Non-consolidated
financial
statements
2016/2017

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HEIDELBERG

Heidelberger Druckmaschinen Aktiengesellschaft

Figures in € millions	2012/2013	2013/2014	2014/2015	2015/2016	**2016/2017**
Incoming orders	1,238	1,130	1,070	1,090	1,113
Net sales [1]	1,289	1,130	1,051	1,072	1,178
Foreign sales share in percent	83.7	83.1	81.3	82.0	79.9
Result of operating activities	– 53	– 15	– 57	140	89
in percent of sales	– 4.1	– 1.3	– 5.4	13.1	7.6
Net loss/profit for the year	– 77	– 109	– 127	86	71
in percent of sales	– 6.0	– 9.6	– 12.1	8.0	6.0
Investments [2]	53	35	41	40	76
Research and development costs	102	100	102	107	105
Total assets	2,038	1,995	1,953	1,956	2,070
Fixed assets	1,335	1,257	1,252	1,317	1,401
Equity	772	665	606	692	763
Subscribed capital	600	600	659	659	659
Equity ratio in percent	37.9	33.3	31.0	35.4	36.9
Earnings per share in € [3]	– 0.33	– 0.47	– 0.49	0.33	0.27
Share price at financial year-end in € [4]	1.80	2.23	2.49	1.99	2.34
Market capitalization at financial year-end	421	522	641	512	602
Average number of employees for the year [5]	7,639	7,044	6,739	5,399	5,382

[1] German Accounting Directive Implementation Act (BilRUG) applied from the start of the 2016/2017 financial year. Prior-year figures not restated
[2] Not including financial assets
[3] Number of shares at the reporting date excluding treasury shares
[4] Xetra closing price, source: Bloomberg
[5] Number of employees excluding trainees

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Basic information on Heidelberger Druckmaschinen Aktiengesellschaft

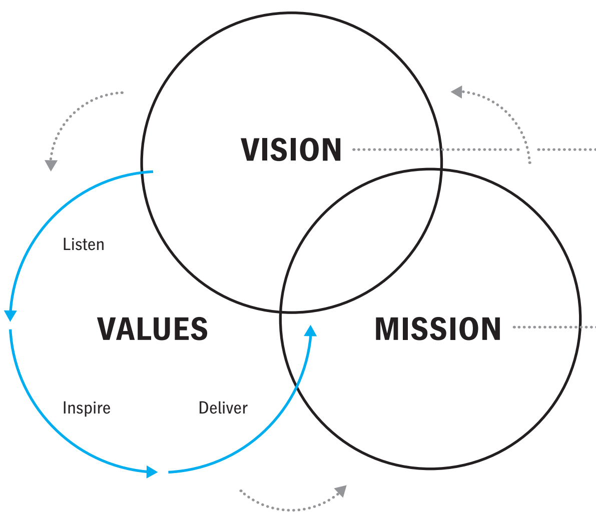
Business model of Heidelberger Druckmaschinen Aktiengesellschaft

Company profile

Heidelberger Druckmaschinen Aktiengesellschaft is the parent company of the Heidelberg Group. The Company has been a major provider for the global printing industry for many years and develops, manufactures and distributes products and services for commercial and packaging printing. In addition to manufacturing printing presses and equipment for printing plate imaging, the Company sells service parts and remarketed equipment and offers comprehensive services, as well as making its precision engineering expertise available to other companies within the framework of contract manufacturing. We offer our customers all the components tailored to their requirements for successful business operations; we provide integrated and reliable production processes, financially optimal investments and smooth access to all necessary materials. Our mission is to shape the digital future of our industry. We always keep sight of the effects of the general digitization of society, moving away from mass production and towards individualization. Heidelberger Druckmaschinen Aktiengesellschaft also carries out Group functions.

Sites

Heidelberger Druckmaschinen Aktiengesellschaft operates the following five sites in Germany: Heidelberg, Wiesloch-Walldorf, Brandenburg, Neuss and Kiel. The Heidelberg site has the research and development department and several training centers. Sheetfed offset printing presses are manufactured at specialized production sites operating as part of a production network and at Heidelberg Manufacturing Deutschland GmbH, Wiesloch. Rotationally symmetrical and profiled parts are supplied by the Brandenburg plant, and model parts, electronic components and experimental components are produced at the Wiesloch-Walldorf plant. Here we also assemble the vast majority of our sheetfed offset printing presses. The Wiesloch-Walldorf production site is also home to development work and prepress services. The Neuss site provides services for the postpress packaging product area (folding-box gluers and die-cutters). The fifth production site is Kiel. It performs development work and provides prepress services.



Great ideas need visualization, identity & communication.

We make the difference.

We **listen** to you.
We **inspire** innovation & **deliver** performance for our customers.

We are building the digital future of our industry.

Our vision; our mission; our values

Our vision:
We make the difference.

We want to play an active and key part in shaping the digitization of our industry, being the perfect partner for our customers and offering the value added and the difference that gives us and our customers more efficiency, profitability and success. To do this, we place customers and their needs at the heart of what we think and do.

Commitment and strategic networking across all levels

A customer-centric approach can only work if we establish an efficient process coordinated and networked across all regions, business units and functions. This must comprise sales planning in the regions, production planning in the operational units and operational excellence, i. e. general support in the functional departments. Consistent investment planning and the corresponding research and development approaches are likewise managed this way.

Our mission:
We are building the digital future of our industry.

We want to leverage the potential for growth in the area of digitization by expanding our innovation leadership. Around 9 percent of our sales are therefore channeled into research and development. We will continue to expand the products and concepts we presented at drupa 2016 under the "Simply Smart" slogan, thereby continuously optimizing and simplifying the use of increasingly complex processes and technologies.

Digitization means using presses and software to deliver information for digital business

We began developing digital product and solution offerings years ago. Now we are aligning the Company according to an all-encompassing strategy of digitization. The aim is to guarantee the optimal use and appropriate digital – smart – networking of presses, software, consumables and service. Presses serve as information providers (big data), which form the basis for digital business and therefore growth opportunities.

Digitization also means completely rethinking business models

In order to be successful in the long term in the face of persistently challenging and rapidly changing conditions, we strive to practice a customer-centric approach at all levels. We want to accompany the lives and business of our customers by offering an end-to-end solution over the entire life cycle of a press.

Our values: We listen. We inspire. We 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.

Organization

In line with its internal reporting structure, the operating activities of Heidelberger Druckmaschinen Aktiengesellschaft were still divided into the following segments in the year under review: Heidelberg Equipment, Heidelberg Services and Heidelberg Financial Services.

Within the segments, the Company is divided into business areas (BAs). Each business area formulates plans for how best to leverage the potential offered by their respective submarket. The Production, 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 customers".

To accelerate the digital transformation of Heidelberger Druckmaschinen Aktiengesellschaft, there was a reorganization of the segments and functional responsibilities, and of the regional market and service organization, at the start of the 2017/2018 financial year. Particular importance was attached to the efficient networking of business areas.

The businesses bundled in the previous segments Heidelberg Equipment (HDE) and Heidelberg Services (HDS) are being restructured into the Heidelberg Digital Technology and Heidelberg Digital Business and Services segments. The Heidelberg Financial Services segment will remain unchanged.

The "Heidelberg Digital Technology" segment comprises sheetfed offset business and print processing. The right technologies and products are developed, produced and marketed here, including for new business models.

In our "Heidelberg Digital Business and Services" segment, we support our customers with new business models by optimizing the use of our solutions for digital printing presses, software and services.

The reorganization of the segments will affect both the organization and reporting of key performance indicators from April 1, 2017.

Research and development

Strong customer orientation characterizes the culture of innovation at Heidelberger Druckmaschinen Aktiengesellschaft. The expectations and requirements of our customers are constantly rising and changing. Short reaction times, flexibility and reliability exactly in line with actual requirements are also key factors for a successful customer relationship from a development perspective. The digitization of the printing industry, in which processes are increasingly autonomous, and the further development of digital printing are the clear trends and key growth drivers in our industry. We have systematically geared our development strategy towards this to ensure that our customers remain successful on the market moving ahead.

In the period under review, we continued to invest significantly in expanding our digital offering, while at the same time further stepping up development activities in this area to realize our growth objectives. We are convinced that the requirements and demand in digital packaging printing in particular will change the market. Among brand companies especially, there is a growing need for additional and industrially produced packaging variants for a more individual approach to customers and a shorter time-to-market in order to be successful in the long term at the point of sale. To achieve this, the Company has developed the Primefire 106 to market readiness together with Fujifilm.

With the help of digitization, Heidelberger Druckmaschinen Aktiengesellschaft is further developing its push-to-stop approach. With this new operating philosophy, we have initiated a paradigm shift in industrial print production using sheetfed offset printing presses. While processes have been actively planned, launched and handled by operators to date, in the future this will be done by the press itself. The printing process here is largely autonomous. An operator only intervenes in the process when something is not running completely smoothly. With this highly automated industrial solution, we are advancing and securing the future viability of our core business. Our customers can therefore significantly increase their competitive capability and will have more time to take care of their own customers. We introduced autonomous printing for the first time with the new generation of the Speedmaster XL 106 at drupa 2016.

Together with the Baden-Württemberg Minister for Science, Research and the Arts, Theresia Bauer, Heidelberger Druckmaschinen Aktiengesellschaft officially announced the launch of its new development center at the Wiesloch-Walldorf production site in November 2016. The world's most state-of-the-art research facility for the printing industry will be built here by 2018.

A total of 802, or around 15 percent, of our employees are active in the area of research and development. In the year under review, we invested € 105 million, or around 9 percent of our sales, in research and development.

Economic report

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 efficiency and profitability in the long term.

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

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

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

Economic environment and industry development

The robust development of the global economy since the middle of 2016 has been a pleasant surprise, particularly in light of the increased political risks. Factors contributing to this include the decision by the United Kingdom to leave the EU and the outcome of the election in the United States. However, growth for the year as a whole remained moderate at 2.3 percent. At 1.6 percent, growth stabilized not just in the industrialized countries but also in the emerging and developing countries, especially in Asia, at 3.5 percent.

With growth of 1.7 percent, the slowdown in economic expansion in the EURO ZONE was not sustained despite high uncertainty.

The US ECONOMY continued to perform robustly at 1.6 percent, and the change in government in the US has apparently sparked hopes for strong economic policy stimulus.

The JAPANESE government's costly growth policy led to economic growth of 1.0 percent in Japan. The depreciation of the yen against the dollar also helped.

The economy in CHINA picked up as a result of government stimulus measures, although the pace of growth was still moderate at 6.7 percent year-on-year. RUSSIA now seems to have overcome its recession; corporate and consumer sentiment has improved and industrial production increased markedly towards the end of the year. By contrast, the recession in BRAZIL is still ongoing; production slumped again in the fourth quarter.

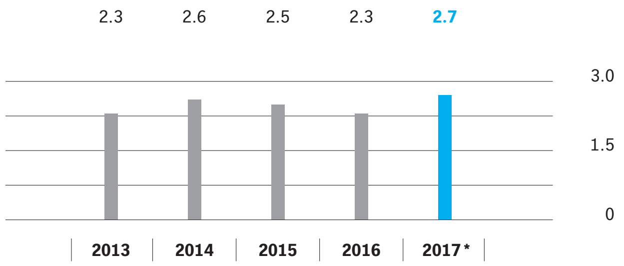
The GERMAN ECONOMY recorded solid growth in 2016. All in all, gross domestic product increased by 1.8 percent as an average for the year as a whole, thus continuing the rise of recent years.

In GERMAN ENGINEERING, mechanical production was stagnant in 2016 and once more fell short of original expectations. Exports also only approximately lived up to the previous year's level. Incoming orders were down by 2 percent year-on-year in 2016 in real terms. Domestic incoming orders declined by 1 percent, while orders from abroad were down by 3 percent year-on-year.

Sources: IHS Global Insight 2016 and 2017; VDMA 2017

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:
2013: 2.6 %; 2014: 2.8 %; 2015: 2.8 %; 2016: 2.5 %; 2017: 2.9 %

Source: Global Insight (WMM); calendar year; as of April 2017

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 are leading to a decline in annual sales. However, finishing and customization increase the value of individual printed products, as these applications enhance the appeal of print media in the communications mix. This is particularly true for the generally growing field of packaging printing.

Sheetfed offset printing accounts for around 40 percent of the print volume, and is still the most frequently used printing technology. Digital printing has steadily increased its share of the global print volume to around 15 percent since 2000, and the trend is still rising.

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. In the last few years, the number of print shops has declined from around 200,000 more artisanal businesses to around 15,000 industrial printing companies. 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.

Heidelberger Druckmaschinen Aktiengesellschaft is increasingly using digital business models and will be focusing even more strongly on a digital future in terms of its structure and customer approach. To achieve this, the potential resulting from combining individual product portfolio offerings to create an end-to-end productive solution for customers must be leveraged. Unlike in traditional capital goods business, new digital business models are geared directly to the customer's business success. New digital technologies and corresponding business concepts have to be made marketable to offer customers a performance promise based on presses, consumables and service as a full-service provider in the future. To this end, we intend to increasingly sell packages and systems rather than individual products.

Business development

Heidelberger Druckmaschinen Aktiengesellschaft started the 2016/2017 financial year with a successful appearance at drupa in Düsseldorf. Under its drupa slogan "Simply Smart", the Company continued to press ahead with the digitization of the industry and its own strategic reorientation. The new products and solutions led to a high level of demand across the entire product range for industrial print production and digitization.

The new provisions introduced by the German Accounting Directive Implementation Act (BilRUG) were required to be applied for the first time in the financial year under review. One of the main changes relates to the redefinition of sales. Some components previously recognized as other operating income will be reported in sales in future. With the exception of the changes to income statement classification, the prior-period figures were not required to be restated. This means that comparability with the previous year is limited. Among other things, the changes relating to income statement classification mean that the item "Extraordinary result" is no longer reported. As a result, other operating income for the previous year increased by € 5 million to € 294 million.

At € 1,178 million, sales were up around 10 percent on the previous year's level of € 1,072 million. Despite restrained investment behavior in China, we were able to slightly exceed our sales forecast thanks to our successful appearance at drupa. At € 1,113 million, total incoming orders were around 2 percent higher than in the previous year (€ 1,090 million), thereby bucking the market trend.

We achieved our forecast of operating profitability at the level of the previous year on a like-for-like basis. EBITDA in the previous year (€ 171 million) contained special and one-time effects, particularly the increase in the carrying amount of the equity investment in Heidelberg Americas Inc., Kennesaw, USA, and income from the sale of the premises of the former head office of Heidelberger Druckmaschinen Aktiengesellschaft, as well as subsequent expenses in connection with portfolio adjustments. EBITDA in the year under review (€ 123 million) was also influenced by special and one-time effects. These related in particular to the accrual of Heidelberger Druckmaschinen Real Estate GmbH & Co. KG, Walldorf, and the increase in the carrying amount of the equity investment in Heidelberg Graphic Equipment Ltd., Brentford, UK. These positive effects were offset in the year under review by expenses primarily relating to partial retirement agreements.

In the year under review, we further optimized the financing structure and thus achieved further diversification of our instruments and maturities. As forecast in the previous year, this has led to lower financing costs and an improved financial result.

The result after taxes decreased by € 15 million year-on-year to € 71 million (previous year: € 86 million). Adjusted for the aforementioned special and one-off effects in the year under review and the previous year, there was a moderate increase in the result after taxes on a like-for-like basis as expected.

Net assets, financial position and results of operations

In addition to the € 106 million rise in sales to € 1,178 million, operating profitability (EBITDA) increased by a low eight-digit amount to € 123 million in the 2016/2017 financial year without taking into account the special and one-time effects in the year under review and the previous year as described in the section on business development. The financial result improved by around 22 percent year-on-year to € – 43 million on the back of an improvement in net interest income (previous year: € – 55 million). Positive EBIT of € 89 million (previous year: € 145 million) more than offset the negative financial result in the past financial year, meaning that the result after taxes was again positive at € 71 million (previous year: € 86 million). Adjusted for special and one-time effects in the year under review and the previous year, the result after taxes also improved year-on-year.

Income statement

Figures in € millions	2015/2016	**2016/2017**
Net sales	1,072	1,178
Total operating performance	1,078	1,229
EBITDA [1]	171 [3]	123
in percent of net sales	16.0 %	10.5 %
EBIT [2]	145 [3]	89
in percent of net sales	13.5 %	7.5 %
Financial result	– 55	– 43
Taxes on income	– 4	25
Net result after taxes	86	71
in percent of net sales	8.0 %	6.0 %

[1] Result of operating activities before depreciation and amortization
[2] Result of operating activities
[3] Extraordinary income reported in the previous year (€ 5 million) was reclassified to other operating income following the change in income statement classification. This meant that EBITDA for the 2015/2016 financial year increased from € 166 million to € 171 million, while EBIT increased from € 140 million to € 145 million.

Sales increased by € 106 million to € 1,178 million in the year under review (previous year: € 1,072 million). Applying the new definition of sales in accordance with BilRUG, sales would have been € 49 million higher in the previous year and the increase in the year under review would have amounted to around 5 percent.

Total sales in the Heidelberg Services segment were up slightly on the previous year at € 267 million (€ 232 million). The € 71 million increase to € 911 million in the Heidelberg Equipment segment (previous year: € 840 million) is due in particular to the successful appearance at the drupa trade show.

Sales increased compared with the previous year in all regions other than South America. With growth of € 71 million, the Europe, Middle East and Africa region made the strongest contribution to the overall sales growth of Heidelberger Druckmaschinen Aktiengesellschaft. Germany in particular reported increases in incoming orders thanks to the trade show and remained the largest single market in terms of sales. Spain and Italy, the markets served by the former Printing Systems Group companies, also developed positively. Despite sales growth of € 7 million, the Asia/Pacific region was dominated by weaker sales in China and Japan. Within the region, markets such as India and Hong Kong succeeded in generating higher sales, thereby more than offsetting developments in China and Japan. The sales growth of € 10 million in the Eastern Europe region is primarily attributable to the recovery of the Russian market. Sales in Turkey declined on the back of political and economic uncertainty. The North America region recorded further year-on-year sales growth of € 18 million, thanks in particular to strong new machinery business in the US and Canada. Despite negative exchange rate effects, sales on the Mexican market were largely unchanged as against the previous years. The € 1 million downturn in sales in the South America region is primarily attributable to the sustained economic crisis in the individual markets of Brazil and Argentina. Within the region, smaller markets recorded sales growth compared with the previous year.

Other operating income more than halved, decreasing by € 165 million year-on-year to € 129 million (previous year: € 294 million). In addition to the change in the definition of sales as a result of BilRUG, this significant reduction is primarily due to the € 122 million increase in the carrying amount of the equity investment in Heidelberg Americas Inc., Kennesaw, USA, in the previous year. Other factors included lower reversals of provisions in the amount of € 16 million (previous year: € 42 million) and lower income from currency translation in the amount of € 40 million (previous year: € 51 million). Other operating income in the previous year included income from the accrual of Heidelberger Druckmaschinen Real Estate GmbH & Co. KG, Walldorf (€ 41 million) and the increase in the carrying amount of the equity investment in Heidelberg Graphic Equipment Ltd., Brentford, UK (€ 14 million).

Despite the collective wage increase with effect from July 1, 2016 and the rise in weekly working time from 31.5 hours to 33.0 hours as of April 1, 2016, staff costs remained essentially unchanged at € 418 million (previous year: € 417 million) due to the expenses in connection with portfolio measures in the previous year.

Other operating expenses were stable year-on-year at € 253 million (previous year: € 260 million). The reduction in rental and lease expenses (€ – 19 million), which primarily related to the accrual of Heidelberger Druckmaschinen Real Estate GmbH & Co. KG, Walldorf, and the lower level of expenses from currency translation (€ – 10 million) were offset by higher advertising costs (€ + 7 million) as a result of the drupa trade show in June 2016 and increased staff obligations as a result of partial retirement agreements concluded in connection with the adjustment of personnel capacities.

The result of operating activities amounted to € 89 million in the year under review after € 145 million in the previous year. Subsequent expenses in connection with portfolio adjustments impacted earnings in the amount of around € 6 million in the year under review (previous year: around € 6 million).

The financial result improved by € 12 million as against the previous year to € – 43 million. This favorable development was due to the € 29 million improvement in net interest income, although this was accompanied by a € 17 million reduction in net investment income. The development of net interest income is primarily attributable to lower expenses in connection with the repayment of the 2011 corporate bonds and the positive change in the fair value of plan assets. This was offset by higher expenses due to the increase in the interest cost of discounting provisions for pensions. The reduction in net investment income was due to lower dividend payments from subsidiaries.

Taxes on income of € 25 million in the year under review (previous year: € – 4 million) were primarily attributable to the accrual of Heidelberger Druckmaschinen Real Estate GmbH & Co. KG, Walldorf, into Heidelberger Druckmaschinen Aktiengesellschaft.

Balance sheet structure

Figures in € millions	31-Mar-2016	as a percentage of total assets	**31-Mar-2017**	as a percentage of total assets
Fixed assets	1,317	67.3	1,401	67.7
Current assets [1]	639	32.7	669	32.3
Total assets	**1,956**	**100.0**	**2,070**	**100.0**
Equity	692	35.4	763	36.9
Special reserves	1	0.0	1	0.0
Provisions	357	18.3	366	17.7
Liabilities [1]	906	46.3	940	45.4
Total equity and liabilities	**1,956**	**100.0**	**2,070**	**100.0**

[1] Including prepaid expenses/deferred income

TOTAL ASSETS increased by around 6 percent or € 114 million to € 2,070 million in the year under review. The increase in non-current assets to € 1,401 million is primarily attributable to the property, plant and equipment assumed by the Company as a result of the accrual of Heidelberger Druckmaschinen Real Estate GmbH & Co. KG, Walldorf. At the same time, the accrual also led to a reduction in financial assets. Current assets increased to € 669 million due to the higher level of receivables and cash and cash equivalents at the reporting date. On the equity and liabilities side, equity increased in the amount of the net profit. The repayment in full of the 2011 corporate bond partially offset the increase in liabilities as against the previous year.

In the year under review, we reported additions to property, plant and equipment of € 268 million, primarily within land and buildings, as a result of the accrual described above. The carrying amounts of financial assets decreased by € 159 million as against the previous year (€ 1,037 million). The reduction in shares in affiliated companies primarily relates to the derecognition of the shares in Heidelberger Druckmaschinen Real Estate GmbH & Co. KG, Walldorf, following the accrual, as well as a capital reduction at Heidelberg Americas Inc. Kennesaw, USA. The accrual also served to reduce loans to affiliated companies compared with the previous year. In the context of the regular review of the carrying amounts of equity investments, an increase of € 14 million was recognized for Heidelberg Graphic Equipment Ltd., Brentford, UK. This was offset by write-downs on two subsidiaries totaling € 3 million.

The € 30 million rise in current assets including prepaid expenses to € 669 million is primarily attributable to the increase in receivables from affiliated companies (€ + 26 million) and the higher level of cash and cash equivalents at the reporting date (€ + 22 million).

Equity increased by € 71 million to € 763 million as a result of the net profit. The equity ratio again increased year-on-year to 37 percent as of the end of the reporting period (previous year: 35 percent).

Provisions increased by € 9 million to € 366 million in the year under review. This development was due solely to higher staff obligations. The further decrease in the average discount rate led to an increase in pension provisions as against the previous year. The positive change in the fair value of plan assets partially offset the effect of the falling discount rate. All in all, pension provisions increased by € 7 million to € 202 million (previous year: € 195 million).

Liabilities including deferred income increased by € 34 million to € 940 million in the year under review. The repayment in full of the 2011 corporate bond in the amount of € 115 million in the year under review only partially offset the increase in liabilities. The increase in liabilities to banks (€ + 88 million) is primarily due to the drawdown in full of the loan agreed with the European Investment Bank (EIB) on March 31, 2016 in the amount of € 100 million. The increase in liabilities to affiliated companies (€ + 52 million) and the higher level of trade payables at the reporting date (€ + 10 million) also resulted in higher liabilities than in the previous year.

Financing structure: Further diversification of financing sources and maturities

We continued to optimize our financing structure in the year under review. The sources of financing and maturities of instruments are appropriately diversified and net debt is financed in the long term by basic funding until 2022.

The pillars of our financing portfolio expanded gratifyingly in the past financial year. They are well balanced with capital market instruments (corporate bond and convertible bonds), a syndicated credit facility and other instruments and promotional loans.

After the extensive refinancing activities in recent years, we have made good progress in diversifying our financing sources and improving our financial result. 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. The investments to relocate our research and development activities to our Wiesloch production site were accompanied by a syndicate of banks with refinancing by KfW and, in the long term, a promotional loan.

In June 2016 we repaid the 2011 corporate bond ahead of schedule and in full, thus further reducing interest expenses, particularly for the years ahead.

With its range of instruments, Heidelberger Druckmaschinen Aktiengesellschaft currently has comfortable total credit facilities of around € 730 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. Heidelberger Druckmaschinen Aktiengesellschaft therefore continues to have a stable liquidity framework. In the future, we will continue to work on the diversification of sources and maturities in order to further reduce our interest expenses.

Employees

At the reporting date, Heidelberger Druckmaschinen Aktiengesellschaft had a total of 5,425 employees (excluding trainees) across its five production sites, 62 more than in the previous year.

Motivated and qualified employees are Heidelberger Druckmaschinen Aktiengesellschaft's greatest asset. Challenges such as demographic change and rising digitization must therefore be successfully overcome. In the reporting period, we launched key initiatives to prepare our workforce for the future requirements of their rapidly changing work environment.

In the last few years, we have comprehensively taken stock of our demographic change as part of the "Shaping Change" project and the changes derived from this. Heidelberger Druckmaschinen Aktiengesellschaft faced a very specific demographic challenge on account of the downsizing in recent years. One in every two employees is older than 50, and keeping them fit for work has led to a comprehensive set of tools for occupational healthcare. The "House of Work Fitness" promotes the maintenance of health and work fitness, and supports ergonomic approaches. With a comprehensive training concept, we aim to ensure that the qualifications are sufficient for the necessary changes. With the backing of the European Social Fund, aided by the social partners for employers (Südwestmetall) and employees (IG Metall) and scientific support, we have practically implemented a number of initiatives in day-to-day working life. A committee that includes the Works Council coordinates the individual measures and ensures that they are established in operational practice.

Heidelberger Druckmaschinen Aktiengesellschaft is undergoing an intensive process of change. This challenge is supported by HR management and HR development. Specific concepts for implementing our strategy in day-to-day management, running and moderating departmental workshops, the definition of qualification and strategy projects and their implementation are elements of our HR development. The Company's own experts from HR and organizational development are familiar with the specific tasks and devise tailored implementation concepts. The portfolio comprises management training such as employee qualification, training offers and seminars on the implementation of corporate strategy, in addition to individual coaching and external qualification modules. To make our employees active participants in the Company's future, we place these requirements at the heart of our HR development mission.

Our training rate is around 4 percent. On September 1, 2016, some 73 trainees started their professional career at Heidelberger Druckmaschinen Aktiengesellschaft. In Germany, we provide training in 12 occupations and offer various dual bachelor programs in the areas of technology, media and business.

Number of employees per site

	31-Mar-2016	**31-Mar-2017**
Wiesloch-Walldorf	3,696	3,764
Heidelberg	986	972
Brandenburg	424	427
Kiel	226	233
Neuss	31	29
	5,363	**5,425**
Trainees	228	208
	5,591	**5,633**

Sustainability

For Heidelberger Druckmaschinen Aktiengesellschaft, sustainability means taking ecology, economy and social responsibility into account simultaneously. Sustainability targets form part of our environmental standards and our standards of conduct – with regard to our products and our production processes alike.

Compliance with standards of conduct and environmental standards is mandatory. The environmental policy of the Company is published on Heidelberg's Web site under Company > Sustainability and in our Code of Conduct, which was revised in the year under review. Suppliers and contracting parties are included in our targets at all our production sites and are asked to comply with similar standards.

Environmental protection and sustainability issues are integrated into the organization of Heidelberger Druckmaschinen Aktiengesellschaft. The Company's ecological goals are set by the Eco Council, which is led by the head of Heidelberg Digital Technology (since April 1, 2017; previously the Chief Executive Officer) and whose members include the Chief Executive Officer and representatives from Production, Product Development and Product Safety, Product Management, Service/Consumables, Quality and Investor Relations/Communications. The interdisciplinary eco working group advises the ECO Council, proposes an environmental program and oversees its implementation in individual areas.

Heidelberger Druckmaschinen Aktiengesellschaft puts its social commitment into practice primarily in education projects and by supporting integrated social facilities at its respective production sites. As part of its involvement in the "Knowledge Factory – Companies for Germany" initiative, Heidelberger Druckmaschinen Aktiengesellschaft is involved in the "Education" working group and supports projects that give children hands-on experience of technology and science.

Risks and opportunities

Risk and opportunity management

As an international company, Heidelberger Druckmaschinen Aktiengesellschaft is exposed to macroeconomic, financial, industry and company-specific uncertainties and changes. We define risks and opportunities as possible future developments or events that can lead to a positive or negative deviation from planning, forecasts or targets. The early identification of risks and opportunities serves as the basis for the conscious handling of risks and the targeted exploitation of potential opportunities.

Risk and opportunity management system

Objectives and strategy

The goal of the risk and opportunity management system of Heidelberger Druckmaschinen Aktiengesellschaft is to enable both opportunity-oriented and risk-aware action on the basis of a comprehensible and rule-based approach, in order to be able to increase enterprise value and to ensure its continuation as a going concern. Sustained business success requires the avoidance of risks to the Company's existence, the monitoring and active management of risks consciously taken and the optimal exploitation of opportunities. Furthermore, the objective is not just to satisfy all regulatory requirements for the risk and opportunity management system, but also to ensure the establishment of a risk culture and improved risk awareness within the Company as a whole.

Opportunities can arise both externally, for example through a change in the competitive environment, regulatory conditions and customer requirements, and internally, through innovation, the development of new products, quality improvement and the adjustment of the Company's own structures. Opportunities are therefore not exclusively identified by management or risk officers, but also by individual employees.

Structure and process

Both the Company-wide risk and opportunity management system and its internal control system (ICS), which, among others, serves as a basis for the accounting process, are based on the framework and guidelines provided by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Risk and opportunity management is solidly integrated as part of corporate planning at Heidelberger Druckmaschinen Aktiengesellschaft. The Management Board is responsible for appropriate risk and opportunity management in the Company. Clear values, principles and guidelines help the Management Board and senior executives to manage the Company. The guidelines and organizational instructions stipulate a structured process with which individual risks in the Company, general risk and any opportunities are systematically tracked, assessed and quantified.

Heidelberger Druckmaschinen Aktiengesellschaft is incorporated in this process as an operating unit. Information on risks is collected at the level of the Company. 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 results and liquidity. Reporting thresholds are set on a uniform basis. For all key areas such as Procurement, Development, Production, Human Resources, IT, Legal and Finance there is a risk officer who reports risks to central Group Risk Management (GRM) in a standardized form. Each risk officer is responsible for the identification, assessment, control and monitoring of risks within his or her area.

GRM checks the completeness, identification and compilation of the top risks in cooperation with the Risk Committee and prepares the risk report.

The Risk Committee is an interdisciplinary body whose members work closely with GRM on the continuous improvement of the risk management process, and is required to regularly examine risks and opportunities from all angles – including non-quantifiable risks in particular. It consists of Management Board members and selected senior executives from various fields of business. It designs the risk catalog of the most significant risks and, among other things, determines the materiality thresholds for the reporting of risks. Based on the risk catalog, GRM prepares the risk report containing all material risks and submits this to the Management Board. The Management Board regularly reports to the Audit Committee or directly to the Supervisory Board on existing risks and their development.

In line with audit planning, the Internal Audit department checks risk and opportunity management procedures and the effectiveness of the ICS at process level. A representative for Internal Audit is a member of the Risk Committee. 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.

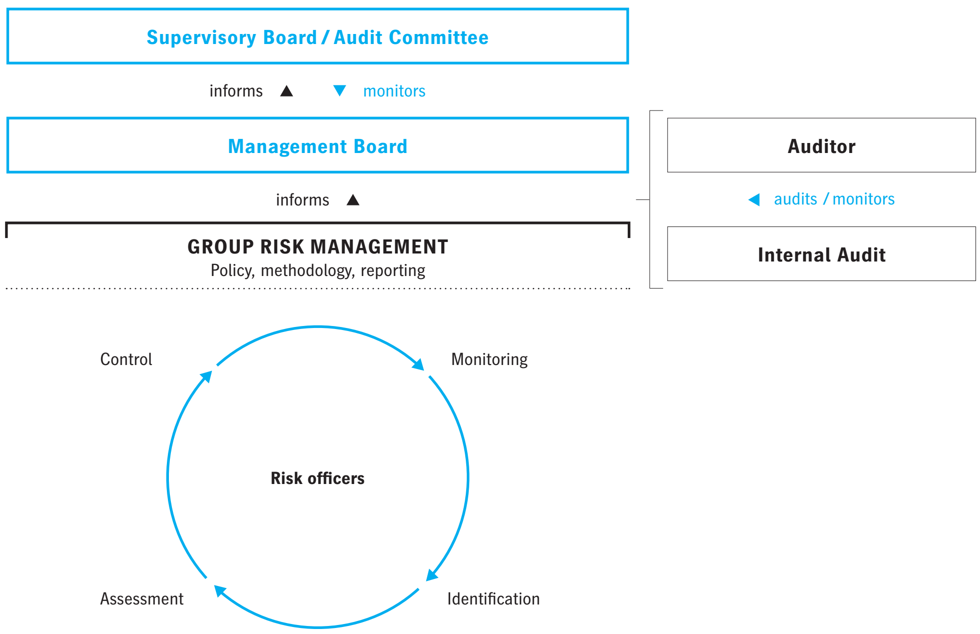
The risk and opportunity management process of Heidelberger Druckmaschinen Aktiengesellschaft comprises the elements of risk identification, assessment, control and monitoring (see diagram below).

Identification of risks and opportunities

The Company-wide risk officers perform ongoing monitoring of the general economic environment, which leads to the effective identification of risks and opportunities. Furthermore, GRM assists in the identification and categorization of risks and opportunities by preparing the risk catalog. The catalog and its potential risk areas are reviewed and, if necessary, updated several times a year. Risk and opportunity identification is not limited to external risk factors, and also considers internal aspects such as internal processes and projects, IT, compliance and HR issues. The identification of risks and opportunities as early as possible is a priority in order to be able to promptly take any appropriate measures.

Assessment of risks and opportunities

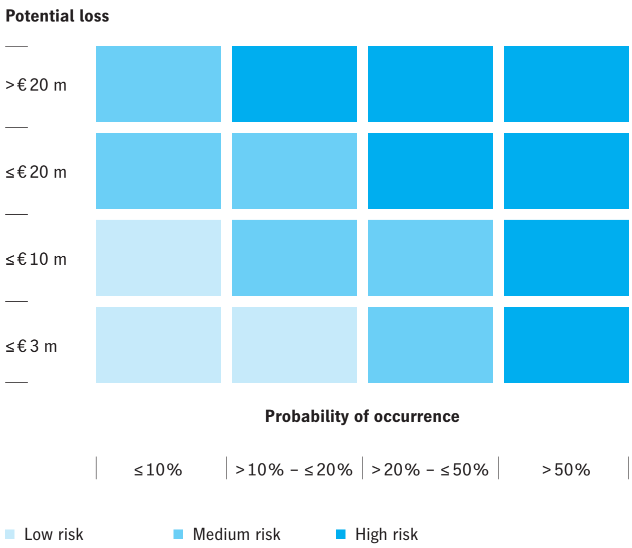
After risks and opportunities have been identified, they are assessed. All individual risks ascertained are assessed qualitatively and quantitatively, taking risk-mitigating activities into account (net analysis). If possible, the assessment is based on objective criteria or empirical evidence.



Similar individual risks are combined as an aggregated risk. The risk assessment is based on the dimensions “probability of occurrence”, “extent of damage” and “expected risk development in the planning period”. Risks for which provisions are recognized or that are taken into account in the corporate planning on which forecasts are based do not form part of the risk report.

The categories for extent of damage are represented as a “possible loss” with quantitative figures in millions of euros, and also by the qualitative levels low, medium and high. The final assessment of a risk is made by grouping the risks on the basis of the two dimensions of the risk matrix. Thus, the risk as a whole is classified as low, medium or high.

Risk matrix



An important factor in risk and opportunity assessment is the earliest period in which the Company‘s targets can be influenced. The occurrence of a risk can therefore affect the achievement of goals in the current financial year or also in subsequent financial years.

Controlling risks and opportunities

Depending on the risk, suitable management strategies are defined in the course of risk controlling. General strategies for risk control are risk avoidance by not going ahead with an originally planned activity, risk mitigation with the aim of minimizing the probability of occurrence, risk transfer with the aim of reducing the consequences of the occurrence of the risk and risk acceptance, in which a risk is deliberately taken. It is the task of every risk officer to take opportunities in his or her area and to devise and implement suitable risk-mitigating measures. The guideline for this is the Group Risk Management Policy, which sets out the principles for risk and opportunity management. The internal policy also stipulates responsibilities, risk categories and materiality limits.

Monitoring of risks and opportunities

Regular risk monitoring allows the detection of changes in individual risks. Adjustments in risk management can therefore be promptly turned into the initiation of necessary measures. Within his or her own area, taking materiality limits into account, each risk manager is responsible for reporting all known risks to risk management periodically, or also to the CFO on an ad hoc basis as necessary, and checking their completeness. In addition to complying with and implementing suitable countermeasures, risk officers are responsible for their own monitoring of risks and opportunities. In this way, the developments in constantly changing risks and opportunities, and the adequacy and effectiveness of the current risk strategy, are continually examined and reviewed by risk officers.

Risk and opportunity report

Corporate risks and opportunities are divided into the categories “Strategic”, “Operational”, “Financial” and “Legal and Compliance”. The following table provides an overview of the categories and their overall assessment in addition to changes since the previous year:

Categories of risks and opportunities	Assessment	**Change as against previous year**
Strategic		
Politics	High	Higher
Industry	High	Constant
Operational		
Economy, market development	Medium	Constant
Sales financing	Medium	Constant
Procurement	Low	Constant
Production	Low	Constant
Sales partnerships	Low	Constant
IT, information, data protection	Low	Constant
HR	Medium	Higher
Financial		
Currency and interest	Medium	Constant
Pension obligations	Medium	Constant
Taxation and reform projects	Medium	Higher
Liquidity	Low	Constant
Refinancing	Low	Constant
Rating	Low	Constant
Legal and compliance	Medium	Constant

Strategic risks and opportunities

Political risks

The political and economic uncertainties in the Middle East and the related refugee crisis could impair business in the Europe, Middle East and Africa region. Additional uncertainty in the Americas region is being created by US reforms and the current security situation on the Korean peninsula, alongside its effects on the Asia/Pacific region.

The ongoing debt crisis in Europe, the announcement of the UK’s withdrawal from the EU and the increasingly nationalist outlook of individual countries in the EU also represent an unquantifiable potential risk to the stability of the euro area and therefore to political and economic development in Europe.

However, in its forecast and the planning on which the risk and opportunities report is based, Heidelberger Druckmaschinen Aktiengesellschaft assumes that the general conditions for free world trade remain unchanged and the protectionist tendencies that can currently be observed will have no material effect.

Political risks are therefore currently regarded as high.

Industry-specific risks and opportunities

Manufacturer capacity was scaled back further in the 2017 financial year as well. We also adjusted capacity in the Heidelberg Equipment segment in particular as a result of our reorganization. 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 BRIC nations in particular. Against this backdrop, the risk of not achieving the planned sales and margin targets in the sheetfed area is considered to be high.

The industrialization of the sector is still on the increase, with the result that larger, 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 in this financial year were again 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 presses so as to offer print shops quantifiable cost and competitive advantages.

In addition, Heidelberger Druckmaschinen Aktiengesellschaft‘s new “Push to Stop” operating philosophy allows its customers to significantly increase net productivity in industrial print production.

As part of our strategic reorientation, we view digital business as an important growth market for Heidelberger Druckmaschinen Aktiengesellschaft. The Company will therefore also invest in new business applications in the future and cooperate with innovative partners who are the leaders in their respective segment. Heidelberger Druckmaschinen Aktiengesellschaft presented new digital products in the Primefire 106, the Omnifire and Versafire at drupa 2016. It has therefore laid the foundations for the digital printing age.

The Company sees itself not only as a provider of equipment, but primarily also as a partner to its customers, offering a comprehensive service for effective and reliable production processes.

In our research and development activities, we always work in close cooperation with partners such as customers, suppliers, other companies and universities. This enables Heidelberger Druckmaschinen Aktiengesellschaft to meet the requirements of its 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 the Company invests 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.

The development of key foreign currencies can also have a major impact on our competitive situation and thus directly on our sales volumes. For example, the Fed raising the interest rate indicates appreciation of the US dollar, which will boost the competitive capability of German companies. 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. Furthermore, there could be synergies from possible business combinations, which can lead to a rise in price pressure on account of the higher market share.

The risks arising from the market environment and competition are considered to be medium.

Operational risks and opportunities

Economic and market development risks

In the business planning for the Digital Technology (HDT) and Digital Business and Service (HDB) 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 new machinery business (above all in the HDT segment in the sheetfed product area, but also in the HDB segment in the digital printing product area). The Digital Business and Service 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.

Particular attention must be paid to the BRIC countries as the handling of the economic situation on these emerging markets constitutes a challenge. Above all, the economies of the raw material exporters Brazil and Russia were still particularly impacted by low raw material prices. The economy in China was less dynamic, but incoming orders nevertheless developed at a stable level in the last four quarters.

The moderate growth in industrialized countries is expected to continue at a slightly faster rate.

Overall, operational risks from the economy and the markets are considered to be medium.

Sales financing

In sales financing business, there are risks of default on receivables due to industry, customer, residual value and country risks. The majority of the financing portfolio consists of receivables from customers located in emerging countries, particularly Brazil. As a result of the persistently weak economy, Heidelberger Druckmaschinen Aktiengesellschaft still has a relatively high share of overdue contracts in Brazil. However, these are monitored and managed very closely with intensive receivables management. The risks arising from counter-liabilities increased slightly year-on-year. Overall, however, losses on sales financing were below the average level for previous years in the past financial year.

Furthermore, liquidity risks could arise for sales financing as the Company's own need for financing commitments could increase in the event of limited availability of third-party financing partners. These higher requirements would tie up the additional funds available to Heidelberger Druckmaschinen Aktiengesellschaft and raise the risk profile of sales financing.

Sales financing commitments are regularly reviewed using internal rating processes. These comprise both debtor-specific and transaction-specific components (in accordance with the Basel standards). Heidelberger Druckmaschinen Aktiengesellschaft 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.

The risks from sales financing are currently considered to be medium.

Procurement risks

Heidelberger Druckmaschinen Aktiengesellschaft is dependent on ensuring that its suppliers and service providers can deliver the required quality at all times. Risk management is therefore a fixed component of our supplier management. The Company works closely with selected systems suppliers on a contractual basis and reduces risks relating to supplier defaults and late deliveries of components or low-quality components. It also works continuously to optimize its supply methods and procurement processes with key suppliers to ensure the reliable supply of parts and components of the highest quality. As Heidelberger Druckmaschinen Aktiengesellschaft generates around two-thirds of its sales outside the euro area, the option of global procurement is constantly being examined and expanded (natural hedging). We increased our procurement activities in foreign currency in the year under review as well in order to reduce currency risks. A dual vendor strategy is pursued for consumables to avoid unilateral dependencies. This is deviated from only in cases where mutual exclusivity is assured and, under appropriate market and competitive conditions, the sale of our partners' entire product range is also assumed.

Procurement risks are considered to be low.

Production risks

Production disruptions or downtime, not to mention disruptions in transport and logistics, are a high risk that Heidelberger Druckmaschinen Aktiengesellschaft counters by implementing very high technical and safety standards. Nevertheless, the risk of a business interruption at the production sites cannot be entirely ruled out. Such interruptions could result from external factors that are beyond the Company's control, such as natural disasters.

The probability of occurrence of these risks is rated as very low on account of the (safety) precautions taken (e.g. works fire department). Furthermore, specific risks are covered by insurance policies with typical sums insured.

Production risks are therefore considered to be low.

Sales partnership risks

Heidelberger Druckmaschinen Aktiengesellschaft relies on global strategic partnerships to offer its customers a broad range of solutions – also tailored to the performance of their own products. It is constantly working to intensify its cooperation with sales partners. There is a risk that sales partnerships could be terminated, thereby adversely affecting the Company's business performance.

This risk is considered to be low.

IT-, information and data protection risks

Heidelberger Druckmaschinen Aktiengesellschaft could suffer damage if the availability of data and systems or the confidentiality of sensitive information were violated or restricted. This could have a direct impact on business operations (for example the non-availability of products and services) and lead to a business interruption. An indirect consequence could also be a loss of image, though this cannot be quantified.

Comprehensive protective measures are taken preventively to guarantee the availability and confidentiality of systems and data. These include technical protection measures such as virus protection and firewall systems, access controls, data backups and data encryption. Furthermore, high demands are made of integrity and reliability when selecting IT service providers. Systems, procedures and the organization are regularly checked for possible risks and adapted if necessary. The IT infrastructure underwent a comprehensive overhaul in the year under review, improving both performance and system security.

IT risks are currently considered to be low.

HR risks and opportunities

The success of Heidelberger Druckmaschinen Aktiengesellschaft is substantially influenced by qualified and motivated employees and management. It therefore invests both in maintaining the capabilities of its own employees and management and in improving its attractiveness to new employees in order to meet the challenges of forthcoming digitization and demographic change. The Company has responded to the changes entailed by an aging workforce by improving its preventive healthcare and adapting its pension schemes.

As a result of past challenges and those yet to come, it cannot be ruled out that negative financial or non-financial effects (loss of key personnel, image, attractiveness as an employer) could arise for Heidelberger Druckmaschinen Aktiengesellschaft.

This risk is considered to be medium.

Financial risks and opportunities

Currency and interest rate risks and opportunities

As an international company, Heidelberger Druckmaschinen Aktiengesellschaft conducts business in various currencies, which can lead to risks and opportunities due to EXCHANGE RATE CHANGES. The risks are identified centrally and suitable strategies and measures are derived to counteract them. Some of these measures are derivative financial instruments, specifically forward exchange transactions and currency options. Details on these instruments and on the impact of hedging transactions can be found in note 26 of the notes to the non-consolidated financial statements. The functional separation of trading, settlement and risk controlling and compliance with the Minimum Requirements for Risk Management (MaRisk) formulated by the German Federal Financial Supervisory Authority (BaFin) are regularly reviewed by Internal Audit. Currency risks are managed in the medium and long term and operationally, whether through appropriate hedges or by increasing procurement volumes in foreign currency (natural hedging).

Changes in exchange rates can have a positive or negative effect on earnings.

There are INTEREST RATE RISKS for floating-rate liabilities as changes in the underlying market interest rate can affect their interest. Fluctuations in interest rates may have either a positive or a negative impact on earnings. If possible, interest rate risks are limited by suitable interest rate swaps.

Currency risks are currently considered to be medium overall; interest rate risks are considered to be low.

Risks and opportunities from pension obligations
Pension obligations to employees under defined benefit pension plans are calculated on the basis of externally produced actuarial reports. In particular, the amount of pension obligations is dependent on the interest rate used to discount future pension payments. Changes in other parameters, such as rising inflation rates and higher life expectancy, also influence the amount of pension and payment obligations. Opportunities or risks can arise from this depending on the change in these parameters.

The pension obligations of Heidelberger Druckmaschinen Aktiengesellschaft are, partly completely or pro rata, covered by plan assets managed in trust, and are reported net in the balance sheet. The future funding requirements for pension payments from operating activities are reduced by payments from plan assets. Plan assets consist of interest-bearing securities, equities, real estate and other investment classes and are continuously monitored and managed in line with risk and earnings considerations. The broad diversification of assets helps to further reduce risk.

In the year under review, the lower interest rate (as against the previous year) used for the discounting of pension obligations led to an increase in pension obligations. This risk from pension obligations is currently considered to be medium.

In a favorable capital market environment, an increase in the interest rate used to discount future pension payments and the development of plan assets offer the opportunity that the provisions for pensions and similar obligations decrease and that equity increases indirectly as a result.

Risks and opportunities from taxes and reforms
Heidelberger Druckmaschinen Aktiengesellschaft conducts business worldwide on the basis of an implemented transfer pricing system and is subject to the local tax laws applicable in the respective countries and to bilateral and multilateral tax agreements. Changes in the underlying legal provisions and in the application of law can affect the Company's tax positions.

On the whole, the tax risk is considered to be medium.

Liquidity
To ensure the Company's solvency in order to settle its liabilities in the correct amount as they mature, liquidity is constantly monitored and the necessary minimum liquidity is maintained. The potential funding needs of the Company and the resulting potential liquidity risks are pinpointed at an early stage with the help of monthly rolling liquidity planning. A broad diversification of financing sources, the planning of financing requirements and the procurement of funds are also intended to ensure financing in the longer term.

Given the cash and cash equivalents available and the current financing structure, liquidity risk is currently considered to be low.

Refinancing risk
Heidelberger Druckmaschinen Aktiengesellschaft is dependent on being able to refinance financial liabilities that become due, to meet existing financing commitments and to finance additional funding requirements for the development of its business activities. If reliable financing were not ensured, the willingness to pay would be at risk.

The Company has created a stable financing base with a broadly diversified financing structure (banks, capital market and other financing commitments) and a balanced, long-term maturity profile beyond 2022. Furthermore, Heidelberger Druckmaschinen Aktiengesellschaft has demonstrated in the past that it can reduce its gearing through internal financing thanks to successful asset and net working capital management.

The details of the financing structure are described in the "Financial Position" section on page 10. Note 22 to the non-consolidated financial statements explains in more detail that financing is linked to standard financial covenants. If the results of operations and financial position were to deteriorate to such a degree that it were no longer possible to guarantee compliance with these financial covenants and/or modify them, this would have an adverse financial impact on the Company. There are currently no indications of such a development.

The refinancing risk is considered to be low.

Rating

The capital market uses ratings from agencies to assist lenders in assessing the risk of default by a borrower or financial instrument. The Heidelberg Group is currently rated by Moody's and Standard & Poor's. Its rating from Moody's has been B3 with outlook positive since July 2016. Its rating from Standard & Poor's has been B with outlook stable since February 2013. There is a risk that the rating agencies could downgrade the Heidelberg Group's credit rating if the relevant performance indicators (such as its dynamic debt factor) deteriorate and the financing costs of Heidelberger Druckmaschinen Aktiengesellschaft for new financing therefore increase or this becomes more difficult.

Given the economic performance of the Heidelberg Group, this risk is currently considered to be low.

Legal and compliance risks

As part of its general business operations, Heidelberger Druckmaschinen Aktiengesellschaft is involved in judicial and extra-judicial legal disputes whose outcome cannot be predicted with certainty. There are legal disputes regarding warranty cases in connection with sales of machinery that could also lead to rescission. In addition to legal risks there are also antitrust risks, though their probability of occurrence is considered to be 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. Other risks that are considered to have a relatively low probability are discussed in the risk report and are monitored closely. Heidelberger Druckmaschinen Aktiengesellschaft reduces legal risks from individual agreements by utilizing standardized master agreements wherever possible. The Company's interests in the area of patents and licenses are protected in a targeted manner. Risks will be reduced further by systematic controls of compliance with our comprehensive policies in all areas and the introduction of an updated Code of Conduct, which also reflects the ten guiding principles of the UN Global Compact. Furthermore, an ombudsman system was set up for the Heidelberg Group at the level of Heidelberger Druckmaschinen Aktiengesellschaft in the past financial year, and is now being established among employees and external third parties through ongoing communication measures.

Legal and compliance risks are currently considered to be medium.

General statement on risks and opportunities

There are currently no discernible risks to the Heidelberger Druckmaschinen Aktiengesellschaft as a going concern. This applies both to business activities already implemented and to operations that the Company is planning or has already introduced.

In the assessment of the risk situation and the determination of the overall risk, individual risks were looked at not just in isolation, but in terms of their interdependencies as well. Opportunities are not netted. The overall risk situation of Heidelberger Druckmaschinen Aktiengesellschaft is slightly elevated compared with the previous year.

The strategic risks are considered to be high. In addition to the political risks, there are also technical risks in connection with the development and launch of new digital printing presses or risks regarding the assessment of the sales market.

There is a high risk of not achieving our earnings targets in the future economic situation in the BRIC nations. If these countries develop more weakly than anticipated, this could have a negative impact on sales and margins in the Heidelberg Digital Technology (HDT) segment, especially in the sheetfed area. Despite this risk assessment, 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 Heidelberger Druckmaschinen Aktiengesellschaft, making us an ideal partner for providers of new technologies. Furthermore, the Company and its subsidiaries have a strong global sales and service network. Heidelberger Druckmaschinen Aktiengesellschaft is strategically well positioned, not only for sheetfed offset printing processes but also for 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 goes hand-in-hand with another important business objective, that of organic growth. Partnerships allow Heidelberger Druckmaschinen Aktiengesellschaft to bundle the innovative strength of partners with its 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 the organization or management or from planned changes. For further information, please see our detailed “Corporate Governance Declaration” on the Internet.

OPPORTUNITIES for Heidelberger Druckmaschinen Aktiengesellschaft result in particular from strategic measures. This includes the continued transformation from being a technology-oriented company to being a more customer-oriented one with a continuous improvement in cost structures.

With new digital printing presses and other products developed as part of cooperations and the Company’s own research and development activities in the future, Heidelberger Druckmaschinen Aktiengesellschaft anticipates the opportunity to establish itself more strongly in the area of digital printing. There is growth potential in the more profitable and less cyclical area of service and in generating greater value added for customers (thanks to the global service and logistics network of the Company and its subsidiaries and the integration of independent providers into this network).

Above and beyond this, an opportunity for Heidelberger Druckmaschinen Aktiengesellschaft 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 our favor would also have a positive effect on Heidelberger Druckmaschinen Aktiengesellschaft’s 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.

Internal control and risk management system for the accounting process in accordance with section 289 (5) HGB

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. Heidelberger Druckmaschinen Aktiengesellschaft systematically counters this risk – and other risks that could arise from it – with its own internal control system (ICS). The principles, procedures and measures of the ICS are based on the framework for internal control systems of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In this way, the Company ensures that management decisions are implemented effectively, that control systems work profitably, that laws and internal regulations are observed and that accounting is done properly. 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 annual financial statements and the management report.

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

The Internal Audit team, which has access to all data, also examines individual areas of the Company on a test basis. In doing so, it examines, among other things, whether the internal control system has been implemented in this regard or whether transactions have been controlled, and whether the 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 means of a number of automated controls. Authorization models have been implemented within the uniform Company-wide IT system. If an area is examined by Internal Audit, these authorization models and their implementation are also reviewed. Automated controls and plausibility checks ensure the completeness and accuracy of data inputs, and in some cases data is validated on a fully automated basis and discrepancies are brought to light.

Collectively, these procedures ensure that reporting on the business activities of the Company is consistent and compliant with the approved accounting guidelines. The effectiveness of the internal control system for accounting is also regularly monitored by our Internal Audit team.

Future prospects

The rise in international production will gradually grow stronger and the rate of growth in global gross domestic product will increase to 2.7 percent in 2017. Economic expansion on the emerging markets is expected to gradually intensify. While the Chinese government is set to keep the increase in total economic production at a level above 6 percent, Brazil should be able to break out of its recession during the year thanks to the tangible recovery of commodity prices. The economy is also gathering momentum in the industrialized countries. This should be made possible by a slight recovery in Japan and the USA. The German economy is expected to see only minor growth in 2017, and the German Council of Economic Experts is forecasting GDP growth of 1.9 percent after adjustment for inflation. VDMA economists are projecting growth in German mechanical production of 1 percent in real terms in 2017.

However, growing uncertainty around the world means the upturn in investment will be limited. The reform process in the EU is ongoing. This could have a positive effect on demand for engineering. However, it remains to be seen whether factors such as the elections in Germany – and possibly Italy – will slow the economy. In addition, the possible impact of Brexit on German mechanical engineering cannot be conclusively assessed at this time. The extensive ambiguity over further economic and political developments in Europe and the UK alone could lead to investments being postponed for the time being. Overall, our assumptions are based on the premise that the euro area will continue to exist and experience moderate growth.

The possible implementation of the US economic, financial and tax policy reforms being considered, and the resulting national focus, could significantly influence sales opportunities for German mechanical engineering and may have specific positive and negative repercussions for Heidelberger Druckmaschinen Aktiengesellschaft depending on the respective circumstances. Higher infrastructure spending and the greater relocation of production to the USA could also provide positive sales impetus for German mechanical engineering in the short and medium term, thereby stimulating the investment behavior of our customers.

Growth on the Chinese market above the projected level would also have a positive effect on sales on this key market for Heidelberger Druckmaschinen Aktiengesellschaft.

Our planning is based on the economic and political conditions for our markets as presented here and the expected development of our industry. With the intelligent networking of our range of solutions, we are advancing the digitization of all printing operations for our customers and aligning ourselves to customers' life cycles with new and digital business models. The effects of this will not be noticeable in the 2017/2018 financial year, but are expected to lead to continuous growth in sales from the 2018/2019 financial year.

With our investments and innovations in the area of digitization, autonomous printing, digital printing and data-driven services, we maintained our leading market position in the year under review and, bucking industry trends, generated an increase in orders that should allow sales to remain stable year-on-year in the 2017/2018 financial year. Thanks to product developments in planning and on the verge of being launched, there will be future sales opportunities and new customer groups will be cultivated.

As a result of transformation activities and the ongoing optimization of processes and structures, Heidelberger Druckmaschinen Aktiengesellschaft is anticipating further special and one-time effects in the coming financial year. In the 2017/2018 financial year, we intend to keep EBITDA at the prior-year level on a like-for-like basis thanks to efficiency enhancement measures, among other things.

Thanks to the continuous optimization of our financing framework, the financing costs are to be reduced further in the 2017/2018 financial year. We are anticipating a further deterioration in the financial result in the 2017/2018 financial year due to the growing reduction in the average pension discount rate.

Assuming that the efficiency improvement measures at the level of the Company and the Heidelberg Group have the desired effect in the current financial year, Heidelberger Druckmaschinen Aktiengesellschaft is aiming to break even after taxes on a like-for-like basis.

Important note

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

Legal disclosures

Remuneration report – Management Board and Supervisory Board

- Structure of the compensation system for the Management Board unchanged since 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 as scheduled 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 revolving credit facility 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.

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. 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 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.

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 Heidelberger Druckmaschinen Aktiengesellschaft 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 2015/2016 and the multi-year variable compensation for financial years 2013/2014, 2014/2015 and 2015/2016 were invested in shares of Heidelberger Druckmaschinen Aktiengesellschaft by Dr. Gerold Linzbach, Dirk Kaliebe, Stephan Plenz and Harald Weimer (for the one-year variable compensation for financial year 2015/2016 only) on August 11, 2016 in accordance with Article 19 of the Market Abuse Regulation (EU) No. 596/2014; the investment was reported to the German Federal Financial Supervisory Authority by all four Management Board members and published on the Heidelberger Druckmaschinen Aktiengesellschaft website on August 12, 2016.

Fringe benefits primarily consist of the value of the private use of a company car and the assumption of travel expenses with the private car and the costs of overnight accommodation.

For the period from November 14, 2016 to November 30, 2019, the Supervisory Board of the company appointed RAINER HUNDSDÖRFER as the Chief Executive Officer, a member of the Management Board and Chief Human Resources Officer, and DR. ULRICH HERMANN as a member of the Management Board.

The BENEFITS TO MEMBERS OF THE MANAGEMENT BOARD WHO LEFT IN THE REPORTING YEAR are as follows:

The term in office of DR. GEROLD LINZBACH as Chief Executive Officer, member of the Management Board and Chief Human Resources Officer ended on November 13, 2016; his service agreement with Heidelberger Druckmaschinen Aktiengesellschaft ends on August 31, 2017 (end of contract). He served Heidelberger Druckmaschinen Aktiengesellschaft in an advisory capacity from November 14, 2016 to March 31, 2017. He has been released from work for the period from April 1, 2017 to August 31, 2017; this release also compensates his remaining vacation entitlement. Specifically, the termination agreement of October 27, 2016 stipulates the following for the period from November 14, 2016 to August 31, 2017: Dr. Gerold Linzbach receives his basic compensation of € 452 thousand, one-year variable compensation of € 406 thousand (of which: disbursement as of end of contract: € 212 thousand) and variable multi-year remuneration of € 406 thousand (of which: disbursement as of end of contract: € 212 thousand). Moreover, the variable multi-year remuneration will be settled as contractually agreed and disbursed at the same time as for the active members of the Management Board of Heidelberger Druckmaschinen Aktiengesellschaft. Furthermore, Heidelberger Druckmaschinen Aktiengesellschaft has paid the social security contributions (employer and employee share plus wage and church tax and solidarity surcharge) for the period from November 14, 2016 to March 31, 2017 of € 9 thousand. The pension contribution for the defined contribution pension commitment for financial year 2016/2017 will be paid by Heidelberger Druckmaschinen Aktiengesellschaft by the due date of July 1, 2017, and for financial year 2017/2018 pro rata temporis by the end of the contract on September 1, 2017, in the amount of 22 percent of his eligible compensation in each case (€ 99 thousand), provided that the payment of benefits has not yet commenced in accordance with the provisions of the pension plan at that time. To compensate his entitlement to share-based pension benefits for the period from November 14, 2016 to August 31, 2017, Dr. Gerold Linzbach will receive compensation of € 475 thousand from Heidelberger Druckmaschinen Aktiengesellschaft (disbursement together with entitlement already vested as of the end of the contract).

The term in office of HARALD WEIMER as a member of the Management Board ended on November 13, 2016; his service agreement with Heidelberger Druckmaschinen Aktiengesellschaft ended as agreed on March 31, 2017. The cash compensation for the period from November 14, 2016 to March 31, 2017 comprises his basic salary of € 153 thousand, fringe benefits of € 14 thousand (including: employer and employee share of social security contributions, wage and church tax and solidarity surcharge of € 9 thousand), one-year variable compensation of € 138 thousand and variable multi-year remuneration of € 138 thousand plus the costs of placement consulting of € 77 thousand (including statutory VAT). The variable multi-year remuneration for the year under review will be settled as contractually agreed and disbursed at the same time as for the active members of the Management Board of Heidelberger Druckmaschinen Aktiengesellschaft. The pension contribution for the defined contribution pension commitment for the period from November 14, 2016 to March 31, 2017 amounts to € 53 thousand.

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

Figures in € thousands	Rainer Hundsdörfer Chief Executive Officer [2]				Dr. Gerold Linzbach Chief Executive Officer [3]				Dirk Kaliebe Chief Financial Officer and Financial Services			
	2016/ 2017	2015/ 2016	2016/ 2017 (Min)	2016/ 2017 (Max)	**2016/ 2017**	2015/ 2016	2016/ 2017 (Min)	2016/ 2017 (Max)	**2016/ 2017**	2015/ 2016	2016/ 2017 (Min)	2016/ 2017 (Max)
Fixed compensation [7]	247	–	247	247	343	550	343	343	396	390	396	396
Fringe benefits	7	–	7	7	17	6	17	17	16	14	16	16
Total	254	–	254	254	360	556	360	360	412	404	412	412
One-year variable compensation	223	–	62	223	308	395	86	308	356	401 [8]	99	356
Multi-year variable compensation	464	–	116	464	103	495	26	103	360	351	90	360
2015/2016 [9] tranche	–	–	–	–	–	495	–	–	–	351	–	–
2016/2017 [9] tranche	464	–	116	464	103	–	26	103	360	–	90	360
Total fixed and variable compensation elements	941	–	432	941	771	1,446	472	771	1,128	1,156	601	1,128
Cost of benefits	90	–	90	90	674	264	674	674	137	137	137	137
Total compensation	1,031	–	522	1,031	1,445	1,710	1,146	1,445	1,265	1,293	738	1,265

Figures in € thousands	Dr. Ulrich Hermann Member of the Board Services [4]				Stephan Plenz Member of the Board Equipment [5]				Harald Weimer Member of the Board Services [6]			
	2016/ 2017	2015/ 2016	2016/ 2017 (Min)	2016/ 2017 (Max)	**2016/ 2017**	2015/ 2016	2016/ 2017 (Min)	2016/ 2017 (Max)	**2016/ 2017**	2015/ 2016	2016/ 2017 (Min)	2016/ 2017 (Max)
Fixed compensation [7]	152	–	152	152	396	390	396	396	243	390	243	243
Fringe benefits	8	–	8	8	16	12	16	16	8	12	8	8
Total	160	–	160	160	412	402	412	412	251	402	251	251
One-year variable compensation	137	–	38	137	356	376 [8]	99	356	219	376 [8]	61	219
Multi-year variable compensation	286	–	71	286	360	351	90	360	73	351	18	73
2015/2016 [9] tranche	–	–	–	–	–	351	–	–	–	351	–	–
2016/2017 [9] tranche	286	–	71	286	360	–	90	360	73	–	18	73
Total fixed and variable compensation elements	583	–	269	583	1,128	1,129	601	1,128	543	1,129	330	543
Cost of benefits	61	–	61	61	137	137	137	137	85	137	85	85
Total compensation	644	–	330	644	1,265	1,266	738	1,265	628	1,266	415	628

[1] In accordance with section 4.2.5 (3) of the German Corporate Governance Code in the version published on April 24, 2017
[2] Chief Executive Officer, member of the Management Board and Chief Human Resources Officer since November 14, 2016
[3] The term in office of Dr. Gerold Linzbach as Chief Executive Officer, member of the Management Board and Chief Human Resources Officer ended on November 13, 2016; his service agreement ends on August 31, 2017. The figures for financial year 2016/2017 relate to the period April 1, 2016 to November 13, 2016.
[4] Member of the Management Board since November 14, 2016. From April 1, 2017: Member of the Board Digital Business & Services
[5] From April 1, 2017: Member of the Board Digital Technology
[6] The term in office of Harald Weimer as a member of the Management Board ended on November 13, 2016; his service agreement ended on March 31, 2017. The figures for financial year 2016/2017 relate to the period April 1, 2016 to November 13, 2016.
[7] The monthly basic salaries of Dr. Gerold Linzbach, Dirk Kaliebe, Stephan Plenz and Harald Weimer were each increased by 3 percentage points from October 1, 2016.
[8] Including premium: Dirk Kaliebe: € 50 thousand; Stephan Plenz and Harald Weimer: € 25 thousand each
[9] Term: 3 years

Allocation [1]

Figures in € thousands	Rainer Hundsdörfer Chief Executive Officer [2]		Dr. Gerold Linzbach Chief Executive Officer [3]		Dirk Kaliebe Chief Financial Officer and Financial Services	
	2016/2017	2015/2016	**2016/2017**	2015/2016	**2016/2017**	2015/2016
Fixed compensation [7]	247	–	343	550	396	390
Fringe benefits	7	–	17	6	16	14
Total	254	–	360	556	412	404
One-year variable compensation	223	–	308	395	356	401 [8]
Multi-year variable compensation	–	–	433	495	353	345
2013/2014 [9] tranche	–	–	–	495	–	345
2014/2015 [9] tranche	–	–	433	–	353	–
Total fixed and variable compensation components	477	–	1,101	1,446	1,121	1,150
Service cost [10]	90	–	674	264	137	137
Total compensation	567	–	1,775	1,710	1,258	1,287
of which: agreed personal investment	22	–	–	89	71	70

Figures in € thousands	Dr. Ulrich Hermann Member of the Board Services [4]		Stephan Plenz Member of the Board Equipment [5]		Harald Weimer Member of the Board Services [6]	
	2016/2017	2015/2016	**2016/2017**	2015/2016	**2016/2017**	2015/2016
Fixed compensation [7]	152	–	396	390	243	390
Fringe benefits	8	–	16	12	8	12
Total	160	–	412	402	251	402
One-year variable compensation	137	–	356	376 [8]	219	376 [8]
Multi-year variable compensation	–	–	353	345	287	–
2013/2014 [9] tranche	–	–	–	345	–	–
2014/2015 [9] tranche	–	–	353	–	287	–
Total fixed and variable compensation components	297	–	1,121	1,123	757	778
Service cost [10]	61	–	137	137	85	137
Total compensation	358	–	1,258	1,260	842	915
of which: agreed personal investment	14	–	71	70	–	35

1) Payments made or yet to be made to the members of the Management Board for the respective financial year
2) Chief Executive Officer, member of the Management Board and Chief Human Resources Officer since November 14, 2016
3) The term in office of Dr. Gerold Linzbach as Chief Executive Officer, member of the Management Board and Chief Human Resources Officer ended on November 13, 2016; his service agreement ends on August 31, 2017. The figures for fixed compensation, fringe benefits and one-year variable compensation for financial year 2016/2017 relate to the period April 1, 2016 to November 13, 2016; this applies accordingly to the annual component for financial year 2016/2017 for the multi-year variable compensation from the 2014/2015 tranche.
4) Member of the Management Board since November 14, 2016. From April 1, 2017: Member of the Board Digital Business and Services
5) From April 1, 2017: Member of the Board Digital Technology
6) The term in office of Harald Weimer as a member of the Management Board ended on November 13, 2016; his service agreement ended on March 31, 2017. The figures for fixed compensation, fringe benefits and one-year variable compensation for financial year 2016/2017 relate to the period April 1, 2016 to November 13, 2016; this applies accordingly to the annual component for financial year 2016/2017 for the multi-year variable compensation from the 2014/2015 tranche
7) The monthly basic salaries of Dr. Gerold Linzbach, Dirk Kaliebe, Stephan Plenz and Harald Weimer were each increased by 3 percentage points from October 1, 2016.
8) Including premium: Dirk Kaliebe: € 50 thousand; Stephan Plenz and Harald Weimer: € 25 thousand each
9) Term: 3 years
10) Not yet allocated in the financial year

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

Figures in € thousands		Non-performance-related elements		Performance-related elements	Long-term incentive components	Total compensation
		Basic salary[1]	Benefits in kind	One-year variable compensation	Multi-year variable compensation	
Rainer Hundsdörfer[2]	**2016/2017**	247	7	223	74	551
	2015/2016	–	–	–	–	–
Dr. Gerold Linzbach[3]	**2016/2017**	343	17	308	308	976
	2015/2016	550	6	395	495	1,446
Dirk Kaliebe	**2016/2017**	396	16	356	356	1,124
	2015/2016	390	14	401[4]	351	1,156
Dr. Ulrich Hermann[5]	**2016/2017**	152	8	137	46	343
	2015/2016	–	–	–	–	–
Stephan Plenz	**2016/2017**	396	16	356	356	1,124
	2015/2016	390	12	376[4]	351	1,129
Harald Weimer[6]	**2016/2017**	243	8	219	219	689
	2015/2016	390	12	376[4]	234	1,012
Total	**2016/2017**	1,777	72	1,599	1,359	4,807
	2015/2016	1,720	44	1,548	1,431	4,743

[1] The monthly basic salaries of Dr. Gerold Linzbach, Dirk Kaliebe, Stephan Plenz and Harald Weimer were each increased by 3 percentage points from October 1, 2016.
[2] Chief Executive Officer, member of the Management Board and Chief Human Resources Officer since November 14, 2016
[3] The term in office of Dr. Gerold Linzbach as Chief Executive Officer, member of the Management Board and Chief Human Resources Officer ended on November 13, 2016; his service agreement ends on August 31, 2017. The figures for financial year 2016/2017 relate to the period April 1, 2016 to November 13, 2016.
[4] Including premium: Dirk Kaliebe: € 50 thousand; Stephan Plenz and Harald Weimer: € 25 thousand each
[5] Member of the Management Board since November 14, 2016
[6] The term in office of Harald Weimer as a member of the Management Board ended on November 13, 2016; his service agreement ended on March 31, 2017. The figures for financial year 2016/2017 relate to the period April 1, 2016 to November 13, 2016.

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

RAINER HUNDSDÖRFER, DR. ULRICH HERMANN, DIRK KALIEBE and STEPHAN PLENZ have each been appointed as ordinary members of the Management Board for periods of three years (RAINER HUNDSDÖRFER: Chief Executive Officer and Chief Human Resources Officer). The 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. The fixed pension 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 for Dirk Kaliebe and Stephan Plenz. If the contract of employment expires prior to the start of benefit payments, the claim to the established pension capital at that point in time remains valid. 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. In a departure from section 1b BetrAVG, the benefits of Rainer Hundsdörfer and Dr. Ulrich Hermann are vested immediately. Moreover, the statutory vesting periods have been met for Dirk Kaliebe and Stephan Plenz.

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 the event of the effective revocation of a Management Board member's appointment, the member receives a severance 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 severance 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

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

Figures in € thousands		Accrued pension funds as of the balance sheet date	Pension contribution during the reporting year [2]	Defined benefit obligation	Service cost
Rainer Hundsdörfer [3]	**2016/2017**	85	85 [4]	90	90 [5]
	2015/2016	–	–	–	–
Dr. Gerold Linzbach [6]	**2016/2017**	–	673 [7]	–	674 [7]
	2015/2016	1,818	260	1,842	264
Dirk Kaliebe	**2016/2017**	1,430	139	1,635	137
	2015/2016	1,254	137	1,505	137
Dr. Ulrich Herman [8]	**2016/2017**	53	53 [4]	61	61 [5]
	2015/2016	–	–	–	–
Stephan Plenz	**2016/2017**	1,346	139	1,544	137
	2015/2016	1,172	137	1,411	137
Harald Weimer [9]	**2016/2017**	–	86 [7]	–	85 [7]
	2015/2016	336	137	432	137

[1] The pension entitlement that can be achieved by the age of 65 (Rainer Hundsdörfer; Dr. Ulrich Hermann; Dirk Kaliebe; Stephan Plenz) is dependent on personal salary development, the respective EBIT and the return achieved, 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: Rainer Hundsdörfer: approx. 9 percent, Dr. Ulrich Hermann: approx. 21 percent, Dirk Kaliebe: approx. 35 percent and Stephan Plenz: approx. 33 percent of the respective last fixed compensation
[2] For Rainer Hundsdörfer, Dr. Gerold Linzbach, Dr. Ulrich Hermann, 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 earnings-based contribution not yet determined.
[3] Chief Executive Officer, member of the Management Board and Chief Human Resources Officer since November 14, 2016
[4] For the period November 14, 2016 to March 31, 2017
[5] As the service cost amounts to € 0 thousand, the addition to the defined benefit obligation for the period from November 14, 2016 to March 31, 2017 is shown here
[6] The term in office of Dr. Gerold Linzbach as Chief Executive Officer, member of the Management Board and Chief Human Resources Officer ended on November 13, 2016; his service agreement ends on August 31, 2017.
[7] For the period April 1, 2016 to November 13, 2016
[8] Member of the Management Board since November 14, 2016
[9] The term in office of Harald Weimer as a member of the Management Board ended on November 13, 2016; his service agreement ended on March 31, 2017.

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 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 eleven 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 €	2016/2017				2015/2016			
	Fixed annual compensation	Attendance fees	Committee compensation	Total	Fixed annual compensation	Attendance fees	Committee compensation	Total
Dr. Siegfried Jaschinski [1]	120,000	6,500	8,000	134,500	106,667	7,000	12,500	126,167
Rainer Wagner [2]	80,000	6,500	10,500	97,000	80,000	8,000	12,000	100,000
Ralph Arns	40,000	3,000	0	43,000	40,000	4,500	0	44,500
Edwin Eichler [3]	13,333	1,000	0	14,333	40,000	4,000	0	44,000
Mirko Geiger	40,000	6,000	7,500	53,500	40,000	7,500	7,500	55,000
Karen Heumann [4]	40,000	2,500	0	42,500	3,333	0	0	3,333
Robert J. Köhler [5]	0	0	0	0	20,000	500	0	20,500
Kirsten Lange [6]	40,000	6,000	4,500	50,500	40,000	3,500	0	43,500
Dr. Herbert Meyer	40,000	6,000	22,500	68,500	40,000	5,500	22,500	68,000
Beate Schmitt	40,000	4,000	3,000	47,000	40,000	5,000	4,500	49,500
Prof. Dr.-Ing. Günther Schuh	40,000	4,500	3,000	47,500	40,000	4,500	4,500	49,000
Christoph Woesler	40,000	3,000	0	43,000	40,000	4,500	0	44,500
Roman Zitzelsberger	40,000	2,000	0	42,000	40,000	4,500	0	44,500
Total	573,333	51,000	59,000	683,333	570,000	59,000	63,500	692,500

[1] Chairman of the Supervisory Board since June 2, 2015
[2] Deputy Chairman of the Supervisory Board
[3] Member of the Supervisory Board until July 31, 2016
[4] Member of the Supervisory Board since March 24, 2016
[5] Chairman of the Supervisory Board until May 17, 2015
[6] Member of the Supervisory Board since February 2, 2015

Takeover disclosures in accordance with section 289 (4) of the German Commercial Code

In accordance with section 289 (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 Heidelberger Druckmaschinen Aktiengesellschaft:

As of March 31, 2017, 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 is permitted to acquire **TREASURY SHARES** only in accordance with section 71 (1) nos. 1 to 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 originally contingently increased by up to € 119,934,433.28, divided into 46,849,388 bearer shares. 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. The Contingent Capital 2012 available was therefore reduced to € 119,445,885.44, divided into 46,658,549 bearer shares. 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 originally 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 of Heidelberger Druckmaschinen Aktiengesellschaft was originally contingently increased by up to € 58,625,953.28, divided into 22,900,763 bearer shares. 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.

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 by issuing up to 51,487,555 new shares 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 on 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 the European Investment Bank dated March 31, 2016 and a promotional loan agreed with a syndicate of banks with refinancing by the KfW dated October 20, 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 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 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.

Disclosures on treasury shares

The disclosures on treasury shares in accordance with section 160 (1) no. 2 AktG can be found in note 18 of the notes to the non-consolidated financial statements.

Corporate Governance Declaration

The Corporate Governance Declaration in accordance with section 289a HGB and section 315 (5) HGB has been made permanently available at www.heidelberg.com under Company > About Us > Corporate Governance.

Financial section 2016/2017

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Income statement 2016/2017

Figures in € thousands	Note	1-Apr-2015 to 31-Mar-2016	**1-Apr-2016 to 31-Mar-2017**
Net sales [1]	4	1,071,899	1,177,749
Change in inventories		– 18,608	– 4,966
Other own work capitalized		25,096	56,528
Total operating performance		**1,078,387**	**1,229,311**
Other operating income [1] [2]	5	293,640	128,753
Cost of materials	6	523,315	563,492
Staff costs	7	416,987	418,306
Amortization and write-downs of intangible non-current assets and depreciation and write-downs of property, plant and equipment		26,366	34,694
Other operating expenses	8	260,265	252,825
Result of operating activities		**145,094**	**88,747**
Result from financial assets	9	56,274	32,892
Other interest and similar income	10	6,633	8,491
Interest and similar expenses	11	117,682	84,621
Financial result		**– 54,775**	**– 43,238**
Taxes on income	12	4,405	– 25,234
Net result after taxes		**85,914**	**70,743**
Net profit		**85,914**	**70,743**
Loss carryforward from the previous year	18	– 126,518	– 40,604
Transfers to retained earnings			
to the legal reserve		–	– 1,507
to other retained earnings		–	– 28,632
Net accumulated losses		**– 40,604**	**0**

[1] German Accounting Directive Implementation Act (BilRUG) applied from the start of the 2016/2017 financial year. Prior-year figures not restated
[2] The application of BilRUG means the extraordinary result is no longer reported in the income statement. The extraordinary income of € 5,396 thousand reported in the 2015/2016 financial year has been reclassified to other operating income.

Statement of financial position as of March 31, 2017

Assets

Figures in € thousands	Note	31-Mar-2016	**31-Mar-2017**
Non-current assets	13		
Intangible assets		57,721	71,789
Property, plant and equipment		222,460	451,606
Financial assets		1,036,887	877,594
		1,317,068	1,400,989
Current assets			
Inventories	14	335,258	329,116
Receivables and other assets	15	180,082	201,119
Cash and cash equivalents	16	106,243	127,778
		621,583	658,013
Prepaid expenses	17	17,035	11,319
		1,955,686	**2,070,321**

Equity and liabilities

Figures in € thousands	Note	31-Mar-2016	**31-Mar-2017**
Equity	18		
Issued capital[1)]		659,041	659,041
Treasury shares		– 366	– 366
Issued capital		658,675	658,675
Capital reserves		52,937	52,937
Retained earnings		21,343	51,482
Net accumulated losses		– 40,604	–
		692,351	763,094
Special reserves	19	1,189	770
Provisions			
Provisions for pensions and similar obligations	20	195,198	201,836
Other provisions	21	161,741	163,898
		356,939	365,734
Liabilities	22	900,520	935,442
Deferred income		4,687	5,281
		1,955,686	**2,070,321**

1) Contingent capital as of March 31, 2017 in the amount of € 238,665 thousand (previous year: € 238,665 thousand)

Financial section 2016/2017

Statement of changes in non-current assets

Figures in € thousands					Cost
	1-Apr-2016	Additions	Disposals	Reclassifications	**31-Mar-2017**
Intangible assets					
Internally generated rights, similar rights and assets	26,992	33,831	–	–	60,823
Purchased software, rights of use and other rights	78,037	2,063	– 32,514	–	47,586
	105,029	**35,894**	**– 32,514**	**–**	**108,409**
Property, plant and equipment					
Land and buildings	175,088	228,285	–	7,730	411,103
Technical equipment and machinery	315,279	2,793	– 9,730	2,504	310,846
Other equipment, operating and office equipment	434,602	29,842	– 21,209	– 4,897	438,338
Advance payments and assets under construction	5,735	7,027	– 64	– 5,337	7,361
	930,704	**267,947**	**– 31,003**	**0**	**1,167,648**
Financial assets					
Shares in affiliated companies	1,832,997	3,238	– 133,188	–	1,703,047
Loans to affiliated companies	79,654	–	– 67,697	–	11,957
Equity investments	3,928	–	–	–	3,928
Securities classified as non-current assets	2	–	–	–	2
Other loans	2,624	29,833	– 2,604	–	29,853
	1,919,205	**33,071**	**– 203,489**	**–**	**1,748,787**
	2,954,938	**336,912**	**– 267,006**	**–**	**3,024,844**

					Cumulative depreciation and amortization		**Carrying amounts**
1-Apr-2016	Additions	Disposals	Reclassifications	Reversals	**31-Mar-2017**	31-Mar-2016	**31-Mar-2017**
–	956	–	–	–	956	26,992	59,867
47,308	1,694	−13,338	–	–	35,664	30,729	11,922
47,308	**2,650**	**−13,338**	**–**	**–**	**36,620**	**57,721**	**71,789**
113,840	11,899	–	2,351	–	128,090	61,248	283,013
250,162	6,040	−9,438	–	–	246,764	65,117	64,082
344,242	14,105	−14,808	−2,351	–	341,188	90,360	97,150
–	–	–	–	–	–	5,735	7,361
708,244	**32,044**	**−24,246**	**0**	**–**	**716,042**	**222,460**	**451,606**
881,765	2,992	–	–	−14,111	870,646	951,232	832,401
–	–	–	–	–	–	79,654	11,957
542	–	–	–	–	542	3,386	3,386
–	–	–	–	–	–	2	2
11	–	−6	–	–	5	2,613	29,848
882,318	**2,992**	**−6**	**–**	**−14,111**	**871,193**	**1,036,887**	**877,594**
1,637,870	**37,686**	**−37,590**	**–**	**−14,111**	**1,623,855**	**1,317,068**	**1,400,989**

General notes

1 Preliminary remarks

Heidelberger Druckmaschinen Aktiengesellschaft, Heidelberg, is entered in the commercial register of the Mannheim Local Court under HRB 330004.

The annual financial statements of Heidelberger Druckmaschinen Aktiengesellschaft are prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG) and taking into account the new provisions introduced by the German Accounting Directive Implementation Act (BilRUG). The provisions of the BilRUG are applied for the first time in the 2016/2017 financial year and primarily involve the extended definition of sales in accordance with section 277 (1) HGB (new version). In accordance with the transitional provisions of the BilRUG, the prior-period figures have not been restated to reflect the new accounting guidelines.

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

According to a resolution by the Shareholders' Meeting of Heidelberger Druckmaschinen Vermögensverwaltungsgesellschaft mbH, Walldorf, the latter withdrew from Heidelberger Druckmaschinen Real Estate GmbH & Co. KG, Walldorf, as general partner as of April 1, 2016. Consequently, all assets and liabilities accrued to Heidelberger Druckmaschinen Aktiengesellschaft as the sole remaining shareholder as of April 1, 2016. The assets and liabilities were transferred at fair value under the provisions of universal succession in line with the option described in section 24 of the German Transformation Act (UmwG). Comparisons with the previous year are limited as a result of this.

The figures shown in the tables are generally presented in thousands of euros (€ thousands).

2 Currency translation

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

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

3 General accounting principles

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

Impairment losses recognized on current and non-current assets in previous years are retained if the reasons for their recognition still apply.

Exercising the option of section 248 (2) HGB, internally generated intangible assets are capitalized at production cost and amortized on a straight-line basis over their expected useful life.

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

Property, plant and equipment is carried at acquisition or production cost less depreciation and impairment losses (if permanent). Depreciation is recognized solely in line with the straight-line method on the basis of the individual technical and economic useful lives. Additions during a financial year are depreciated pro rata temporis on the basis of the number of months for which they have been held. In accordance with section 6 (2a) of the German

Income Tax Act (EStG), omnibus items are recognized for depreciable movable non-current assets with an acquisition cost of more than € 150 and up to € 1,000 that were acquired or manufactured after December 31, 2007. These items are depreciated on a straight-line basis over a period of five years.

Exercising the option provided by section 255 (3) sentence 2 HGB, borrowing costs are reported as a component of the cost of the respective asset.

Amortization of intangible assets and depreciation of property, plant and equipment is calculated primarily on the basis of the following useful lives (in years):

	2015/2016	**2016/2017**
Development costs	5 to 12	3
Software/other rights	3 to 9	3 to 9
Buildings	15 to 50	25 to 50
Technical equipment and machinery	12 to 31	12 to 31
Other equipment, operating and office equipment	5 to 27	4 to 26

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

Inventories are carried at cost. The carrying amounts for all asset groups are based on the weighted average cost method. The cost of production is measured at full cost, meaning that those costs eligible for recognition as assets in accordance with section 255 (2) sentences 2 to 3 HGB are included. If lower replacement prices or net values are applicable at the end of the reporting period, these are taken into account. Sufficient account is taken of the risks of holding inventory that result from prolonged storage and reduced saleability through reductions in value.

Receivables and other assets are carried at nominal amount (acquisition cost). All discernible individual risks and the general credit risk are taken into account by appropriate valuation allowances. Low-interest-bearing receivables with a remaining term of more than one year are discounted to their present value.

Cash and cash equivalents are carried at their nominal amount.

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

In addition to pension benefits, various pension commitments and general works council agreements, provisions for pensions and similar obligations also include temporary financial assistance in the event of death, as guaranteed under labor law. By way of agreement with the Group Works Council of February 27, 2015, Heidelberger Druckmaschinen Aktiengesellschaft introduced a new pension system effective from January 1, 2015 with greater incentives for private retirement provision. This agreement changed the defined benefit plan to a defined contribution plan. The new general works agreement applies to future pensions for active employees at Heidelberger Druckmaschinen Aktiengesellschaft. The pension credit is paid out in 12 annual installments, or optionally the employee can choose 14 annual installments with an increased initial installment. Alternatively, the employee can access his pension credit as a pension for life and, under certain conditions, have this paid out as a one-time capital payment. The payout option installment/pension of 60 percent/40 percent is a further actuarial assumption for the calculation of the pension provision. Provisions are measured on the basis of actuarial calculations, using the 2005G Heubeck mortality tables as the biometric basis for calculation. The measurement method used for active employees is the proportionally declining projected unit credit method, which also takes into account forecast increases in salaries and pensions. For pensioners and former employees with vested rights, the present value of future pension benefits is recognized as the settlement amount. Beneficiaries who have already passed the actuarial retirement age are treated as pensioners. If the conditions for full pension vesting are met, pension calculations are based on the date at which employees began work for employees who joined before their 30th birthday. The option provided under section 253 (2) sentence 2 HGB was exercised in determining the discount rate. This means that provisions for pensions or similar long-term obligations can be discounted at a flat rate using an average market interest rate for the past ten financial years assuming a remaining term of 15 years.

Obligations are measured using the discount rate of 3.94 percent calculated and published by Deutsche Bundesbank as of March 31, 2017 (previous year: expected discount rate of 4.25 percent at year-end).

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

Provisions for obligations under partial retirement relate to employees who are either already in partial retirement as of the end of the reporting period, have concluded a partial retirement contract, or can make use of the partial retirement regulation in the future. Provisions are measured in accordance with actuarial principles on the basis of a matched-term discount rate. This is calculated as the average market interest rate for the past seven financial years and was 1.52 percent as of March 31, 2017 (previous year: 2.00 percent). Provisions for partial retirement obligations are still based on Prof. Dr. Heubeck's 2005G mortality tables. The provision includes step-up amounts and settlement obligations of the Company incurred by the end of the reporting period.

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

Liabilities are recognized at their settlement amount.

Prepaid expenses and deferred income are recognized for expenditures and revenues that represent expenses and income for a certain period after the end of the reporting period.

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

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

Notes to the income statement

4 Net sales

	2015/2016	2016/2017
Europe, Middle East and Africa	481,980	553,349
Asia/Pacific	304,532	311,704
Eastern Europe	97,352	107,571
North America	135,891	153,807
South America	52,144	51,318
	1,071,899	**1,177,749**

€ 941 million or around 80 percent of total sales were generated outside Germany.

	2015/2016	2016/2017
Heidelberg Equipment	840,033	911,282
Heidelberg Services	231,866	266,467
	1,071,899	**1,177,749**

Applying the new version of section 277 (1) HGB as amended by the BilRUG would have resulted in additional sales of € 49.0 million in the previous year. The items reclassified from other operating income to sales primarily relate to cost reimbursements and rental and lease income.

5 Other operating income

	2015/2016	2016/2017
Income from currency translation	50,574	39,637
Reversal of provisions	41,941	25,629
Increases in value of shares in affiliated companies	121,905	14,111
Income from affiliated companies	46,179	2,483
Income from operating facilities	5,466	1,369
Income from the reversal of special reserves for investment grants	533	419
Other income [1]	27,042	45,105
	293,640	**128,753**

[1] The application of BilRUG means the extraordinary result is no longer reported in the income statement. The extraordinary income of € 5,396 thousand reported in the 2015/2016 financial year has been reclassified to other income.

The reduction in income from currency translation of € 10.9 million is offset by a corresponding reduction in expenses of € 9.8 million.

Other operating income includes prior-period income of € 26.2 million primarily from the reversal of provisions and book gains from the sale of property, plant and equipment. The increase in the value of shares in affiliated companies is explained in note 13.

Income of € 40.9 million resulting from the transfer of assets and liabilities at fair value in connection with the accrual of Heidelberger Druckmaschinen Real Estate GmbH & Co. KG, Walldorf, was reported in other income in the year under review.

The application of BilRUG in the previous year would have resulted in the reclassification of € 49.0 million from other operating income to sales (see note 4).

6 Cost of materials

	2015/2016	2016/2017
Cost of raw materials, consumables and supplies, and of goods purchased and held for resale	457,460	500,791
Cost of purchased services	65,855	62,701
	523,315	**563,492**

7 Staff costs and employees

	2015/2016	2016/2017
Wages and salaries	354,756	355,831
Social security costs and expenses for pensions and support	62,231	62,475
of which: for pensions	(1,563)	(1,531)
	416,987	**418,306**

Expenses for our portfolio adjustments amounted to € 0.6 million in the year under review (previous year: € 20.4 million).

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

The average number of employees was:

	2015/2016	2016/2017
Wiesloch-Walldorf	3,719	3,715
Heidelberg	989	983
Brandenburg	424	422
Kiel	225	232
Neuss	42	30
	5,399	5,382
Trainees	280	240
	5,679	**5,622**

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

8 Other operating expenses

	2015/2016	2016/2017
Expenses for other external services	47,893	49,852
Expenses from currency translation	48,542	38,769
Special direct selling expenses	34,631	36,321
Maintenance	22,348	24,549
Rental and leasing	37,757	18,557
Net amount from additions to and utilization of provisions, relating to several types of expense	9,387	15,941
Advertising costs	1,756	8,678
Non-manufacturing overhead costs	5,603	6,681
Travel costs	4,783	5,063
Insurance expense	4,652	4,438
Other taxes	691	1,069
Write-downs on receivables and other assets	381	51
Other costs	41,841	42,856
	260,265	**252,825**

No rental expenses for land and buildings at the Wiesloch-Walldorf production site are reported in the current financial year following the accrual of Heidelberger Druckmaschinen Real Estate GmbH & Co. KG with effect from April 1, 2016.

Furthermore, the € 9.8 million reduction in expenses from currency translation is offset by a € 10.9 million reduction in income from currency translation.

At the same time, there was an increased addition to staff provisions as a result of partial retirement agreements concluded in connection with the adjustment of personnel capacities.

The drupa trade fair in 2016 resulted in higher advertising costs.

9 Result from financial assets

	2015/2016	2016/2017
Income from investments		
Income from profit transfer agreements	60,423	28,851
Income from other investments	24,171	8,430
	84,594	37,281
of which: from affiliated companies	(81,332)	(37,281)
Income from other securities and long-term loans	7,059	964
of which: from affiliated companies	(7,059)	(964)
Write-downs on financial assets and on securities classified as current assets	– 26,967	– 2,992
Expenses from profit transfer agreements	– 8,412	– 2,361
of which: from affiliated companies	(– 8,412)	(– 2,361)
	56,274	**32,892**

The profit and loss transfer agreements also include income of € 15.3 million (previous year: € 39.7 million) in indirect distributions from foreign Group companies to German Group companies.

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

Write-downs on financial assets and on securities classified as current assets relate exclusively to financial assets (see note 13).

10 Other interest and similar income

	2015/2016	2016/2017
Other interest and similar income	6,633	8,491
of which: from affiliated companies	(6,291)	(5,920)
	6,633	**8,491**

11 Interest and similar expenses

	2015/2016	2016/2017
Interest and similar expenses	117,682	84,621
of which: due to affiliated companies	(1,888)	(1,796)
of which: due to accrued interest	(40,832)	(55,173)
	117,682	**84,621**

The reduction in interest and similar expenses is primarily attributable to the early repayment in full of the 2011 corporate bond and the positive development of the fair value of the plan assets held to serve pension obligations (see note 20).

12 Taxes on income

	2015/2016	2016/2017
Current income tax expense	4,405	1,162
Deferred taxes	–	– 26,396
	4,405	**– 25,234**

Taxes on income include income of € 26.4 million from the realization of previously unrecognized deferred taxes on temporary differences and tax loss carryforwards resulting from netting against deferred tax liabilities recognized in connection with the accrual of Heidelberger Druckmaschinen Real Estate GmbH & Co. KG, Walldorf.

Notes to the statement of financial position

13 Non-current assets

The carrying amounts of intangible assets increased by € 14.1 million in net terms in the year under review. Additions of capitalized development costs in the amount of € 33.8 million within the meaning of section 248 (2) HGB are offset by the disposal of the right of use for the operating properties in Wiesloch-Walldorf in connection with the accrual of Heidelberger Druckmaschinen Real Estate GmbH & Co. KG, Walldorf, in the amount of € 19.1 million.

The carrying amounts of property, plant and equipment increased by € 229.2 million in the year under review. This was primarily due to the land and buildings assumed as a result of the accrual of Heidelberger Druckmaschinen Real Estate GmbH & Co. KG with effect from April 1, 2016.

Write-downs totaling € 0.2 million were recognized for technical equipment and machinery in the year under review on account of presumed permanent impairment.

Financial assets decreased by € 159.3 million. The reduction primarily results from the derecognition of the shares in Heidelberger Druckmaschinen Real Estate GmbH & Co. KG, Walldorf, following the accrual. In addition, a capital reduction was realized at a subsidiary in the amount of € 13.8 million. In the context of the regular review of the carrying amounts of equity investments, the carrying amount of another subsidiary was increased by € 14.1 million, while write-downs totaling € 3.0 million were recognized for two other subsidiaries on account of presumed permanent impairment.

14 Inventories

	31-Mar-2016	31-Mar-2017
Raw materials, consumables and supplies	64,617	62,345
Work and services in progress	184,407	174,091
Finished goods and goods held for resale	86,217	92,672
Advance payments	17	8
	335,258	**329,116**

15 Receivables and other assets

	31-Mar-2016	of which with a remaining term of more than 1 year	31-Mar-2017	of which with a remaining term of more than 1 year
Trade receivables	23,343	166	25,854	–
Receivables from affiliated companies	87,686	–	114,063	–
Other assets	69,053	–	61,202	–
	180,082	**166**	**201,119**	**–**

Receivables from affiliated companies include short-term loans of € 113.8 million (previous year: € 87.6 million) in the reporting year.

Other assets primarily comprise receivables from two short-term time deposits, current tax assets, receivables from employees and option premiums paid. € 2.3 million of the tax refund claims arose only after the end of the financial year (previous year: € 1.9 million).

16 Cash and cash equivalents

Cash and cash equivalents in the amount of € 127.8 million (previous year: € 106.2 million) primarily relate to short-term cash investments with a term of up to three months and bank balances. Bank balances are exclusively held for short-term cash management purposes.

17 Prepaid expenses

In accordance with section 250 (3) HGB, prepaid expenses include the difference between the issue and settlement amount of liabilities in the amount of € 7.0 million (previous year: € 10.7 million).

18 Equity

	1-Apr-2016	Net profit	Change in reserves	**31-Mar-2017**
Subscribed capital	659,041	–	–	659,041
Treasury shares	– 366	–	–	– 366
Issued capital	658,675	–	–	658,675
Capital reserves	52,937	–	–	52,937
Retained earnings				
Legal reserve	–	–	1,507	1,507
Other retained earnings	21,343	–	28,632	49,975
	21,343	–	30,139	51,482
Net accumulated losses	– 40,604	70,743	– 30,139	0
Equity	**692,351**	**70,743**	**0**	**763,094**

Share capital/number of shares outstanding/treasury shares

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

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.

As in the previous year, the Company held 142,919 treasury shares as of March 31, 2017. The amount of these shares allocated to share capital is € 366 thousand (previous year: € 366 thousand), with a notional interest in the share capital of 0.06 percent as of March 31, 2017 (previous year: 0.06 percent).

The shares were acquired in March 2007. The pro rata cost of the acquisition was € 4,848 thousand. Pro rata transaction fees of € 5 thousand were also incurred. The total proportionate cost of acquisition was therefore € 4,853 thousand. These shares may only be utilized to reduce the capital of Heidelberger Druckmaschinen Aktiengesellschaft or for employee share participation programs and other forms of share distribution to the employees of the Company or a subsidiary or be offered for purchase 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 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 originally by up to € 119,934,433.28, divided into 46,849,388 shares (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 (2013 convertible bond). 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. Due to the conversion of five partial debentures 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, divided into 46,658,549 shares. The original total nominal amount of the 2013 convertible bond 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 2013 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, divided into 22,900,763 shares, 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 of the amendment to the Articles of Association 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 originally 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 of Heidelberger Druckmaschinen Aktiengesellschaft was contingently increased originally by up to € 58,625,953.28, divided into 22,900,763 shares (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 (2015 convertible bond). 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 will be entitled to repay the 2015 convertible bond prematurely in full at the nominal value plus accrued interest. This requires that the share price multiplied by the applicable conversion ratio on 20 of the 30 consecutive trading days on the Frankfurt Stock Exchange before the announcement of the date of the early repayment exceeds 130 percent of the nominal value as of each of these 20 trading days. Each bondholder in the 2015 convertible bond is entitled to demand the repayment of all or some of his bonds for which the conversion right was not exercised and for which no 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, divided into 18,840,021 shares, 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 of the amendment to the Articles of Association 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, divided into 51,487,555 shares, for this purpose (CONTINGENT CAPITAL 2015); 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 by issuing up to 51,487,555 new shares 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 on Authorized Capital 2015 can be found in Article 3 (6) of the Articles of Association. The authorization became effective on entry of the amendment to the Articles of Association in the commercial register of the Mannheim Local Court on October 2, 2015.

Capital reserves, appropriation of profits and disclosures on amounts blocked from distribution of Heidelberger Druckmaschinen Aktiengesellschaft

The capital reserves reported in the amount of € 52,937 thousand were originally recognized in accordance with section 272 (2) nos. 1 and 2 HGB and section 237 (5) AktG.

The HGB net profit of € 70,743 thousand generated in the 2016/2017 financial year is offset against the loss carryforward from the previous year of € 40,604 thousand. In accordance with section 150 (1) and (2) AktG, € 1,507 thousand of the remaining net profit of € 30,139 thousand will be transferred to the legal reserve and € 28,632 thousand to other retained earnings.

As of March 31, 2017, Heidelberger Druckmaschinen Aktiengesellschaft had reserves blocked from distribution in the amount of € 140,945 thousand.

An amount of € 59,867 thousand is blocked from distribution for capitalized internally generated intangible assets. The difference between the carrying amount of provisions for pensions using an average market interest rate for the past ten financial years and the carrying amount of provisions for pensions using an average market interest rate for the past seven financial years in the amount of € 81,078 thousand is also blocked from distribution.

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

1. Union Investment Privatfonds GmbH

DGAP voting right notification: Heidelberger Druckmaschinen AG: Publication in accordance with section 26 (1) WpHG with the intention of dissemination throughout Europe; December 5, 2016. 1. Information on issuer: Heidelberger Druckmaschinen AG, Kurfürsten-Anlage 52 – 60, 69115 Heidelberg, Germany. 2. Reason for notification: Other reason: Disposal of voting rights through fund assets under management. 3. Information on reporting entity: Name: Union Investment Privatfonds GmbH; registered office and country: Frankfurt/Main, Germany. 5. Date of threshold event: December 1, 2016. 6. Total voting rights: Voting rights (total 7.a.) new: 2.90 %; instruments (total 7.b.1. + 7.b.2.) new: 1.77 %; shares (total 7.a. + 7.b.) new: 4.67 %; voting rights of issuer: 257437779. Voting rights (total 7.a.) last notification: 3.09 %; instruments (total 7.b.1. + 7.b.2.) last notification: 1.77 %; shares (total 7.a. + 7.b.) last notification: 4.86 %. 7. Details of voting right holdings: a. Voting rights (sections 21, 22 WpHG): ISIN: DE0007314007; absolute, attributed (section 22 WpHG): 7469894; in %, attributed (section 22 WpHG): 2.90 %; total: absolute: 7469894; in %: 2.90 %. b.1. Instruments within the meaning of section 25 (1) no. 1 WpHG: Type of instrument: Securities lending transaction; voting rights absolute: 4565952; voting rights in %: 1.77 %. 8. Information in relation to reporting entity: reporting entity (3.) is neither controlled, nor does reporting entity control other entities with voting rights of the issuer (1.) relevant to reporting.

2. Deutsche Bank Aktiengesellschaft

DGAP voting right notification: Heidelberger Druckmaschinen AG: Publication in accordance with section 26 (1) WpHG with the intention of dissemination throughout Europe; September 27, 2016. 1. Information on issuer: Heidelberger Druckmaschinen AG, Kurfürsten-Anlage 52 – 60, 69115 Heidelberg, Germany. 2. Reason for notification: Acquisition/disposal of shares with voting rights. 3. Information on reporting entity: Name: Deutsche Bank Aktiengesellschaft. Registered office and country: Frankfurt/Main, Germany. 5. Date of threshold event: September 20, 2016. 6. Total voting rights: Voting rights (total 7.a.) new: 2.11 %; instruments (total 7.b.1. + 7.b.2.) new: 2.88 %; shares (total 7.a. + 7.b.) new: 4.99 %; voting rights of issuer: 257437779. Voting rights (total 7.a.) last notification: 2.22 %; instruments (total 7.b.1. + 7.b.2.) last notification: 2.79 %; shares (total 7.a. + 7.b.) last notification: 5.01 %. 7. Details of voting right holdings: a. Voting rights (sections 21, 22 WpHG): ISIN: DE0007314007; absolute, direct (section 22 WpHG): 5434441; in %, attributed (section 22 WpHG): 2.11 %; total: direct: 5434441; in %: 2.11 %. b.1. Instruments within the meaning of section 25 (1) no. 1 WpHG: Type of instrument: Right of recovery: voting rights absolute: 2149438; voting rights in %: 0.83 %; warrant: expiry: open-ended, voting rights absolute: 93250, voting rights in %: 0.04 %; call option: expiry: December 15, 2017, exercise period/term: any time, voting rights absolute: 1248500, voting rights in %: 0.48 %; total: voting rights absolute: 3491188, voting rights in %: 1.36 %. b.2. Instruments within the meaning of section 25 (1) no. 2 WpHG: Type of instrument: swaps; expiry: February 15, 2018; cash settlement or physical delivery: cash; voting rights absolute: 1174915; voting rights in %: 0.46 %; put option: expiry: December 15, 2017; exercise period/term: any time; cash settlement or physical delivery: physical; voting rights absolute: 2750000; voting rights in %: 1.07 %. 8. Information in relation to reporting entity: reporting entity (3.) is neither controlled, nor does reporting entity control other entities with voting rights of the issuer (1.) relevant to reporting.

3. Mr. Ferdinand Rüesch, Switzerland/ Ferd. Rüesch AG, St. Gallen, Switzerland

Correction of a publication in accordance with section 26 (1) WpHG: Mr. Ferdinand Rüesch, Switzerland, informed us in accordance with section 21 (1) WpHG and section 22 (1) sentence 1 no. 1 WpHG on August 25, 2014 that on August 14, 2014 the share in the voting rights of Heidelberger Druckmaschinen AG, Kurfürsten-Anlage 52 – 60, 69115 Heidelberg, Germany, held by Mr. Ferdinand Rüesch, Switzerland, rose above the reporting thresholds of 3 percent and 5 percent and amounted to 9.02 percent (23,210,000 voting rights). Mr. Ferdinand Rüesch also informed us that 9.02 percent (23,210,000 voting rights) of the total voting rights in Heidelberger Druckmaschinen AG are allocated to him in accordance with section 22 (1) sentence 1 no. 1 WpHG. Names of the controlled entities whose own share in the voting rights amount to more than 3 percent and from which 3 percent or more are attributed: Ferd. Rüesch AG. Ferd. Rüesch AG, St. Gallen, Switzerland, informed us in accordance with section 21 (1) WpHG on August 25, 2014 that on August 14, 2014 the share in the voting rights of Heidelberger Druckmaschinen AG, Kurfürsten-Anlage 52 – 60, 69115 Heidelberg, Germany, held by Ferd. Rüesch AG, St. Gallen, Switzerland, rose above the reporting thresholds of 3 percent and 5 percent and amounted to 9.02 percent (23,210,000 voting rights).

4. Dimensional Fund Advisors LP

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

5. Dimensional Holdings Inc.

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

19 Special reserves

	31-Mar-2016	31-Mar-2017
Special reserves for investment grants for non-current assets		
Taxable subsidies	225	88
Tax-exempt allowances	964	682
	1,189	**770**

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

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

20 Provisions for pensions and similar obligations

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

Discount rate:	3.94 %
Salary increase rate:	2.75 %
Pension increase rate:	1.60 %
Fluctuation:	1.00 %

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

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

The fair value of the offset assets was € 447.5 million as of the end of the reporting period at an acquisition cost of € 598.0 million. The settlement amount of the offset liabilities was € 647.5 million as of the end of the reporting period.

The plan assets measured at fair value resulted in income of € 13.1 million in the year under review (previous year: expenses of € 12.3 million). Expenses due to the increase in provisions for pensions as a result of interest amounted to € 53.6 million in the year under review (previous year: € 38.3 million; see note 11).

21 Other provisions

	31-Mar-2016	31-Mar-2017
Tax provisions	479	–
Other provisions		
Sales obligations	24,089	16,899
Staff obligations	110,184	126,612
Miscellaneous	26,989	20,387
	161,262	163,898
	161,741	**163,898**

Sales obligations primarily relate to guarantees. Staff obligations mainly exist in connection with vacation and working time credit, partial retirement programs, bonuses and our portfolio adjustments. The latter account for a total of € 38.1 million (previous year: € 47.0 million).

22 Liabilities

	31-Mar-2016	of which with a remaining term of			31-Mar-2017	of which with a remaining term of		
		up to 1 year	between 1 and 5 years	more than 5 years		up to 1 year	between 1 and 5 years	more than 5 years
Bonds	438,019	–	232,619	205,400	323,500	59,500	58,600	205,400
of which convertible	(118,100)	(–)	(118,100)	(–)	(118,100)	(59,500)	(58,600)	(–)
Amounts due to banks	47,060	17,636	29,424	–	135,433	17,710	71,918	45,805
Advance payments on orders	10,261	10,261	–	–	6,551	6,551	–	–
Trade payables	38,981	38,981	–	–	48,995	48,995	–	–
Liabilities to affiliated companies	337,263	337,263	–	–	389,345	389,345	–	–
Other liabilities								
In respect of taxes	5,352	5,352	–	–	5,773	5,773	–	–
In respect of social security contributions	1,307	494	813	–	1,314	692	622	–
Miscellaneous	22,277	22,277	–	–	24,531	24,531	–	–
	28,936	28,123	813	–	31,618	30,996	622	–
	900,520	**432,264**	**262,856**	**205,400**	**935,442**	**553,097**	**131,140**	**251,205**

Liabilities to affiliated companies include short-term loans in the amount of € 388.9 million (previous year: € 336.7 million) and trade payables of € 0.4 million (previous year: € 0.6 million).

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 April 7, 2011, and increased it by € 51 million to € 355 million on December 10, 2013. The increase was made at 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 uncollateralized corporate bond of € 205 million with a term of seven years and a coupon of 8.00 percent p. a. (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 previous year to a level of approximately € 115 million.

With further repayments of around € 64.5 million in April 2016 and € 50 million in June 2016, the 2011 corporate bond was repaid ahead of schedule in full. Each repayment was made in cash. The further early partial repayment of this bond in April 2016 had already been initiated as of March 31, 2016.

On July 10, 2013, Heidelberger Druckmaschinen Aktiengesellschaft issued an unsecured, unsubordinated convertible bond with an option for conversion into shares in Heidelberger Druckmaschinen Aktiengesellschaft (2013 convertible bond). This convertible bond has an original issue volume of € 60 million and is convertible into approximately 22.9 million no-par-value shares. As a result of the conversion of five partial debentures on November 18, 2013 (see note 18), the original total nominal amount of the convertible bond decreased by € 0.5 million from € 60 million to € 59.5 million.

On March 30, 2015, Heidelberger Druckmaschinen Aktiengesellschaft issued an unsecured, unsubordinated convertible bond with an option for conversion into shares in Heidelberger Druckmaschinen Aktiengesellschaft (2015 convertible bond). This convertible bond has a volume of € 58.6 million and is convertible into approximately 18.84 million no-par-value 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 each quarter. The initial exercise price is € 3.1104 per underlying share at an initial conversion ratio of 32,150.2058.

The revolving credit facility that came into force in 2011 with an original term until the end of 2014 was extended ahead of schedule in December 2013 until mid-2017. 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.

An amortizing loan subsidized by the KfW in the amount of € 20 million maturing in December 2018 was issued in April 2014.

On March 31, 2016, a loan of € 100 million with a staggered maturity until March 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. In April 2016, Heidelberger Druckmaschinen Aktiengesellschaft called an initial tranche of € 50 million from this loan; this will amortize by April 2023. The remainder was called in January and March 2017 via further tranches of € 20 million and € 30 million respectively; these will amortize accordingly over terms until January 2024 and March 2024 respectively.

To finance the investment in relocating our research and development activities to our Wiesloch-Walldorf site, a development loan of € 42.1 million maturing in September 2024 was arranged with a syndicate of banks refinanced by KfW ("Energy Efficiency Program – Energy Efficient Construction and Renovation"); the funding will be disbursed over the course of construction. Heidelberger Druckmaschinen Aktiengesellschaft called an initial tranche of € 5.1 million from this development loan in March 2017.

The financing agreements for the revolving credit facility, the European Investment Bank loan and the subsidized KfW loans 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 2024.

Collateral in connection with the revolving credit facility, the European Investment Bank loan and the subsidized KfW loans was provided by us and by certain Group companies as part of a collateral concept. The following types of collateral are attributable to Heidelberger Druckmaschinen Aktiengesellschaft:

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

The other liabilities to banks primarily relate to four long-term loans.

23 Deferred taxes

There was an excess of assets in deferred taxes in the year under review. The option provided by section 274 (1) HGB to recognize the resulting tax relief as deferred tax assets was not exercised.

The tax relief primarily results from temporary differences in the statement of financial position items provisions for pensions and similar obligations and other provisions. There was also tax relief resulting from temporary differences at companies included in the tax entity. Deferred tax liabilities primarily resulted from temporary differences in the statement of financial position items intangible assets, property, plant and equipment, inventories, trade receivables, other assets and other liabilities. An effective tax rate of 28.19 percent was applied for corporation tax plus solidarity surcharge and trade tax in the calculation of deferred taxes.

24 Research and development costs

Research and development costs of € 104.6 million were incurred for the year under review. This includes development costs capitalized in the reporting year of € 33.8 million.

25 Contingent liabilities

	31-Mar-2016	31-Mar-2017
Liabilities from the issuance and transfer of bills of exchange	27,259	22,272
of which: to affiliated companies	(27,259)	(22,272)
Liabilities from warranties and guarantees	140,303	134,319
of which: to affiliated companies	(–)	(–)
Contingent liabilities from the provision of collateral for third-party liabilities	5,592	6,613
of which: to affiliated companies	(–)	(–)
	173,154	**163,204**

Some of the revolving credit facility in place as of March 31, 2017 (see note 22) can be passed on locally to Group companies via the syndicate banks. The credit lines actually utilized by our Group companies as of the end of the reporting period of € 15.9 million are reported under contingent liabilities. In addition, there were credit lines of € 17.6 million available to the Group companies under the revolving credit facility as of the end of the reporting period that were not utilized. As part of the collateral concept, which also forms the basis for the revolving credit facility in place as of March 31, 2017, the European Investment Bank loan and the subsidized KfW loans, Heidelberger Druckmaschinen Aktiengesellschaft and some Group companies are jointly and severally liable for the liabilities assumed with the collateral contributed. In addition to the liability on the basis of the individual collateral listed under note 22, we are also liable as guarantor.

The other obligations from warranties and guarantees essentially relate to rent obligations for subsidiaries and warranties for third parties for assumed customer finance. The risk of utilization of contingent liabilities is considered low as there are no indications of corresponding credit problems.

26 Derivative financial instruments

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

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

These transactions related solely to currencies in the year under review. They are concluded largely on behalf of our foreign subsidiaries in connection with the purchase of German products. In order to quantify the effects of currency and interest rate risks on the income statement, the impact of hypothetical changes in exchange and interest rates is calculated regularly in the form of sensitivity analyses and corresponding measures are derived from this.

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

Figures in € thousands	Nominal volumes		Fair values	
	31-Mar-2016	**31-Mar-2017**	31-Mar-2016	**31-Mar-2017**
Forward exchange transactions	633,869	695,240	–1,082	510
Currency options	40,000	0	0	0

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

The fair values were calculated using standardized measurement methods (discounted cash flow method and option pricing model) that use the relevant market data as input parameters for calculation at the end of the reporting period.

Derivative financial instruments for hedging currency risks

Forward exchange transactions with a nominal volume of € 263.9 million (previous year: € 175.2 million) were concluded with external partners to hedge currency risks from the receivables and liabilities of Heidelberger Druckmaschinen Aktiengesellschaft recognized at the end of the reporting period. The hedges were portfolio hedges in the amount of the net total per currency of receivables and liabilities (net positions) with terms of up to one year. At the end of the reporting period, the nominal volumes of net receivable currency-related positions hedged hereunder were € 4.3 million (previous year: € 6.0 million) while net liability positions amounted to € 185.6 million (previous year: € 142.8 million). In line with the gross hedge presentation method, the offsetting changes in value of both the hedged items and the hedge instrument were recognized. The foreign currency receivables and liabilities were translated at the rates as of the end of the reporting period. Forward exchange transactions are measured using the appropriate forward rates. At the end of the reporting period, other assets with a total amount of € 1.7 million (previous year: € 0.5 million) were capitalized for forward exchange transactions with positive fair values and other liabilities of € 0.8 million (previous year: € 1.3 million) were expensed for forward exchange transactions with negative fair values.

To hedge purchases of products in euros, foreign Group companies conclude internal forward exchange transactions with Heidelberger Druckmaschinen Aktiengesellschaft for periods of up to one year. At the end of the reporting period, internal currency hedges with a nominal volume of € 174.2 million (previous year: € 226.8 million) were offset by external currency hedges with a nominal volume of € 257.2 million (previous year: € 271.8 million). Other provisions of € 0.5 million (previous year: € 0.4 million) were recognized for anticipated losses. The recognized anticipated losses are largely offset by the opposing effects arising from operating hedged items.

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

27 Off-balance-sheet transactions/other financial obligations

	2015/2016	2016/2017
Obligations for rental and lease payments	63,524	48,974
of which: to affiliated companies	(–)	(–)
Long-term purchase commitments for raw materials, consumables and supplies	5,211	4,903
of which: to affiliated companies	(–)	(–)
Purchase commitments from capital investment orders	4,474	8,331
of which: to affiliated companies	(200)	(60)
	73,209	**62,208**

Obligations from rental and lease payments contain € 37.8 million (previous year: € 49.6 million) from sale and leaseback agreements. The sale and leaseback agreements relate to the Kiel production site (2010/2011 financial year), the Print Media Academy (1999/2000 financial year), the World Logistics Center (1999/2000 financial year) and the Heidelberg Research and Development Center (2006/2007 financial year). The other rental and lease payment obligations essentially relate to other real estate and operating and office equipment. The increase in purchase commitments is attributable to the construction of the research and development center in Wiesloch-Walldorf.

Additional information

28 Declaration of compliance in accordance with section 161 AktG

The Management Board and the Supervisory Board of Heidelberger Druckmaschinen Aktiengesellschaft issued the declaration of compliance in accordance with section 161 of the German Stock Corporation Act (AktG) and made it permanently accessible to shareholders on our Web site www.heidelberg.com under Company > About Us > Corporate Governance. Previous declarations of compliance are also permanently available at this address.

29 Executive bodies of the Company

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

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

The total cash remuneration (= total remuneration) of the Management Board (for currently active members of the Management Board and for Dr. Gerold Linzbach and Harald Weimer for the period from April 1, 2016 to November 13, 2016) amounted to € 4,807 thousand including fringe benefits (previous year: € 4,743 thousand), comprising the basic salary including fringe benefits of € 1,849 thousand (previous year: € 1,764 thousand), variable single-year remuneration of € 1,599 thousand (previous year: € 1,548 thousand) and variable multi-year remuneration of € 1,359 thousand (previous year: € 1,431 thousand).

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

The total cash remuneration (= total remuneration) for former members of the Management Board and their surviving dependents amounted to € 5,811 thousand (previous year: € 3,630 thousand); this includes € 911 thousand (previous year: € 911 thousand) in obligations to former members of the Management Board of Linotype-Hell Aktiengesellschaft and their surviving dependents, which were assumed in the 1997/1998 financial year under the provisions of universal succession, as well as € 2,420 thousand (previous year: € 0 thousand) in benefits to the two Management Board members who departed in the year under review, which were recognized as expenses.

Provisions of € 45,858 thousand (previous year: € 44,490 thousand) have been recognized for pension obligations to former members of the Management Board and their surviving dependents. Of this figure, € 7,693 thousand (previous year: € 7,835 thousand) relates to the pension obligations of the former Linotype-Hell Aktiengesellschaft, which were assumed in the 1997/1998 financial year under the provisions of universal succession.

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

No loans or advances were granted to members of the Company’s Management Board or Supervisory Board in the reporting period; contingent liabilities were not entered into for the members of the Management Board or the Supervisory Board.

For the year under review, the members of the Supervisory Board were granted fixed annual remuneration plus an attendance fee of € 500 per meeting day and remuneration for work on the Executive Committee, the Audit Committee and the Committee on Arranging Personnel Matters totaling € 683 thousand (previous year: € 693 thousand); these payments do not include value added tax.

30 Auditors’ fees

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

31 List of shareholdings

The full list of shareholdings of Heidelberger Druckmaschinen Aktiengesellschaft in accordance with section 285 no. 11 HGB, which forms part of the notes to the non-consolidated financial statements, is included as an annex.

32 Events after the end of the reporting period

In April 2017, Heidelberger Druckmaschinen Aktiengesellschaft signed an agreement on the acquisition of the European paint and printing chemicals business of its strategic partner Fujifilm. Among other things, the transaction includes the acquisition of the two production sites in Reutlingen, Germany, and Kruibeke, Belgium, which have around 70 employees in total. With this acquisition, the Heidelberg Group is expanding its market position for consumables in locations where demand is growing continuously thanks to the megatrend of increased finishing and customization of printed products. The transaction is expected to be completed by July 2017.

In May 2017, Heidelberger Druckmaschinen Aktiengesellschaft acquired docufy GmbH, Bamberg, Germany, which has around 80 employees. The acquisition of docufy GmbH forms part of the continued expansion of the Heidelberg Group's smart factory product portfolio.

The activities acquired will generate an additional sales volume in excess of € 30 million for the Heidelberg Group.

Heidelberg, May 22, 2017

HEIDELBERGER DRUCKMASCHINEN
AKTIENGESELLSCHAFT
The Management Board

Rainer Hundsdörfer | Dirk Kaliebe

Dr. Ulrich Hermann | Stephan Plenz

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company, and the management report of the Company includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Heidelberg, May 22, 2017

HEIDELBERGER DRUCKMASCHINEN
AKTIENGESELLSCHAFT
The Management Board

Rainer Hundsdörfer | Dirk Kaliebe

Dr. Ulrich Hermann | Stephan Plenz

Auditor's report

We have audited the annual financial statements, comprising the statement of financial position, the income statement, and the notes to the non-consolidated financial statements together with the bookkeeping system, and the management report of Heidelberger Druckmaschinen Aktiengesellschaft, Heidelberg, for the financial year from April 1, 2016 to March 31, 2017. The bookkeeping and the preparation of the annual financial statements and the management report in accordance with German commercial law are the responsibility of the Management Board of the Company. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with section 317 of the German Commercial Code and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's Management Board, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. The management report is consistent with the annual financial statements, complies with the law and, as a whole, provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Mannheim, May 23, 2017

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Martin Theben	Stefan Hartwig
German Public Auditor	German Public Auditor

Financial section 2016/2017

List of shareholdings

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

Name	Country/Domicile		Shareholding in percent	Equity	Net result after taxes
Affiliated companies included in the consolidated financial statements					
Germany					
Gallus Druckmaschinen GmbH[1)]	D	Langgöns-Oberkleen	100	2,149	89
Heidelberg Boxmeer Beteiligungs-GmbH[1)]	D	Wiesloch	100	127,091	2,151
Heidelberg China-Holding GmbH[1)]	D	Wiesloch	100	58,430	11,069
Heidelberg Consumables Holding GmbH[1)]	D	Wiesloch	100	20,025	445
Heidelberg Manufacturing Deutschland GmbH[1)]	D	Wiesloch	100	42,561	1,432
Heidelberg Postpress Deutschland GmbH[1)]	D	Wiesloch	100	25,887	2,690
Heidelberg Print Finance International GmbH[1)]	D	Wiesloch	100	34,849	1,057
Heidelberg Web Carton Converting GmbH	D	Weiden	100	3,020	– 2,230
Heidelberger Druckmaschinen Vertrieb Deutschland GmbH[1)]	D	Wiesloch	100	54,901	10,006
Outside Germany[2)]					
Baumfolder Corporation	USA	Sidney, Ohio	100	1,308	– 780
BluePrint Products N.V.	BE	Sint-Niklaas	100	3,114	822
Europe Graphic Machinery Far East Ltd.	PRC	Hong Kong	100	756	280
Gallus Ferd. Rüesch AG	CH	St. Gallen	100	46,528	6,239
Gallus Holding AG	CH	St. Gallen	100	86,444	660
Gallus Inc.	USA	Philadelphia, Pennsylvania	100	6,152	654
Heidelberg Americas, Inc.	USA	Kennesaw, Georgia	100	104,674	– 6,270
Heidelberg Asia Pte. Ltd.	SGP	Singapore	100	9,331	667
Heidelberg Baltic Finland OÜ	EST	Tallinn	100	2,294	192
Heidelberg Benelux B.V.[3)]	NL	Haarlem	100	46,044	582
Heidelberg Benelux BVBA	BE	Brussels	100	14,539	1,533
Heidelberg Boxmeer B.V.	NL	Boxmeer	100	42,421	178
Heidelberg Canada Graphic Equipment Ltd.	CDN	Mississauga	100	4,450	1,300
Heidelberg China Ltd.	PRC	Hong Kong	100	4,304	– 387
Heidelberg do Brasil Sistemas Graficos e Servicos Ltda.	BR	São Paulo	100	495	– 1,526
Heidelberg France S.A.S.	F	Roissy-en-France	100	7,311	438
Heidelberg Grafik Ticaret Servis Limited Sirketi	TR	Istanbul	100	3,878	– 467
Heidelberg Graphic Equipment (Shanghai) Co. Ltd.	PRC	Shanghai	100	87,990	2,895
Heidelberg Graphic Equipment Ltd. – Heidelberg Australia –	AUS	Notting Hill, Melbourne	100	20,010	– 3,559
Heidelberg Graphic Equipment Ltd. – Heidelberg New Zealand –	NZ	Auckland	100	1,837	– 300
Heidelberg Graphic Equipment Ltd. – Heidelberg UK –	GB	Brentford	100	22,100	5,960
Heidelberg Graphic Systems Southern Africa (Pty) Ltd.	ZA	Johannesburg	100	1,286	– 954
Heidelberg Graphics (Beijing) Co. Ltd.	PRC	Beijing	100	– 3,073	– 4,519
Heidelberg Graphics (Thailand) Ltd.	TH	Bangkok	100	7,696	103
Heidelberg Graphics (Tianjin) Co. Ltd.	PRC	Tianjin	100	8,934	2,124

Name	Country/Domicile		Shareholding in percent	Equity	Net result after taxes
Heidelberg Graphics Taiwan Ltd.	TWN	Wu Ku Hsiang	100	5,151	– 472
Heidelberg Group Trustees Ltd.	GB	Brentford	100	0	0
Heidelberg Hong Kong Ltd.	PRC	Hong Kong	100	14,974	– 81
Heidelberg India Private Ltd.	IN	Chennai	100	5,064	299
Heidelberg International Finance B.V.	NL	Boxmeer	100	35	– 8
Heidelberg International Ltd. A/S	DK	Ballerup	100	59,190	2,611
Heidelberg International Trading (Shanghai) Co. Ltd.	PRC	Shanghai	100	848	288
Heidelberg Italia S.r.L.	IT	Bollate	100	27,139	– 685
Heidelberg Japan K.K.	J	Tokyo	100	26,601	13,131
Heidelberg Korea Ltd.	ROK	Seoul	100	3,772	1,143
Heidelberg Magyarország Kft.	HU	Kalasch	100	4,673	465
Heidelberg Malaysia Sdn Bhd	MYS	Petaling Jaya	100	– 2,249	– 568
Heidelberg Mexico Services, S. de R.L. de C.V.	MEX	Mexico City	100	675	778
Heidelberg Mexico, S. de R.L. de C.V.	MEX	Mexico City	100	8,666	– 748
Heidelberg Philippines, Inc.	PH	Makati City	100	5,032	641
Heidelberg Polska Sp z.o.o.	PL	Warsaw	100	8,080	978
Heidelberg Praha spol s.r.o.	CZ	Prague	100	1,699	531
Heidelberg Print Finance Australia Pty Ltd.	AUS	Notting Hill, Melbourne	100	28,740	274
Heidelberg Print Finance Korea Ltd.	ROK	Seoul	100	18,715	275
Heidelberg Print Finance Osteuropa Finanzierungsvermittlung GmbH [1)]	A	Vienna	100	11,961	– 98
Heidelberg Schweiz AG	CH	Bern	100	9,619	2,291
Heidelberg Shenzhen Ltd.	PRC	Shenzhen	100	9,415	2,137
Heidelberg Slovensko s.r.o.	SK	Bratislava	100	927	– 413
Heidelberg Spain S.L.U.	ES	Cornella de Llobregat	100	9,042	1,012
Heidelberg Sverige AB	S	Solna	100	6,722	– 665
Heidelberg USA, Inc.	USA	Kennesaw, Georgia	100	80,962	19,855
Heidelberger CIS OOO	RUS	Moscow	100	– 7,180	– 912
Heidelberger Druckmaschinen Austria Vertriebs-GmbH	A	Vienna	100	25,174	5,517
Heidelberger Druckmaschinen Osteuropa Vertriebs-GmbH [1)]	A	Vienna	100	7,191	4,820
Heidelberger Druckmaschinen WEB-Solution CEE Ges.m.b.H	A	Vienna	100	2,046	21
Hi-Tech Coatings International B.V.	NL	Zwaag	100	9,611	438
Hi-Tech Coatings International Limited	GB	Aylesbury Bucks	100	5,945	1,347
Linotype-Hell Ltd.	GB	Brentford	100	4,008	0
Modern Printing Equipment Ltd.	PRC	Hong Kong	100	2,113	– 65
MTC Co., Ltd.	J	Tokyo	99.99	8,672	– 22
P.T. Heidelberg Indonesia	ID	Jakarta	100	8,434	70

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 result of operations					
Germany					
D. Stempel AG i.A.[4]	D	Heidelberg	99.23	– 15	– 41
Heidelberg Catering Services GmbH[1]	D	Wiesloch	100	386	0
Heidelberg Direkt Vertriebs GmbH[4]	D	Wiesloch	100	178	– 188
Heidelberger Druckmaschinen Vermögensverwaltungsgesellschaft mbH	D	Walldorf	100	25	2
Hi-Tech Coatings Deutschland GmbH[1]	D	Wiesloch	100	25	– 12
Menschick Trockensysteme GmbH[4]	D	Renningen	100	498	– 13
Neo7even GmbH	D	Siegen	100	– 1,191	– 1,692
Sporthotel Heidelberger Druckmaschinen GmbH[1]	D	Wiesloch	100	26	0
Outside Germany[2]					
Cerm Benelux N.V.[5]	BE	Oostkamp	100	1,556	486
Gallus Ferd. Rüesch (Shanghai) Co. Ltd.	PRC	Shenzhen	100	115	16
Gallus India Private Limited	IN	Mumbai	100	236	83
Gallus Mexico S. de R.L. de C.V.	MEX	Mexico City	100	– 118	– 103
Gallus Oceania Pty. Ltd.	AUS	Bayswater	100	36	– 75
Gallus Printing Machinery Corp.[4]	USA	Philadelphia, Pennsylvania	100	– 1,619	– 149
Gallus South East Asia Pte. Ltd.	SGP	Singapore	100	67	– 1,824
Gallus-Group UK Ltd.	GB	Royston	100	117	– 7
Heidelberg Asia Procurement Centre Sdn Bhd	MYS	Petaling Jaya	100	96	– 16
Heidelberg Hellas A.A.E.	GR	Metamorfosis	100	3,097	102
Heidelberg Postpress Slovensko spol. s.r.o.	SK	Nové Mesto nad Váhom	100	271	192
Heidelberg Used Equipment Ltd.[4]	GB	Brentford	100	882	80
Heidelberger Druckmaschinen Ukraina Ltd.	UA	Kiev	100	– 1,467	176
Hi-Tech Chemicals BVBA[6]	BE	Brussels	100	– 291	– 277
Inline Cutting L.L.C.	USA	Baltimore, Maryland	100	1,615	0
Print Media Academy Ceska Republika a.s.	CZ	Pardubice	90	58	– 16

Name	Country/Domicile		Shareholding in percent	Equity	Net result after taxes
Joint venture not accounted for using the equity method owing to immateriality for the net assets, financial position and results of operations					
Outside Germany [2]					
Heidelberg Middle East FZ Co.	AE	Dubai	50	702	0
Other shareholdings (>5%)					
Germany					
InnovationLab GmbH [4]	D	Heidelberg	8.33	1,987	564
SABAL GmbH & Co. Objekt FEZ Heidelberg KG	D	Munich	99.90	– 5,586	– 343

[1] Before profit transfer
[2] Disclosures for companies outside Germany in accordance with IFRS
[3] Place of business relocated from Almere, the Netherlands, to Haarlem, the Netherlands
[4] Prior-year figures, since financial statements not yet available
[5] Extended financial year from January 1, 2016 to March 31, 2017
[6] Formerly Grafimat BVBA

The Supervisory Board

Dr. Siegfried Jaschinski
Member of the Management Board and Partner of Augur Capital AG, Frankfurt am Main
a) Kathrein SE
b) Veritas Investment GmbH (Member of the Supervisory Board)
Veritas Institutional GmbH (Member of the Supervisory Board)
LRI Depositary S. A., Luxembourg (Member of the Supervisory Board)

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 until July 31, 2016
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
Founder and Spokesperson of the Executive Board of thjnk AG, Hamburg
a) NDR Media and Studio Hamburg GmbH
b) aufeminin.com, France

Kirsten Lange
Former Managing Director of Voith Hydro Holding GmbH & Co. KG, Heidenheim

Dr. Herbert Meyer
Independent business consultant, Königstein/Taunus and Member of the Consulting Board of the Auditor Oversight Body (AOB), Berlin
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d. i. i. Investment GmbH
b) Verlag Europa Lehrmittel GmbH & Co. KG (Member of the Advisory Board)

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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; Chairman 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)
Phoenix Contact 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, 2017)

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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

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Kirsten Lange
Mirko Geiger
Rainer Wagner

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Mirko Geiger
Karen Heumann
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Chief Human Resources Officer
since November 14, 2016
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Heidelberg USA, Inc., USA
(Chairman of the Board of Directors)

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Frankfurt am Main
Chief Executive Officer and
Chief Human Resources Officer
until November 13, 2016
** Heidelberg Americas, Inc., USA
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Sandhausen
Chief Financial Officer and
Head of the Heidelberg
Financial Services Segment
* Heidelberger Druckmaschinen Vertrieb Deutschland GmbH
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Heidelberg USA, Inc., USA

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Heidelberg Graphic Equipment Ltd., Australia
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Nussloch
Head of the Heidelberg
Services Segment
until November 13, 2016
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** 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

Financial calendar 2017/2018

June 8, 2017	Press Conference, Annual Analysts' and Investors' Conference
July 27, 2017	Annual General Meeting
August 10, 2017	Publication of First Quarter Figures 2017/2018
November 9, 2017	Publication of Half-Year Figures 2017/2018
February 8, 2018	Publication of Third Quarter Figures 2017/2018
June 12, 2018	Press Conference, Annual Analysts' and Investors' Conference
July 25, 2018	Annual General Meeting

Subject to change

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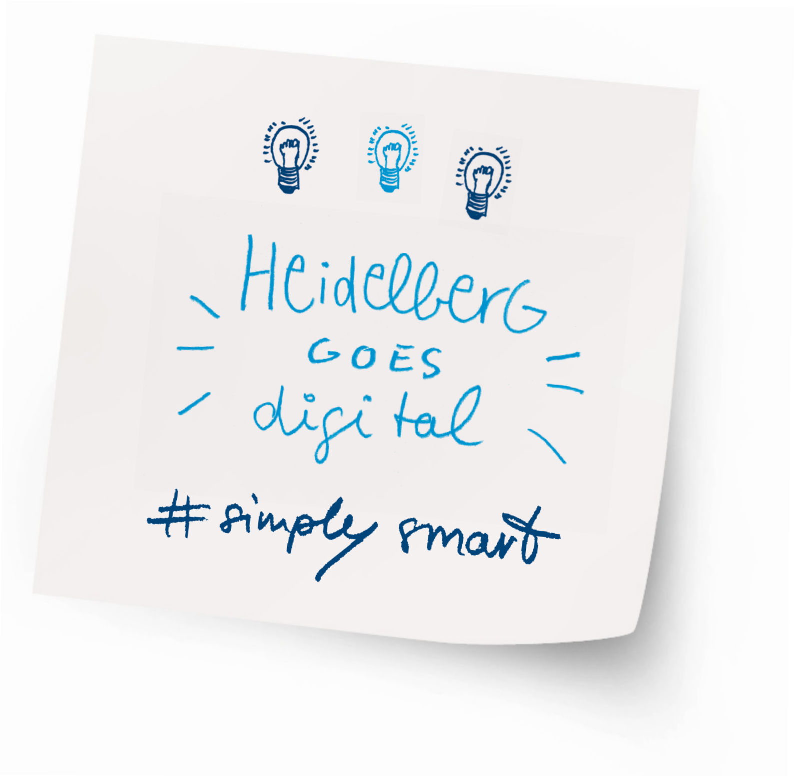

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