Sales increased

At € 1,332 million (after adjusting for exchange rate effects: € 1,277 million; previous year: € 1,251 million), the Heidelberg Equipment segment increased its sales by around 6 percent in the financial year 2015/2016. The North America and Asia/Pacific regions contributed to this in particular. In the year under review, the Heidelberg Equipment segment accounted for 53 percent of Group sales. Incoming orders were at the level of the previous year at € 1,336 million (€ 1,335 million).

The ORDER BACKLOG was € 411 million as of the end of the reporting period and therefore slightly below the prior-year figure of € 422 million.

The segment's EBITDA excluding special items was € 63 million and its sales margin after adjusting for exchange rate effects was around 5 percent, putting it within the target corridor of 4 to 6 percent. In the previous year EBITDA benefited from a positive non-recurring effect essentially from the reorganization of the Company pension scheme. Special items of € – 18 million were recognized in the segment in the year under review. These predominantly relate to partial retirement agreements concluded in the previous year. There was a further reduction in the number of EMPLOYEES as part of the Group's reorganization: There were 7,194 employees in total as of March 31, 2016 (previous year: 7,583). INVESTMENTS in the segment amounted to € 47 million in the year under review. In addition to replacement investments, we primarily invested in the expansion of our digital business.

Heidelberg Equipment

Figures in € millions	2014/2015	**2015/2016**
Incoming orders	1,335	1,336
Sales	1,251	1,332
Order backlog	422	411
EBITDA [1]	112	63
Result of operating activities [1]	60	10
Special items	– 70	– 18
Investments	41	47
Employees [2]	7,583	7,194

[1] Excluding special items
[2] Number of employees excluding trainees

Heidelberg Services segment: Sales up, margin improved

SALES in the Heidelberg Services segment amounted to € 1,174 million (€ 1,143 million after adjusting for exchange rate effects) after € 1,076 million in the previous year, up by around 9 percent. The sales increase was largely due to the successful integration of the acquired PSG. At € 1,150 million, incoming orders were up on the figure for the previous year of € 1,092 million. EBITDA excluding special items improved from € 70 million in the previous year to € 124 million. This was largely due to portfolio optimization measures, the PSG acquisition, higher gross margins and an improved cost structure. Thus, the operating result of the segment, at around 11 percent, was also within the target corridor of 9 to 11 percent after adjusting for exchange rate effects. Special items of € – 3 million were incurred in this segment.

INVESTMENTS in the Heidelberg Services segment were stable year-on-year at € 15 million and related predominantly to replacement investments. The number of EMPLOYEES increased slightly in this segment in the financial year as a result of the acquisition of PSG.

Heidelberg Services

Figures in € millions	2014/2015	**2015/2016**
Incoming orders	1,092	1,150
Sales	1,076	1,174
Order backlog	79	49
EBITDA [1]	70	124
Result of operating activities [1]	53	104
Special items	– 30	– 3
Investments	18	15
Employees [2]	4,325	4,330

[1] Excluding special items
[2] Number of employees excluding trainees

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, from € 82 million in the previous year to € 65 million. As expected, the decline in the volume of receivables was accompanied by lower interest income of € 6 million (previous year: € 7 million). We were also able to significantly reduce the volume of counter-liabilities assumed.

The segment's EBITDA excluding special items was € 2 million and thus well below the previous year. In addition to the lower interest income, the increased need for provisions for risks in Brazil played an important role in this and reflects the current increased risk in that country. Nevertheless, we were able to keep the loss ratio below the long-term average, and thus make a positive contribution to earnings with the systematic implementation of our strategy in receivables and risk management.

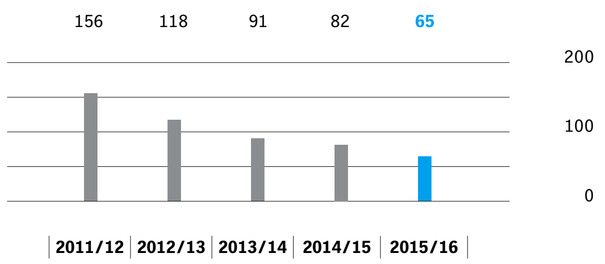
Heidelberg Financial Services

Figures in € millions	2014/2015	**2015/2016**
Sales	7	6
EBITDA [1]	6	2
Result of operating activities [1]	6	2
Employees [2]	43	41

[1] Excluding special items
[2] Number of employees excluding trainees

Receivables from sales financing

Figures in € millions



Report on the Regions

- Increase in EMEA and North America regions
- Asia/Pacific region affected by slowdown in China business
- Recession in Brazil weighs down on South America region

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

In the year under review, the order volume in the EMEA region increased significantly from € 955 million in the previous year to € 1,058 million, while the sales volume rose from € 921 million to € 1,050 million. This was due in part to the volume of the acquired PSG.

Germany reported robust incoming orders and remained the largest single market in terms of sales. The UK and the new markets Benelux and Italy experienced positive developments in incoming orders and sales. The Italian market also posted a good performance thanks to a government investment program.

Asia/Pacific: Slowdown in growth momentum in China

In the Asia/Pacific region, incoming orders (€ 665 million; previous year: € 688 million) were lower compared to the previous year; sales (€ 694 million; previous year: € 657 million), however, were up year-on-year. After a good start to the year following the trade show, the economic slowdown in China caused a decrease in incoming orders over the year. However, sales were stable thanks to the strong order backlog. Sales on the Japanese market maintained the previous year's level, and smaller markets such as India, Taiwan and the Philippines developed positively. However, Australia/New Zealand suffered significant declines in incoming orders and sales.

Eastern Europe: Incoming orders and sales in decline

With incoming orders of € 246 million (previous year: € 295 million) and sales of € 262 million (previous year: € 281 million), performance in the Eastern Europe region was down on the previous year. In addition to the ongoing political and economic problems in Ukraine and Russia, a weak business performance on the Polish and Turkish markets had a negative effect on incoming orders and sales for the region in the reporting year.

North America: Significant improvement in incoming orders and sales

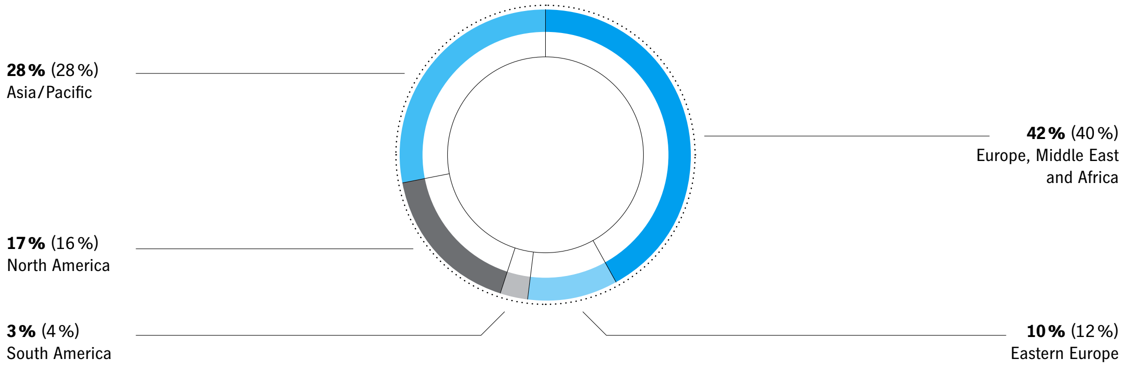
The North America region saw significant increases in the year under review with incoming orders of € 439 million (previous year: € 388 million) and sales of € 419 million (previous year: € 377 million), which also benefited from currency effects. In addition to robust business in the US and Canada, the Mexican market performed well and achieved significant increases in both incoming orders and sales.

South America: Business situation remains unsatisfactory – Brazil especially weak

At € 84 million, incoming orders in the South America region were clearly down year-on-year (€ 108 million), and sales also decreased significantly from € 98 million in the previous year to € 87 million in the year under review. This was mainly caused by the ongoing economic crisis and consequent devaluation of the currency in Brazil.

Sales by region

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



Incoming orders by region

Figures in € millions	2014/2015	**2015/2016**
EMEA	955	1,058
Asia/Pacific	688	665
Eastern Europe	295	246
North America	388	439
South America	108	84
Heidelberg Group	**2,434**	**2,492**

Sales by region

Figures in € millions	2014/2015	**2015/2016**
EMEA	921	1,050
Asia/Pacific	657	694
Eastern Europe	281	262
North America	377	419
South America	98	87
Heidelberg Group	**2,334**	**2,512**

ROCE and Value Added

- ROCE again clearly positive
- Stable capital commitment despite sales increase
- Value added at >3 percent

ROCE stands for "Return On Capital Employed". This figure is calculated by comparing the result of operating activities excluding special items plus net investment income to average capital employed. The cost of capital is determined using the weighted average cost of capital before taxes of currently around 7.3 percent (previous year: 9.0 percent). The reduction in the cost of capital by about a fifth is due in part to a higher debt ratio and the lower cost of debt rate. The cost of capital is therefore lower than in the previous year at € 76 million despite slightly higher average operating assets year-on-year.

ROCE was clearly positive for the year under review at € 112 million, thereby confirming the previous year's figure (€ 116 million). Through active management of capital commitments, average assets were again kept at a low level (approximately 18 percent less than the level of five years ago).

The low capital commitment largely benefited from the net working capital program and lower receivables from sales financing (due to the ready availability of external financing partners). However, as the capital deducted was also down compared to the previous year (low current liabilities), net average operating assets are therefore virtually on a par with the previous year's level at € 1,035 million (€ 1,024 million).

ROCE as a percentage of operating assets changed only slightly to 10.8 percent (previous year*: 11.3 percent). With a significantly lower cost of capital, positive **VALUE ADDED** of € 36 million (previous year: € 24 million) was therefore generated again.

Five-year overview: ROCE and value added

Figures in € millions	2011/2012	2012/2013	2013/2014	2014/2015	**2015/2016**
Operating assets (average) [1]	1,272	1,136	1,068	1,024	1,035
ROCE [2]	4	–4	73	116	112
in percent of operating assets	0.3	–0.4	6.8	11.3	10.8
Cost of capital	130	103	97	92	76
in percent of operating assets	10.2	9.1	9	9.0	7.3
Value added [3]	–126	–108	–24	24	36
in percent of operating assets	–9.9	–9.5	–2.2	2.3	3.5

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 year 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

* Figure for previous year including special effects of around € 50 million

Employees

- Variable remuneration components increased
- System of values established
- Active demographic management

Human resources activities in the year under review 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 actively support the change process in the Company with suitable HR tools. Furthermore, the age structure of the Company is subject to active demographic management. After a phase of restructuring and the implementation of the related HR measures, this now comprises the aging workforce on the one hand, and the rejuvenation of the personnel structure on the other.

Variable remuneration components increased

Heidelberg's primary objective for the coming years is clear – to secure its long-term profitability. Responsibilities are clearly bundled in the segment and regional structure, and the variable remuneration components for management are linked to the achievement of financial targets. Defined earnings targets 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 marketing executives are also measured against the most important earnings 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. Measurable performance targets for the assigned business areas have also been incorporated in the update. The success of the Company as a whole has been emphasized and its weighting increased as regards variable management remuneration.

Portfolio optimization affects workforce structure

Restructuring measures were carried out in the financial year that affect both the number of employees and the workforce structure. Above all, the repositioning of postpress and structural adjustments in sheetfed offset resulted in further employees leaving the Company. Socially responsible solutions were found in most cases. Heidelberg acquired the European Printing Systems Group (PSG), Netherlands, in April 2015. This integration has led to an increase in the number of employees of around 400.

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.

System of values established

Training for managers to implement Heidelberg's values – "Listen", "Inspire" and "Deliver" – and the mapping of the specific implementation in annual staff appraisals have played a part in the change process. Personnel development tools are used for sustainable compliance and the international implementation of management principles. The reorientation of the Company is highly dependent on employees' willingness to change. Suitable staff development programs are a prerequisite for successful change.

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.

Training: Investing in the future

Around 80 young people began their training with Heidelberg at four locations in Germany on September 1, 2015. Training is a long-term provision for the future to develop skilled workers and to address demographic change. Our range of training and study opportunities is constantly 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. Trainees graduating at Heidelberg were again among the year's and the chamber's best in the reporting year.

The quality of Heidelberg training is highly attractive for smaller businesses in the region as well. As part of collaborative and contract training, more and more new companies are signing up for cooperation agreements.

Various projects were launched for the integration of refugees into the labor market. Places were offered at the Wiesloch-Walldorf production site as an aid year. This year, which also includes additional German classes, is intended to facilitate an entry to the world of work or subsequent training. The Amstetten production site is participating in a partial qualification program. Together with the employment agency, associations, chambers and other companies, this "TQplus" project was launched to provide an entry option on the local labor market with additional language teaching, theoretical teaching and practical training in the metalworking sector.

16.2 percent of the trainees are female. With events such as "Girls' Day" in particular, we want to increase the share of female trainees in professional fields, especially the technical and scientific professions. We showed more than 100 schoolgirls just how varied technical professions can be at our Wiesloch-Walldorf, Brandenburg and Amstetten presentations to inspire them to pursue such vocations. Heidelberg is also involved in a "cross-mentoring program" for future female managers.

Active demographic management and implementation of a "Demographic Arena"

Heidelberg, just like many other companies, is confronted with the challenges resulting from the rising average age of its workforce. Lasting efforts will be needed to maintain working viability in a production environment. Accordingly, the Human Resources department has been pursuing demographic initiatives for a number of years with the aim of securing its viability and improving its innovative strength on a sustainable basis. Building on the four "pillars of employability" – health, qualifications and knowledge transfer, ergonomics and communications and management – specific measures have been designed and initiated for all four pillars.

The "Demographic Arena" and the sustainable measures designed in cooperation with the social partners have received the "Demography Award" of the German Association of Human Resources Managers. The results of individual projects were 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. Health management in particular plays an active role in this: The range of real activities extends from special dietary options in the staff restaurant, an "active break" at the factory and the use of a "back-mobile" to train particularly hard-working skeletal and muscular structures to exercise equipment and health advice, and is supplemented by the actual implementation of ergonomic improvements. A committee that includes the Works Council coordinates the individual measures and ensures that they are established in operational practice.

Heidelberg idea management: Quality increased further

Heidelberg's idea management generated savings of € 4.5 million in the year under review (previous year: € 4.95 million). An implementation rate of 47 percent illustrates the continued high quality and practicality of the ideas submitted. The goal for the future is again to increase the effectiveness and efficiency of idea management. This will be achieved through an even stronger focus on the most profitable ideas and streamlined and simplified processes. Decisive factors in this are the creativity of contributors and the skills of experts that idea management at Heidelberg has been able to access for more than 60 years.

Employees by region

Number of employees [1]	31-Mar-2015	**31-Mar-2016**
EMEA	8,601	8,369
Asia/Pacific	1,936	1,821
Eastern Europe	504	494
North America	738	747
South America	172	134
Heidelberg Group	**11,951**	**11,565**

[1] Excluding trainees

Five-year overview: Social key figures

	2011/2012	2012/2013	2013/2014	2014/2015	**2015/2016**
Number of employees (at balance sheet date; excluding trainees)	14,813	13,694	12,539	11,951	11,565
Trainees	601	521	502	427	351
Specialized training days	17,819	11,780	12,823	7,158	6,091
Turnover rate in percent [1]	5.0	12.7	6.5	8.2	5.9
Average seniority (in years)	16.1	16.8	17.1	17.9	18.6
Percentage of female employees	14.4	14.6	14.8	14.8	15.7
Percentage of part-time employees (excluding partial retirement)	3.7	3.8	4.0	4.6	5.0

[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

For Heidelberg, sustainability means taking ecology, economy and social responsibility into account simultaneously. Sustainability targets form part of our standards of conduct and our environmental standards – with regard to our products and our production processes alike. Compliance with standards of conduct and environmental standards is mandatory throughout the Group, and is set out in the Heidelberg Group's environmental policy, which can be found on Heidelberg's Web site under "Company", "Sustainability". 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.

Workplace safety and thus the safety of our employees have top priority at our production sites in Germany and, of course, outside Germany as well. Necessary safety measures are therefore implemented immediately. The absolute number of notifiable on-the-job accidents at our largest European production sites has decreased slightly to 94 in the 2015 calendar year (from 97 in 2014), the same applies to the accident rate which fell to 10.7 (accidents per million hours worked) from 11.2 (2014). Furthermore, the average accident rate at Heidelberg is well below the industry average (14.6 in 2014; source: German employers' liability insurance association of the wood and metal industry (BGHM)).

Organizational establishment

Environmental protection and sustainability issues are integrated into Heidelberg's Groupwide organization. The Group's ecological goals are set by the **ECO COUNCIL**, which is headed by the Chief Executive Officer and includes the Board members for the segments Heidelberg Equipment and Heidelberg Services in addition to representatives from Production, Research and Development, Marketing, Product Management and representatives of the global market organization. The interdisciplinary **ECO WORKING GROUP** advises the ECO Council, proposes an environmental program and monitors its implementation in individual areas.

Education as cornerstone of social advancement

Heidelberg puts its social commitment into practice primarily in education projects and by supporting integrative 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. 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. A number of projects with kindergartens, zoos, a day care center and a nursing home were implemented in the reporting year.

There were also various Christmas activities at training locations. The proceeds are donated and regularly benefit the region's needy.

Ecological evolution of products

Speedmaster XL 75 Anicolor 2 offers further ecological and cost benefits

We introduced Anicolor technology for the first time on the Speedmaster XL 75 at drupa 2012. Anicolor technology has since become successfully established on the market in the 50×70 cm format range. The zoneless short inking unit is characterized in particular by extremely short set-up times, low wastepaper requirements and optimal offset quality. To make the Speedmaster XL 75 Anicolor even more attractive and greener, further innovations have been developed for further savings in energy and wastepaper.

The Anicolor 2 inking unit consists of a single format-sized anilox roller with an ink chamber doctor blade. To control ink quantities, the anilox roller for each individual printing unit can be set in a temperature range of 20°C to 45°C. The warmer it is, the more ink is transferred. A new feature that saves energy is the “Anicolor Booster”, a separate rider roller that can be activated as required. The booster significantly increases ink transfer without using additional energy for heating. This means that the same color can be achieved at a lower temperature and thus with lower energy consumption.

Since fall 2015, UV technology – where ink is cured using ultraviolet light – has also been available for the XL 75 Anicolor 2. Thus, thanks to Anicolor technology, up to 90 percent of spoilage can be saved on what are usually expensive materials when printing plastic films.

Projects at production sites

At the end of the year under review, the **BRANDENBURG** production site, where Heidelberg has been manufacturing mechanical parts for printing presses since 1991, began modernizing and replacing its indoor lighting in the interests of efficiency and sustainability. Instead of conventional fluorescent tubes, intelligent controlling of LED lights will ensure energy cost savings of 60 to 70 percent in the future. This is a drop in emissions of more than 600 metric tons of CO_2 per year, coupled with cost savings of around € 200,000 at the same time. The modernization and replacement of indoor lighting will also be looked at and implemented in other areas and at other production sites in the years ahead.

At **AMSTETTEN**, the site of our foundry and parts of mechanical production, we have modernized the hydraulic supply in mechanical production in the reporting year. The conversion of the plant and the installation of new components firstly significantly lowered the power input, and secondly reduced power consumption by almost two-thirds, which makes it both greener in terms of CO_2 savings and more economical in terms of lower energy costs.

In addition, energy requirements for heating the building were significantly reduced by implementing various measures to lower gas and electricity consumption. Heat recovery from production processes (e. g. sand cooling, oil cooling, water cooling) was optimized, the thermal mass of the building was used to store heat, room temperatures were systematically lowered when not in use, the circulating water quantity (hydraulic balance of water networks, increasing the temperature differential) was reduced and heat generators were equipped with new burners and an adapted control strategy. These measures reduced gas consumption by a quarter and power consumption was almost halved.

At our largest production and administration site in **WIESLOCH-WALLDORF** we switched the solvent for cleaning the application equipment in the central paint shop to a VOC-free cleaner in the reporting year. Volatile organic compounds (VOCs) are organic chemicals harmful to both the environment and health. The change has reduced the total consumption of VOCs at the production site by almost a third.

A number of smaller system improvements at the production site resulted in a further overall increase in energy efficiency in the reporting year. Two examples of this are the conversion of the boiler in the central kitchen and the merging of two uninterruptible power supplies (UPS). In the former case, the steam supply system, which was prone to high standby losses, was completely dismantled, and in the other case one UPS and its parallel emergency diesel generator were decommissioned. The two measures have sustainably reduced energy consumption and emissions (exhaust gases, noise).

Trade show appearance carbon-neutral

Heidelberg's appearance at the drupa 2016 trade show in Düsseldorf in May/June will be carbon-neutral. All activities and materials for the entire function hall – including the partner companies exhibiting there – will be assessed and compensated with a gold standard certificate. This includes the construction of stands, the IT equipment and the equipment on display, the materials used such as inks and paper, the energy used and the catering for the staff and guests.

The resulting CO_2 emissions will be compensated by planting around 10,700 trees and building a meeting house in Fokpo, Togo, in the traditional round design, which will mainly be used for meetings by the villagers and for workshops (work safety, first aid courses, etc.). In a second phase the meeting house will be fitted with a solar system with storage batteries so that the school children from Fokpo can do their homework in a bright environment after darkness has fallen. Heidelberg has been supporting projects by the naturOffice organization in Fokpo in West African Togo with CO_2 offsetting for equipment and events for around five years. The restoration area has thus been greatly increased from the original 1,000 hectares to 8,000 hectares, and there has been a number of social projects such as the construction of a well in 2012.

Positive development of ecological key figures continuing

Heidelberg has introduced and implemented numerous measures at its production sites to improve its environmental performance in recent years. The figures now available confirm their effectiveness and are an incentive to continue on this chosen path. For example, the consumption of energy and water, and also waste quantities and CO_2 emissions, has been reduced further.

The fact that this success was not achieved through consolidation measures alone is shown by the figures for metric tons of output, which have also improved since the previous year. The long-term trend to increased efficiency is ongoing, and we see any setbacks as an opportunity and motivation to contribute to reducing the environmental impact with targeted action.

Since last year the Leipzig production site has been discontinued and the Langenfeld production site has been relocated to Neuss.

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

	2011	2012	2013	2014	**2015** [8]
Input					
Energy in GWh/a [1]	346	353	336	307	300
Energy in GWh/a [1] (weather-adjusted) [1), 2)]	360	350	324	325	304
Water in m^3/a	333,551	313,013	283,027	322,041	270,240
Output					
CO_2 emissions in metric tons [3), 6)]	150,953	175,185	160,373	151,862	150,110
Waste in metric tons	34,829	37,415	36,953	35,086	32,966
Key figures					
Energy consumption (kWh/a) per produced metric ton of output (weather-adjusted) [2), 4), 5)]	6,006	5,706	5,641	6,128	5,546
Recycling rate in percent	94.50	96.17	95.59	95.03	95.32
CO_2 (in metric tons) per produced ton of output [2), 3), 4), 5), 6), 7)]	1.54	1.92	1.77	1.94	1.86

1) Total energy consumption of sites including car fleet and the Wiesloch-Walldorf Company filling station
2) In accordance with 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) 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
5) Excluding Gallus, HTC, car fleet and the Wiesloch-Walldorf Company filling station
6) Taking into account printing presses, prepress, postpress and external business activities (Amstetten foundry)
7) Prior-year figures adjusted retrospectively due to correction of average outside temperatures referenced
8) Not including Leipzig production site

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 2011 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

Internal 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. The principles, processes and measures of the Heidelberg Group's internal control system (ICS) ensure that management decisions are implemented effectively, that control systems work profitably, that laws and internal regulations are observed, and that accounting is undertaken properly. The ICS that was established for this purpose is based on the framework for internal control systems of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Group's internal auditors examine compliance with all guidelines and accounting standards on a regular basis using random samples.

Manuals, guidelines and operating instructions are available at all times on 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 ICS for their areas of responsibility, which includes the following sub-areas:

- 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 recognized in full, and that the ICS 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 ICS, the risk management 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. The risk early identification system satisfies the legal requirements of the German Corporate Sector Supervision and Transparency Act (KonTraG).

A cross-sector committee (Risk 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, determines the materiality thresholds and the ranking of the risks. In addition, its members 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". The Company's guidelines and organizational directives stipulate a strictly formal process, by means of which individual risks and the Group's overall risk are systematically identified and opportunities are tracked, assessed and quantified. All operating units and divisions are integral components of this process. Information on risks is collected locally. The risk-significant areas of observation and 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 and 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. Liquidity risks are systematically minimized throughout the Group. The potential funding needs of affiliates and the resulting potential liquidity risks are pinpointed at an early stage with the help of monthly rolling liquidity planning. 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 regularly reviewed by Internal Audit in accordance with the Minimum Requirements for Risk Management (MaRisk) formulated by the German Federal Financial Supervisory Authority (BaFin).

Risks arising from sales financing are also systematically reduced. Close cooperation with external financing partners has made it possible to cut back considerably in recent years on financing arrangements taken on by Heidelberg. Moreover, internal financing is only made available following a comprehensive review that includes the customers' business model and credit rating. Sales financing commitments are regularly reviewed using internal rating processes. Like the Basel standards, these comprise both debtor-specific and transaction-specific components. The Group operates a policy of risk provisioning that is appropriate for the business model in sales financing. Appropriate risk provisions are recognized early on for discernible risks.

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. The Heidelberg Group systematically counters this risk and other risks that may arise from it. Through the ICS, and using systematic controls and set processes in particular that also require audits based on random sampling, the Company takes every conceivable measure to prevent errors in the consolidated financial statements and in the Group 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 principles of the separation of functions and dual control are 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 in addition to controls of whether tax calculations are appropriate, and whether tax-related items that are included in the annual financial statements have been properly recognized. 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 also regularly monitored by our Internal Audit team.

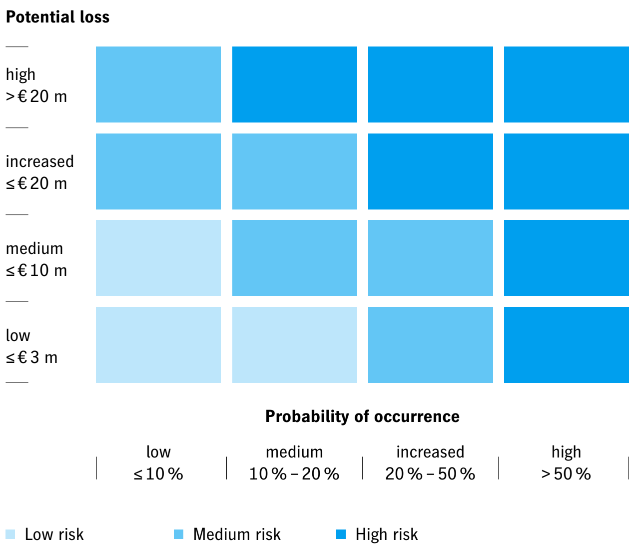
Risk and Opportunity Report

- No discernible going-concern risks
- Development in the BRIC nations the largest individual risk
- Opportunities from strategic measures and development of the economy and industry

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 pages 29 and 30. Our management processes focus on financial performance indicators, but 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

No RISKS TO THE HEIDELBERG GROUP AS A GOING CONCERN are discernible. This applies both to business activities already implemented and to operations that we are planning or have already introduced.

In order to determine our overall risk, we bundle individual risks with similar content. We do not offset them against opportunities. The overall risk situation of the Heidelberg Group has changed slightly since the previous year. There is an increased risk of not achieving our earnings targets in the future economic situation in the BRIC nations. A weaker than expected performance by these countries could have a negative impact on sales and margins in the Heidelberg Equipment segment (HDE), especially in the sheetfed area.

We rate our **STRATEGIC RISKS** as low. Although the development of the BRIC countries is seen as an increased risk, it is assumed that the share of the print volume produced using the sheetfed offset printing method will remain stable globally. Additionally, the barriers to entry in sheetfed offset printing are high and therefore no significant competition from new providers is expected. Secondly, the precise transportation of paper sheets at high speeds remains a core competency of Heidelberg and we are therefore an ideal partner for providers of new technologies. Furthermore, the Group has a strong global sales and service network. Heidelberg considers itself to be strategically well positioned, not just in sheetfed offset printing processes, but also in digital printing processes, which are seeing global increases in the print volumes produced.

Before making investments in a new business area, potential risks and opportunities are weighed on the basis of various scenarios. This procedure will be followed in the coming year, especially in connection with possible interesting acquisition projects in the area of consumables. This goes hand-in-hand with another important business objective, that of organic growth. 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.

OPPORTUNITIES for Heidelberg result in particular from the strategic measures aimed at sustainable profitable growth, such as the strengthening of service business through acquisitions and the development of new digital products. The strategic reorientation with a view to profitable business areas and growth fields and the further streamlining of Company structures have already mostly been completed. Financial stability and liquidity, which are secured over the long term, with a diversified financing structure, improved financing costs, and an optimized maturity profile offer future opportunities for active portfolio management and growth as well. A more positive economic development than is currently forecast, especially in the BRIC nations, could also lead to an increase in the investment volume on the part of our customers. An improvement in the earnings situation as per our forecasts presents the opportunity that the ratings and thus funding options will continue to improve.

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 the planned sales performance will not be achieved, particularly in the Heidelberg Equipment segment. 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 segment’s share of total sales has increased in recent years and is around 47 percent as a result of the latest acquisitions (Printing Systems Group). The Heidelberg Services segment’s share is expected to rise to around 50 percent of total sales in the medium term, mainly as a result of the stronger Consumables area, making Heidelberg less susceptible to economic fluctuations.

We are paying special attention to the BRIC countries. One challenge is how to deal with the current economic situation in these emerging markets. Above all, the economies of the raw material exporters Brazil and Russia were particularly impacted by lower raw material prices. Economic growth in China has slowed, and the recent decline in exports points to a further slowdown in economic growth. Nevertheless, incoming orders in China have developed at a stable level in the last four quarters. In industrialized countries, the moderate growth is expected to accelerate slightly.

Overall, we consider the operational risks from the economy and the markets to be medium.

Political risks

The political and economic uncertainties in the Middle East and the related refugee crisis can impair business in Heidelberg's Europe, Middle East and Africa region. In addition, the debt crisis in Europe (e.g. Greece) and a possible exit of the UK from the EU is a major and unquantifiable potential risk to political and economic development in Europe.

This risk is currently considered to be medium.

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. For the coming year, VDMA economists forecast that the production level of the previous year can be maintained despite the many economic and political risks in China in particular. Against this backdrop, the risk of not achieving the planned sales and margin targets in the sheetfed area is considered to be increased.

The industrialization of the sector is still on the rise, with the result that mostly international print media service providers are growing in industrialized countries while the number of medium and small printing companies is shrinking. 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.

In light of this, 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. Heidelberg is therefore investing in new business applications and cooperating with innovative partners who are the leaders in their respective segment.

Heidelberg sees itself not just as a provider of equipment, but also as a partner to our customers, offering a comprehensive service for effective and reliable production processes and easy access to necessary consumables. 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, the risks and opportunities are weighed 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.

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 and margin targets, has decreased 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 – especially given that the euro may be stronger moving ahead.

Overall, we consider our operational risks from the industry and the 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 acquisition of the Printing Systems Group, previously a major sales partner, we were able to reduce our risks from global sales partnerships. We consider this risk to be low.

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. The principal legal disputes relate to product liability cases. Furthermore, there are legal disputes in connection with warranties related to machine sales which may lead to a reversal of sale, as well as with regard to former rental, consultancy and employment agreements. Legal risks also include antitrust risks, though their probability of occurrence is considered very low. 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. Additional risks – with a probability of less than or equal to 50 percent – are discussed appropriately in the risk report and are monitored closely. Heidelberg reduces LEGAL RISKS from individual agreements by utilizing standardized master agreements wherever possible. Heidelberg's interests in the area of patents and licenses are protected 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.

Liquidity risks

LIQUIDITY RISKS arise from a potential lack of funds to service debt in terms of maturity and volume. Heidelberg has further diversified both its financing structure and maturity profile and optimized its financing costs in the past quarters. With the complete repayment of the 2011 corporate bond (partial repayment in the amount of around € 65 million in April 2016 and repayment of the remaining € 50 million in June 2016) and the conclusion of a loan agreement with the European Investment Bank for research and development of digitalization, Heidelberg further diversified and optimized its financing structure. Overall, Heidelberg has total credit facilities with balanced diversification and a balanced maturity structure until beyond 2022, which minimizes liquidity risks.

Moreover, Heidelberg further reduced its net debt in the year under review through successful asset and net working capital management. 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 40 and 41. Notes 29 and 38 to the consolidated financial statements explain in more detail 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. We consider this risk to be low.

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. A major hike in interest rates by the Federal Reserve could pose a risk for Heidelberg as this would impact global interest rates. However, given the current low interest environment in the euro area, Heidelberg has only a minor interest rate risk.

In the year under review, the higher interest rate (as compared to the previous year) used for the discounting of pension obligations led to actuarial gains that had a direct positive effect on equity. On the other hand, a decline in the discount rate for pension obligations would lead to actuarial losses, causing a direct reduction in equity. Given the current interest rate environment, a fluctuation in the relevant interest rate and thus the effect on equity is still expected.

CURRENCY fluctuations can also have either a positive or negative effect on equity.

Owing to our global operating activities, Heidelberg is exposed to potential risks from EXCHANGE RATE developments. The Group has hedged against the risk of fluctuating exchange rates of its principal foreign currencies for foreign currency volumes. Nonetheless, there are still exchange rate risks that are constantly analyzed and evaluated.

We currently consider our interest rate, currency and exchange rate risks and opportunities to be 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. As a result of the persistently weak economy in Brazil, we still have a relatively high share of overdue contracts. However, these are monitored very closely with 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 average level for previous years in the past financial year. Our proven and successful strategy of many years of externalizing financing arrangements generally helps us to reduce our sales financing risks. We still rate our sales financing risks as 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 around two-thirds 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 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. Moreover, in the year under review the conditions were created for a fundamental renewal of the IT infrastructure in the network area in terms of safety and performance. At present, we still consider our IT risks to be low.

Opportunities from strategic measures and economic development

There are opportunities for Heidelberg arising in particular from the STRATEGIC MEASURES, as described in detail in the "Strategy" section on pages 24 to 29. This includes the continued transformation from being a technology-oriented company to being a customer-oriented one with a focus on expansion in the growth areas of digital, service and software with a continuous improvement in cost structures.

With our new digital printing presses and other products that we will develop as part of our cooperations and in our own research and development activities in the future, we see the opportunity to establish ourselves in the area of digital printing. We anticipate growth potential in the more profitable and less cyclical area of Services and Consumables from our global service and logistics network and from the integration of independent providers into this network and increased value added for customers.

Above and beyond this, a major opportunity for Heidelberg lies in the possibility of MORE POSITIVE ECONOMIC PERFORMANCE than is currently forecast. In the BRIC nations 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 initiate a further growth phase. The economic upturn in the advanced economies could lead to a rise in the investment volume there as well. A shift in exchange rates in Heidelberg's favor would also have a positive effect on sales and earnings planning. There are opportunities – and 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

Moderate global economic growth of 2.4 percent in real terms is expected for 2016. Despite the further slowdown in China, a slight acceleration in growth is forecast for the emerging and developing countries overall. Russia and Brazil are unlikely to come out of recession also in 2016.

The moderate growth in industrialized countries is expected to continue at a slightly faster rate. This should be made possible by a slight recovery in Japan, the euro zone and Canada. Both the US and the UK – assuming that it remains in the European Union – should be able to maintain the solid growth pace of 2015.

For 2016 the Council of Economic Experts expects a growth rate in adjusted gross domestic product of 1.9 percent in Germany. No significant stimulus is expected from exports. Furthermore, strong private consumer spending is expected that will contribute to the increase in gross domestic product.

German engineering

For 2016, VDMA economists forecast that the production level of the previous year can be maintained despite the many negative factors influencing global demand. Widespread geopolitical unrest and crises, coupled with the lack of clear growth trends, are leading to a cautious stance among many potential investors worldwide. Momentum has slowed significantly for a number of key developing and emerging countries that have allowed high export growth in the German engineering sector in recent years.

Future Prospects

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 the structures 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. Accordingly, we have adjusted the structures here, further reduced production costs and will optimize this area continuously. 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.

Our portfolio expansion in rapidly developing markets, possible acquisitions and the drupa industry trade show will substantially affect sales performance in the financial year 2016/2017 and the years ahead. Our investment priorities in the areas of digitalization, digital printing and services are expected to contribute to average sales growth of up to 4 percent per year. We are assuming that this growth target will be achieved in the current financial year 2016/2017 with the positive effects of the drupa trade show.

The accelerated expansion of digital and service business will continue to be the focus of portfolio alignment and will further increase profitability in the medium term. Given the associated inputs, the EBITDA margin before special items is expected to initially remain at the level of the previous year in the current financial year 2016/2017. The Heidelberg Equipment segment is expected to contribute to this result within a range of 4 to 6 percent, and the Heidelberg Services segment between 9 and 11 percent. In the Heidelberg Financial Services segment, we will primarily continue to externalize retail financing and so keep the volume low. It should continue to provide a positive EBITDA contribution.

Based on the reorganization of Heidelberg and the further implementation of all strategic measures, we intend to establish a solid profitability level with an EBITDA margin for the Group as a whole of between 7 and 10 percent in the following years.

Sustainably positive after-tax result and leverage < 2

Thanks to the continuous optimization of our financing framework, the financing costs are to be reduced further in the financial year 2016/2017, thus improving the financial result. With this, Heidelberg is aiming for a moderate increase in its net result after taxes in the financial year 2016/2017. Due to the profitability level achieved and reduced financing costs, this should improve further in the years that follow.

On the basis of the stable and long-term financial framework and the further increase in profitability, we have already reduced leverage to significantly below the target still in place of 2. We therefore have the financial flexibility to finance acquisitions and continue the strategic development of Heidelberg.

LEGAL DISCLOSURES

Remuneration Report – Management Board and Supervisory Board [1]

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

The Supervisory Board discussed the appropriateness of Management Board compensation and the structure of the compensation system during the year under review. This was also done in connection with the agreement and review of agreements on objectives with Management Board members. With the introduction of the new compensation system in financial year 2012/2013, the procedure and the parameters for measuring the variable compensation elements were defined and, in respect of the multi-year variable compensation elements, 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 compensation of the Management Board are determined at the recommendation of the Personnel Matters Committee of the Supervisory Board of Heidelberger Druckmaschinen Aktiengesellschaft and reviewed at regular intervals. In each case, Management Board compensation amounts to a maximum of 280 percent of fixed annual basic compensation, divided into 100 percent for fixed annual basic compensation and a maximum of 180 percent for the variable compensation elements, i. e. a maximum of 90 percent each for the one-year variable compensation and multi-year variable compensation.

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

The one-year variable compensation 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 Personnel Matters Committee, taking into account their particular duties and responsibilities in addition to any individual objectives agreed. If objectives 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 objectives are exceeded. With respect to their personal annual bonuses for the year under review, the Supervisory Board and the Management Board had again agreed to give priority to the annual financial objectives, 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 objectives on which it is based.

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

Once an agreed minimum objective is attained, a minimum threshold of 25 percent is applied, with the result that the achievement of an objective is assessed within a corridor of 25 percent to 100 percent.

This means that the previous structure of Management Board compensation was unchanged in the year under review.

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

The members of the Management Board have undertaken to each invest 10 percent of both the one-year variable and multi-year variable compensation (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 one-year variable compensation and the multi-year variable compensation alike provide an additional long-term performance incentive, increasingly gearing the compensation structure towards sustainable business development. The corresponding shares of the one-year variable compensation paid for financial year 2014/2015 and the multi-year variable compensation for financial years 2012/2013, 2013/2014 and 2014/2015 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, 2015.

Benefits in kind consist primarily of the value of the use of a company car deductible in accordance with tax provisions and, in the previous year, the value for tax purposes of expenditure for other means of transportation (rail) and the assumption of accommodation costs.

Payments of the individual members of the Management Board (HGB)

Figures in € thousands		Non-performance-related elements		Performance-related elements		Total compensation
		Basic salary	Benefits in kind	One-year variable compensation	Multi-year variable compensation	
Dr. Gerold Linzbach	**2015/2016**	550	6	395	495	1,446
	2014/2015	550	8	495	495	1,548
Dirk Kaliebe	**2015/2016**	390	14	401 [1]	351	1,156
	2014/2015	390	15	351	351	1,107
Stephan Plenz	**2015/2016**	390	12	376 [1]	351	1,129
	2014/2015	390	12	351	351	1,104
Harald Weimer	**2015/2016**	390	12	376 [1]	234	1,012
	2014/2015	325	24	293	97	739
Total	**2015/2016**	1,720	44	1,548	1,431	4,743
	2014/2015	1,655	59	1,490	1,294	4,498

[1] Including premium: Dirk Kaliebe: € 50 thousand; Stephan Plenz and Harald Weimer: € 25 thousand each

Benefits granted to individual members of the Management Board [1]

Figures in € thousands	Dr. Gerold Linzbach Chief Executive Officer				Dirk Kaliebe Chief Financial Officer and Financial Services			
	2015/2016	2014/2015	2015/2016 (Min)	2015/2016 (Max)	**2015/2016**	2014/2015	2015/2016 (Min)	2015/2016 (Max)
Fixed compensation	550	550	550	550	390	390	390	390
Fringe benefits	6	8	6	6	14	15	14	14
Total	556	558	556	556	404	405	404	404
One-year variable compensatiom	395	495	138	495	401 [2]	351	98	401 [2]
Multi-year variable compensation	495	495	124	495	351	351	88	351
Tranche 2014/2015 [3]	–	495	–	–	–	351	–	–
Tranche 2015/2016 [3]	495	–	124	495	351	–	88	351
Total fixed and variable compensation elements	1,446	1,548	818	1,546	1,156	1,107	590	1,156
Cost of benefits	264	659	264	264	137	137	137	137
Total compensation	1,710	2,207	1,082	1,810	1,293	1,244	727	1,293

Figures in € thousands	Stephan Plenz Member of the Board Equipment				Harald Weimer Member of the Board Services			
	2015/2016	2014/2015	2015/2016 (Min)	2015/2016 (Max)	**2015/2016**	2014/2015	2015/2016 (Min)	2015/2016 (Max)
Fixed compensation	390	390	390	390	390	325	390	390
Fringe benefits	12	12	12	12	12	24	12	12
Total	402	402	402	402	402	349	402	402
One-year variable compensation	376 [2]	351	98	376 [2]	376 [2]	293	98	376 [2]
Multi-year variable compensation	351	351	88	351	351	332	88	351
Tranche 2014/2015 [3]	–	351	–	–	–	332	–	–
Tranche 2015/2016 [3]	351	–	88	351	351	–	88	351
Total fixed and variable compensation components	1,129	1,104	588	1,129	1,129	974	588	1,129
Cost of benefits	137	137	137	137	137	114	137	137
Total compensation	1,266	1,241	725	1,266	1,266	1,088	725	1,266

[1] In accordance with section 4.2.5 (3) of the German Corporate Governance Code in the version published on June 12, 2015
[2] Including premium: Dirk Kaliebe: € 50 thousand; Stephan Plenz and Harald Weimer: € 25 thousand each
[3] Term: 3 years

Allocation

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	
	2015/2016	2014/2015	**2015/2016**	2014/2015	**2015/2016**	2014/2015	**2015/2016**	2014/2015
Fixed compensation	550	550	390	390	390	390	390	325
Fringe benefits	6	8	14	15	12	12	12	24
Total	556	558	404	405	402	402	402	349
One-year variable compensation	395	495	401 [1]	351	376 [1]	351	376 [1]	293
Multi-year variable compensation	495	426	345	333	345	333	–	–
Tranche 2012/2013 [2]	–	426	–	333	–	333	–	–
Tranche 2013/2014 [2]	495	–	345	–	345	–	–	–
Total fixed and variable compensation components	1,446	1,479	1,150	1,089	1,123	1,086	778	642
Cost of benefits [3]	264	659	137	137	137	137	137	114
Total compensation	1,710	2,138	1,287	1,226	1,260	1,223	915	756
of which: agreed personal investment	89	92	75	68	72	68	38	29

[1] Including premium: Dirk Kaliebe: € 50 thousand; Stephan Plenz and Harald Weimer: € 25 thousand each
[2] Term: 3 years
[3] 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 for pension provisions 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 for pension provisions 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 earnings situations of the Company. The exact amount of the pension also depends on the investment success of the fund. The pension can be drawn 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 compensation. In deviation from the defined contribution plan for executive staff, the percentage in the event of a disability pension 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.

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 a severence payment at the time of termination of the service agreement in the amount of his or her previous total compensation under the service agreement for two years, but not exceeding the amount of the compensation 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 severence payment 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 compensation 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 compensation 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 compensation for work on these committees. Each committee member receives compensation

Pension provisions of the individual members of the Management Board [1)]

Figures in € thousands		Accrued pension capital as of the reporting date	Pension contribution for the reporting year [2)]	Defined benefit obligation	Service cost
Dr. Gerold Linzbach	**2015/2016**	1,818	260	1,842	264
	2014/2015	1,551	655	1,575	659
Dirk Kaliebe	**2015/2016**	1,254	137	1,505	137
	2014/2015	1,086	137	1,250	137
Stephan Plenz	**2015/2016**	1,172	137	1,411	137
	2014/2015	1,006	137	1,168	137
Harald Weimer	**2015/2016**	336	137	432	137
	2014/2015	195	114	294	114

1) 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. 37 percent, Stephan Plenz: approx. 35 percent and Harald Weimer: approx. 23 percent of the respective last fixed salary.

2) 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.

of € 1,500.00 per meeting for participation in a meeting of these committees. The Chairman of the Audit Committee receives compensation 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 compensation 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, compensation does not include a variable, performance-based component. The Supervisory Board currently consists of twelve members.

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

Compensation of the Supervisory Board (excluding VAT)

Figures in €				**2015/2016**				2014/2015
	Fixed annual compensation	Attendance fees	Committee compensation	Total	Fixed annual compensation	Attendance fees	Committee compensation	Total
Dr. Siegfried Jaschinski [1]	106,667	7,000	12,500	126,167	40,000	5,500	7,500	53,000
Rainer Wagner [2]	80,000	8,000	12,000	100,000	80,000	6,000	10,500	96,500
Ralph Arns [3]	40,000	4,500	0	44,500	30,000	1,500	0	31,500
Edwin Eichler	40,000	4,000	0	44,000	40,000	2,500	0	42,500
Mirko Geiger	40,000	7,500	7,500	55,000	40,000	6,000	7,500	53,500
Karen Heumann [4]	3,333	0	0	3,333	0	0	0	0
Jörg Hofmann [5]	0	0	0	0	13,333	1,000	0	14,333
Robert J. Köhler [6]	20,000	500	0	20,500	120,000	5,000	5,000	130,000
Kirsten Lange [7]	40,000	3,500	0	43,500	6,667	1,500	0	8,167
Dr. Herbert Meyer	40,000	5,500	22,500	68,000	40,000	5,000	22,500	67,500
Beate Schmitt	40,000	5,000	4,500	49,500	40,000	3,500	3,000	46,500
Lone Fønss Schrøder [8]	0	0	0	0	33,333	500	0	33,833
Prof. Dr.-Ing. Günther Schuh	95,749 [9]	4,500	4,500	104,749	72,365 [9]	3,500	3,000	78,865
Peter Sudadse [5]	0	0	0	0	13,333	1,500	0	14,833
Christoph Woesler	40,000	4,500	0	44,500	40,000	3,000	0	43,000
Roman Zitzelsberger [3]	40,000	4,500	0	44,500	30,000	1,500	0	31,500
Total	625,749	59,000	63,500	748,249	639,031	47,500	59,000	745,531

[1] Chairman of the Supervisory Board since June 2, 2015
[2] Deputy Chairman of the Supervisory Board
[3] Member of the Supervisory Board since July 24, 2014
[4] Member of the Supervisory Board since March 24, 2016
[5] Member of the Supervisory Board until July 24, 2014
[6] Chairman of the Supervisory Board until May 17, 2015
[7] Member of the Supervisory Board since February 2, 2015
[8] Member of the Supervisory Board until January 31, 2015
[9] of which: fixed compensation for membership in the Board of Directors of a foreign subsidiary: € 55,749 (previous year: pro rata temporis compensation of € 32,365)

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

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, 2016, the ISSUED 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 originally 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. For this purpose, the share capital was contingently increased by originally up to € 119,934,433.28. 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 then amounted to only € 119,445,885.44. On July 24, 2015, the Annual General Meeting resolved the cancellation of Contingent Capital 2012 to the extent that it is not intended to serve rights under the 2013 convertible bond. The share capital of Heidelberger Druckmaschinen Aktiengesellschaft is now contingently increased by up to

€ 58,625,953.28, divided into 22,900,763 bearer shares, (CONTINGENT CAPITAL 2012) for this purpose; details of Contingent Capital 2012 can be found in Article 3 (3) of the Articles of Association.

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. For this purpose, the share capital was originally contingently increased by up to € 58,625,953.28. On July 24, 2015, the Annual General Meeting resolved the cancellation of Contingent Capital 2014 to the extent that it is not intended to serve rights under the 2015 convertible bond. The share capital of Heidelberger Druckmaschinen Aktiengesellschaft is now contingently increased by up to € 48,230,453.76, divided into 18,840,021 bearer shares, (CONTINGENT CAPITAL 2014) for this purpose; details of Contingent Capital 2014 can be found in Article 3 (4) of the Articles of Association.

On July 24, 2015, the Annual General Meeting authorized the Management Board, with the approval of the Supervisory Board, to issue warrants, convertible bonds and/or participating bonds as well as profit-sharing rights including combinations of these instruments (collectively also referred to as “bonds”) up to a total nominal amount of € 200,000,000.00 dated or undated, on one or several occasions by July 23, 2020, 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 up to 51,487,555 bearer shares of the Company with a pro rata amount of share capital of up to € 131,808,140.80 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 € 131,808,140.80, divided into 51,487,555 bearer shares (CONTINGENT CAPITAL 2015) for this purpose; details of Contingent Capital 2015 can be found in Article 3 (5) of the Articles of Association.

The Annual General Meeting on July 26, 2012 had 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). The disapplication of preemptive subscription rights was permitted in accordance with the further conditions of authorization. As a result of the capital increase against contributions 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. On July 24, 2015, the Annual General Meeting canceled Authorized Capital 2012 effective from the date of registration of Authorized Capital 2015, to the extent it had not been used so far.

In accordance with the resolution of the Annual General Meeting on July 24, 2015, the Management Board was authorized, with the approval of the Supervisory Board, to increase the share capital of the Company by up to € 131,808,140.80 on one or more occasions against cash or non-cash contributions by July 23, 2020 (AUTHORIZED CAPITAL 2015). The Management Board was authorized, with the approval of the Supervisory Board, to determine the further content of share rights and the conditions for the issue of shares. Details of Authorized Capital 2015 can be found in Article 3 (6) of the Articles of Association.

The credit facility signed on March 25, 2011 and extended until June 2019 by way of an agreement with several banks in July 2015, a bilateral loan agreement with IKB Deutsche Industriebank Aktiengesellschaft dated April 8, 2014, and a bilateral loan agreement with the European Investment Bank dated March 31, 2016, 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 corporate 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 corporate 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.

Furthermore, an agreement concluded by Heidelberg with a manufacturer and supplier of inkjet printing systems, inkjet consumables, inkjet printheads and related services contains a change-of-control clause. The agreement relates to the development, manufacture and distribution of an inkjet digital printing machine including consumables and the provision of services for the machine. The change-of-control clause grants each party the right to terminate the agreement if a change of control happens at the other party. A change of control under this agreement occurs when (from the perspective of the terminating party) a third party acquires more than 50 percent of the voting rights of the other party and this third party offers products and/or services that significantly compete with the major products and services of the terminating party.

Corporate Governance Declaration

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

SUPPLEMENTARY REPORT

In April 2016, Heidelberger Druckmaschinen Aktiengesellschaft called an initial tranche of € 50 million from the development loan of € 100 million agreed with the European Investment Bank on March 31, 2016, in order to support Heidelberg's development activities, particularly in the field of digitization and the expansion of its digital printing portfolio. This will amortize by April 2023.

As announced on March 14, 2016, Heidelberger Druckmaschinen Aktiengesellschaft repaid a further amount of around € 64.5 million of the 2011 corporate bond ahead of schedule on April 15, 2016. The repayment was made in cash.

Given its solid liquidity position, the Company announced on May 10, 2016, that it would repay the outstanding amount of this bond of around € 50 million in full, ahead of schedule and in cash, as of June 10, 2016.

Important note

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

Financial section 2015/2016

Consolidated income statement 2015/2016

Figures in € thousands	Note	1-Apr-2014 to 31-Mar-2015	**1-Apr-2015 to 31-Mar-2016**
Net sales	8	2,333,681	2,511,719
Change in inventories		6,130	– 19,528
Other own work capitalized		16,673	27,345
Total operating performance		**2,356,484**	**2,519,536**
Other operating income	9	120,942	117,794
Cost of materials	10	1,113,036	1,178,546
Staff costs	11	730,761	821,974
Depreciation and amortization	12	69,148	73,063
Other operating expenses	13	445,452	447,417
Special items	14	99,338	20,589
Result of operating activities		**19,691**	**95,741**
Financial income	16	9,534	12,968
Financial expenses	17	105,151	77,569
Financial result	15	**– 95,617**	**– 64,601**
Net result before taxes		**– 75,926**	**31,140**
Taxes on income	18	– 3,523	3,006
Net result after taxes		**– 72,403**	**28,134**
Basic earnings per share according to IAS 33 (in € per share)	35	**– 0.29**	**0.11**
Diluted earnings per share according to IAS 33 (in € per share)	35	**– 0.29**	**0.11**

Consolidated statement of comprehensive income 2015/2016

Figures in € thousands	Note	1-Apr-2014 to 31-Mar-2015	**1-Apr-2015 to 31-Mar-2016**
Net result after taxes		**– 72,403**	**28,134**
Other comprehensive income not reclassified to the income statement			
Remeasurement of defined benefit pension plans and similar obligations		– 248,159	87,974
Deferred income taxes	23	1,488	4,290
		– 246,671	**92,264**
Other comprehensive income which may subsequently be reclassified to the income statement			
Currency translation			
Change in other comprehensive income		95,154	– 33,821
Change in profit or loss		–	–
		95,154	– 33,821
Available-for-sale financial assets			
Change in other comprehensive income		391	– 453
Change in profit or loss		177	–
		568	– 453
Cash flow hedges			
Change in other comprehensive income		– 31,199	7,153
Change in profit or loss		16,025	8,517
		– 15,174	15,670
Deferred income taxes	23	276	– 479
		80,824	**– 19,083**
Total other comprehensive income		– 165,847	73,181
Total comprehensive income		**– 238,250**	**101,315**

Consolidated statement of financial position as of March 31, 2016

Assets

Figures in € thousands	Note	31-Mar-2015	31-Mar-2016
Non-current assets			
Intangible assets	19	210,457	221,637
Property, plant and equipment	20	487,404	478,119
Investment property	20	8,679	11,202
Financial assets	21	28,829	12,584
Receivables from sales financing	22	45,598	34,489
Other receivables and other assets [1]	22	18,762	17,824
Deferred tax assets	23	62,036	85,409
		861,765	861,264
Current assets			
Inventories	24	637,074	606,872
Receivables from sales financing	22	36,182	30,110
Trade receivables	22	335,191	360,959
Other receivables and other assets [2]	22	99,184	113,950
Income tax assets		24,261	7,662
Cash and cash equivalents	25	285,961	215,472
		1,417,853	1,335,025
Assets held for sale	21	13,620	5,705
Total assets		**2,293,238**	**2,201,994**

[1] Of which financial assets € 10,855 thousand (previous year: € 12,228 thousand) and non-financial assets € 6,969 thousand (previous year: € 6,534 thousand)
[2] Of which financial assets € 70,786 thousand (previous year: € 56,721 thousand) and non-financial assets € 43,164 thousand (previous year: € 42,463 thousand)

Consolidated statement of financial position as of March 31, 2016

Equity and liabilities

Figures in € thousands	Note	31-Mar-2015	**31-Mar-2016**
Equity	26		
Issued capital		658,676	658,676
Capital reserves, retained earnings and other reserves		– 402,799	– 400,270
Net result after taxes		– 72,403	28,134
		183,474	286,540
Non-current liabilities			
Provisions for pensions and similar obligations	27	605,009	534,353
Other provisions	28	175,132	162,016
Financial liabilities	29	493,369	453,011
Other liabilities [3]	31	48,854	34,228
Deferred tax liabilities	23	10,499	2,535
		1,332,863	1,186,143
Current liabilities			
Other provisions	28	274,908	234,111
Financial liabilities	29	48,920	43,275
Trade payables	30	170,885	179,397
Income tax liabilities		1,104	2,031
Other liabilities [4]	31	281,084	270,497
		776,901	729,311
Total equity and liabilities		**2,293,238**	**2,201,994**

[3] Of which financial liabilities € 875 thousand (previous year: € 6,179 thousand) and non-financial liabilities € 33,353 thousand (previous year: € 42,675 thousand)
[4] Of which financial liabilities € 86,990 thousand (previous year: € 98,350 thousand) and non-financial liabilities € 183,507 thousand (previous year: € 182,734 thousand)

Statement of changes in consolidated equity as of March 31, 2016 [1]

Figures in € thousands	Issued capital	Capital reserves	Retained earnings
April 1, 2014	599,796	28,399	–91,636
Non-cash capital increase [2]	58,880	–4,804	–
Issue of convertible bond (convertible bond 2015) [3]	–	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**
April 1, 2015	658,676	29,411	–331,660
Loss carryforward	–	–	–72,403
Total comprehensive income	–	–	92,264
Consolidation adjustments/other changes	–	–	1,751
March 31, 2016	**658,676**	**29,411**	**–310,048**

[1] For further details please refer to note 26
[2] After deduction of transaction costs of € 388 thousand
[3] 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				
– 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	0
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**
– 87,537	– 360	– 12,653	– 100,550	– 402,799	– 72,403	183,474
–	–	–	–	– 72,403	72,403	0
– 33,821	– 443	15,181	– 19,083	73,181	28,134	101,315
–	–	–	–	1,751	–	1,751
– 121,358	**– 803**	**2,528**	**– 119,633**	**– 400,270**	**28,134**	**286,540**

Consolidated statement of cash flows 2015/2016 [1)]

Figures in € thousands	1-Apr-2014 to 31-Mar-2015	**1-Apr-2015 to 31-Mar-2016**
Net result after taxes	– 72,403	28,134
Depreciation, amortization and write-downs [2)]	72,978	85,056
Change in pension provisions	– 94,433	3,117
Change in deferred tax assets/deferred tax liabilities/tax provisions	– 28,913	– 18,023
Result from disposals [2)]	2,985	1,158
Cash flow	**– 119,786**	**99,442**
Change in inventories	26,809	32,062
Change in sales financing	20,479	10,500
Change in trade receivables/payables	65,196	–4,099
Change in other provisions	13,588	– 59,709
Change in other items of the statement of financial position	15,425	– 36,651
Other operating changes	**141,497**	**– 57,897**
Cash generated by operating activities [3)]	**21,711**	**41,545**
Intangible assets/property, plant and equipment/investment property		
Investments	– 58,469	– 61,943
Income from disposals	21,812	10,943
Business acquisitions/corporate sales		
Investments	– 12,714	– 7,648
Income from disposals	–	49
Financial assets		
Investments	– 12	– 63
Cash used in investing activities before cash investment	**– 49,383**	**– 58,662**
Cash investment	10,190	– 15,000
Cash used in investing activities	**– 39,193**	**– 73,662**
Borrowing of financial liabilities	108,586	218,803
Repayment of financial liabilities	– 62,771	– 249,988
Cash generated by/used in financing activities	**45,815**	**– 31,185**
Net change in cash and cash equivalents	**28,333**	**– 63,302**
Cash and cash equivalents at the beginning of the year	**232,657**	**285,961**
Changes in the scope of consolidation	–	1,001
Currency adjustments	24,971	– 8,188
Net change in cash and cash equivalents	28,333	– 63,302
Cash and cash equivalents at the end of the year	**285,961**	**215,472**
Cash generated by operating activities	21,711	41,545
Cash used in investing activities	– 39,193	– 73,662
Free cash flow	**– 17,482**	**– 32,117**

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 € 14,936 thousand (previous year: € 27,902 thousand) and € 10,576 thousand (previous year: € 733 thousand) respectively. Interest expenses and interest income amount to € 63,247 thousand (previous year: € 48,144 thousand) and € 9,128 thousand (previous year € 12,025 thousand) respectively.

Financial section 2015/2016

Notes to the consolidated financial statements for the financial year April 1, 2015 to March 31, 2016

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**
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**
2015/2016							
Intangible assets							
Goodwill	126,441	698	–	–	– 616	–	126,523
Development costs	274,253	–	18,729	35	– 22	1,260	291,735
Software/other rights	111,800	7,516	5,489	–	– 1,021	10,959	112,825
	512,494	**8,214**	**24,218**	35	**– 1,659**	**12,219**	**531,083**
Property, plant and equipment							
Land and buildings	651,410	10,833	3,207	1,296	– 9,549	9,273	647,924
Technical equipment and machinery	590,927	7,399	9,911	2,445	– 2,109	30,025	578,548
Other equipment, operating and office equipment	678,245	1,474	21,115	9,291	– 6,248	53,318	650,559
Advance payments and assets under construction	9,211	93	6,476	– 7,927	– 23	990	6,840
	1,929,793	**19,799**	**40,709**	**5,105**	**– 17,929**	**93,606**	**1,883,871**
Investment property	**12,442**	**3,136**	**–**	**70**	**– 371**	**277**	**15,000**

[1] Includes reclassifications to “Assets held for sale” of € 3,084 thousand (previous year: € 11,920 thousand)
[2] Including write-downs of € 19 thousand (previous year: € 1,435 thousand), see note 12
[3] Including special items of € 2,550 thousand (previous year: € 1,380 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	–	–	–	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**
1,604	–	–	–	–	–	–	1,604	124,919
213,565	–	13,806	–	–	1,260	–	226,111	65,624
86,868	–	6,211	–	– 744	10,604	–	81,731	31,094
302,037	**–**	**20,017**	**–**	**– 744**	**11,864**	**–**	**309,446**	**221,637**
441,955	–	12,851	– 140	– 4,049	8,920	–	441,697	206,227
453,485	–	16,760	– 47	– 1,751	25,919	–	442,528	136,020
546,949	–	25,952	406	– 4,482	47,298	–	521,527	129,032
–	–	–	–	–	–	–	–	6,840
1,442,389	**–**	**55,563**	**219**	**– 10,282**	**82,137**	**–**	**1,405,752**	**478,119**
3,763	**–**	**33**	**140**	**– 138**	**–**	**–**	**3,798**	**11,202**

General notes

1 Basis for the preparation of the consolidated financial statements

Heidelberger Druckmaschinen Aktiengesellschaft, based in Heidelberg, Germany, Kurfürsten-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 315a (1) of the Handelsgesetzbuch (HGB – German Commercial Code). The consolidated financial statements also comply with the IFRS in force and applicable in the EU 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 generally stated in € thousands. For subsidiaries located in countries outside the euro zone, the annual financial statements prepared in local currency are translated into euros (see note 5).

These consolidated financial statements relate to financial year 2015/2016 (April 1, 2015, to March 31, 2016). They were approved for publication by the Management Board of Heidelberger Druckmaschinen Aktiengesellschaft on May 23, 2016.

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 and amended the following new standards and interpretations, which are to be applied for the first time in financial year 2015/2016.

Standards	Publication by the IASB / IFRS IC	Date of adoption [1]	Published in Official Journal of the EU	Effects
Amendments to standards				
Amendments to IAS 19: Defined Benefit Plans: Employee Contributions	21-Nov-2013	1-Feb-2015	9-Jan-2015	None
Annual Improvements to IFRS 2010 – 2012 Cycle	12-Dec-2013	1-Feb-2015	9-Jan-2015	No material effects
Annual Improvements to IFRS 2011 – 2013 Cycle	12-Dec-2013	1-Jan-2015	19-Dec-2014	No material effects
New interpretations				
IFRIC Interpretation 21: Levies	20-May-2013	17-Jun-2014	14-Jun-2014	No material effects

[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 financial year 2015/2016 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	19-Dec-2015	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.	No material effects
Amendments to IAS 7: Disclosure Initiative	29-Jan-2016	1-Jan-2017	Outstanding	The amendments introduce additional disclosures to enable users of financial statements to evaluate changes in liabilities arising from financing activities.	Currently being examined
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	19-Jan-2016	1-Jan-2017	Outstanding	The amendments comprise clarifications regarding the recognition of deferred tax assets for unrealized losses that arise from changes in the fair value of debt instruments and are recognized in other comprehensive income.	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	3-Dec-2015	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.	None
Amendments to IAS 16 and IAS 41: Agriculture: Bearer Plants	30-Jun-2014	1-Jan-2016	24-Nov-2015	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 27: Equity Method in Separate Financial Statements	12-Aug-2014	1-Jan-2016	23-Dec-2015	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 and 17-Dec-2015	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. The effective date of the changes was postponed indefinitely in December 2015.	To be examined in due time
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	25-Nov-2015	¬ 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 2012 – 2014 Cycle	25-Sep-2014	1-Jan-2016	16-Dec-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 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.	The effects are currently being examined. At present a final assessment is not possible.
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, 11-Sep-2015 and 14-Apr-2016	1-Jan-2018	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. ¬ In September 2015, it was stipulated that application of IFRS 15 will be mandatory for the first time for financial years that begin on or after January 1, 2018. ¬ In April 2016, the IASB published various clarifications regarding IFRS 15.	Please refer to remarks below this table
IFRS 16: Leases	13-Jan-2016	1-Jan-2019	Outstanding	¬ IFRS 16 replaces the previous standard IAS 17. ¬ The changes mainly relate to accounting by lessees, who will have to recognize assets for rights of use obtained and liabilities for payment obligations assumed under all leases in their statements of financial position. There are recognition exemptions for leased assets of a low value and for short-term leases.	Please refer to remarks below this table

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

The effects of the new regulations of IFRS 15: Revenue from Contracts with Customers on the presentation of the net assets, financial position and results of operations is currently being analyzed in a project on the implementation of the new standard. The effect its initial adoption will have therefore cannot be conclusively assessed at this time. The additional disclosures will be shown in the notes to the consolidated financial statements.

The initial adoption of IFRS 16: Leases is expected to lead to an increase in non-current assets and liabilities, particularly as the rights and obligations resulting from operating leases will be accounted for as rights of use and lease liabilities in the future. There may be shifts in the income statement between the result of operating activities (EBIT) and the financial result. The exact effects on the consolidated financial statements are currently still being investigated.

3 Scope of consolidation

The consolidated financial statements of Heidelberger Druckmaschinen Aktiengesellschaft include a total of 73 (previous year: 66) domestic and foreign companies controlled by Heidelberger Druckmaschinen Aktiengesellschaft within the meaning of IFRS 10. Of these companies, 62 (previous year: 56) are located outside Germany.

	2014/2015	**2015/2016**
April 1	67	66
Additions (of which: 5 PSG companies)	–	7
Disposals (including mergers)	–1	–
March 31	66	73

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 142 to 145).

In connection with the reporting period of five subsidiaries being brought in line with the reporting year of the Heidelberg Group, in the previous year 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:

As of April 13, 2015, Heidelberger Druckmaschinen Aktiengesellschaft acquired 100 percent of the shares and voting rights in Printing Systems Group Holding B.V., Almere, the Netherlands.

With 384 employees (as of April 2015) in the Benelux countries and Southern Europe, the Printing Systems Group (PSG) benefited from established structures in the printing industry and a strong market position. Its partnership with Heidelberg dates back decades. PSG already generates over half of its sales through the sale of services and consumables, which means it meets the target criteria set by Heidelberg for a future sales structure. Heidelberg products account for the majority of the company's equipment sales. Integrating PSG into the Heidelberg Services and Heidelberg Equipment segments will ensure the customer base continues to enjoy the best possible support. The acquisition of PSG is another milestone for Heidelberg in its strategy of further promoting stable, high-margin services and consumables business. The acquisition of PSG will result in additional sales of more than € 100 million for the Heidelberg Group, primarily through services and consumables business. The medium-term goal at Heidelberg is for services and consumables to account for over 50 percent of total Group sales. The acquisition of PSG has already brought us very close to this goal in the current financial year.

The purchase price for this acquisition was € 25,071 thousand and was paid in cash. Total transaction costs of € 1,013 thousand were incurred in connection with this acquisition. € 337 thousand of this related to the first quarter of financial year 2015/2016 and € 676 thousand to financial year 2014/2015. The transaction costs were reported in profit or loss in the result of operating activities under other operating expenses. The purchased assets and liabilities were carried at fair value in the context of purchase price allocation in accordance with IFRS 3. The fair values of the identified assets and liabilities at the date of acquisition were as follows:

	Fair value at date of acquisition
Non-current assets	
Intangible assets, property, plant and equipment, and investment property	28,612
Other assets	2,612
	31,224
Current assets	
Inventories	24,338
Trade receivables	45,624
Cash and cash equivalents	17,502
Other assets	1,133
	88,597
Total assets	**119,821**
Non-current liabilities	
Provisions	15,305
Current liabilities	
Provisions	5,979
Trade payables	25,993
Other liabilities (including deferred income)	28,712
	60,684
Total liabilities	**75,989**
Net assets at fair value	**43,832**

The biggest influencing factors in purchase price allocation to the statement of financial position and the income statement resulted from the adjustment of intangible assets and property, plant and equipment to fair value and the reversal of the remaining difference (€ 18,761 thousand) reported under "Other operating income". The intangible assets include the existing customer relationships in particular. The gross amounts of the purchased trade receivables were € 51,057 thousand at the acquisition date; the best estimate of uncollectible trade receivables amounted to € 5,433 thousand. At the date of acquisition other assets include receivables under finance leases at a gross amount of € 799 thousand; the best estimate of uncollectible receivables under finance leases amounted to € 0 thousand. The negative difference recognized for the corporate acquisition was caused by the purchase price, which is ultimately the result of the purchase price negotiations conducted.

The pro rata net sales, which represent the additional sales for the Heidelberg Group and consequently do not include internal group sales generated by Heidelberg affiliates with PSG affiliates, for the period after the acquisition date amount to € 126,317 thousand assuming a pro rata net result after taxes of € 4,202 thousand. The net result after taxes also includes depreciation and amortization on the purchase price allocation adjustments on intangible assets and property, plant and equipment to fair value, but without consideration of the reversal in profit or loss of the negative difference from the first-time consolidation or the expenses attributable to the integration of PSG in the Heidelberg Group. Had this acquisition already been included in the consolidated financial statements of the Heidelberg Group as of April 1, 2015, net sales would have been € 6,266 thousand higher with a negligible effect on the net result after taxes.

Additionally, Heidelberg Manufacturing Deutschland GmbH, Wiesloch, Germany (spin-off of the business activities of the German site in Amstetten) and BluePrint Products NV, Sint-Niklaas, Belgium, were included in the scope of consolidation as of April 1, 2015.

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. Negative goodwill arising on an acquisition at less than market value is recognized in profit or loss after a repeat assessment of the measurement performed.

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

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	
	2014/2015 €1 =	**2015/2016 €1 =**	31-Mar-2015 €1 =	**31-Mar-2016 €1 =**
AUD	1.4492	1.5045	1.4154	1.4807
CAD	1.4337	1.4489	1.3738	1.4738
CHF	1.1711	1.0763	1.0463	1.0931
CNY	7.7823	7.0233	6.6710	7.3514
GBP	0.7809	0.7358	0.7273	0.7916
HKD	9.7405	8.5632	8.3422	8.8282
JPY	138.4258	132.6142	128.9500	127.9000
USD	1.2561	1.1040	1.0759	1.1385

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):

	2014/2015	**2015/2016**
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

Intangible assets and items of property, plant and equipment are impaired if the recoverable amount of the asset is lower than its carrying amount. There is a separate rule if the asset is part of a cash-generating unit. If an intangible asset (including capitalized development costs) is part of a cash-generating unit, impairment is determined on the basis of the recoverable amount of the unit. The recoverable amount is the higher of the fair value less costs to sell and the value in use. If goodwill has been assigned to a cash-generating unit and its carrying amount exceeds the recoverable amount, the goodwill is first impaired by the amount of the difference. Any additional impairment requirements are recognized by way of the pro rata reduction of the carrying amounts of the other assets of the cash-generating unit. If the reason for earlier impairment ceases to exist, the impairment on intangible assets is reversed. However, the carrying amount increased by reversal may not exceed amortized cost. No impairment on goodwill is reversed.

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 financial assets available for sale 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 financial assets available for sale 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 canceled. If financial liabilities are extinguished in full or in part via 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 – in the previous year – income from the Gallus transaction. Changes in fair value also include the effects of financial assets available for sale 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 accruals for outstanding invoices and accruals relating to staff.

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 forward exchange transactions and currency options.

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 28.36 percent (previous year: 28.33 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. Noncurrent 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 8.9 percent (previous year: 8.1 percent) for the cash-generating unit Heidelberg Equipment and 9.2 percent (previous year: 8.3 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 € 9,271 thousand (previous year: € 4,352 thousand) and interest income from sales financing and finance leases amounting to € 5,614 thousand (previous year: € 6,997 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

	2014/2015	**2015/2016**
Reversal of other provisions and accruals	45,174	35,162
Reversal of negative difference from first-time consolidation of PSG Holding B.V.	–	18,761
Income from operating facilities	11,278	11,735
Hedging/exchange rate gains	9,290	10,702
Recoveries on loans and other assets previously written down	10,955	5,636
Income from disposals of intangible assets, property, plant and equipment and investment property	1,624	556
Income from Gallus transaction [1]	18,123	–
Other income	24,498	35,242
	120,942	**117,794**

[1] The income from the Gallus transaction in the previous year resulted 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

	2014/2015	**2015/2016**
Cost of raw materials, consumables and supplies, and of goods purchased and held for resale	1,006,304	1,064,211
Cost of purchased services	104,347	112,458
Interest expense of Heidelberg Financial Services	2,385	1,877
	1,113,036	**1,178,546**

The ratio of the cost of materials to total operating performance is 46.8 percent (previous year: 47.2 percent).

11 Staff costs and number of employees

	2014/2015	**2015/2016**
Wages and salaries	688,754	679,548
Cost of/income from pension scheme	– 81,248	19,861
Other social security contributions and expenses	123,255	122,565
	730,761	**821,974**

The income from the pension scheme from the previous year was 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
	2014/2015	**2015/2016**	31-Mar-2015	**31-Mar-2016**
Europe, Middle East and Africa	8,838	8,429	8,601	8,369
Asia/Pacific	1,986	1,871	1,936	1,821
Eastern Europe	516	497	504	494
North America	751	748	738	747
South America	180	156	172	134
	12,271	11,701	11,951	11,565
Trainees	501	426	427	351
	12,772	**12,127**	**12,378**	**11,916**

[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 € 73,063 thousand (previous year: € 69,148 thousand) relate to intangible assets (€ 20,017 thousand; previous year: € 18,537 thousand), property, plant and equipment (€ 53,013 thousand; previous year: € 50,597 thousand) and investment property (€ 33 thousand; previous year: € 14 thousand).

Impairment of € 19 thousand (previous year: € 1,435 thousand) essentially relates to other equipment, operating and office equipment and is attributable to the Heidelberg Equipment segment.

13 Other operating expenses

	2014/2015	2015/2016
Other deliveries and services not included in the cost of materials	116,196	122,836
Special direct sales expenses including freight charges	94,192	98,364
Rent and leases	52,378	51,100
Travel expenses	38,559	40,599
Bad debt allowances and impairment on other assets	12,098	12,660
Hedging/exchange rate losses	17,519	12,417
Insurance expense	10,373	10,806
Costs of car fleet (excluding leases)	6,070	6,195
Additions to provisions and accruals relating to several types of expense	16,480	5,011
Other overheads	81,587	87,429
	445,452	**447,417**

14 Special items

Expenses of € 37,850 thousand included in special items in the reporting period largely relate to partial retirement agreements concluded in the previous year in connection with the adjustment of personnel capacities at production sites in Germany; the resulting expense running to eight figures in euros is to be allocated accordingly. The income of € 17,261 thousand reported in special items in this period results partly from the sale of the real estate at the former headquarters of Heidelberger Druckmaschinen Aktiengesellschaft at Kurfürsten-Anlage 52 to 58, Heidelberg, to a property developer, which was executed in the reporting year and resulted in seven-figure income in euros.

15 Financial result

	2014/2015	2015/2016
Financial income	9,534	12,968
Financial expenses	105,151	77,569
Financial result	**– 95,617**	**– 64,601**

16 Financial income

	2014/2015	2015/2016
Interest and similar income	5,058	4,399
Income from financial assets/loans/securities	4,476	8,569
Financial income	**9,534**	**12,968**

17 Financial expenses

	2014/2015	2015/2016
Interest and similar expenses	97,213	64,738
of which: net interest cost of pensions	(14,778)	(9,929)
Expenses for financial assets/loans/securities	7,938	12,831
Financial expenses	**105,151**	**77,569**

Interest and similar expenses include expenses in connection with the convertible bonds, the credit facility and the corporate bonds (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.

Costs of financial assets/loans/securities include write-downs of € 9,449 thousand (previous year: € 2,661 thousand).

18 Taxes on income

Taxes on income are broken down as follows:

	2014/2015	**2015/2016**
Current taxes	– 6,193	34,130
of which Germany	(– 18,314)	(13,613)
of which abroad	(12,121)	(20,517)
Deferred taxes	2,670	– 31,124
of which Germany	(3,271)	(4,029)
of which abroad	(– 601)	(– 35,153)
	– 3,523	**3,006**

As in the previous year, the adoption 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 (12.53 percent; previous year: 12.50 percent) and comparable taxes of the foreign subsidiaries. The nominal total German tax rate is 28.36 percent for the financial year (previous year: 28.33 percent).

No deferred tax liabilities were recognized for temporary differences on shares in subsidiaries of € 169,597 thousand (previous year: € 216,180 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 € 6,771 thousand (previous year: € 828 thousand) and € 15,392 thousand (previous year: € 5,233 thousand) respectively.

Total tax loss carryforwards for which no deferred tax assets were recognized amount to € 1,237,376 thousand (previous year: € 1,234,434 thousand). Of these, € 11,641 thousand can be used by 2020 (previous year: € 0 thousand by 2019), € 10,344 thousand by 2021 (previous year: € 11,641 thousand by 2020) and € 1,215,391 by 2021 and later (previous year: € 1,222,793 by 2020 and later).

For interest carryforwards amounting to € 54,545 thousand (previous year: € 35,124 thousand) no deferred tax assets were recognized.

Deferred tax assets are only recognized for tax loss carryforwards and interest 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 € 540 thousand in the year under review (previous year: € 4,534 thousand). Deferred tax assets totaling € 16,895 thousand (previous year: € 4,123 thousand) were recognized in the reporting year on tax loss carryforwards not previously recognized. In the reporting year deferred tax assets on current tax losses in the amount of € 5,699 thousand (previous year: € 0 thousand) were recognized in profit or loss.

The reversal of deferred tax assets on temporary differences and tax loss carryforwards not yet recognized relates exclusively to the US tax group and is essentially due to the economic recovery of the sales company.

Deferred tax assets of € 4,201 thousand (previous year: € 1,588 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 € 7,308 thousand (previous year: € 6,388 thousand).

Current taxes were reduced in the reporting year by € 11,123 thousand (previous year: € 6,851 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 expenses of € 17,859 thousand (previous year: income of € 29,414 thousand).

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

	2014/2015	**2015/2016**
Net result before taxes	– 75,926	31,140
Theoretical tax rate in percent	28.33	28.36
Theoretical tax income / expense	**– 21,510**	**8,831**
Change in theoretical tax income / expense due to:		
Differing tax rate	524	346
Tax loss carryforwards [1]	30,238	– 17,362
Reduction due to tax-free income	– 5,276	– 7,848
Tax increase due to non-deductible expenses	18,238	15,983
Change in tax provisions / taxes attributable to previous years / impairment or reversal of deferred tax assets on temporary differences	– 25,754	3,397
Other	17	– 341
Taxes on income	**– 3,523**	**3,006**
Tax rate in percent	**4.64**	**9.65**

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

Notes to the consolidated statement of financial position

19 Intangible assets

GOODWILL includes amounts arising from the takeover of businesses (asset deals) and from the acquisition of shares in companies (share deals). 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 € 64,960 thousand (previous year: € 69,290 thousand) and € 59,959 thousand (previous year: € 55,547 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 7.9 percent (previous year: 7.1 percent) for the Heidelberg Equipment cash-generating unit and of 8.2 percent (previous year: 7.3 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 € 103,510 thousand in the reporting year (previous year: € 114,716 thousand).

20 Property, plant and equipment and investment property

The carrying amounts of assets capitalized in non-current assets from finance leases in which we are the lessee are € 1,642 thousand (previous year: € 2,323 thousand) for land and property and € 3,022 thousand (previous year: € 1,569 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 € 11,842 thousand (previous year: € 9,967 thousand). These assets are reported under technical equipment and machinery. These assets are printing presses leased to customers. The gross carrying amounts were € 33,083 thousand (previous year: € 27,330 thousand) and cumulative depreciation amounted to € 21,241 thousand (previous year: € 17,363 thousand). Depreciation of € 5,710 thousand (previous year: € 3,184 thousand) was recognized in the reporting year. Future lease income of € 3,482 thousand (previous year: € 2,003 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 € 1,156 thousand (previous year: € 759 thousand), € 2,263 thousand (previous year: € 1,179 thousand) and € 62 thousand (previous year: € 65 thousand) respectively.

In connection with a loan received (carrying amount: € 17,462 thousand; previous year: € 25,526 thousand), the lender was granted usufructuary rights on three developed plots of land (carrying amount: € 31,531 thousand; previous year: € 32,532 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 € 325,295 thousand (previous year: € 336,474 thousand), € 4,656 thousand (previous year: € 4,656 thousand) and € 0 thousand (previous year: € 13,620 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 € 14,309 thousand (previous year: € 11,973 thousand). Investment property with a fair value of € 9,053 thousand (previous year: € 7,207 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.

21 Financial assets and assets held for sale

Financial assets include shares in subsidiaries totaling € 5,661 thousand (previous year: € 21,477 thousand), other investments of € 3,458 thousand (previous year: € 3,455 thousand) and securities of € 3,465 thousand (previous year: € 3,897 thousand). Information on the fair value of the financial assets is included in note 32.

The assets classified as held for sale as of March 31, 2016, largely relate to shares in two subsidiaries, the disposal of which is planned and has been initiated. The assets are primarily attributable to the Heidelberg Services segment.

22 Receivables and other assets

			31-Mar-2015			31-Mar-2016
	Current	Non-current	Total	Current	Non-current	**Total**
Receivables from sales financing	**36,182**	**45,598**	**81,780**	**30,110**	**34,489**	**64,599**
Trade receivables	**335,191**	**–**	**335,191**	**360,959**	**–**	**360,959**
Other receivables and other assets						
Other tax assets	14,513	–	14,513	16,588	83	16,671
Loans	543	8,781	9,324	600	9,761	10,361
Derivative financial instruments	4,667	–	4,667	5,177	–	5,177
Deferred interest	189	–	189	87	–	87
Deferred income	12,627	5,054	17,681	11,957	3,852	15,809
Other assets	66,646	4,926	71,572	79,541	4,128	83,669
	99,184	**18,762**	**117,946**	**113,950**	**17,824**	**131,774**

In the reporting year, plan assets of € 2,079 thousand (previous year: € 2,605 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 € 104,076 thousand (previous year: € 112,329 thousand), € 43,154 thousand (previous year: € 50,285 thousand) and € 3,271 thousand (previous year: € 4,060 thousand) respectively.

Receivables from sales financing

RECEIVABLES FROM SALES FINANCING are shown in the following table:

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

The fair value of receivables from sales financing essentially corresponds to 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 € 9,146 thousand (previous year: € 10,100 thousand) was recognized for receivables from sales financing with a gross carrying amount of € 29,856 thousand (previous year: € 29,636 thousand). The derived market value of the collateral held for receivables from sales financing was € 58,775 thousand (previous year: € 73,366 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.

Contract currency	Carrying amount 31-Mar-2015 in € thousand	Remaining term in years	Effective interest rate in percent	Carrying amount **31-Mar-2016** in € thousand	Remaining term in years	Effective interest rate in percent
EUR	46,875	up to 7	up to 14	39,838	up to 7	up to 14
KRW	15,029	up to 7	up to 9	13,743	up to 7	up to 9
AUD	9,002	up to 7	up to 11	5,496	up to 6	up to 11
USD	3,069	up to 4	up to 10	1,289	up to 3	up to 10
Various	7,805			4,233		
	81,780			**64,599**		

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-2015	**31-Mar-2016**
Receivables from sales financing neither past due nor impaired	49,865	36,267
Receivables past due but not impaired		
less than 30 days	6,477	2,482
between 30 and 60 days	476	451
between 60 and 90 days	498	199
between 90 and 180 days	934	2,035
more than 180 days	3,994	2,455
Total	12,379	7,622
	62,244	**43,889**

The total impairment loss in the period for receivables from sales financing was € 3,906 thousand (previous year: € 3,044 thousand). Of this, impairment amounts booked to allowance accounts developed as follows:

	2014/2015	**2015/2016**
As of the start of the financial year	10,807	10,100
Additions	3,013	3,757
Utilization	– 911	– 1,995
Reversals	– 3,378	– 2,218
Change in scope of consolidation, currency adjustments, other changes	569	– 498
As of the end of the financial year	**10,100**	**9,146**

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 € 1,458 thousand (previous year: € 307 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 € 30,045 thousand (previous year: € 28,663 thousand) was recognized for trade receivables with a gross carrying amount of € 91,428 thousand (previous year: € 37,032 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-2015	**31-Mar-2016**
Trade receivables neither past due nor impaired	241,991	217,544
Receivables past due but not impaired		
less than 30 days	51,431	48,178
between 30 and 60 days	13,409	13,831
between 60 and 90 days	5,618	5,677
between 90 and 180 days	8,224	7,154
more than 180 days	6,149	7,192
Total	84,831	82,032
	326,822	**299,576**

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 € 169,071 thousand (previous year: € 182,722 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 € 6,974 thousand (previous year: € 6,645 thousand). Of this, impairment amounts booked to allowance accounts developed as follows:

	2014/2015	2015/2016
As of the start of the financial year	32,406	28,663
Additions	5,174	5,214
Utilization	– 2,836	– 2,887
Reversals	– 8,112	– 3,910
Change in scope of consolidation, currency adjustments, other changes	2,031	2,965
As of the end of the financial year	**28,663**	**30,045**

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 € 6,715 thousand (previous year: € 5,381 thousand) and € 5,495 thousand (previous year: € 5,945 thousand) relate to loans (gross carrying amount: € 17,076 thousand; previous year: € 14,706 thousand) and other financial assets (gross carrying amount: € 70,495 thousand; previous year: € 54,652 thousand) respectively.

Of the impairment recognized on loans in the previous year, € 75 thousand (previous year: € 301 thousand) was utilized and € 0 thousand (previous year: € 17 thousand) was reversed. Additions to impairment losses of € 1,740 thousand were required (previous year: € 8 thousand).

Of the impairment recognized on other financial assets in the previous year, € 398 thousand (previous year: € 26 thousand) was utilized and € 1,774 thousand (previous year: € 104 thousand) was reversed. Additions of € 1,775 thousand were required (previous year: € 2,111 thousand).

€ 2,207 thousand (previous year: € 1,856 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 € 4,689 thousand (previous year: € 1,443 thousand) and asset fair value hedges of € 488 thousand (previous year: € 3,222 thousand).

23 Deferred tax assets and deferred tax liabilities

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

	31-Mar-2015		31-Mar-2016	
	Asset	Liability	Asset	Liability
Tax loss carry-forwards	4,599	–	25,687	–
Assets:				
Intangible assets/ property, plant and equipment/ investment property/ financial assets	7,517	9,041	824	6,575
Inventories, receivables and other assets	8,458	1,944	11,478	1,881
Securities	0	0	0	0
Liabilities:				
Provisions	30,065	3,154	35,593	1,701
Liabilities	15,728	691	19,512	63
Gross amount	66,367	14,830	93,094	10,220
Offsetting	4,331	4,331	7,685	7,685
Carrying amount	**62,036**	**10,499**	**85,409**	**2,535**

Deferred tax assets include non-current deferred taxes of € 47,346 thousand (previous year: € 32,551 thousand). Deferred tax liabilities include non-current deferred taxes of € 1,824 thousand (previous year: € 7,642 thousand).

Due to currency translation, deferred tax assets decreased by € 4,125 thousand (previous year: increased by € 8,601 thousand) in the reporting year. Due to the change in the scope of consolidation, deferred tax assets were increased by € 527 thousand (previous year: € 0 thousand).

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

			2014/2015			2015/2016
	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	– 248,159	1,488	– 246,671	87,974	4,290	92,264
Currency translation	95,154	–	95,154	– 33,821	–	– 33,821
Financial assets available for sale	568	– 81	487	– 453	10	– 443
Cash flow hedges	– 15,174	357	– 14,817	15,670	– 489	15,181
Total other comprehensive income	**– 167,611**	**1,764**	**– 165,847**	**69,370**	**3,811**	**73,181**

24 Inventories

	31-Mar-2015	31-Mar-2016
Raw materials and supplies	90,447	126,028
Work and services in progress	299,577	227,475
Finished goods and goods for resale	245,015	251,976
Advance payments	2,035	1,393
	637,074	**606,872**

In order to adjust inventories to the net realizable value, impairment of € 4,530 thousand was recognized in the year under review (previous year: € 4,132 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 € 2,153 thousand (previous year: € 157 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 € 360,601 thousand (previous year: € 372,357 thousand).

25 Cash and cash equivalents

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 € 30,529 thousand (previous year: € 27,950 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.

As in the previous year, the share capital of Heidelberger Druckmaschinen Aktiengesellschaft amounts to € 659,040,714.24 and is divided into 257,437,779 shares. For information on the issue of new shares from Authorized Capital 2012 in the previous year, please see the comments on the non-cash capital increase under "Authorized capital".

As of March 31, 2016, 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, 2016 (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

Contingent Capital 2012

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. For this purpose, the share capital was contingently increased originally by up to € 119,934,433.28 (CONTINGENT CAPITAL 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 (convertible bond 2013). This 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 then amounted to only € 119,445,885.44. The original total nominal amount of the convertible bond 2013 decreased by € 500,000.00 from € 60,000,000.00 to € 59,500,000.00.

Since July 30, 2014, Heidelberger Druckmaschinen Aktiengesellschaft has been 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, 2015, the Annual General Meeting resolved the cancellation of Contingent Capital 2012 to the extent that it is not intended to serve rights under the 2013 convertible bond. The share capital of Heidelberger Druckmaschinen Aktiengesellschaft has now been contingently increased by up to € 58,625,953.28 through Contingent Capital 2012; details of Contingent Capital 2012 can be found in Article 3 (3) of the Articles of Association. The resolution became effective on entry in the commercial register of the Mannheim Local Court on October 2, 2015.

Contingent Capital 2014

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. For this purpose, the share capital was contingently increased by originally up to € 58,625,953.28 (CONTINGENT CAPITAL 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 (convertible bond 2015). This convertible bond has an issue volume of € 58,600,000.00, a term of seven years (maturity date: March 30, 2022) and a coupon of 5.25 percent per annum, which is distributed at the end of every quarter.

From April 20, 2018, Heidelberger Druckmaschinen Aktiengesellschaft is entitled to repay the convertible bond 2015 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 holder of the convertible bond 2015 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).

On July 24, 2015, the Annual General Meeting resolved the cancellation of Contingent Capital 2014 to the extent that it is not intended to serve rights under the 2015 convertible bond. The share capital of Heidelberger Druckmaschinen Aktiengesellschaft has now been contingently increased by up to € 48,230,453.76 through Contingent Capital 2014; details of Contingent Capital 2014 can be found in Article 3 (4) of the Articles of Association. The resolution became effective on entry in the commercial register of the Mannheim Local Court on October 2, 2015.

Contingent Capital 2015

On July 24, 2015, the Annual General Meeting authorized the Management Board, with the approval of the Supervisory Board, to issue warrants, convertible bonds and/or participating bonds as well as profit-sharing rights including combinations of these instruments (collectively also referred to as “bonds”) up to a total nominal amount of € 200,000,000.00 dated or undated, on one or several occasions by July 23, 2020, 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 up to 51,487,555 bearer shares of the Company with a pro rata amount of share capital of up to € 131,808,140.80 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 € 131,808,140.80 (CONTINGENT CAPITAL 2015) for this purpose; details of Contingent Capital 2015 can be found in Article 3 (5) of the Articles of Association.

Authorized capital

In accordance with the resolution of the Annual General Meeting on July 24, 2015, the Management Board was authorized, with the approval of the Supervisory Board, to increase the share capital of the Company by up to € 131,808,140.80 on one or more occasions against cash or non-cash contributions by July 23, 2020 (AUTHORIZED CAPITAL 2015). The Management Board was authorized, with the approval of the Supervisory Board, to determine the further content of share rights and the conditions for the issue of shares. Details of Authorized Capital 2015 can be found in Article 3 (6) of the Articles of Association. The authorization became effective on entry in the commercial register of the Mannheim Local Court on October 2, 2015.

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 more occasions against cash or non-cash contributions by July 25, 2017 (AUTHORIZED CAPITAL 2012).

In the previous year, Ferd. Rüesch Aktiengesellschaft, St. Gallen, 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 2012 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 was € 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. This increased the share capital by € 58,880,000.00 to € 659,040,714.24.

Authorized Capital 2012 accordingly declined from € 119,934,433.28 to € 61,054,433.28.

On July 24, 2015, the Annual General Meeting canceled Authorized Capital 2012 effective from the date of registration of Authorized Capital 2015, to the extent it had not been used so far.

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 in the previous year, 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 by 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 outside profit or loss.

Appropriation of the net result of Heidelberger Druckmaschinen Aktiengesellschaft

The HGB net loss of € 126,518,459.51 incurred by Heidelberger Druckmaschinen Aktiengesellschaft in financial year 2014/2015 was carried forward in full to new account in the previous year.

The HGB net profit generated in the 2015/2016 financial year of € 85,913,753.82 will be offset against the loss carryforward from the previous year of € 126,518,459.51; the net accumulated loss for the 2015/2016 financial year of € 40,604,705.69 will be carried forward 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 (BASED IN HEIDELBERG, GERMANY), HEIDELBERGER DRUCKMASCHINEN VERTRIEB DEUTSCHLAND GMBH, HEIDELBERG POSTPRESS DEUTSCHLAND GMBH and HEIDELBERG MANUFACTURING DEUTSCHLAND GMBH (EACH BASED IN WIESLOSCH, GERMANY) accounted for € 947 million (previous year: € 1,082 million) of the present value of the defined benefit obligation (DBO) and € 481 million (previous year: € 517 million) of plan assets.

Until the previous year, 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 Heidelberger Druckmaschinen 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 a defined benefit and a defined contribution plan. The Heidelberg Pension Scheme accounts for € 245 million (previous year: € 258 million) of the present value of the defined benefit obligation (DBO) and € 229 million (previous year: € 253 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, 2015 and – on the basis of the assumptions at this date determined by the trustee – identified a technical funding deficit of GBP 14.0 million. On the basis of this, the agreement reached in July 2013 between Heidelberg and the trustee for annual payments over ten years of GBP 2.47 million, commencing in July 2013, will continue.

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 € 159 million (previous year: € 168 million) of the present value of the defined benefit obligation (DBO) and € 139 million (previous year: € 154 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 € 8 million (previous year: € 11 million) of the present value of the defined benefit obligation (DBO) and € 10 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-2015	**31-Mar-2016**
Provisions for pensions and similar obligations	605,009	534,353
Assets from defined benefit pension plans	2,605	2,079
Net carrying amounts at the end of the financial year	**602,404**	**532,274**

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, 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 losses in connection with 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.

	Funded benefit obligations	Unfunded benefit obligations	Present value of the defined benefit obligations	Fair value of plan assets	**Total**
As of April 1, 2015	**1,509,457**	**30,354**	**1,539,811**	**– 937,407**	**602,404**
Current service cost	11,642	3,095	14,737	–	14,737
Interest expense (+)/income (–)	28,067	1,109	29,176	– 19,247	9,929
Past service cost/gains (–)/losses (+) from settlements and curtailments	– 2,878	– 761	– 3,639	–	– 3,639
Remeasurements:					
Gains (–)/losses (+) from changes in demographic assumptions	7,683	– 87	7,596	–	7,596
Gains (–)/losses (+) from changes in financial assumptions	– 106,715	– 5,791	– 112,506	–	– 112,506
Gains (–)/losses (+) from experience-based adjustments	– 14,184	– 3,702	– 17,886	–	– 17,886
Difference between interest income recognized in profit or loss and actual income from plan assets	–	–	–	34,822	34,822
Currency translation differences	– 29,269	– 38	– 29,307	27,372	– 1,935
Contributions:					
Employers	–	–	–	– 7,890	– 7,890
Pension plan participants	2,967	–	2,967	– 2,280	687
Payments made	– 54,786	– 3,983	– 58,769	48,063	– 10,706
Changes in the scope of consolidation, other changes	– 16,984	44,838	27,854	– 11,193	16,661
As of March 31, 2016	**1,335,000**	**65,034**	**1,400,034**	**– 867,760**	**532,274**

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

In percent	2014/2015		**2015/2016**	
	Domestic	Foreign	Domestic	Foreign
Discount rate	1.70	2.48	2.40	2.47
Expected future salary increases	2.75	1.64	2.75	0.63
Expected future pension increases	1.60	1.72	1.60	1.68

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:

	2014/2015	of which:		**2015/2016**	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	33,736	33,536	200	14,452	14,406	46
Equity instruments	175,211	175,187	24	135,057	134,573	484
Debt instruments	399,768	396,418	3,350	317,327	310,060	7,267
Real estate	22,110	–	22,110	20,875	–	20,875
Derivatives	–3,188	–1,247	–1,941	3,538	896	2,642
Securities funds	256,927	162,525	94,402	322,467	267,281	55,186
Qualifying insurance policies	31,614	–	31,614	31,155	–	31,155
Other	21,229	21,229	–	22,889	22,872	17
	937,407	**787,648**	**149,759**	**867,760**	**750,088**	**117,672**

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 € 45,801 thousand (previous year: € 53,629 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-2015	Change in %	**31-Mar-2016**	Change in %
Present value of the essential defined benefit obligations [1]	1,518,953		1,358,260	
Present value of the essential defined benefit obligations assuming that				
the discount rate was				
0.50 percentage point higher	1,399,516	– 7.9	1,257,538	– 7.4
0.50 percentage point lower	1,654,462	+ 8.9	1,472,406	+8.4
the expected future salary increase was				
0.25 percentage point higher	1,522,019	+ 0.2	1,358,991	+0.1
0.25 percentage point lower	1,516,018	– 0.2	1,357,548	– 0.1
the expected future pension increase was				
0.25 percentage point higher	1,563,751	+ 3.0	1,396,624	+2.8
0.25 percentage point lower	1,467,599	– 3.4	1,325,082	– 2.4
Increase in life expectancy per entitled beneficiary [2]	1,571,191	+ 3.4	1,403,897	+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 € 7.9 million in the 2016/2017 financial year (previous year: € 10.4 million). With regard to the essential defined benefit obligations, undiscounted pension payments amounting to € 45.4 million (previous year: € 47.9 million) are anticipated for the 2016/2017 financial year. The weighted average duration of the material defined benefit obligations is 16.6 years (previous year: 17.5 years).

28 Other provisions

			31-Mar-2015			**31-Mar-2016**
	Current	Non-current	Total	Current	Non-current	**Total**
Tax provisions	15,537	43,579	**59,116**	13,345	57,880	**71,225**
Other provisions						
Staff obligations	69,353	23,273	92,626	52,668	14,270	66,938
Sales obligations	84,156	9,307	93,463	79,497	8,952	88,449
Other	105,862	98,973	204,835	88,601	80,914	169,515
	259,371	131,553	**390,924**	220,766	104,136	**324,902**
	274,908	175,132	**450,040**	234,111	162,016	**396,127**

	As of 1-Apr-2015	Change in scope of consolidation, currency adjustments, reclassification	Utilization	Reversal	Addition	**As of 31-Mar-2016**
Tax provisions	**59,116**	–992	9,182	656	22,939	**71,225**
Other provisions						
Staff obligations	92,626	592	48,496	19,776	41,992	66,938
Sales obligations	93,463	–2,202	30,073	23,646	50,907	88,449
Other	204,835	–4,702	67,306	12,868	49,556	169,515
	390,924	–6,312	145,875	56,290	142,455	**324,902**
	450,040	–7,304	155,057	56,946	165,394	**396,127**

Additions include accrued interest and the effects of the change in discount rates of € 2,746 thousand (previous year: € 7,613 thousand). These relate to expenses of € 595 thousand (previous year: € 3,820 thousand) for staff obligations, € 40 thousand (previous year: € 210 thousand) for sales obligations and expenses of € 2,111 thousand (previous year: € 3,583 thousand) for miscellaneous other provisions.

As in previous years, TAX PROVISIONS primarily recognize the risks of additional assessments.

STAFF PROVISIONS essentially relate to bonuses (€ 29,882 thousand; previous year: € 28,223 thousand) and expenses for early retirement payments and for the partial retirement program (€ 10,604 thousand; previous year: € 13,654 thousand).

SALES PROVISIONS mainly relate to warranties, reciprocal liability and buyback obligations (€ 51,692 thousand; previous year: € 55,076 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. € 2,876 thousand (previous year: € 3,948 thousand) of the reciprocal liability and buyback obligations of € 3,051 thousand (previous year: € 4,539 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 € 15,727 thousand (previous year: € 16,789 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 of € 52,035 thousand (previous year: € 63,328 thousand) and provisions for legal disputes of € 24,400 thousand (previous year: € 26,100 thousand). Furthermore, there are provisions of € 73,424 thousand (previous year: € 91,988 thousand) essentially relating to our portfolio adjustments and the Focus efficiency program. Utilization of the former provisions is predominantly expected over the medium-term; utilization of the two latter provisions is primarily expected in the short- to medium-term.

In the context of its general business activities, Heidelberg is involved in legal disputes in court and out of court in various jurisdictions. 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 predominantly relate to the categories described below.

The major legal disputes relate to product liability cases in connection with machinery whose production has already been discontinued and that were produced and sold by the former Linotype-Hell Aktiengesellschaft and its legal successors. In addition, there are legal disputes regarding warranty cases in connection with sales of machinery that could also lead to rescission, and regarding former rental, consulting and employment contracts. Provisions have been recognized at an appropriate amount for these; their amount is monitored on an ongoing basis and adjusted as necessary.

29 Financial liabilities

	31-Mar-2015				**31-Mar-2016**			
	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**
Corporate bonds [1]	26,264	352,582 [2]	–	378,846	12,584	113,785	195,475	321,844
Convertible bonds [1]	1,155	108,399	–	109,554	1,156	110,514	–	111,670
Amounts due to banks [1]	18,037	29,022	–	47,059	25,689	29,315	–	55,004
From finance leases	1,454	3,366	–	4,820	1,644	3,922	–	5,566
Other	2,010	–	–	2,010	2,202	–	–	2,202
	48,920	493,369	–	**542,289**	43,275	257,536	195,475	**496,286**

[1] Including deferred interest
[2] The further early partial repayment of the 2011 corporate bond in the first quarter of financial year 2016/2017 had already been initiated as of March 31, 2016.

Corporate bond

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

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

On May 5, 2015, Heidelberger Druckmaschinen Aktiengesellschaft issued a further unsecured corporate bond of € 205 million with a maturity of seven years and a coupon of 8.00 percent (2015 corporate bond). With the full utilization of the net issue proceeds from the convertible bond issued on March 30, 2015, and this additional corporate bond, the existing 2011 corporate bond was repaid early in the first quarter of the reporting year to a level of approximately € 115 million.

The early partial repayment of the 2011 corporate bond in the first quarter of the reporting year had already been initiated/was planned as of March 31, 2015. Its carrying amount increased in the reporting year due in particular to its corresponding remeasurement of € 16,200 thousand.

The further early partial repayment of this bond in the first quarter of financial year 2016/2017 (please refer to note 44) had already been initiated as of March 31, 2016.

The fair value of the 2011 corporate bond on the basis of the stock exchange listing is € 117,317 thousand (previous year: € 370,769 thousand) compared to the carrying amount of € 120,162 thousand (previous year: € 378,846 thousand). The fair value of the 2015 corporate bond, likewise on the basis of the stock exchange listing, is € 203,693 thousand compared to the carrying amount of € 201,682 thousand. In both cases, the fair values correspond to level 1 of the measurement hierarchy set out in IFRS 13, as only quoted prices observed on active markets are used in measurement.

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 (convertible bond 2013). 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 2013 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 2013 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 € 338 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 (convertible bond 2015). 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 2015 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 holder of the convertible bond 2015 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 2015 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 € 1,030 thousand in the year under review.

The fair value of the 2013 convertible bond on the basis of the stock exchange listing corresponds to the first level of the IFRS 13 measurement hierarchy and is € 61,694 thousand (previous year: € 69,777 thousand) compared to the carrying amount of € 59,551 thousand (previous year: € 58,777 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 € 55,528 thousand compared to the carrying amount of € 52,119 thousand.

Amounts due to banks

Amounts due to banks are shown in the table below:

Type	Contract currency	Carrying amount 31-Mar-2015 in € thousand	Remaining term in years	Effective interest rate in %	Carrying amount **31-Mar-2016** in € thousand	Remaining term in years	Effective interest rate in %
Loans	EUR	41,317	up to 4	up to 6.74	46,843	up to 4	up to 6.74
Loans	Various	5,247	up to 1	up to 13.00	6,629	up to 1	up to 16.00
Other	Various	495	up to 1	up to 3.50	1,532	up to 1	up to 3.50
		47,059			**55,004**		

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 in 2008 (March 31, 2016: € 17,462 thousand; previous year: € 25,526 thousand), the lender was granted usufructuary 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 usufructuary rights each have an original term of 18 years. The usufructuary 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 € 17,917 thousand (previous year: € 26,264 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 € 367,170 thousand (previous year: € 329,302 thousand) can be used as financing for general business purposes and for measures in connection with 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 originally maturing at the end of 2014 entered into effect parallel to the 2011 corporate bond.

The convertible bond issued on July 10, 2013, lowered the revolving credit facility to around € 416 million. The increase of the 2011 corporate 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 to the amount of € 20 million maturing in December 2018 was issued in April 2014. Its fair value on the basis of the discounted cash flow method using market interest rates corresponds to the second level of the IFRS 13 fair value hierarchy and is € 17,527 thousand (previous year: € 16,933 thousand) compared to the carrying amount of € 16,081 thousand (previous year: € 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 July 2015, the early extension of the revolving credit facility with an initial volume of € 250 million to the end of June 2019, with the volume declining to € 235 million over the term, was agreed with a consortium of banks.

On March 31, 2016, a loan of € 100 million expected to mature at the start of 2024 was agreed with the European Investment Bank to support Heidelberg's research and development activities, especially with regard to digitalization, and the expansion of the digital printing portfolio. The development loan is available in callable tranches, each with a term of seven years (refer to note 44 for further information).

The financing agreements for the revolving credit facility with the syndicate of banks and the European Investment Bank loan contain standard financial covenants regarding the financial situation of the Heidelberg Group. With the existing financing portfolio, Heidelberg has total credit facilities with balanced diversification and a balanced maturity structure until 2022 and beyond.

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-2015				**31-Mar-2016**
	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	–	–	–	18,657	–	–	–	13,950
Lease payments already made	–	–	–	-12,831	–	–	–	-7,765
Outstanding lease payments	1,819	4,007	–	5,826	1,943	4,242	–	6,185
Interest portion of outstanding lease payments	-365	-641	–	-1,006	-299	-320	–	-619
Present value of outstanding lease payments (carrying amount)	1,454	3,366	–	**4,820**	1,644	3,922	–	**5,566**

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-2015				**31-Mar-2016**
	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)	45,077	–	–	45,077	52,271	–	–	52,271
Advance payments on orders	87,295	–	–	87,295	97,682	–	–	97,682
From derivative financial instruments	15,909	–	–	15,909	2,672	–	–	2,672
From other taxes	43,206	–	–	43,206	30,927	–	–	30,927
For social security contributions	6,844	813	183	7,840	5,813	813	–	6,626
Deferred income	46,026	19,646	3,273	68,945	47,529	15,563	3,281	66,373
Other	36,727	7,171	17,768	61,666	33,604	62	14,509	48,175
	281,084	27,630	21,224	**329,938**	270,498	16,438	17,790	**304,726**

Derivative financial instruments

Derivative financial instruments include liabilities from cash flow hedges of € 1,369 thousand (previous year: € 14,673 thousand) and from fair value hedges of € 1,303 thousand (previous year: € 1,236 thousand).

Deferred income

Deferred income includes taxable investment subsidies of € 985 thousand (previous year: € 1,257 thousand), tax-free investment allowances of € 965 thousand (previous year: € 70 thousand) and other deferred income of € 64,424 thousand (previous year: € 67,617 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 € 225 thousand (previous year: € 391 thousand).

TAX-FREE ALLOWANCES include allowances under the German Investment Allowance Act of 1999/2005/2007/2010 of € 965 thousand (previous year: € 70 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.

In the previous year, a liability previously reported under other liabilities was derecognized by way of the issuance of equity instruments as part of the Gallus transaction. In the previous year, 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 was reported under other operating income (see note 9). The liabilities not yet paid from the cash component, which were included in this item, were settled in full and derecognized in the reporting year.

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-2015			**31-Mar-2016**
		Current	Non-current	Total	Current	Non-current	**Total**
Financial assets							
Shares in affiliated companies	AfS	–	21,477	21,477	–	5,661	5,661
Other investments	AfS	–	3,455	3,455	–	3,458	3,458
Securities	AfS	–	3,897	3,897	–	3,465	3,465
		–	28,829	28,829	–	12,584	12,584
Receivables from sales financing							
Receivables from sales financing not including finance leases	LaR	36,109	45,364	81,473	29,639	33,502	63,141
Receivables from finance leases	n. a.	73	234	307	471	987	1,458
		36,182	45,598	81,780	30,110	34,489	64,599
Trade receivables	LaR	335,191	–	335,191	360,959	–	360,959
Other receivables and other assets							
Derivative financial instruments	n. a. [2]	4,667	–	4,667	5,177	–	5,177
Miscellaneous financial assets	LaR	52,054	12,228	64,282	65,609	10,855	76,464
		56,721	12,228	68,949	70,786	10,855	81,641
Miscellaneous other assets		42,463	6,534	48,997	43,164	6,969	50,133
		99,184	18,762	117,946	113,950	17,824	131,774
Cash and cash equivalents	LaR	285,961	–	285,961	215,472	–	215,472

[1] Information on abbreviations of the IAS 39 measurement categories: AfS: available-for-sale financial assets, LaR: loans and receivables, n. a.: no IAS 39 measurement category

[2] Derivative financial instruments include no short-term hedges (previous year: € 2 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-2015			**31-Mar-2016**
		Current	Non-current	Total	Current	Non-current	**Total**
Financial liabilities							
Corporate bonds	FLaC	26,264	352,582	378,846	12,584	309,260	321,844
Convertible bonds	FLaC	1,155	108,399	109,554	1,156	110,514	111,670
Amounts due to banks	FLaC	18,037	29,022	47,059	25,689	29,315	55,004
Liabilities from finance leases	n. a.	1,454	3,366	4,820	1,644	3,922	5,566
Other financial liabilities	FLaC	2,010	–	2,010	2,202	–	2,202
		48,920	493,369	542,289	43,275	453,011	496,286
Trade payables	FLaC	170,885	–	170,885	179,397	–	179,397
Other liabilities							
Derivative financial instruments	n. a. [2]	15,909	–	15,909	2,672	–	2,672
Miscellaneous financial liabilities	FLaC	82,441	6,179	88,620	84,318	875	85,193
		98,350	6,179	104,529	86,990	875	87,865
Miscellaneous other liabilities		182,734	42,675	225,409	183,507	33,353	216,860
		281,084	48,854	329,938	270,497	34,228	304,725

[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 the end of June 2019.

	31-Mar-2015	**31-Mar-2016**
Up to 1 year	65,151	72,173
Between 1 and 5 years	610,660	305,797
More than 5 years	–	291,725
	675,811	**669,695**

Net gains and losses

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

	2014/2015	**2015/2016**
Financial assets available for sale	– 363	– 3,027
Loans and receivables	– 7,108	– 8,867
Financial liabilities at amortized cost	– 51,318 [1)]	– 44,484

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

Changes in the value of financial assets available for sale of € 453 thousand (previous year: € 391 thousand) were also recognized in other comprehensive income.

Net gains and losses include € 3,800 thousand (previous year: € 4,670 thousand) of interest income and € 50,644 thousand (previous year: € 72,009 thousand) of interest expenses for financial assets and financial liabilities not measured at fair value through profit or loss.

In addition, there are net gains of € 1 thousand (previous year: net losses of € 915 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.

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-2015	**31-Mar-2016**	31-Mar-2015	**31-Mar-2016**
Currency hedging				
Cash flow hedge				
Forward exchange transactions	229,416	255,230	–13,230	2,287
of which: assets	(55,960)	(172,769)	(1,443)	(3,656)
of which: liabilities	(173,456)	(82,461)	(–14,673)	(–1,369)
Currency options	–	22,265	–	1,033
of which: assets	–	(22,265)	–	(1,033)
of which: liabilities	–	–	–	–
	229,416	277,495	–13,230	3,320
Fair value hedge				
Forward exchange transactions	228,011	175,272	1,986	–815
of which: assets	(126,261)	(27,979)	(3,222)	(488)
of which: liabilities	(101,750)	(147,293)	(–1,236)	(–1,303)

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-2015	**31-Mar-2016**
	Total undiscounted cash flows [1]	Total undiscounted cash flows [1]
Derivative financial liabilities		
Outgoing payments	–267,504	–230,124
Associated incoming payments	252,709	227,580
Derivative financial assets		
Outgoing payments	–204,189	–219,363
Associated incoming payments	206,220	223,528

[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, 32 percent (previous year: 41 percent) of the hedging volume relates to the US dollar and 32 percent (previous year: 13 percent) to the Swiss franc as of the end of the reporting period.

As of the end of the reporting period, hedges resulted in total assets of € 4,689 thousand (previous year: € 1,443 thousand) and liabilities of € 1,369 thousand (previous year: € 14,673 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, no cash flow hedges were terminated early and no expenses were transferred from the hedge reserve to the financial result (previous year: € 623 thousand).

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 € 8,677 thousand (previous year: € 42,082 thousand) and the translation of hedged items at closing rates of € 9,404 thousand (previous year: € 40,866 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, 2015.

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 those 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 in which hedges are held, the hedge reserve would have been € 5,259 thousand (previous year: € 12,633 thousand) higher as of the end of the reporting period and the financial result would have been € 399 thousand (previous year: € 33 thousand) lower. Assuming a 10 percent decrease in the value of the euro, the hedge reserve would have been € 4,883 thousand (previous year: € 15,440 thousand) lower and the financial result would have been € 184 thousand lower (previous year: € 40 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 € 6 thousand lower (previous year: € 0 thousand) as of the end of the reporting period and the financial result would have been € 584 thousand (previous year: € 708 thousand) higher. Assuming a decrease of 100 basis points in the market interest rate across all terms, the hedge reserve would have been € 6 thousand higher (previous year: € 0 thousand) and the financial result would have been € 584 thousand (previous year: € 708 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, 2016:

	31-Mar-2015				31-Mar-2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	**Total**
Securities	3,446	–	–	3,446	3,024	–	–	3,024
Derivative financial assets	–	4,667	–	4,667	–	5,177	–	5,177
Assets carried at fair value	**3,446**	**4,667**	**–**	**8,113**	**3,024**	**5,177**	**–**	**8,201**
Derivative financial liabilities	–	15,909	–	15,909	–	2,672	–	2,672
Liabilities carried at fair value	**–**	**15,909**	**–**	**15,909**	**–**	**2,672**	**–**	**2,672**

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 € 5,661 thousand (previous year: € 21,477 thousand) and other investments of € 3,458 thousand (previous year: € 3,455 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-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
31-Mar-2016					
Derivative financial instruments (assets)	5,177	–	5,177	– 1,047	4,130
Trade receivables	361,224	– 265	360,959	–	360,959
Derivative financial instruments (liabilities)	2,672	–	2,672	– 1,047	1,625
Trade payables	179,662	– 265	179,397	–	179,397

33 Guarantees and contingent liabilities

Contingent liabilities from guarantees, amounting to € 4,236 thousand as of March 31, 2016 (previous year: € 4,879 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-2015				**31-Mar-2016**
	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	39,003	105,799	43,293	188,095	36,973	99,671	26,073	162,717
Investments and other purchasing commitments	12,380	7,570	–	19,950	11,499	7,235	–	18,734
	51,383	**113,369**	**43,293**	**208,045**	**48,472**	**106,906**	**26,073**	**181,451**

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 € 21,066 thousand (previous year: € 24,569 thousand);
- the Print Media Academy (Heidelberg) in the amount of € 14,280 thousand (previous year: € 19,919 thousand);
- the World Logistics Center (WLC) (Wiesloch-Walldorf plant) in the amount of € 11,541 thousand (previous year: € 15,715 thousand);
- the X-House administrative building (Heidelberg) in the amount of € 3,213 thousand (previous year: € 5,708 thousand);
- the administrative and production building in Rochester, New York, USA, in the amount of € 15,236 thousand (previous year: € 16,122 thousand);
- the administrative and production building in Durham, USA, in the amount of € 9,524 thousand (previous year: € 12,440 thousand); and
- motor vehicles with a total value of € 23,158 thousand (previous year: € 22,417 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

	2014/2015	2015/2016
Net result after taxes (€ thousands)	– 72,403	28,134
Number of shares in thousands (weighted average)	248,725	257,295
Basic earnings per share (€)	– 0.29	0.11
Diluted earnings per share (€)	– 0.29	0.11

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 257,295 thousand (previous year: 248,725 thousand). The weighted number of shares outstanding was influenced by the holdings of treasury shares. As in the previous year, there were still 142,919 treasury shares as of March 31, 2016.

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 result 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 may have a fully dilutive 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:

	2015/2016	
	Potentially dilutive financial instruments (total)	Dilutive financial instruments applied in calculation
Numerator for basic earnings per share (€ thousand)	**28,134**	**28,134**
Plus effects from the convertible bond recognized in profit or loss (€ thousand)	10,284	0
Numerator for diluted earnings per share (€ thousand)	**38,418**	**28,134**
Number of shares (thousand)		
Denominator for basic earnings per share (weighted average number of shares, thousand)	**257,295**	**257,295**
Convertible bond 2013	22,710	0
Convertible bond 2015	18,840	0
Denominator for diluted earnings per share (thousand)	**–**	**257,295**
Denominator for potentially diluted earnings per share (thousand)	**298,845**	**–**
Basic earnings per share (€)	–	0.11
Diluted earnings per share (€)	–	0.11

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.

€ 24,218 thousand (previous year: € 9,982 thousand) of investments in intangible assets, property, plant and equipment and investment property relates to intangible assets, € 37,725 thousand (previous year: € 48,487 thousand) to property, plant and equipment. Investments do not include additions from finance leases of € 2,984 thousand (previous year: € 500 thousand). € 355 thousand (previous year: € 44 thousand) of income from the disposal of intangible assets, property, plant and equipment and investment property relates to intangible assets and € 10,588 thousand (previous year: € 21,768 thousand) to property, plant and equipment. Investments in corporate acquisitions primarily relate to the acquisition of the Printing Systems Group.

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 (€ 215,472 thousand; previous year: € 285,961 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-2014 to 31-Mar-2015[1]	**1-Apr-2015 to 31-Mar-2016**	1-Apr-2014 to 31-Mar-2015[1]	**1-Apr-2015 to 31-Mar-2016**	1-Apr-2014 to 31-Mar-2015[1]	**1-Apr-2015 to 31-Mar-2016**	1-Apr-2014 to 31-Mar-2015[1]	**1-Apr-2015 to 31-Mar-2016**
Net sales	1,250,961	1,331,786	1,075,723	1,174,319	6,997	5,614	2,333,681	2,511,719
EBITDA excluding special items (segment result)	112,101	63,033	70,291	123,865	5,785	2,495	188,177	189,393
Depreciation and amortization[2]	52,329	52,516	16,816	19,933	3	614	69,148	73,063
EBIT excluding special items	59,772	10,517	53,475	103,932	5,782	1,881	119,029	116,330

[1] Prior-year figures were adjusted accordingly
[2] 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.

Since April 1, 2015, the Postpress Commercial business area (BA) and the Postpress Packaging sub-area were moved to the Heidelberg Services segment. The figures for the previous year were adjusted. Accordingly, the Heidelberg Services segment recorded an increase in net sales of € 140,393 thousand and a decrease in EBITDA excluding special items of € 31,585 thousand for the period from April 1, 2014 to March 31, 2015.

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 activity 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-2014 to 31-Mar-2015	**1-Apr-2015 to 31-Mar-2016**
EBITDA excluding special items (segment result)	188,177	189,393
Depreciation and amortization	69,148	73,063
EBIT excluding special items	119,029	116,330
Special items	99,338	20,589
Financial income	9,534	12,968
Financial expenses	105,151	77,569
Financial result	– 95,617	– 64,601
Net result before taxes	**– 75,926**	**31,140**

Information by region

Net sales by region according to the domicile of the customer were as follows:

	1-Apr-2014 to 31-Mar-2015	**1-Apr-2015 to 31-Mar-2016**
Europe, Middle East and Africa		
Germany	356,172	338,576
Other Europe, Middle East and Africa region	565,048	711,643
	921,220	1,050,219
Asia/Pacific		
China	292,694	311,594
Other Asia/Pacific region	364,040	382,045
	656,734	693,639
Eastern Europe	280,826	261,624
North America		
USA	300,604	327,216
Other North America region	76,342	91,702
	376,946	418,918
South America	97,955	87,319
	2,333,681	**2,511,719**

Of the non-current assets, which comprise intangible assets, property, plant and equipment and investment property, € 465,451 thousand (previous year: € 471,346 thousand) relates to Germany and € 245,506 thousand (previous year: € 235,194 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, page 45). The value contribution can be seen as the profit remaining after deducting the capital costs for the capital employed in the reporting period. If the value contribution is positive, the Heidelberg Group has earned more than its capital costs. The following capital structure is used to calculate the cost of capital:

	2014/2015	**2015/2016**
Equity	183,474	286,540
Net deferred taxes	51,537	82,874
Adjusted equity	**131,937**	**203,666**
Annual average	223,450	167,802
Pension provisions	605,009	534,353
Tax provisions	59,116	71,225
Net tax receivables/liabilities	5,536	8,625
Non-operating financial liabilities	519,817	479,717
Liabilities	**1,189,478**	**1,093,920**
Annual average	1,093,921	1,141,699
Adjusted total capital	**1,321,415**	**1,297,586**
Annual average	1,317,370	1,309,501

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 increased from € 183,474 thousand to € 286,540 thousand. Based on total assets, the equity ratio therefore rose from 8.0 percent to 13.0 percent. Owing to the negative free cash flow in the year under review, net debt was up year-on-year at € 280,814 thousand (previous year: € 256,328 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.

In July 2015, the early extension of the revolving credit facility with an initial volume of € 250 million to the end of June 2019, with the volume declining to € 235 million over the term, was agreed with a consortium of banks.

As of March 31, 2016, the financing of the Heidelberg Group mainly consists of an unsecured corporate bond including increase via tap with a maturity of seven years in a nominal amount of currently € 114.5 million (2011 corporate bond), a further unsecured corporate bond with a maturity of seven years in a nominal amount of € 205 million (2015 corporate bond), a convertible bond totaling € 59.5 million with a maturity of four years (2013 convertible bond), another convertible bond of € 58.6 million with a maturity of seven years (2015 convertible bond), and a revolving credit facility with a banking syndicate currently totaling around € 248 million with a maturity until mid-June 2019.

On March 31, 2016, a loan of € 100 million expected to mature at the start of 2024 was agreed with the European Investment Bank to support Heidelberg's research and development activities, especially with regard to digitalization, and the expansion of the digital printing portfolio. The development loan is available in callable tranches, each with a term of seven years.

The financing agreements for the revolving credit facility with the syndicate of banks and the European Investment Bank loan 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 further early partial repayment of the 2011 corporate bond in the first quarter of financial year 2016/2017 had already been initiated as of March 31, 2016.

Heidelberg's financing structure is thus 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 60 to 65) and the corporate governance report.

The members of the Supervisory Board and the Management Board are listed in the separate overview presented on pages 146 to 147 (Supervisory Board) and 148 (Management Board).

ACTIVE MEMBERS OF THE MANAGEMENT BOARD: The total remuneration according to IFRS amounted to € 5,418 thousand (previous year: € 5,545 thousand), comprising the basic salary including non-cash remuneration of € 1,764 thousand (previous year: € 1,714 thousand), variable single-year remuneration of € 1,548 thousand (previous year: € 1,490 thousand), variable multi-year remuneration of € 1,431 thousand (previous year: € 1,294 thousand) and service cost of € 675 thousand (previous year: € 1,047 thousand). As in the previous year, no stock options were held as of the end of the reporting period. The pension provisions (defined benefit obligations as per IFRS) amounted to € 5,190 thousand (previous year: € 4,287 thousand). The total cash remuneration (= total remuneration) for the reporting year according to the German Commercial Code amounted to € 4,743 thousand (previous year: € 4,498 thousand) including non-cash remuneration. No loans or advances were made in the reporting period; the Heidelberg Group has not undertaken any contingent liabilities. A loan to a member of the Management Board dating back to before the Board membership (as of March 31, 2014: around € 515 thousand) was repaid in full in the previous year.

FORMER MEMBERS OF THE MANAGEMENT BOARD AND THEIR SURVIVING DEPENDENTS: The total cash remuneration (= total remuneration) amounted to € 3,630 thousand (previous year: € 3,591 thousand); this comprises € 911 thousand (previous year: € 911 thousand) in obligations to former members of the Management Board and their surviving dependents of Linotype-Hell Aktiengesellschaft, which were assumed in financial year 1997/1998 under the provisions of universal succession. As in the previous year, no stock options were held as of the end of the reporting period. The pension obligations (defined benefit obligations as per IFRS) amounted to € 54,102 thousand (previous year: € 61,670 thousand); € 8,962 thousand (previous year: € 10,014 thousand) of this relates to pension obligations of the former Linotype-Hell Aktiengesellschaft, which were assumed in financial year 1997/1998 under the provisions of universal succession.

MEMBERS OF THE SUPERVISORY BOARD: For the year under review, 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 were granted totaling € 748 thousand (previous year: € 746 thousand). In addition, one member of the Supervisory Board received fixed remuneration of € 56 thousand (previous year: pro rata temporis remuneration of € 32 thousand) for his/her membership on the Board of Directors of a foreign subsidiary. This remuneration does not include VAT. Members of the Supervisory Board received remuneration of € 409 thousand (previous year: € 390 thousand) from Heidelberger Druckmaschinen Aktiengesellschaft in the year under review under employment agreements. No loans or advances were made to members of the Supervisory Board in the reporting period; the Heidelberg Group has not undertaken any contingent liabilities for Supervisory Board members.

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 an associated company and a joint venture, 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 € 4,143 thousand (previous year: € 5,879 thousand), receivables of € 11,722 thousand (previous year: € 10,941 thousand), expenses of € 15,476 thousand (previous year: € 17,014 thousand) and income of € 8,220 thousand (previous year: € 8,758 thousand), which essentially includes sales. Write-downs of € 1,737 thousand were recognized on receivables from related parties in the reporting year (previous year: € 286 thousand). All transactions were concluded at standard market terms and did not differ from trade relationships with other companies.

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 Manufacturing Deutschland GmbH, Wiesloch [1), 2)];
- Heidelberger Druckmaschinen Vertrieb Deutschland GmbH, Wiesloch [1), 2)];
- Heidelberg Postpress Deutschland GmbH, Wiesloch [1), 2)];
- Heidelberg China-Holding GmbH, Wiesloch [2)];
- Heidelberg Boxmeer Beteiligungs-GmbH, Wiesloch [2)];
- Heidelberg Print Finance International GmbH, Wiesloch [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:

	2014/2015	**2015/2016**
Fees for		
Audits of financial statements	799	910
Other assurance services	174	214
Tax advisory services	16	–
Other services	1,098	242
	2,087	**1,366**

44 Events after the end of the reporting period

In April 2016, Heidelberger Druckmaschinen Aktiengesellschaft called an initial tranche of € 50 million from the development loan of € 100 million agreed with the European Investment Bank on March 31, 2016 in order to support Heidelberg's development activities, particularly in the field of digitization and the expansion of its digital printing portfolio. This will amortize by April 2023.

As announced on March 14, 2016, Heidelberger Druckmaschinen Aktiengesellschaft repaid a further amount of around € 64.5 million of the 2011 corporate bond ahead of schedule on April 15, 2016. The repayment was made in cash.

Given its solid liquidity position, the Company announced on May 10, 2016 that it would repay the outstanding amount of this bond of around € 50 million in full, ahead of schedule and in cash, as of June 10, 2016.

Heidelberg, May 23, 2016

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 23, 2016

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, 2015, to March 31, 2016. 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 24, 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Martin Theben Wirtschaftsprüfer	Stefan Hartwig Wirtschaftsprüfer

Financial section 2015/2016

Further information

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	2,149	1,657
Heidelberg Boxmeer Beteiligungs-GmbH [3), 10)]	D	Wiesloch	100	127,091	17,253
Heidelberg China-Holding GmbH [3)]	D	Wiesloch	100	58,430	31,557
Heidelberg Consumables Holding GmbH [3)]	D	Wiesloch	100	20,025	1,742
Heidelberg Manufacturing Deutschland GmbH [3)]	D	Wiesloch	100	42,561	–5,925
Heidelberg Postpress Deutschland GmbH [3), 10)]	D	Wiesloch	100	25,887	–81
Heidelberg Print Finance International GmbH [3), 10)]	D	Wiesloch	100	34,849	954
Heidelberg Web Carton Converting GmbH [5)]	D	Weiden	100 [2)]	5,251	470
Heidelberger Druckmaschinen Real Estate GmbH & Co. KG	D	Walldorf	100	116,310	6,255
Heidelberger Druckmaschinen Vermögensverwaltungs-gesellschaft mbH	D	Walldorf	100	22	–2
Heidelberger Druckmaschinen Vertrieb Deutschland GmbH [3)]	D	Wiesloch	100	54,901	8,434
Outside Germany [4)]					
Baumfolder Corporation	USA	Sidney, Ohio	100	1,977	70
BluePrint Products NV	BE	Sint-Niklaas	100	2,292	816
Europe Graphic Machinery Far East Ltd.	PRC	Hong Kong	100	476	228
Gallus Ferd. Rüesch AG	CH	St. Gallen	100 [1)]	32,498	–34,429
Gallus Holding AG	CH	St. Gallen	100	83,932	–4,511
Gallus Inc.	USA	Philadelphia, Pennsylvania	100 [2)]	5,149	1,588
Heidelberg Americas, Inc.	USA	Kennesaw, Georgia	100	117,491	61,673
Heidelberg Asia Pte. Ltd.	SGP	Singapore	100	8,449	166
Heidelberg Baltic Finland OÜ	EST	Tallinn	100	3,602	614
Heidelberg Benelux BV	NL	HA Almere	100	–1,212	1,388
Heidelberg Benelux BVBA	BE	Brussels	100	13,364	135
Heidelberg Boxmeer B.V.	NL	Boxmeer	100	42,243	5,758
Heidelberg Canada Graphic Equipment Ltd.	CDN	Mississauga	100	3,832	522
Heidelberg China Ltd.	PRC	Hong Kong	100	4,420	–6,510
Heidelberg do Brasil Sistemas Graficos e Servicos Ltda.	BR	São Paulo	100	1,733	–2,086
Heidelberg France S.A.S.	F	Roissy-en-France	100	6,775	1,057
Heidelberg Grafik Ticaret Servis Limited Sirketi	TR	Istanbul	100	4,344	–186
Heidelberg Graphic Equipment (Shanghai) Co. Ltd.	PRC	Shanghai	100	89,571	6,763
Heidelberg Graphic Equipment Ltd. – Heidelberg Australia –	AUS	Notting Hill, Melbourne	100	21,756	197
Heidelberg Graphic Equipment Ltd. – Heidelberg New Zealand –	NZ	Auckland	100	3,285	300
Heidelberg Graphic Equipment Ltd. – Heidelberg UK –	GB	Brentford	100	23,058	10,310
Heidelberg Graphic Systems Southern Africa (Pty) Ltd.	ZA	Johannesburg	100	2,117	218
Heidelberg Graphics (Beijing) Co. Ltd.	PRC	Beijing	100	1,454	947

Name	Country/Domicile		Shareholding in percent	Equity	Net result after taxes
Heidelberg Graphics (Thailand) Ltd.	TH	Bangkok	100	7,814	878
Heidelberg Graphics (Tianjin) Co. Ltd.	PRC	Tianjin	100	11,848	9,071
Heidelberg Graphics Taiwan Ltd.	TWN	Wu Ku Hsiang	100	6,378	279
Heidelberg Group Trustees Ltd.	GB	Brentford	100	0	0
Heidelberg Hong Kong Ltd.	PRC	Hong Kong	100	14,167	71
Heidelberg India Private Ltd.	IN	Chennai	100	5,217	450
Heidelberg International Finance B.V.	NL	Boxmeer	100	43	–2
Heidelberg International Ltd. A/S	DK	Ballerup	100	58,625	10,279
Heidelberg International Trading (Shanghai) Co. Ltd.	PRC	Shanghai	100	1,072	905
Heidelberg Italia S.r.L.	IT	Bollate	100	27,730	2,780
Heidelberg Japan K.K.	J	Tokyo	100	35,818	4,331
Heidelberg Korea Ltd.	ROK	Seoul	100	2,855	473
Heidelberg Magyarország Kft.	HU	Kalasch	100	5,230	463
Heidelberg Malaysia Sdn Bhd	MYS	Petaling Jaya	100	–1,833	–1,470
Heidelberg Mexico Services, S. de R.L. de C.V.	MEX	Mexico City	100	1,105	–270
Heidelberg Mexico, S. de R.L. de C.V.	MEX	Mexico City	100	9,628	1,479
Heidelberg Philippines, Inc.	PH	Makati City	100	4,914	335
Heidelberg Polska Sp z.o.o.	PL	Warsaw	100	8,428	960
Heidelberg Praha spol s.r.o.	CZ	Prague	100	2,620	504
Heidelberg Print Finance Australia Pty Ltd.	AUS	Notting Hill, Melbourne	100	26,869	334
Heidelberg Print Finance Korea Ltd.	ROK	Seoul	100	17,332	370
Heidelberg Print Finance Osteuropa Finanzierungsvermittlung GmbH [6)]	A	Vienna	100	11,961	–84
Heidelberg Schweiz AG	CH	Bern	100	693	2,402
Heidelberg Shenzhen Ltd.	PRC	Shenzhen	100	8,491	2,208
Heidelberg Slovensko s.r.o.	SK	Bratislava	100	1,739	0
Heidelberg Spain S.L.U.	ES	Cornella de Llobregat	100	8,220	–47
Heidelberg Sverige AB	S	Solna	100	7,633	–719
Heidelberg USA, Inc.	USA	Kennesaw, Georgia	100	70,465	39,149
Heidelberger CIS OOO	RUS	Moscow	100	–6,268	–1,008
Heidelberger Druckmaschinen Austria Vertriebs-GmbH	A	Vienna	100	26,680	8,480
Heidelberger Druckmaschinen Osteuropa Vertriebs-GmbH [6)]	A	Vienna	100	7,379	8,011
Heidelberger Druckmaschinen WEB-Solution CEE Ges.m.b.H	A	Vienna	100	2,046	0
Hi-Tech Coatings International B.V.	NL	Zwaag	100	9,173	286
Hi-Tech Coatings International Limited	GB	Aylesbury, Bucks	100	6,761	1,533
Linotype-Hell Ltd.	GB	Brentford	100	4,332	0
Modern Printing Equipment Ltd.	PRC	Hong Kong	100	1,938	–348
MTC Co., Ltd.	J	Tokyo	99.99	8,126	1
PSG Holding BV	NL	HA Almere	100	46,674	–296
P.T. Heidelberg Indonesia	ID	Jakarta	100	7,924	543

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	26	–52
Heidelberg Catering Services GmbH [3]	D	Wiesloch	100	386	0
Heidelberg Direkt Vertriebs GmbH [7, 10]	D	Wiesloch	100	338	33
Menschick Trockensysteme GmbH	D	Renningen	100 [8]	510	–105
Neo7even GmbH	D	Siegen	100	906	–1,129
Sporthotel Heidelberger Druckmaschinen GmbH [3, 10]	D	Wiesloch	100	26	0
Outside Germany [4]					
Cerm Benelux NV	BE	Oostkamp	100	1,071	450
Fujifilm Sverige AB	S	Stockholm	100	3,049	1,259
Gallus Ferd. Rüesch (Shanghai) Co. Ltd.	PRC	Shenzhen	100 [8]	99	–135
Gallus India Private Limited	IN	Mumbai	100 [8]	228	–29
Gallus Mexico S. de R.L. de C.V.	MEX	Mexico City	100 [8]	–9	–154
Gallus Oceania Pty. Ltd. [9]	AUS	Bayswater	100 [8]	91	321
Gallus Printing Machinery Corp.	USA	Philadelphia, Pennsylvania	100 [8]	–1,764	–372
Gallus South East Asia Pte. Ltd.	SGP	Singapore	100 [8]	–424	701
Gallus-Group UK Ltd.	GB	Royston	100 [8]	345	104
Grafimat BVBA	BE	Brussels	100	–13	–200
Heidelberg Asia Procurement Centre Sdn Bhd	MYS	Petaling Jaya	100	105	–12
Heidelberg Hellas A.A.E.	GR	Metamorfosis	100	2,994	37
Heidelberg Postpress Slovensko spol. s r.o.	SK	Nové Mesto nad Váhom	100	79	–5,782
Heidelberg Used Equipment Ltd. [7]	GB	Brentford	100	879	98
Heidelberger Druckmaschinen Ukraina Ltd.	UA	Kiev	100	–1,784	873
Inline Cutting L.L.C.	USA	Baltimore, Maryland	100 [8]	–1,516	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	658	0
Print Media Academy Ceska Republika a.s.	CZ	Pardubice	24	75	3
Other shareholdings (> 5 %)					
Germany					
InnovationLab GmbH	D	Heidelberg	8.33	1,987	564
SABAL GmbH & Co. Objekt FEZ Heidelberg KG	D	Munich	99.90	– 5,243	– 400

[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] Formerly Gallus Stanz- und Druckmaschinen GmbH
[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] Formerly Gallus Australia Pty. Ltd.
[10] Place of business relocated from Heidelberg to Wiesloch

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)

Dr. Siegfried Jaschinski
since June 2, 2015
Member of the Management Board and Partner of Augur Capital AG, Frankfurt am Main
a) Schnigge Wertpapierhandelsbank AG
b) Veritas Investment GmbH

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

Ralph Arns*
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

Karen Heumann
since March 24, 2016
Founder and Spokesperson of the Executive Board of thjnk AG, Hamburg
a) NDR Media and Studio Hamburg
aufeminin.com, France
b) Commerzbank AG (Member of the Northern Regional Advisory Board)

Kirsten Lange
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) 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

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) 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)

Christoph Woesler*
Head of Procurement Electric/Electronics
Chairman of the Speakers Committee for the Executive Staff, Wiesloch-Walldorf

Roman Zitzelsberger*
Regional head of IG Metall Baden-Württemberg, Stuttgart
a) Daimler AG

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

Committees of the Supervisory Board (as of March 31, 2016)

MANAGEMENT COMMITTEE

Dr. Siegfried Jaschinski (Chairman)
Rainer Wagner
Ralph Arns
Mirko Geiger
Kirsten Lange
Prof. Dr.-Ing. Günther Schuh

MEDIATION COMMITTEE UNDER ARTICLE 27 PARAGRAPH 3 OF THE CODETERMINATION ACT

Dr. Siegfried Jaschinski
Rainer Wagner
Ralph Arns
Dr. Herbert Meyer

COMMITTEE ON ARRANGING PERSONNEL MATTERS OF THE MANAGEMENT BOARD

Dr. Siegfried Jaschinski (Chairman)
Rainer Wagner
Beate Schmitt
Prof. Dr.-Ing. Günther Schuh

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

Dr. Siegfried Jaschinski (Chairman)
Edwin Eichler
Kirsten Lange

STRATEGY COMMITTEE

Dr. Siegfried Jaschinski (Chairman)
Rainer Wagner
Edwin Eichler
Mirko Geiger
Kirsten Lange
Dr. Herbert Meyer
Prof. Dr.-Ing. Günther Schuh

The Management Board

Dr. Gerold Linzbach
Frankfurt am Main
Chief Executive Officer and
Chief Human Resources Officer
** Heidelberg Americas, Inc., USA
(Chairman of the Board of Directors)
Heidelberg USA, Inc., USA
(Chairman of the Board of Directors)

Dirk Kaliebe
Sandhausen
Chief Financial Officer and
Head of the Heidelberg
Financial Services Segment
* Heidelberger Druckmaschinen Vertrieb
Deutschland GmbH
** Gallus Holding Aktiengesellschaft,
Switzerland
(Member of the Administration Board)
Heidelberg Americas, Inc., USA
Heidelberg USA, Inc., USA

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

Harald Weimer
Nussloch
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

Report of the Supervisory Board

DR. SIEGFRIED JASCHINSKI
Chairman of the Supervisory Board

Dear shareholders,

Heidelberg is undergoing a development and transformation process towards becoming a more customer-oriented company. After the necessary restructuring and optimization measures in recent years to adapt its structures to market changes, the Company was realigned and the course was set to grow profitably again in the future.

The increased focus of the research and development budget on the field of digital printing is also becoming increasingly visible. Thus, the launch of the new digital label press from Heidelberg for the packaging market was successful. Likewise, Heidelberg was able to secure a German start-up company in the food industry as a partner for its latest development in 4D printing.

At the drupa trade show in June this year, Heidelberg will present intelligent services and networked products with the slogan “Simply Smart”, and so promote the digitalization of the sector. The next milestone in the digital strategy will be achieved with the presentation of the first industrial sheetfed digital press. Together with our partner Fujifilm, a new, highly productive digital printing system on an inkjet basis is being introduced for industrial applications. Heidelberg is the only provider to offer customers the parallel, simple and integrated operation of offset and digital machinery.

Heidelberg is aiming to be industrial printers’ preferred partner with its combined range of presses, service and consumables. With a dynamic portfolio geared towards further growth and sustained profitability, a stronger corporate and innovation culture and solid financing, the Company is an attractive investment opportunity for investors.

Close cooperation between Management Board and Supervisory Board
The Supervisory Board continuously monitored the management by the Management Board in the 2015/2016 financial year and regularly advised it on the running of the Company. At all times, we were assured of the legality and regularity of the work of the Management Board. The Management Board fulfilled its information duties and reported to us regularly, promptly and comprehensively in both written and verbal form on all the issues of business development, risk development and compliance relevant to the Company. In particular, we discussed all the business transactions of significance to the Company verbally and in writing with the Management Board and verified their plausibility. On several occasions, the Supervisory Board or parts of the Supervisory Board thoroughly examined the risk situation of the Company, its liquidity planning and its equity situation. The Chairman of the Supervisory Board and the Chairman of the Audit Committee were

also in close contact with the Management Board between committee meetings and informed themselves of significant developments. The Chairmen of the Supervisory Board and the Audit Committee and those of other committees reported on key findings no later than the following Supervisory Board or committee meeting.

The shareholder and employee representatives discussed the agenda items for Supervisory Board meetings in separate preliminary talks. The Supervisory Board granted its approval for individual transactions to the extent so required by law, the Articles of Association or Rules of Procedure for the Management Board.

No members took part in only half, or less, of the meetings of the Supervisory Board and committees of which they are members[1]. The average attendance rate at the meetings of the Supervisory Board and its committees was almost 100 percent in the 2015/2016 financial year.

Key topics at Supervisory Board meetings

The Supervisory Board's discussions focused on issues relating to strategy, the portfolio and the business activities of Heidelberger Druckmaschinen AG. Furthermore, the Supervisory Board addressed the liquidity situation, the capital structure and the efficiency review of the Supervisory Board.

In particular, I would like to highlight the following key topics:

At its extraordinary meetings held as conference calls on April 13 and 17, 2015, the Supervisory Board discussed issuing a new seven-year high-interest bond to further diversify the financial framework.

At its meeting on June 2, 2015, the Supervisory Board took a minute's silence to remember former chairman Robert Koehler who passed away in May. Without the Management Board in attendance, the undersigned was then elected as the new Chairman of the Supervisory Board. The Supervisory Board adopted the single-entity financial statements and approved the consolidated financial statements for the 2014/2015 financial year following the presentation and discussion of the auditor's report, thereby concurring with the recommendation of the Audit Committee. It also approved the agenda for the 2015 Annual General Meeting. Moreover, the Supervisory Board resolved the level of target attainment for the Management Board bonuses for the 2014/2015 financial year and the establishment of a temporary special committee owing to the absence due to illness of Dr. Gerold Linzbach.

At its extraordinary meeting held as a conference call on July 14, 2015, the Supervisory Board appointed Mr. Dirk Kaliebe as the deputy Chief Executive Officer for the duration of Dr. Linzbach's illness. This arrangement was suspended with the return of Dr. Linzbach at the start of 2016. Furthermore, the adjustment and renewal of the existing revolving loan agreement with a syndicate of banks was discussed and resolved at this meeting.

At the meeting before the Annual General Meeting on July 24, 2015, the Supervisory Board discussed the reporting of the Management Board on the business situation and the report of the Audit Committee as in every meeting held in the year under review. In addition, the meeting served as preparation for the Annual General Meeting that followed. Furthermore, the Supervisory Board resolved to commission PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft as the auditor for financial year 2015/2016.

Following the account of the current business situation in the Supervisory Board meeting on November 25, 2015, the Supervisory Board was then informed in detail about the meetings of the Audit Committee, the Personnel Matters Committee, the Nomination Committee and the Strategy Committee. The Supervisory Board also addressed Management Board matters and the results of the efficiency review of the Supervisory Board. Finally, the declaration of compliance for 2015 was approved at this meeting.

The topics discussed at the Supervisory Board's last meeting of the reporting year, on March 30, 2016, were the planning for the coming financial year and projections for the following years. The Supervisory Board acknowledged and approved the planning presented and was informed about the meeting of the Nomination Committee and the Personnel Matters Committee. Finally, following its discussions, the Supervisory Board approved the conclusion of a secured development loan of € 100 million with a term of seven years with the European Investment Bank.

[1] The resolution regarding Ms Heumann's appointment did not reach us until March 31, 2016

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 2015. The Rules of Procedure of the Management Board and the Supervisory Board did not have to be updated as a result of the revised recommendations. Further information on the Company's corporate governance and related activities of the Supervisory Board can also be found in the corporate governance report 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 report to the Supervisory Board regularly and comprehensively on 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 three times in the 2015/2016 reporting year. Its work focused on remuneration issues and other issues concerning members of the Management Board. The Audit Committee held five regular meetings and several event-driven telephone conferences covering individual topics. 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 annual and consolidated financial statements in addition to the interim financial statements, the accounting policies applied and the specifics of the separate and consolidated financial statements. Other topics discussed at the meetings included the liquidity situation of the Heidelberg Group and its refinancing, the development of the capital structure (equity and borrowed funds), the integration of newly acquired companies and the effects of the reorientation and development of business areas, 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 once and discussed the strategic orientation of the individual business areas and the changes in the market and at customers, including in particular the business areas consumables, digital and sheetfed. The Nomination Committee met three times. The Management Committee did not meet. Furthermore, the Mediation Committee in accordance with section 27 (3) of the German Codetermination Act (MitBestG) did not have to be convened.

In addition, a temporary special committee was formed in the year under review for the duration of Dr. Linzbach's illness.

Change in financing framework

Accompanied by refinancing activities, the Company's interest costs were gradually reduced and the maturity profile of financial instruments adapted to the cash flows generated from the portfolio. Overall, the financial framework has a solid foundation, with the result that the corporate strategy can be implemented in the business areas, and parallel to this there can be further optimization within the capital structure. Key milestones in this were the issue of the 2015 corporate bond of € 205 million maturing in 2022 and a partial repayment of the corporate bond maturing in 2018 to a remainder of around € 115 million, of which a further € 64.5 million was repaid in mid-April 2016 and the remaining part of which will be repaid completely on June 10, 2016. A further milestone finally was the signing of a secured development loan of € 100 million with a term of seven years with the European Investment Bank.

Audit of the single-entity and consolidated financial statements

The Annual General Meeting on July 24, 2015, appointed PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft as the auditor. This company audited the single-entity financial statements for the 2015/2016 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 3, 2016. 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 financial statements and the approval of the consolidated financial statements at the meeting of the Supervisory Board on June 12, 2016. 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, 2016.

Composition of the Management Board and Supervisory Board

The composition of the Supervisory Board changed in the year under review. The Chairman of the Supervisory Board, Robert Koehler, passed away on May 17, 2015. The undersigned was appointed as the new Chairman of the Supervisory Board effective June 2, 2015. The place on the Supervisory Board vacated by Robert Koehler's passing was filled by Karen Heumann. She was appointed as a new member of the Supervisory Board by court order effective March 24, 2016, until the forthcoming Annual General Meeting. Karen Heumann has extensive knowledge of the brand and advertising environment in addition to experience in the printing industry, which will be of considerable benefit to Heidelberg in its journey of realignment to increase its customer focus.

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

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 dedicated 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 Aktiengesellschaft.

Düsseldorf, June 3, 2016

FOR THE SUPERVISORY BOARD

Siegfried Jaschinski

DR. SIEGFRIED JASCHINSKI

Chairman of the Supervisory Board

Corporate governance and compliance

- Recommendations of the German Corporate Governance Code complied with, with few exceptions
- Compliance activities anchored in Heidelberg Group by Code of Conduct
- Planned focus in financial year 2016/2017: Review, revision and adjustment of the existing compliance management system and establishment of a whistleblower 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 2015/2016 financial year. The recommendations and suggestions of the Code are still largely complied with. 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 25, 2015: "Since issuing its last declaration of compliance on November 26, 2014, 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, in the period prior to June 11, 2015, and, moreover, with all recommendations of the Government Commission of the German Corporate Governance Code as amended May 5, 2015, and as promulgated by the German Federal Ministry of Justice in the official section of the Federal Gazette on June 12, 2015, with the following exceptions, and will continue to comply 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 item 4.1.5 sentence 1 (as amended May 5, 2015) in the future to the extent that an appropriate consideration or participation of women was/is intended or provided for. Naturally, the Management Board and the Supervisory Board have complied with the requirements of the German Act on the Equal Participation of Women and Men in Leadership Positions in the Private Sector and the Public Sector. On July 24, 2015, the Supervisory Board set a target for the share of women in the Management Board; on July 13, 2015, the Management Board set a target for the top two management levels below the Management Board.

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. It is agreed that, in the event of vacancies being filled, given the same technical and personal suitability, the appointment of women to the Supervisory Board, the Management Board and the two management levels below the Management Board will be considered to increase the share of women in the medium to long term. 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.

Heidelberger Druckmaschinen Aktiengesellschaft deviated from the recommendations of item 5.4.1 (2) of the Code as amended May 5, 2015, and will also continue to deviate from them in the future to the extent that the Supervisory Board is expected to set a time limit for its members. In the opinion of the Supervisory Board of the Company, nominations of suitable candidates for the Supervisory Board should be based primarily on personal qualifications, long-term experience and expertise."

The Management Board and the Supervisory Board intend to update the annual declaration of compliance, prospectively on November 25, 2016, 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 25, 2015, can also be found there; it is also included in the current, detailed CORPORATE GOVERNANCE DECLARATION.

This declaration – and 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 in addition to 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 executive bodies and each individual employee. The Compliance Office is integrated into the legal department. The Chief Compliance Officer reports directly to the CFO, who is also the head of the Heidelberg Financial Services segment. Heidelberg's measures to ensure compliance with Company-wide regulations are based on a preventive 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 2016/2017 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 at the level of Heidelberger Druckmaschinen Aktiengesellschaft, an accompanying communication campaign and the review and optimization of processes. Another priority is still advising and training employees in the areas of corruption prevention and antitrust law in particular (especially at the new Group companies acquired). Internal findings and comparisons 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.

Düsseldorf, June 3, 2016

Siegfried Jaschinski

For the
Supervisory Board
Dr. Siegfried Jaschinski

For the
Management Board
Dr. Gerold Linzbach

2015/2016 in Review

April 2015

Corporate bond successfully placed

Heidelberg successfully placed a corporate bond with a nominal volume of € 205 million at the start of the financial year. The improvement in profitability and stable net debt at a low level enable the further optimization of the Company's financing structure. Thus, the financing framework was secured for the long term and the maturity profile optimized.

June 2015

New Chairman of the Supervisory Board

At its ordinary meeting on June 2, 2015, the Supervisory Board elected Dr. Siegfried Jaschinski as Heidelberg's new Chairman of the Supervisory Board. He succeeds Robert J. Koehler, who passed away on May 17, 2015. Dr. Jaschinski will hold this position for the remainder of the term of office until the Annual General Meeting in 2018.

New Commercial Print Media Center at Wiesloch-Walldorf production site

On a total area of more than 4,700 square meters, customers experience integrated print production in which customer benefits are the common thread running through the practical demonstrations. The central point is an innovative presentation platform that uses interactive media to demonstrate the issues of workflow, consumables and service in addition to their role in the overall process from the perspective of a customer in terms of high quality and stable production.

July 2015

Annual General Meeting approves all agenda items

At the Annual General Meeting, the Management Board explained the Company strategy. Dirk Kaliebe, Deputy Chairman of the Management Board and Chief Financial Officer, analyzed the Company's current position and presented its plans for the mid-term. The realignment of the Company's portfolio focuses on profitable business areas and growth fields.

New brand identity highlights strategic reorganization

Heidelberg's reorientation is highlighted by a new brand identity. The range is based on the areas of service, equipment and consumables. In the future these will be identified by their own color: yellow for service, blue for equipment, and green for consumables. These colors are shown in the first letters of the revised corporate logo.

August 2015

Masterwork partnership successfully launched

The strategic partnership with the Chinese Masterwork Machinery Co. (MK) in the field of further processing for packaging printing is successfully underway. Heidelberg sells the diecutters and folder gluers produced by MK through its worldwide distribution network and handles the service. The goal is to steadily expand the business volume by gradually broadening the product portfolio.

September 2015

Launch of new digital printing press for label market

The new label printing system is based on state-of-the-art inkjet technology from Fujifilm and is the result of a joint development by the partners Heidelberg, the Heidelberg subsidiary Gallus, and Fujifilm. It immediately sets new standards in the market segment of industrial label printing with respect to the combination of print quality, flexibility and productivity.

November 2015

Heidelberg at drupa: "Simply Smart"

At the 2016 drupa trade show, Heidelberg will present the digital future of the print media industry under the slogan "Simply Smart". Digitized and industrially positioned printing will be presented as a prerequisite for successful future business models. Together with partners, sustainable products and services will be offered to lead customers to success.

December 2015

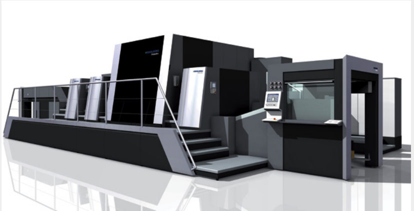
Your print, your individual organic muesli
First digital press installed by Heidelberg directly in a sales room. This is made possible by the new 4D printing technology from Heidelberg, which has been adapted to my-muesli's special requirements.

January 2016

Gerold Linzbach returns as CEO
As planned, Gerold Linzbach resumed his duties as Chief Executive Officer and Chief Human Resources Officer at the start of 2016. After recovering, Gerold Linzbach returned to the Company to dedicate himself to day-to-day business and his usual duties.

February 2016

Heidelberg driving the digitization of the industry
Heidelberg is driving the digitization of the industry and further expanding the growth segments of packaging, digital and services in the run-up to the drupa trade show. On the one hand, the priority is to integrate and automate customers' entire value chains and thereby to enhance the competitiveness of print shops. To achieve this, system operations will be both increasingly independent and autonomous in the future. On the other hand, new digital printing offerings target customers' expanded business models.



Presentation of new industrial digital printing press
Together with Fujifilm, the new B1 format digital inkjet printing system that the two companies will officially launch at drupa 2016 under the name Heidelberg Primefire 106 is presented in advance. Thanks to the close cooperation, the new digital printing press will be presented at the trade show as a fully integrated component of the "Smart Print Shop". Heidelberg is presenting its new digital printing range under a single family name, the "Fire" product line.

Cloud-based service platform
Heidelberg is working on a new cloud-based service platform that bundles its services and makes them easily accessible. The basis of this service platform is the Heidelberg Remote Service Network that connects more than 10,000 machines and another 15,000 software products with Heidelberg services. Customers access the service platform using a customer portal including various apps.

March 2016

Optimization of financial framework leads to interest savings
Heidelberg further improves its financing structure. The company resolved to repay a further € 64.5 million of its corporate bond at the time of around € 115 million, maturing in 2018, by April 15, 2016. This repayment is made in cash; the annual interest savings amount to around € 6 million and improve the financial result.

European Investment Bank promotes further digitization
With a loan of € 100 million, the European Investment Bank (EIB) supports Heidelberg's research and development activities with a focus on digitization, software integration and the expansion of the digital printing portfolio. This is the first time that a major company in Germany benefits from the European Fund for Strategic Investments (EFSI). The EIB funding helps Heidelberg to advance the digitization of the industry and further expand the growth segments of packaging, digital and services.

Karen Heumann made new Supervisory Board member
Karen Heumann (50) is a new member of Heidelberg's Supervisory Board. The businesswoman and advertising strategist was appointed by the Mannheim Court of Registration on March 24, 2016. In line with the recommendations of the German Corporate Governance Code, Karen Heumann will be put forward to the shareholders for election as a separate item on the agenda at the next Annual General Meeting on July 28, 2016.

Financial calendar 2016/2017

June 8, 2016	Press Conference, Annual Analysts' and Investors' Conference
July 28, 2016	Annual General Meeting
August 10, 2016	Publication of First Quarter Figures 2016/2017
November 9, 2016	Publication of Half-Year Figures 2016/2017
February 9, 2017	Publication of Third Quarter Figures 2016/2017
June 8, 2017	Press Conference, Annual Analysts' and Investors' Conference
July 27, 2017	Annual General Meeting

Subject to change

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Five-year overview – Heidelberg Group

Figures in € millions	2011/2012	2012/2013*	2013/2014*	2014/2015	**2015/2016**
Incoming orders	2,555	2,822	2,436	2,434	2,492
Net sales	2,596	2,735	2,434	2,334	2,512
Foreign sales share in percent	85.1	85.6	86.2	84.7	86.5
EBITDA [1]	90	80	143	188	189
in percent of sales	3.5	2.9	5.9	8.1	7.5
Result of operating activities [2]	3	– 3	72	119	116
Net result before taxes	– 229	– 126	2	– 76	31
Net result after taxes	– 230	– 117	4	– 72	28
in percent of sales	– 8.9	– 4.3	0.1	– 3.1	1.1
Research and development costs	129	118	117	121	122
Investments	70	82	52	59	65
Total assets	2,518	2,338	2,244	2,293	2,202
Net working capital [3]	915	872	727	714	691
Receivables from sales financing	156	118	91	82	65
Equity	576	402	359	183	287
in percent of total equity and liabilities	22.9	17.2	16.0	8.0	13.0
Financial liabilities	438	419	481	542	496
Net debt [4]	243	261	238	256	281
Cash flow	– 130	– 41	70	– 120	99
in percent of sales	– 5.0	– 1.5	2.9	– 5.1	3.9
Free cash flow	10	– 18	22	– 17	– 32
in percent of sales	0.4	– 0.6	0.9	– 0.7	– 1.3
ROCE in percent	0.3	– 0.4	6.8	11.3	10.8
Return on equity in percent [5]	– 39.9	– 29.2	1.0	– 39.3	9.8
Earnings per share in €	– 0.98	– 0.50	0.02	– 0.29	0.11
Dividend in €	–	–	–	–	–
Share price at financial year-end in € [6]	1.50	1.80	2.23	2.49	1.99
Market capitalization at financial year-end	351	421	523	641	512
Number of employees at financial year-end [7]	14,813	13,694	12,539	11,951	11,565

*) First-time adoption of IAS 19 (2011) in financial year 2013/2014. The figures of the 2012/2013 financial year were restated. The figures for financial year 2011/2012 were not 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 current securities
5) After-tax
6) Xetra closing price, source prices: Bloomberg
7) Number of employees excluding trainees

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