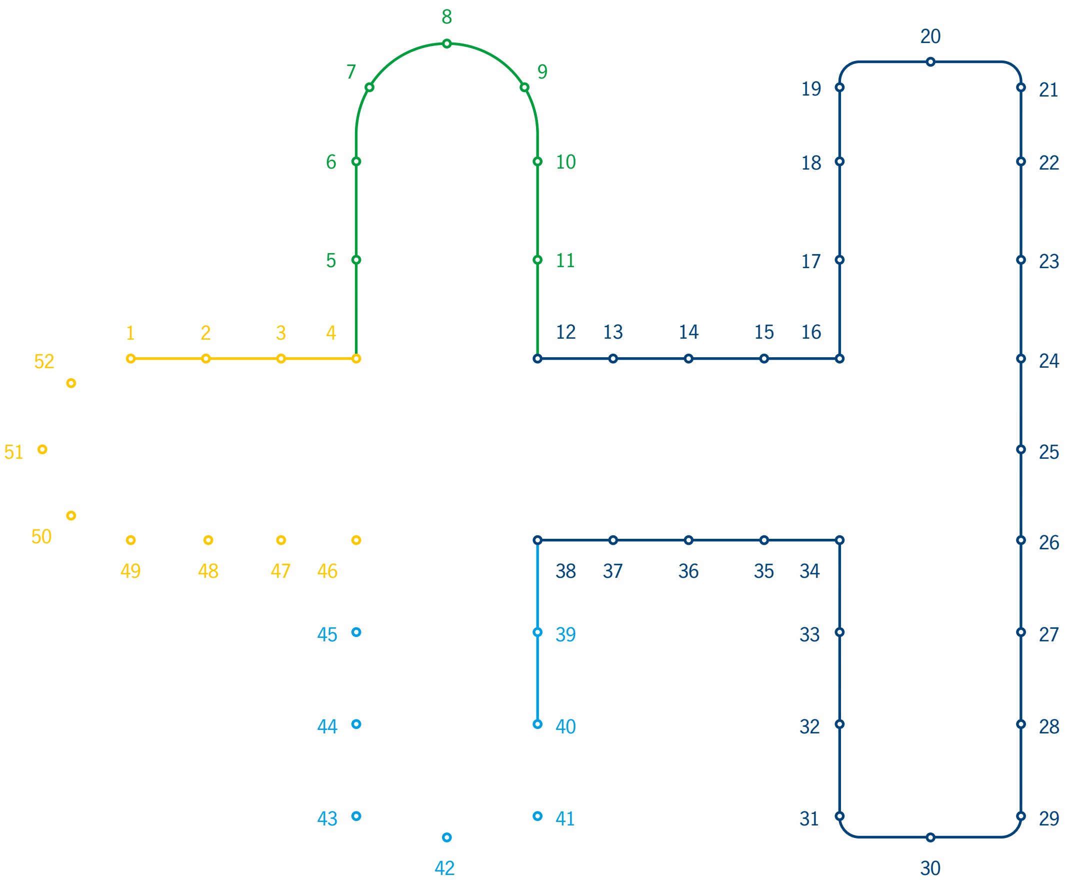
Non-consolidated financial statements 2019/2020



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HEIDELBERG

Heidelberger Druckmaschinen Aktiengesellschaft

Figures in € millions	2015/2016	2016/2017	2017/2018	2018/2019	**2019/2020**
Incoming orders	1,090	1,113	1,161	1,127	1,007
Net sales [1]	1,072	1,178	1,160	1,233	1,108
Foreign sales share in percent	82.0	79.9	81.1	81.7	83.8
Result of operating activities [1]	140	89	20	–14	–246
in percent of sales	13.1	7.6	1.7	–1.1	–22.2
Net loss/profit for the year	86	71	–45	–88	–263
in percent of sales	8.0	6.0	–3.9	–7.1	–23.7
Investments [2]	40	76	119	84	58
Research and development costs	107	105	105	108	107
Total assets	1,956	2,070	2,157	2,232	2,351
Fixed assets	1,317	1,401	1,487	1,487	1,513
Equity	692	763	774	755	492
Subscribed capital	659	659	714	779	779
Equity ratio in percent	35.4	36.9	35.9	33.8	20.9
Earnings per share in € [3]	0.33	0.27	–0.16	–0.29	–0.87
Share price at financial year-end in € [4]	1.99	2.34	3.04	1.55	0.56
Market capitalization at financial year-end	512	602	847	472	171
Average number of employees for the year [5]	5,399	5,382	5,440	5,463	5,437

[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

Note

For computational reasons, the tables may be subject to rounding differences of ± one unit (€, percent, etc.).

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MANAGEMENT REPORT

Basic information on Heidelberger Druckmaschinen Aktiengesellschaft

Business model of Heidelberger Druckmaschinen Aktiengesellschaft

Company profile
Heidelberger Druckmaschinen Aktiengesellschaft is the parent company of the Heidelberg Group. The Company has been a major provider for the global printing industry for many years and develops, manufactures and distributes products and services for commercial and packaging printing. In addition to manufacturing printing presses and equipment for printing plate imaging, the Company sells service parts 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 and 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. Heidelberger Druckmaschinen Aktiengesellschaft plays a leading technological role with our integrated range of solutions and new digital business models. We focus on the systematic end-to-end digitization of customer value creation, with a particular view to integrated system solutions for machines, software, consumer goods and performance services. 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 is home to our Print Media Academy, which essentially consists of management, training and seminar rooms. Sheetfed offset printing presses are manufactured at our specialized production sites. 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. This is also where we assemble the vast majority of our sheetfed offset printing presses and our digital printing systems. In addition to research and development at our innovation center, prepress services are also located at the Wiesloch-Walldorf site. The Neuss site provides services for the postpress packaging product area (folding-box gluers and die-cutters). The fifth site is Kiel. It performs development work and provides prepress services.

Our agenda

Reorientation with a focus on profitability, competitiveness and safeguarding the future
With the announcement of a package of measures in March 2020, Heidelberger Druckmaschinen Aktiengesellschaft initiated a comprehensive strategic reorientation with a systematic focus on profitability, competitiveness, and safeguarding the future of the Company. Key elements of the future strategy include a focus on profitable core business accompanied by divestment from loss-making activities and integrated solutions with new digital business models. These measures are supported by the adjustment of structural costs at all levels and the optimization of our production network. Financial stability is the foundation of this reorientation. By retransferring around € 359 million to the Company from the trust assets of Heidelberg Pension-Trust e.V., which was formed in financial year 2005/2006, Heidelberger Druckmaschinen Aktiengesellschaft is significantly increasing its liquidity and improving its financing structure by reducing its liabilities, thereby allowing it to press ahead with its reorientation in a targeted manner.

In this way, Heidelberger Druckmaschinen Aktiengesellschaft, which also performs central tasks within the Heidelberg Group, is focusing on the expansion of its existing market and technology leadership and the enhancement of the digital agenda that the Company initiated in the financial year 2017/2018. In the future, the Company will continue to benefit from its unique position as an end-to-end system provider of printing presses using different printing technologies, consumables, software and services. Heidelberger Druckmaschinen Aktiengesellschaft sees itself as a partner to its customers and a technological pioneer when it comes to automating printing processes along the entire value chain in offset printing as well as the growing digitization of processes in packaging, label and advertising printing.

Customer retention will be strengthened by providing support throughout the entire lifecycle. The Company's future operating success will be built on our global installed printing press base, its digital connection and networking, the data it delivers, and our technological ability to make growing use of artificial intelligence (AI). This will enable Heidelberger Druckmaschinen Aktiengesellschaft to increase its customers' efficiency, profitability and success, particularly in the extremely dynamic and challenging environment at present. Since 2018, we have also offered usage-dependent contract models that will allow us to grow in line with our customers' output.

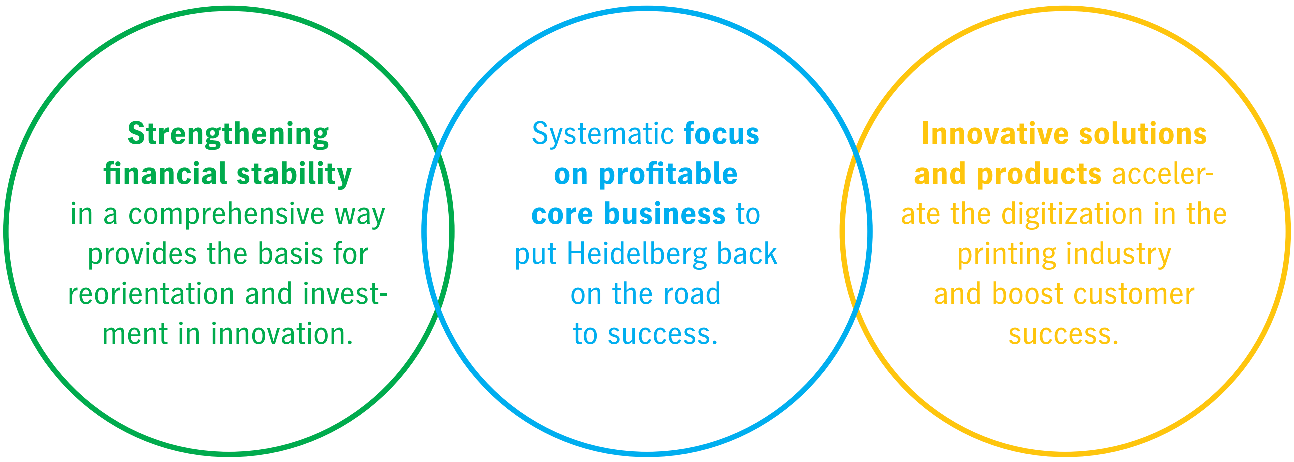
Our strategic focus is on the growth potential in the respective market segments and the profitability of each activity and service. In the financial year 2020/2021, Heidelberger Druckmaschinen Aktiengesellschaft will therefore divest its activities in the area of large-format sheetfed offset printing and the Primefire 106 in digital printing. This will take place via appropriate partnerships or by discontinuing the respective activities.

Focus on profitable core business and digital value creation

In its core business, Heidelberger Druckmaschinen Aktiengesellschaft serves customers in the areas of packaging and commercial printing.

In sheetfed offset printing, we focus on customers' central requirements, enabling them to realize increasingly complex print jobs quickly and with a consistently high level of productivity and quality. The Heidelberg Group offers the comprehensive expertise and digitally connected platforms that will help the printing process evolve from the smart print shop into a smart print media industry. Heidelberger Druckmaschinen Aktiengesellschaft's innovative strength and technology leadership remain the foundations of this strategic development. In late 2018, the corresponding research and development activities were consolidated at the new innovation center at the Wiesloch-Walldorf site. Future investment will focus on the systematic end-to-end digitization of customer value creation, from order acceptance through to further processing.

In light of the importance of data usage and connecting all the process participants, the further expansion of the software range is another focal area. The Prinect production workflow, the established management information



systems for central operations management and the Heidelberg Assistant are key factors in digital cooperation with customers.

All of these activities constitute the strong core of Heidelberger Druckmaschinen Aktiengesellschaft's business, in which the Company also remains committed to the Smart Print Shop and artificial intelligence (AI). Heidelberger Druckmaschinen Aktiengesellschaft aims to continue to drive the accompanying digital transformation by helping its customers to improve their operating workflows using the right technology.

Use of big data and participation in output via expanded product range

The print market is continuing to consolidate around increasingly large industrialized print shops. To allow them to work as efficiently and productively as possible, Heidelberger Druckmaschinen Aktiengesellschaft is harnessing the unique data expertise of the more than 13,000 Heidelberg printing presses and around 25,000 Heidelberg Prinect modules for data transfer that have been installed to date. Big data is a central component of the future success of the established Heidelberg Smart Print Shop. This enables the intelligent networking and automation of all components and processes, with the user only having to intervene in the autonomous process chain as required.

With higher utilization meaning that value creation in the industry is increasingly shifting from printing presses to the range of services, software and consumables, the Heidelberg Group is the only provider in the industry to offer its customers the printing press, services, consumables, consulting and software from a single source and on a modular basis, including an all-in contract covering all of these aspects. The data-driven interaction of all coordinated individual components enables a significant improvement in overall system effectiveness and utilization and improved competitiveness for the customer.

Since the financial year 2019/2020, we have consolidated the corresponding product range under the name "Print Site Contracts". These offer services throughout the entire lifecycle of printing press operation – on a modular basis for consumables and service (Lifecycle Smart) or in an expanded variant including our Prinect software (Lifecycle Plus). Since late 2017, Heidelberger Druckmaschinen Aktiengesellschaft has also offered a subscription model under which the customer no longer pays for the individual components, but rather for the number of sheets printed on a performance-related basis. For Heidelberger Druckmaschinen Aktiengesellschaft, this business model guarantees constant, plannable revenue streams over a long period irrespective of the volatility of new machinery business and is directly linked to the growing print production volume with a higher share of wallet, i.e. more value created per order.

Systematic focus on increased profitability

In addition to focusing on its profitable core business, the strategic reorientation of Heidelberger Druckmaschinen Aktiengesellschaft involves the sustainable adjustment of production and structural costs. The associated measures, which will be implemented in close cooperation with employee representatives and with the greatest possible social responsibility, are not related to the extremely difficult economic situation at present on account of the COVID-19 pandemic. It is not currently possible to quantify the specific impact of the expected global recession in terms of its duration or its consequences for Heidelberg's operating performance.

Accordingly, the Management Board reserves the right to take additional measures to secure profitability sustainably and for the long term. The vast majority of the expenses required to implement the package of measures that has already been announced was recognized in the financial year 2019/2020. The anticipated savings are expected to have a positive effect from the end of the financial year 2020/2021. All in all, Heidelberger Druckmaschinen Aktiengesellschaft expects the portfolio and cost-efficiency measures to result in sustainable earnings improvements.

Organization

In line with its operating activities, Heidelberger Druckmaschinen Aktiengesellschaft's internal reporting structure is broken down by the following segments in the financial year 2019/2020: Heidelberg Digital Technology and Heidelberg Lifecycle Solutions.

The Heidelberg Digital Technology segment comprises sheetfed offset business, label printing, print processing and digital printing. In addition to the responsibility this entails for the global product portfolio, including the strategic product road map, the core functions for the entire value process – i.e. research and development, procurement and production – are still located within this segment and given global mandates in their respective areas of responsibility.

The Heidelberg Lifecycle Solutions segment bundles lifecycle business (services, consumables), Software Solutions and Heidelberg Platforms (offerings outside the print media industry). We create significant value added for customers here by addressing our customers' entire value chain with bespoke solutions and new business models.

Within the segments, Heidelberger Druckmaschinen Aktiengesellschaft is divided into business units (BUs). Each business unit formulates plans for how best to leverage the potential offered by its respective submarket. The centrally organized development, production, service, sales and administration functions derive and implement targets on the basis of these plans. This organizational approach allows us to define our strategies at the level of the respective submarkets while generating synergies within the functions and upholding the principle of "one face to the customer".

Research and development

The past financial year was the first since the completion of the relocation of Heidelberger Druckmaschinen Aktiengesellschaft's development department from Heidelberg to the new innovation center (IVC) at the Wiesloch-Walldorf production site, where Heidelberger Druckmaschinen Aktiengesellschaft is working to remain the technology leader and shape the digital transformation process in the printing industry in the future.

In the past financial year, all development activities were geared toward drupa, the leading trade show for the industry, which was originally scheduled for June 2020 and which has now been postponed until April 2021 as a result of the coronavirus crisis. drupa is traditionally where the industry presents its latest innovations to a wide international audience. Accordingly, Heidelberg's activities in the area of offset and digital printing concentrated on answering its customers' most pressing questions: How to process increasingly complex jobs as quickly as possible? How to achieve consistently high productivity and quality irrespective of the operator? How to safeguard the future while competing globally? How to digitize supplier and customer management? How to respond to the skills shortage and support employees? In addition to a number of new products, the final quarter of the past financial year therefore saw Heidelberger Druckmaschinen Aktiengesellschaft announce the systematic enhancement of the Push-to-Stop concept it first presented at drupa 2016 and the start of series production for the most intelligent, most automated Speedmaster generation of all time.

In the offset segment, this enhancement makes the Push-to-Stop function and the Prinect cloud interface available for each new Speedmaster printing press. The first applications based on artificial intelligence (AI), such as for the washup device, also reached series maturity. Our intelligent assistants make our customers' work easier. Artificial intelligence (AI) simplifies workflows and enables quicker decisions based on a broad data pool with real-time information and predictions that go beyond human capabilities. A smart production environment makes considerably more efficient and effective decisions than a human about the sequence of printing plates, color curves, washing programs, dryer settings or power quantities. In other words, artificial intelligence (AI) is the key to greater competitiveness and adaptability to changes on the market. Although drupa has been postponed, Heidelberger Druckmaschinen Aktiengesellschaft is launching all the new products it would have presented at the trade show as scheduled.

The digital transformation within the printing industry is continuing, and many print shops remain fully focused on digitization. This applies in particular to the digitization of all value-added products and the adoption of new business models in order to remain competitive.

The numerous development projects are focused on the expansion of core business and the further development of Push-to-Stop technology for autonomous printing, where the user only intervenes in processes that the system cannot resolve by itself. Various development teams are also working on the digitization of all print shop processes – the Smart Print Shop – and the further expansion of digital business models, e.g. “Heidelberg Subscription”, under which customers increasingly pay for the benefits they obtain from a system.

Heidelberger Druckmaschinen Aktiengesellschaft has designed its development process to be open, meaning that customers, suppliers, partner companies and employees can be integrated into the process at all times. This serves cost-efficiency and customer benefit.

The IVC is the core of the European development network operated by Heidelberger Druckmaschinen Aktiengesellschaft with other subsidiaries. Our developers work throughout the entire network in the areas of printing technology, including prepress and further processing, control systems, drive systems and software including user interfaces, and consumables.

A total of 626, or around 12 percent, of our employees are active in the area of research and development. We invested € 107 million, or around 10 percent of our sales, in research and development in the year under review.

Economic report

With the announcement of the package of measures for the Company’s reorientation, Heidelberger Druckmaschinen Aktiengesellschaft has set itself a clear objective: profitability.

In addition to its function as the largest operating company, Heidelberger Druckmaschinen Aktiengesellschaft’s business activities also comprise its function as the holding and parent company 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 and what they mean.

Economic environment and industry development

In 2019, growth in the world economy slowed further to 2.3 percent, the lowest level since the financial crisis in 2009. The trade tensions resulting from the continued rise in protectionism and the resulting impact on exports and industrial production had a particularly pronounced effect on global economic development.

Japan saw especially weak performance, with GDP growth of just 0.7 percent in the wake of natural disasters and a VAT hike. The euro zone and the United Kingdom recorded growth of 1.4 percent. Among the key economic areas, only the United States enjoyed a tangible upturn in economic output of 2.3 percent, although growth momentum was also moderate.

The emerging economies saw extremely muted economic performance on the whole. In China, year-on-year GDP growth slowed once again to 6.1 percent. Irrespective of this, economic output in the other emerging economies of Asia continued to grow rapidly. One major exception is India, where economic momentum weakened considerably in the summer half-year. Economic development in the nations of Central and Eastern Europe has remained surprisingly robust since 2018 in light of the economic weakness in the euro zone, although the pace of expansion slowed considerably during the course of 2019. By contrast, Latin America is continuing to suffer from fundamental structural weakness – a fact that makes the slight economic recovery in Brazil all the more encouraging.

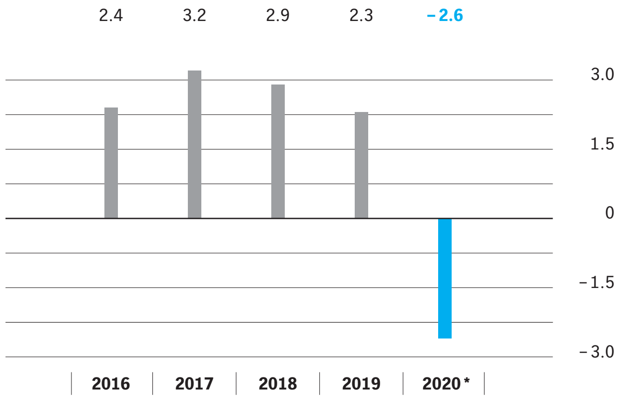
In Germany, economic performance in 2019 was dominated by the sharp downturn in industrial production, with GDP rising by just 0.6 percent.

According to the calculations of the German Federal Statistical Office, inflation-adjusted production in the German mechanical engineering industry declined by 3.2 percent year-on-year as a result of the lower order volume in the past year (preliminary figure as of March 2020, subject to correction). In the printing and paper technology sector, orders for printing presses also fell by 6 percent adjusted for inflation, while sales increased by 2 percent.

The first quarter of the 2020 calendar year was dominated by the COVID-19 pandemic, which had a rapid and dramatic impact on economic activity and triggered a global downturn. A global recession in full-year 2020 is considered to be likely.

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: 2016: 2.8 %; 2017: 3.5 %; 2018: 3.2 %; 2019: 2.6 %; 2020 *: – 2.6 %

Source: Global Insight (WMM); calendar year; as of April 2020

The worldwide print production volume has been in excess of € 400 billion annually for years. A figure of € 415 billion is expected in 2024. Within this market, there are three fundamental trends offering interesting growth opportunities. The **FIRST TREND** is regional: While print volumes are continuing to grow overall in the emerging economies, print service providers in the industrialized nations are facing highly dynamic and rapidly changing market parameters.

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 sales. This is partially being compensated by the increase in the finishing of printed products, above all in cosmetics and customization, as they raise the value of individual printed products. This applies in particular to the market – which is growing overall – of packaging and label printing.

The **SECOND TREND** relates to the printing technology used. Sheetfed offset printing accounts for around 35 percent of the printing volume, and is still the most frequently used printing technology. Digital printing has steadily increased its share of the global printing volume to around 18 percent since 2000, and the trend towards customization and the growing demand for quick turnaround times mean that it will continue to gain in importance.

The **THIRD TREND** is shaped by the structural change in all areas of the printing industry that is continuing to be driven by industrialization, automation and digitization. While there used to be a balanced relationship between the three success factors of productivity or price advantages, print quality and customer proximity, these factors have changed over time and have favored the consolidation process in the printing industry.

Productivity benefits can today be achieved through the use of software and a higher level of automation. This increases capacity utilization and, ultimately, the overall effectiveness of the system. In addition, print quality has become less dependent on the operator and more so on the system, and the high level of investment in state-of-the-art equipment leaves less and less potential for differentiation.

This goes hand in hand with increasing price competition, which in turn raises the pressure on productivity. Around the world, we are therefore seeing the global growth of ever-larger, usually international print media and packaging groups, coupled with a decline in particular in small, more artisanal, but also medium-sized companies.

Finally, the Internet has replaced customer proximity with globally transportable data. This development is also known as web-to-print (WTP), e-business printing or online printing, and describes production techniques for the Internet-based transmission or creation of printed materials.

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. In addition to the scaling of company sizes, a requirement for developing capacity utilization and productivity potential is the bundling of printing capacity and, above all, digitization, i.e. software-controlled process optimization. Thus, data analysis and interpretation are becoming more and more important – to us and to our customers – to be able to network the use of autonomous and interactive processes. This development is increasingly resulting in business innovations and new business models among our customers, which are repositioning themselves in various forms: moving away from being pure-play copiers and towards being innovative and consulting service providers, or by also taking on upstream and downstream aspects of the value chain. For example, on the key market for packaging, a customer often not only prints folding boxes, but also handles card production and recycling, which gives that customer a competitive edge, particularly for food packaging, as it is in control of the quality of raw materials and can rule out potential migration problems. To allow their services to stand out, print shops must therefore invest heavily in their own increasingly digital customer relationships. Digital marketing, an Internet presence and the digitization of ordering for print customers are increasingly becoming crucial success factors, as are inventory optimization and logistics.

Our mission is therefore to assist print shops in their digital transformation. So that our customers can concentrate on their business innovations or new business models in the future, we are increasingly using high levels of automation (such as with our Push-to-Stop philosophy) and the networking of a print shop to create a Smart Print Shop. Since the end of 2017, we have also offered various subscription models (see the “Our agenda” section) and are thus focusing even more on the digital future.

The use of software will not just be the key for growing printing operations; for Heidelberger Druckmaschinen Aktiengesellschaft as a leading provider of capital goods for the print media industry, it will also be the key to its transformation into a new digital business model that shares equally in the industrialization of its customers. A milestone on this path of digital transformation was the launch of the Heidelberg Assistant, a digitization solution that defines new digital foundations for the customer-supplier relationship. Today, more than 1,000 customers are already enjoying the benefits of the Heidelberg Assistant. It provides our customers with data and information that enable them to smoothly manage their processes or the smart and efficient running of their print shop.

Business development

The financial year was dominated by the growing reluctance to invest in the face of the economic slowdown, which was then exacerbated hugely by the global COVID-19 pandemic in the fourth quarter. Reflecting macroeconomic development and the course of business, the Heidelberg Group adjusted its forecast for the financial year 2019/2020 on July 17, 2019 and January 20, 2020. The economically driven reluctance to invest, especially in Europe, resulted in a product mix with lower overall profitability, particularly in equipment business. On March 17, 2020, Heidelberger Druckmaschinen Aktiengesellschaft announced a comprehensive package of measures aimed at improving its profitability and liquidity. The measures resolved include increasing the Company’s liquidity and significantly reducing its net debt by retransferring trust assets to the Company almost in full (around € 359 million, comprising around € 304 million in cash and cash equivalents and € 55 million in securities classified as non-current assets).

In addition, a systematic focus on the Company's profitable core business – including discontinuing the production of Primefire and large-format printing presses – and a workforce reduction will reduce production and structural costs and lead to sustainable growth in profitability. The Group forecast for the financial year 2019/2020 was adjusted further to reflect the anticipated restructuring expenses for the package of measures as well as the further significant deterioration in the economic environment as a result of the COVID-19 pandemic. The package of measures and the COVID-19 pandemic had a corresponding impact on Heidelberger Druckmaschinen Aktiengesellschaft's operating result before depreciation and amortization (EBITDA) and net result after taxes.

Contrary to the sales forecast that was roughly in line with the previous year, the net sales generated by Heidelberger Druckmaschinen Aktiengesellschaft fell by around 10 percent year-on-year to € 1,108 million (previous year: € 1,233 million). Incoming orders decreased by around 11 percent year-on-year to € 1,007 million (previous year: € 1,127 million).

Our forecast of a slightly lower operating result (EBITDA before restructuring) compared with the previous year was exceeded as a result of the reversal of the write-down on the carrying amount of the investment in Heidelberg Americas Inc., Kennesaw/USA. The operating result amounted to € 77 million in the year under review (previous year: € 55 million).

We significantly optimized our financing structure in the year under review. Heidelberger Druckmaschinen Aktiengesellschaft significantly increased its liquidity by retransferring around € 359 million to the Company from the trust assets of Heidelberg Pension-Trust e.V., which was formed in the financial year 2005/2006. This will lead to a further substantial improvement in the financing structure by reducing financial liabilities.

Having been forecast to improve slightly, the financial result was considerably better than in the previous year at € – 16 million (previous year: € –72 million). The higher than expected increase in income from investments more than offset the impact of the 47 basis-point reduction in the average pension discount rate.

The net result after taxes decreased from € – 88 million in the previous year to € – 263 million. The main reasons are the expenses for the comprehensive package of measures we announced on March 17, 2020 and the impact of the COVID-19 pandemic. The forecast of a net result after taxes at the same level as the previous year was therefore not achieved overall.

Net assets, financial position and results of operations

Net sales declined in the financial year 2019/2020. The result of operating activities before depreciation and amortization (EBITDA) and EBIT reflected expenses in connection with the comprehensive package of measures to increase profitability and improve liquidity as well as the impact of the COVID-19 pandemic. The main factors affecting the financial result were the interest expenses for pension obligations on the one hand and income from investments on the other. As a result, the effects described led to lower earnings after taxes of € –263 million (previous year: € –88 million).

Income statement

Figures in € millions	2018/2019	**2019/2020**
Net sales	1,233	1,108
Total operating performance	1,281	1,096
EBITDA [1]	37	–115
in percent of net sales	3.0 %	–10.4 %
EBIT [2]	–14	–246
in percent of net sales	–1.2 %	–22.2 %
Financial result	–72	–16
Taxes on income	2	2
Net result after taxes	–88	–263
in percent of net sales	–7.2 %	–23.8 %

[1] Result of operating activities before depreciation and amortization
[2] Result of operating activities

Net sales amounted to € 1,108 million in the year under review (previous year: € 1,233 million). The reduction is due among other things to the COVID-19 pandemic. Net sales in the Heidelberg Digital Technology segment declined by € 102 million year-on-year to € 874 million (previous year: € 976 million), while net sales in the Heidelberg Lifecycle Solutions segment fell to € 234 million in the year under review (previous year: € 257 million).

Sales development varied from region to region. Net sales declined in all regions with the exception of Eastern Europe.

	2018/2019	**2019/2020**
Europe, Middle East and Africa	528	439
Asia/Pacific	369	338
Eastern Europe	114	133
North America	168	160
South America	54	38
	1,233	**1,108**

Europe, Middle East and Africa (EMEA)

Germany, the largest individual market in terms of net sales, fell short of the previous year's sales level in particular. Slight increases in net sales were recorded in smaller markets.

Asia/Pacific

Our major market of China saw a substantial downturn in net sales, as did the smaller markets of Singapore and Australia. By contrast, Japan, the second-largest individual market in the region, reported sales growth.

Eastern Europe

Within the region, countries such as Russia and Turkey reported sales growth, whereas net sales declined in Romania.

North America

The North America region saw a slight downturn in net sales. There was a minor shift in sales distribution within the region.

South America

Brazil and Cuba in particular contributed to the downturn in net sales in the region, whereas sales growth was recorded in smaller markets.

Other operating income increased by € 103 million year-on-year to € 166 million (previous year: € 63 million), largely as a result of the reversal of the write-down on the carrying amount of the investment in Heidelberg Americas Inc., Kennesaw/USA. This reflects the positive development of the North America region, where the downturn in net sales was only minor despite the impact of the COVID-19 pandemic. Other operating income also includes income from the sale of a section of Heidelberger Druckmaschinen Aktiengesellschaft to an affiliated company.

Staff costs remained essentially unchanged year-on-year at € 450 million (previous year: € 449 million). The use of flexible working hours and short-time work to cushion the impact of the COVID-19 pandemic in the fourth quarter relieved the burden on staff costs. This positive effect was offset by restructuring expenses for the package of measures we announced on March 17, 2020.

Other operating expenses climbed by € 120 million year-on-year to € 367 million (previous year: € 247 million). The increase is due primarily to the recognition of provisions in connection with the comprehensive package of measures we announced on March 17 with a view to increasing profitability and improving liquidity. The majority of these provisions relates to expenses for the adjustment of personnel capacity. This was offset by a reduction in special direct selling expenses due to lower commission as well as a reduction in maintenance expenses, travel costs, and rental and leasing expenses.

The financial result improved by € 56 million year-on-year to € – 16 million (previous year: € – 72 million). This was due primarily to the increase in direct and indirect dividend income to around € 127 million (previous year: € 21 million). Of this figure, direct dividend income amounted to € 73 million (previous year: € 12 million). The reduction in the discount rate for pensions from 3.07 percent to 2.60 percent also had an impact on the financial result again, albeit to a lesser extent than in the previous year.

The tax expense in the year under review was virtually unchanged as against the previous year. It relates entirely to withholding tax incurred, including on dividends received.

Balance sheet structure

Figures in € millions	31-Mar-2019	as a percentage of total assets	**31-Mar-2020**	as a percentage of total assets
Fixed assets	1,487	66.6	1,513	64.4
Current assets [1]	745	33.4	837	35.6
Total assets	**2,232**	**100.0**	**2,351**	**100.0**
Equity	755	33.8	492	20.9
Special reserves	7	0.3	7	0.3
Provisions	470	21.1	982	41.8
Liabilities [1]	1,000	44.8	870	37.0
Total equity and liabilities	**2,232**	**100.0**	**2,351**	**100.0**

[1] Including deferred income

Total assets increased by around 5 percent or € 118 million to € 2,351 million in the year under review. Fixed assets increased slightly year-on-year to € 1,513 million.

Current assets rose by € 92 million year-on-year to € 837 million. On the equity and liabilities side of the statement of financial position, equity declined by € 263 million. Provisions increased by € 512 million to € 982 million (previous year: € 470 million), largely as a result of the higher level of pension obligations. Liabilities including deferred income fell by € 130 million year-on-year to € 870 million.

Within non-current assets, intangible assets fell by € 66 million to € 43 million (previous year: € 109 million) and property, plant and equipment declined by € 19 million to € 498 million (previous year: € 517 million) as a result of write-downs triggered by the discontinuation of production of Primefire and large-format printing presses in conjunction with the comprehensive package of measures we announced on March 17, 2020. Offsetting this, financial assets increased by € 110 million to € 972 million (previous year: € 862 million), largely as a result of reversals of write-downs in accordance with the requirement to reverse write-downs on shares in affiliated companies. Financial assets also increased as a result of the retransfer of trust assets in the form of securities classified as non-current assets in the amount of € 55 million.

Within current assets, inventories decreased by around € 48 million year-on-year, largely as a result of goods, work and services in progress. This was offset by an increase in finished goods. Cash and cash equivalents amounted to € 271 million as of the end of the reporting period (previous year: € 124 million). The increase was due to the retransfer of around € 304 million to the Company from the trust assets of Heidelberg Pension-Trust e.V., which was formed in the financial year 2005/2006. Overall, current assets including prepaid expenses were unchanged year-on-year.

The € 263 million reduction in equity to € 492 million (previous year: € 755 million) is due entirely to the net loss for the financial year (€ –263 million). The equity ratio amounted to 21 percent at the reporting date (previous year: 34 percent).

Provisions rose by € 512 million to € 982 million in the year under review. This was due primarily to the reduction in offsettable plan assets (€ –374 million), largely as a result of the retransfer of almost all of the trust assets of Heidelberg Pension-Trust e.V. to Heidelberger Druckmaschinen Aktiengesellschaft. Other provisions also increased (€ + 98 million) as a result of the comprehensive package of measures we announced on March 17, 2020 with a view to increasing profitability and improving liquidity, among other things.

Liabilities including deferred income fell by € 130 million to € 870 million in the year under review. In March 2020, Heidelberger Druckmaschinen Aktiengesellschaft made a partial cash repayment of its convertible bond (around € 41 million). In addition, there was a further reduction as a result of lower cash investments by subsidiaries (down € 114 million). By contrast, other liabilities increased as a result of advance payments in connection with our package of measures to increase liquidity as well as the reduction in net debt (€ + 59 million).

Financing structure: Cash inflow from trust assets leads to significant improvement in net debt and partial reduction in financing framework

The pillars of Heidelberger Druckmaschinen Aktiengesellschaft's financing portfolio – capital market instruments (corporate bond and the remaining convertible bond units), the syndicated credit line plus other instruments and promotional loans – were well-balanced at the reporting date with a total volume of around € 555 million.

The exercise of the put option by bondholders reduced the outstanding volume of the convertible bond to around € 17 million as of March 30, 2020.

The Company is planning to redeem the corporate bond in the course of the financial year 2020/2021. However, the timing and the resolution on implementation depend on ongoing business development with regard to the impact of the current global COVID-19 pandemic.

The syndicated credit line, which is only partially drawn down, was reduced from around € 320 million to around € 267 million. Together with the cash in hand at the reporting date, it provides Heidelberger Druckmaschinen Aktiengesellschaft with financial flexibility for its forthcoming reorientation and the Company's day-to-day operating activities.

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 Company. Heidelberger Druckmaschinen Aktiengesellschaft had a stable liquidity framework at the reporting date.

Employees

At the reporting date, Heidelberger Druckmaschinen Aktiengesellschaft had a total of 5,411 employees (excluding trainees) across its five sites, 78 fewer than in the previous year.

Motivated and qualified employees are our greatest asset. Against the backdrop of demographic change and rising digitization it is our objective to prepare our workforce for the future requirements of their rapidly changing work environment. Among other things, we use training programs on agile methods of cooperation and new learning models such as micro-learning in order to support the trend toward informal learning. The procedural structuring of short, daily learning activities, or “bite-sized learning”, minimizes the translation requirements for the learning content and makes it easier to apply in day-to-day workplace situations. We have also expanded our range of management development opportunities with keynote speeches and impulse workshops. One key topic is digital leadership. A lively dialog on current issues takes place at events that are attended by local managers in person with international managers connected remotely.

Our training rate is approximately 5 percent. On September 1 and October 1, 2019, a total of 86 trainees and students started their professional career at Heidelberger Druckmaschinen Aktiengesellschaft. In Germany, we provide training in more than ten occupations and offer various bachelor programs in the areas of engineering, media and business.

Number of employees per site

	31-Mar-2019	**31-Mar-2020**
Wiesloch-Walldorf	4,718	4,733
Brandenburg	443	434
Kiel	223	218
Heidelberg	78	4
Neuss	27	22
	5,489	**5,411**
Trainees	228	232
	5,717	**5,643**

For further information on our activities in employee matters, please refer to our separate combined non-financial report. This report can be found on our website www.heidelberg.com under “Investor Relations”, “Reports and Presentations”.

Sustainability

For Heidelberger Druckmaschinen Aktiengesellschaft, sustainability means combining long-term business success with ecological and social responsibility. Attention to sustainability aspects forms part of our Company's environmental standards and standards of conduct as they apply to our products, our production processes and our supply chain and as regards our interactions with each other and our partners. Compliance with standards of conduct and environmental standards is mandatory and is set out in the Company's environmental policy and in our Code of Conduct, both of which can be found on the Heidelberg website.

Sustainability is a firm fixture of Heidelberger Druckmaschinen Aktiengesellschaft's organization. Ecological goals and issues for the Company are defined by the Eco Council, which is headed by the Management Board member responsible for environmental issues, and whose members include the environmental management officer and representatives from the areas of Production, Digital Technologies, Product Development and Product Safety, Lifecycle Solutions (Service, Consumables), Quality, Investor Relations/Communications, Legal, and Facility Management. The interdisciplinary Eco Steering Committee advises the Eco Council, proposes an environmental strategy and program, and oversees their implementation in the individual areas. Other committees and working groups focus on key subjects.

The content of our activities is defined by our environmental policy, which is geared towards raising awareness, conserving resources and resource efficiency, and reducing emissions. Heidelberger Druckmaschinen Aktiengesellschaft's environmental policy can be found on the Company's website: www.heidelberg.com/eco.

For more information on our sustainability activities, please refer to our separate combined nonfinancial report. This report can be found on our website www.heidelberg.com under “Investor Relations”, “Reports and Presentations”.

Risks and opportunities

As an internationally operating company, Heidelberger Druckmaschinen Aktiengesellschaft is exposed to macroeconomic, financial, industry and company-specific uncertainties and changes. Risks and opportunities are defined as possible future developments or events that can lead to a positive or negative deviation from forecasts. Risks must be entered into in a conscious manner in order to sustainably realize Heidelberger Druckmaschinen Aktiengesellschaft's market position and profitability in a changing industry. The structured identification of risks and opportunities forms the basis for the conscious handling of risks and the targeted exploitation of potential opportunities. Identified risks and opportunities are discussed in the "Future prospects" section where their occurrence is considered to be likely. Opportunities and risks are assessed over a one-year period.

Risk and opportunity management

Objectives and strategy

Heidelberger Druckmaschinen Aktiengesellschaft's risk and opportunity management system is aimed at identifying external and internal risks and opportunities that could lead to a deviation from the Company's goals and enabling it to act in a risk-conscious, opportunity-oriented manner. In particular, it focuses on risks within the Company that are significant or that could even constitute a threat to its existence as a going concern. A further objective is not just to comply with all regulatory requirements for the risk and opportunity management system, but also to establish a risk culture and to raise risk awareness in 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 controlling at Heidelberger Druckmaschinen Aktiengesellschaft. The Management Board is responsible for appropriate risk and opportunity controlling 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 and assessed.

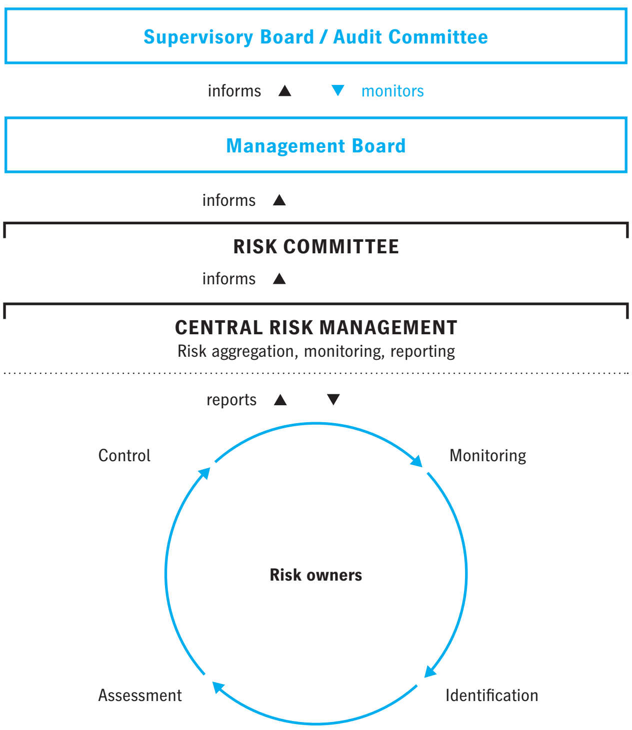
Heidelberger Druckmaschinen Aktiengesellschaft is incorporated into this process as an operating unit. Information on risks is collected at the level of the Company. The risk-significant areas of observation and the risk documentation methodology are set out in the guidelines. The classification into risk categories is based on the potential impact on the net results and liquidity. Reporting thresholds are set on a uniform basis. For key areas, such as Procurement, Development, Production, Sales, 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 validates the risks reported, records them in the risk catalog and discusses them with the Risk Committee.

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. 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 auditor also assesses the functionality of the risk early warning system in accordance with section 317 (4) of the German Commercial Code (HGB).

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

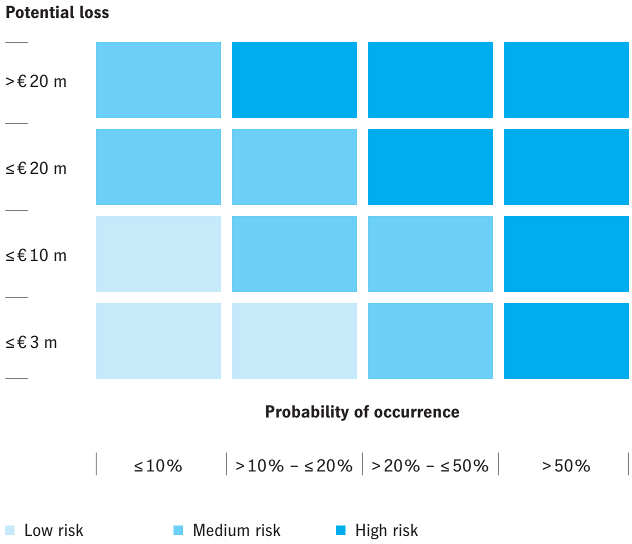
The Company-wide risk officers monitor the general economic environment, which contributes to the effective identification of risks and opportunities. Furthermore, GRM assists in the identification and categorization of risks and opportunities by preparing the risk catalog. The catalog and its potential risk areas are reviewed and, if necessary, updated several times a year. Risk and opportunity identification is not limited to external risk factors, but 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 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” and “extent of damage” in the planning period.

The categories for the extent of damage are represented as a “potential 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



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, or risk transfer with the aim of reducing the consequences of the occurrence of the risk and risk acceptance, in which the risk is deliberately taken. It is the task of every risk officer to devise and implement suitable risk-mitigating measures and take opportunities in his or her area. 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 Management Board 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. This way, the developments in constantly changing risks and opportunities, and the adequacy and effectiveness of the current risk strategy, are continually reviewed by risk officers.

Risk and opportunity report

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

Categories of risks and opportunities	Assessment	Change as against previous year
Strategic		
Politics and national economy	High	Constant
Industry and market	High	Constant
Operational		
Information security	High	Constant
Sales financing	High	Higher
Procurement	Medium	Constant
Production	Low	Constant
Sales partnerships	Low	Constant
HR	Medium	Constant
Financial		
Pension obligations	Medium	Constant
Taxation	Medium	Constant
Currency and interest	Medium	Constant
Liquidity	Medium	Higher
Refinancing	Medium	Higher
Rating	High	Higher
Legal and compliance	Medium	Constant

Strategic risks and opportunities

Politics and national economy

Political and national economic risks can have a direct impact on Heidelberger Druckmaschinen Aktiengesellschaft’s business activities and its financial position and performance. For example, the situation at the EU’s external borders and in the Middle East and the resulting global political tensions are a source of great uncertainty and could have a negative impact on economic conditions. In particular, the political decisions in connection with the COVID-19 pandemic are expected to have an adverse effect on economic conditions. Although the political and national economic consequences of the pandemic cannot be reliably estimated at present, the restrictions on the movement of people and goods that have been imposed as a result are expected to have an impact on supply chains and global demand – despite government support programs on a massive scale (including compensation for reduced working hours, subsidies and promotional loans) – and hence ultimately on the Company’s results of operations.

According to the International Monetary Fund (IMF), the world economy is already in a recession as a result of the COVID-19 pandemic, and Germany is also expected to see negative growth in 2020.

According to a special report by the German Council of Economic Experts in late March 2020, German GDP is set to fall by between 2.8 percent and 5.4 percent. The outlook for 2020 is particularly gloomy for companies in the capital goods industry. The risks in connection with the COVID-19 pandemic and the lockdown of entire national economies mean that other economic and fiscal policy risks have receded into the background at present. Once the COVID-19 pandemic has been brought under control, however, the focus is expected to return to the potential risks arising from trade disputes between the USA, China and Europe to a greater extent. The financial consequences of the crisis will then also be reflected in increased corporate and government debt. The extent to which this will affect demand-related behavior as well as cooperation between EU member states and within the euro zone cannot be estimated at present. Although the much discussed skills shortage is less of a priority for many companies in the current economic environment, it is likely to return to the agenda as the economy recovers.

The Kiel Institute for the World Economy (IfW) expects 2021 to see global economic growth at the level that would have been expected without the pandemic. Following temporary paralysis in 2020, Heidelberger Druckmaschinen Aktiengesellschaft’s important sales market of China is also expected to return to year-on-year growth of up to 8 percent. Similarly, the economic institutes are forecasting an economic recovery in Germany in 2021. This will be boosted by government support measures, the expansive monetary policy of the central banks in the USA and Europe, and potential catch-up effects if the support measures have the desired effect. The IMF also considers a recovery to be possible in 2021, but only if the virus is successfully restricted and liquidity problems do not force companies to file for insolvency en masse in the meantime.

As the global economic slowdown has been reflected in a tangible reduction in momentum in terms of orders for new machinery of late and the industry association VDMA has reported a significant downturn in its business climate index, Heidelberger Druckmaschinen Aktiengesellschaft is entering the new financial year 2020/2021 with caution. In its forecast and the planning on which the risk and opportunity report is based, it continues to assume that the general conditions for free world trade will remain unchanged. It also assumes that the COVID-19 pandemic will have an impact in the first half of the financial year in particular, with normal economic development resuming thereafter at the latest.

Political and national economic risks are currently regarded as high.

Industry and market

Following a downturn of 2.8 percent in 2019, the German Mechanical Engineering Industry Association (VDMA) expects production to decline by 5 percent in real terms in 2020. This is based on the assumption that the situation resulting from the COVID-19 pandemic will ease in the second half of the calendar year. In the same way as for the general political and national economic environment, development within the industry is difficult to forecast.

The printing industry as a whole continues to be characterized by excess capacity and price competition. Innovation cycles and the accompanying investment costs and risks mean that size and rationalization are the only way for many print companies to ensure their survival in a tough market environment. In this environment, the increased automation of Heidelberger Druckmaschinen Aktiengesellschaft's printing presses (industrialization of print production, including Push-to-Stop) can lead to a significant increase in net productivity and efficiency for customers. This typically makes the Company's product portfolio more attractive and improves customer retention.

Heidelberger Druckmaschinen Aktiengesellschaft expects the ongoing industrialization of the print media industry to lead to the number of larger print media service providers growing in the industrialized countries and the number of medium and smaller print shops falling further. 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 substitution of printed products and business stationery by the Internet and the impact of demographic change on the buying and reading habits of the population is leading to a decline in the corresponding advertising printing sales. This is partially compensated by the increase in finishing and hence in packaging printing sales, particularly in cosmetics, as well as customization. In view of the changes in the printing industry, in calculating our sector risk assessment we have taken into account the risk that planned sales and margin targets will not be met.

Heidelberger Druckmaschinen Aktiengesellschaft continues to see digital business as a growth market despite discontinuing the production and marketing of the Primefire 106. Although Heidelberger Druckmaschinen Aktiengesellschaft is still represented in the digital printing market with other products, the market for the areas of application served by the Primefire 106 is not currently large enough to be economical. The discontinuation removes the future risks of further development and market penetration. The Company does not expect the announced adjustment to its product portfolio to have a significant effect on its market positioning.

As previously, the key sales markets for Heidelberger Druckmaschinen Aktiengesellschaft are North America, Central Europe and China. Following initially weak economic development in 2020, Heidelberger Druckmaschinen Aktiengesellschaft expects these markets in particular, as well as also other markets, to see a recovery in terms of the economy and investment activity as the year progresses. China is already showing signs of an upturn in economic output and print shop capacity utilization following the COVID-19 lockdown.

If the global economy were to fail to develop in line with expectations or if key markets were to suffer a more pronounced economic downturn than anticipated, there is a risk that the planned sales and earnings performance would not be achieved, particularly in new machinery business (and above all in the HDT segment). The Lifecycle Solutions segment is less cyclical as it depends on the installed base and on the print production volume to a greater extent than on new machinery business. The share of total sales from less cyclical business with service and consumables will increase moderately in the coming years, thereby reducing economic fluctuations within the Company slightly.

There are considerable risks to the world economy from the COVID-19 pandemic in particular. The duration and extent of the financial impact of a complete or even partial lockdown for companies and the consequences for demand-related behavior following the pandemic cannot be forecast at present. If the lockdown due to the COVID-19 pandemic lasts longer than anticipated, this is likely to threaten the existence of many market participants as their income dries up, their receivables go unpaid or they are unable to meet their own payment obligations, resulting in the threat of illiquidity.

In an uncertain market environment that is also characterized by structural changes within the industry, permanent cost control and optimization are especially important when it comes to maintaining or regaining freedom of action and earnings power as a company. For this reason, Heidelberger Druckmaschinen Aktiengesellschaft has launched an additional program to optimize its production and structural costs, including the discontinuation of loss-making products/production areas. The measures announced and initiated in March 2020 have been included in planning in line with their impact over time.

The risks of industry and market development, including the realization of planned cost reductions, are considered to be high.

Operational risks and opportunities

Information security

Growing digitization in all areas of the Company is leading to heightened requirements in terms of the availability, integrity and confidentiality of electronically processed information and the information technology (IT) used. This is accompanied by increasingly stringent regulatory requirements with regard to protecting personal data and business secrets. As a result, system unavailability or violations of the integrity or confidentiality of sensitive information could have a negative effect on earnings, as this could involve adverse consequences for business operations (unavailability of products and services or claims for damages) or lead to a business interruption. Reputational damage could be another indirect consequence. System availability and data protection is also threatened by professional cybercrime, a lack of employee awareness and employee misconduct.

Preventive measures have been taken to ensure the availability, integrity and confidentiality of electronically processed information and the information technology used. These include technical protection measures such as virus protection and firewall systems, access controls, data backups and data encryption. Systems, procedures and the organization are regularly checked for possible risks and adapted if necessary. The IT infrastructure continued to undergo its overhaul in the year under review, further improving both performance and system security. Furthermore, high demands are made on IT security management when selecting IT service providers.

As the threat situation is becoming continuously denser, the information security risk is considered to be high overall in spite of the protective measures taken.

Sales financing risks

Financial services business (sales financing) involves various risks including credit and counterparty default risk, residual value risk, currency risk and operational risk. The majority of the financing portfolio consists of receivables from customers located in emerging economies, including Brazil. As a result of the difficult economic situation in Brazil, Heidelberg therefore has a relatively high share of overdue receivables in the country. In addition, requests for payment deferrals and restructured financing agreements are increasing in the wake of the COVID-19 pandemic. The liquidity situation among our financing customers is deteriorating considerably, leading to overdue and deferred payments. Like all other overdue receivables, however, these are closely monitored and controlled by way of intensive receivables management. A comprehensive database of contracts and printing presses helps to minimize residual value and counter-liability risks. The processes and methods used have proven their worth in the past years. Overall, losses on sales financing in the past financial year were below the average level for the previous years.

Sales financing may also give rise to liquidity risks. This would be the case if the Company's own need for financing commitments were to increase in the event of limited availability of third-party financing partners. In this case, it could be necessary to increase financing commitments in order to provide sales support, particularly in light of the current deterioration in the global economic situation. In this context, the externalization strategy of subscription contracts could also lead to an increase in the Company's own financing commitments. The increased funding requirements as a result would tie up additional funds and hence raise the risk profile of sales financing.

In recent years, the Company's own financing commitments have been successfully reduced and stabilized thanks to the intensive and long-standing cooperation with external financing partners. The Company only issues financing commitments in its own right following a comprehensive review of the customer and its business model and credit rating. Existing financing agreements are regularly reviewed using internal rating processes. These (like the Basel standards) comprise both debtor-specific and transaction-specific components. Measures are taken at an early stage and appropriate risk provisions are recognized for discernible risks.

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

Procurement

Procurement risks primarily involve ensuring that Heidelberg's suppliers and service providers can deliver the required quality at all times. Risk management is therefore a fixed component of our supplier management. Heidelberger Druckmaschinen Aktiengesellschaft 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 in the required quality. As Heidelberger Druckmaschinen Aktiengesellschaft generates around two-thirds of its sales outside the euro zone, the option of global procurement is constantly being examined and expanded. Wherever it benefits Heidelberger Druckmaschinen Aktiengesellschaft, we pursue a dual vendor strategy to reduce unilateral dependencies.

Procurement risks are considered to be medium.

Production

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 due to material damage (e.g. fire, machinery/tool failure or natural disasters) cannot be entirely ruled out. However, the (safety) precautions taken (e.g. production structure and process planning, preventive maintenance, technical fire protection, works fire department) serve to reduce the amount of any damages incurred and the probability of these risks occurring. Furthermore, specific risks are covered by insurance policies with typical sums insured.

Production risks are considered to be low.

Sales partnerships

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

This risk is considered to be low.

HR

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. Heidelberger Druckmaschinen Aktiengesellschaft has responded to the changes entailed by an aging workforce by improving its preventive healthcare. As a result of past restructuring programs as well as the current restructuring program, 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 if it is unable to appoint successors with the required qualifications or at all.

This risk is considered to be medium.

Financial risks and opportunities

Pension obligations

Pension obligations 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. Risks or opportunities can arise from this depending on the change in these parameters.

Heidelberger Druckmaschinen Aktiengesellschaft's pension obligations are partly covered by plan assets managed in trust, and are reported net in the statement of financial position.

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.

The risk from pension obligations is considered to be medium.

An increase in the interest rate used to discount future pension payments offers the opportunity that the provisions for pensions and similar obligations decrease and that equity increases indirectly as a result.

Taxation

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 the application of law, or changes in the business model can have consequences for Heidelberger Druckmaschinen Aktiengesellschaft's tax positions.

Tax risk is considered to be medium.

Foreign currency and interest rate business

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 include derivative financial instruments, specifically forward exchange transactions and currency options. Details of these instruments and the impact of hedging transactions can be found in note 26 of the notes to the financial statements. The functional 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 can have either a positive or a negative effect on earnings. If possible, interest rate risks are limited by suitable interest rate swaps.

Currency risks are currently considered to be medium, while interest rate risks are considered to be low.

Liquidity

To ensure the Company's solvency in order to settle its liabilities in the correct amount as they mature, liquidity is monitored constantly and recorded and controlled through the planning of financial requirements and the procurement of funds. Any liquidity risks that could arise from the Company's funding requirements are pinpointed at an early stage with the help of rolling liquidity planning. The necessary minimum liquidity based on experience from past crises is kept available. The diversification of financing sources, the planning of financing requirements and the procurement of funds are also intended to ensure financing in the longer term.

Despite the cash funds available as of the end of the reporting period and the financing structure, liquidity risk is considered to be medium on account of the significant deterioration in the business environment due to the COVID-19 pandemic.

Refinancing

Heidelberger Druckmaschinen Aktiengesellschaft is dependent on being able to refinance financial liabilities that become due, to meet existing financing commitments or to finance additional funding requirements for the development of its business activities.

If reliable financing were not guaranteed, the ability to pay would be at risk. Heidelberger Druckmaschinen Aktiengesellschaft has a stable financing base with a diversified financing structure (banks, capital market and other financing commitments) and a maturity profile as far as 2023. There are mutual dependencies between the individual financing components in some cases. 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 the financial covenants and if, at the same time, it were not possible to modify the financial covenants, this would have a significant adverse impact on the Company.

The details of the financing structure are described on page 10. Note 22 to the financial statements explains in more detail that financing is linked to standard financial covenants. Refinancing risk is considered to be medium on account of the potential impact and uncertainty resulting from the COVID-19 pandemic. However, this risk could increase in the event of a more sustained deterioration in the business environment due to COVID-19. Like other companies, Heidelberger Druckmaschinen Aktiengesellschaft is therefore monitoring the possibility of government support measures and would also apply for these if the situation were to deteriorate.

Rating

The capital market uses ratings from agencies to assist lenders in assessing the risk of default by a borrower or its financial instrument. The Heidelberg Group is rated by Moody's and Standard & Poor's. Its rating from Moody's has been Caa1 with a negative outlook since January 2020. Its rating from Standard & Poor's has been B – with a negative outlook since April 2020. In light of the potential impact and uncertainty resulting from COVID-19 in particular, there is a fundamental risk that the rating agencies could downgrade the Heidelberg Group's credit rating further in the event that the relevant performance indicators (such as its dynamic gearing ratio) or the general outlook for the mechanical engineering industry deteriorate and make refinancing more difficult.

Despite the cash funds available as of the end of the reporting period and the financing structure, the negative outlook issued by the two rating agencies means that the risk is considered to be high.

Legal and compliance risks

As part of its general business operations, Heidelberger Druckmaschinen Aktiengesellschaft is involved in judicial and extrajudicial 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. 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. Heidelberger Druckmaschinen Aktiengesellschaft's compliance management system (CMS) has been implemented with a view to identifying compliance misconduct and violations at an early stage and preventing them in order to minimize and prevent liability and reputational damage to the Company and its employees, managers and executive bodies. To ensure that this objective is met, a compliance risk analysis is conducted regularly and on an ad hoc basis. In particular, this allows compliance risks arising from misconduct and violations of corruption, anti-trust and money laundering law to be identified, evaluated and controlled. Existing compliance principles, guidelines, regulations and work instructions are also reviewed and updated as required. In the financial year 2019/2020, Heidelberger Druckmaschinen Aktiengesellschaft updated its Code of Conduct and revised its Business Partner Code of Conduct, among other things. The Business Partner Code of Conduct aims to minimize and prevent potential compliance risks resulting from supply and production chains. Heidelberger Druckmaschinen Aktiengesellschaft reserves the right to regularly review its business partners' compliance with the Business Partner Code of Conduct. In order to identify compliance risks at an early stage, Heidelberger Druckmaschinen Aktiengesellschaft has also implemented a whistleblower system in the form of an external ombudsman for the Heidelberg Group who is available to the employees, managers and executive bodies of the Group and all customers, suppliers and other business partners as a reporting channel, including anonymously if desired. As part of the implementation of the more stringent requirements of the European General Data Protection Regulation (GDPR) that came into force on May 25, 2018, Heidelberger Druckmaschinen Aktiengesellschaft has strengthened the Heidelberg Group's data protection organization further, particularly for its European companies, in order to allow it to identify and control risks arising from these heightened data protection requirements. This includes the implementation and continuous enhancement of a data protection management system and the establishment of various GDPR compliant processes.

Legal and compliance risks are considered to be medium.

General statement on risks and opportunities

There are currently no discernible individual risks to 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. Opportunities are not netted.

Even if multiple material risks were to coincide, such as a significant deviation from the expected economic and market development due to the COVID-19 pandemic resulting in increased liquidity requirements, and hence a greater risk of failing to achieve the agreed financial covenants, Heidelberger Druckmaschinen Aktiengesellschaft believes that the low level of net debt at the reporting date and the program it has initiated to optimize production and structural costs mean it is well positioned to deal with this situation that is not currently expected to occur.

The overall risk situation of Heidelberger Druckmaschinen Aktiengesellschaft has increased compared with the previous year.

The discontinuation of the development and production of the Primefire 106 digital printing press means there are no longer any future risks in connection with technical development and market launch. However, there are new risks resulting from the program to adjust production and structural costs that has been announced. The successful implementation of this program will be a key factor in Heidelberg Druckmaschinen Aktiengesellschaft achieving its goals. Accordingly, implementation is being managed with support from external experts and the active involvement of the Management Board. However, the possibility that it will not be possible to implement the planned measures within the planned timeframe, with the planned savings or with the planned restructuring expenses cannot be ruled out. This would have a negative impact on the results of operations. However, there is also an opportunity insofar as quicker or more comprehensive implementation could have a positive impact for Heidelberger Druckmaschinen Aktiengesellschaft.

A high risk of failing to meet earnings targets primarily lies in the possibility that the expectations of economic development in key sales markets (Europe – especially Germany – and the US and China) will fail to materialize, either in part or in full. A weaker than expected performance by these countries could have a negative impact on sales and margins in the HDT segment in particular. The manufacturer-side barriers to market entry in sheetfed offset printing are high, meaning that no significant competition from new providers is expected at least on this front. In addition, 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.

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. Furthermore, the Company and its subsidiaries have a strong global sales and service network.

Before making investments in a new business area, potential risks and opportunities are weighed on the basis of business plans.

The Management Board and the Supervisory Board deal with risks that could arise from organization, management or planned changes. For further information, please see our detailed “Corporate Governance Declaration” on the Internet.

The risks are considered to be high overall.

Opportunities for Heidelberger Druckmaschinen Aktiengesellschaft result in particular from strategic measures.

Thanks to the global service and logistics network of the Company and its subsidiaries and the integration of independent providers into this network, there is also growth potential in the less cyclical lifecycle business.

Above and beyond this, a major opportunity for Heidelberger Druckmaschinen Aktiengesellschaft lies in the possibility of a more positive economic performance in the print media industry than is currently forecast. A shift in exchange rates in favor of Heidelberger Druckmaschinen Aktiengesellschaft would also have a positive effect on sales and earnings planning. There are opportunities – and risks – in several countries that social and political changes, government intervention, customs regulations and changes in legislation could influence our business development.

The opportunities are considered to be insignificant overall.

Internal control and risk management system for the accounting process in accordance with section 289 (4) 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 makes every effort to ensure that management decisions are implemented effectively, that control systems work efficiently, 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 Accounting 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.

Automated controls also help to reduce risks. Authorization concepts have been implemented in the uniform Company-wide IT systems; if an area is examined by the internal auditors, these authorization models and their implementation are also reviewed. Automated controls and plausibility checks ensure the completeness and accuracy of data inputs, and in some cases data are validated on a fully automated basis and discrepancies are brought to light.

Overall, 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 accounting control system is also regularly monitored by our Internal Audit team.

Future prospects

In response to the outbreak and spread of the novel coronavirus, dramatic measures to contain or slow the COVID-19 pandemic have been and continue to be taken around the world, leading to severe restrictions on societal and, in particular, business life in many countries. The duration and extent of the global downturn depend directly on the further progress of the pandemic and the measures required to contain it.

Economic momentum in the USA in the first half of the year will be dominated by the direct and indirect consequences of the COVID-19 pandemic. Economists from IHS Global Insight Markit are forecasting a downturn of 5.4 percent for full-year 2020.

The economic prospects for the euro zone have also deteriorated considerably, making a recession unavoidable. GDP in the euro zone is expected to contract by 4.5 percent this year if the spread of COVID-19 is successfully contained by the summer. There are two reasons why the catch-up process is likely to be slower than usual: Firstly, the negative consequences of the COVID-19 pandemic in the US are occurring with some delay and hence will curb the first phase of the recovery in Europe. Secondly, this particular crisis is not only hitting industry but also service sectors to an unusual extent, and it will not be possible to quickly recover the shortfall in demand in all cases.

The Japanese economy has been hard hit by the slump in demand from China due to COVID-19. A GDP contraction in 2020 is extremely likely even if the economy begins to recover in the summer.

Unfortunately, 2020 does not seem set to be any healthier for the emerging economies. Although economic activity in China is likely to recover gradually following the successful containment of the virus and the relaxation of some quarantine measures that has already taken place, GDP growth for the current year is forecast at just 2 percent. This is having a considerable adverse impact on the emerging economies of Southeast Asia, as China is their most important trading partner and companies from this region are integrated into the value creation networks that are likely to have been hit by the production shutdowns in China.

Although Latin America is one of the least affected regions in terms of the number of cases, the COVID-19 pandemic is expected to impact economic activity and interrupt the recovery in the region.

A further downturn in production in the mechanical engineering industry was anticipated for 2020. The outbreak of the COVID-19 pandemic comes at a time of considerable structural upheaval and a significantly weakened world economy. This is having a corresponding impact on demand for machinery as potential investors refrain from placing orders. However, machine availability is also suffering due to extensive supply chain disruption. It is not yet possible to reliably quantify the consequences of these and other adverse effects. In March, the VDMA revised its production forecast to minus 5 percent. This is based on the assumption that COVID-19 will mainly impact economic activity in the first half of the 2020 calendar year, making it subject to a high degree of uncertainty.

The economic and political conditions presented on the markets relevant to Heidelberger Druckmaschinen Aktiengesellschaft and the expected development of the printing industry serve as premises for the forecast planning for the financial year 2020/2021 (April 1, 2020 to March 31, 2021). Since the outbreak of the COVID-19 pandemic began in the first quarter of 2020, Heidelberger Druckmaschinen Aktiengesellschaft has been focused on guaranteeing the safety and health of its employees, the functionality of its operating networks and fulfilling the needs of its customers as well as possible under the difficult circumstances. Thanks to the Company's global positioning, ample flexibility and high degree of digitization, we have been able to largely guarantee our operational capacity throughout the Company to date despite local restrictions. The negative impact of the pandemic first became apparent in China in January 2020, and has increasingly spread to our core markets in Europe and North America since February. Heidelberger Druckmaschinen Aktiengesellschaft had already announced a package of measures in response to changing economic conditions, and in March 2020 initiated extensive measures to improve its cost structures and safeguard its liquidity. Given the rapid pace of developments, it is currently not possible to say for how long or how much the restrictions on public and economic life will affect the global economy and thus Heidelberger Druckmaschinen Aktiengesellschaft's operational performance. Accordingly, a reliable forecast of the Company's sales and earnings development in the financial year 2020/2021 is difficult at this time on account of the vast economic uncertainty. For the 2020 calendar year at least, experts are forecasting a global recession that could be even more severe than that following the financial crisis of 2008/2009.

At the time of this management report being completed at the end of May 2020, the uncertainty as to the duration and severity of the negative impact of the COVID-19 pandemic prevents a legitimate forecast for the financial year 2020/2021. While there were signs of stabilization in China in April 2020 and in Europe and North America from May onward, the significant decline in the order situation means that performance indicators are expected to be significantly lower than in the previous year, especially in the first half of the financial year (April 1 to September 30, 2020). In the coming months as well, the recovering momentum in new mechanical engineering orders in China documented by the VDMA is unlikely to be sufficient to compensate for the projected weakness in other regions of the world, in particular the US and Europe. As in previous years, Heidelberger Druckmaschinen Aktiengesellschaft is forecasting an improvement in its sales development in the second half of the financial year as compared to the first, although it is not yet clear as to whether net sales will reach the prior-year level.

In light of these circumstances, Heidelberger Druckmaschinen Aktiengesellschaft is entering the new financial year 2020/2021 with caution and expects net sales to be significantly lower than in the year under review.

The anticipated downturn in net sales due to the COVID-19 pandemic means the operating result for the financial year 2020/2021 will also be impacted due to volume factors. Earnings will benefit from savings under the package of measures and temporary relief thanks to flexible working hours and the use of time accounts and reduced hours. All in all, we expect to see a positive but considerably lower operating result in the financial year 2020/2021.

The vast majority of the expenses required in connection with the package of measures were already recognized in the financial year 2019/2020. Although net sales and the operating result are expected to decline and the financial result is set to be lower than in the previous year, this means the net result after taxes is expected to improve compared with the year under review. All in all, Heidelberger Druckmaschinen Aktiengesellschaft is again anticipating a substantially negative net result after taxes in the financial year 2020/2021.

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 [1)]

The Supervisory Board discussed the appropriateness of Management Board compensation as scheduled in the year under review. In some cases this was done in connection with the agreement and review of agreements on objectives with Management Board members. The procedure and benchmarks for measuring the variable compensation elements were defined with the introduction of the compensation system in place since the financial year 2012/2013. Multi-year variable compensation was reviewed and redesigned in the 2017/2018 financial year. The aim was to increase variability by redesigning expected values while reinforcing the idea of shareholder value. These changes also influence the compensation system as a whole. Following the entry into force of the German Act Implementing the Second Shareholders' Rights Directive (ARUG II) and the new German Corporate Governance Code as amended dated December 16, 2019, the Supervisory Board intends to revise the compensation system for the Management Board over the course of the 2020/2021 financial year and to present the results of its work to the 2021 Annual General Meeting for its approval in accordance with ARUG II ("say on pay").

By resolution of the Supervisory Board of June 4, 2020 the "One-year variable compensation for financial year 2019/2020" for Rainer Hundsdörfer and Marcus A. Wassenberg was set at € zero in each case. On this basis, the information in the charts "Allocation" (line "One-year variable compensation") and "Compensation of the individual members of the Management Board (HGB)" (column "One-year variable compensation") was determined and adjusted accordingly.

The following applies in the reporting year and until further notice:

The OVERALL STRUCTURE AND AMOUNT OF COMPENSATION OF THE MANAGEMENT BOARD are determined at the recommendation of the Personnel Matters Committee by the Supervisory Board of Heidelberger Druckmaschinen Aktiengesellschaft and reviewed at regular intervals. In each case, Management Board compensation (not including fringe benefits or service cost) amounts to a maximum of 370 percent of fixed annual compensation, divided into 100 percent for fixed annual compensation and a maximum of 270 percent for the variable compensation elements, i.e. a maximum of 90 percent for one-year variable compensation and 180 percent for multi-year variable compensation.

The COMPENSATION OF THE MANAGEMENT BOARD consists of fixed annual compensation 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. Additionally, there are fringe benefits and company pension benefits.

The ONE-YEAR VARIABLE COMPENSATION is dependent on the Group's success in the respective financial year, the benchmarks for which are currently defined as EBIT and free cash flow according to IFRS. 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 annual bonus can amount to up to 30 percent of the fixed annual compensation; the Company bonus can also account for up to 30 percent or if objectives are exceeded 60 percent of the fixed annual compensation. 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 the 2012/2013 financial year – 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 one-year variable compensation is paid out at the end of the month in which the Annual General Meeting resolves on the appropriation of the net result.

The MULTI-YEAR VARIABLE COMPENSATION was reviewed and redesigned in the 2017/2018 financial year. Since the 2017/2018 financial year, the multi-year variable compensation has been determined according to two benchmarks: earnings before taxes according to the IFRS consolidated income statement (EBT) and total shareholder

[1)] This remuneration report also forms part of the corporate governance report return (TSR). The targets for these two benchmarks, the respective thresholds and the maximum overfulfillment are all defined at the beginning of the relevant three-year period (performance period). Half the multi-year variable compensation is attributable to each benchmark, i.e. 45 percent of the fixed annual compensation in the event of 100 percent fulfillment of the targets for each of the relevant benchmarks. Overfulfillment of a benchmark is recognized and can at most result in a doubling of the attributable multi-year variable target compensation. Accordingly, multi-year variable compensation can amount to 90 percent of the fixed annual compensation for each benchmark and to 180 percent of the fixed annual compensation in total. Both benchmarks are associated with an objective fulfillment threshold that must be reached in order for the multi-year variable compensation for the benchmark in question to be paid out. However, overfulfillment of a benchmark can only increase the multi-year variable compensation if the other benchmark reaches at least the threshold. The first benchmark (Group earnings before taxes) is based on the five-year planning adopted by the Supervisory Board. The attributable multi-year variable compensation is determined after the end of the performance period by comparing the actual earnings before taxes of the three financial years within the performance period according to the IFRS income statement with the expected earnings before taxes for these three financial years. The averages of the actual and the expected earnings before taxes are compared in order to calculate and identify the actual achievement of objectives. The basis for target measurement for the second benchmark (total shareholder return) is the long-term expected return (Heidelberg share price increases) during the performance period (period of three financial years). The baseline value for each performance period is determined at the beginning of the first financial year of the performance period. For this purpose, the arithmetical average price (closing prices) of the Company's share in XETRA trading at the Frankfurt Stock Exchange over the 60 trading days immediately preceding the start of the three-year performance period is measured. The fixed baseline value is then compared with the arithmetical average price (closing prices) of the share over the 60 trading days immediately preceding the end of the performance period. If the Company pays dividends to the shareholders during the performance period, these dividends are translated in terms of the share price immediately preceding the end of the performance period. The achievement of objectives is checked and ascertained at the end of each three-year period. The multi-year variable compensation is paid out at the end of the month in which the Annual General Meeting – after the end of the final financial year of the three-year period – resolves on the appropriation of the net result.

For both one-year variable compensation and multi-year variable compensation, achievement of the relevant threshold results in a payout amounting to 25 percent of the sum that would be payable in the event of 100 percent objective fulfillment. If the objective attainment lies between the threshold and the defined objective, the payout is determined by linear interpolation. If overfulfillment is to be recognized, the amount of the payout is either determined as a percentage according to the degree of overfulfillment or – if a maximum recognizable value for overfulfillment has been defined – by linear interpolation between the objective and the maximum recognizable value.

In the event of a member joining or leaving within an ongoing performance period, that member has a pro rata temporis claim to any multi-year variable compensation determined after the end of the performance period. In the event of a member leaving, pro rata temporis multi-year variable compensation is calculated for the performance periods still ongoing at this time on the basis of the determination of goals as of the exit date, which is then frozen.

Personal investment by Management Board members: During the period of appointment to the Management Board, each Management Board member must use the one-year and multi-year variable compensation to establish and hold a portfolio of shares in the Company in the value of their current fixed annual compensation. Shares in the Company already held by the respective Management Board member are counted towards this value. There is no obligation to acquire shares using other compensation or private wealth. The Company is entitled to invest 10 percent of the one-year variable compensation and 10 percent of the multi-year variable compensation (before deduction of taxes and contributions) in the form of shares in the Company. A bank or financial service provider is commissioned to acquire the shares; the Company bears the costs of processing and custody. The Company's entitlement to

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

Figures in € thousands	Rainer Hundsdörfer · Chief Executive Officer, Head of Digital Technology and Head of Lifecycle Solutions				Marcus A. Wassenberg[2] · Chief Financial Officer and Head of Financial Services since September 1, 2019			
	2018/2019 Objective	**2019/2020 Objective**	2019/2020 (Min)	2019/2020 (Max)	2018/2019 Objective	**2019/2020 Objective**	2019/2020 (Min)	2019/2020 (Max)
Fixed compensation[6]	660	670	670	670	–	233	233	233
Fringe benefits	26	27	27	27	–	12	12	12
Total	686	697	697	697	–	245	245	245
One-year variable compensation	594	603	0	603	–	210	0	210
Multi-year variable compensation	456	432	0	1,205	–	222	0	620
2018/2019 tranche[7]	456[8]	–	–	–	–	–	–	–
2019/2020 tranche[7]	–	432[9]	0	1,205	–	222[9]	0	620
Total fixed and variable compensation components	1,736	1,732	697	2,505	–	677	245	1,075
Service cost	234	234	234	234	–	97	97	97
Total compensation	1,970	1,966	931	2,739	–	774	342	1,172

Figures in € thousands	Prof. Dr. Ulrich Hermann[3] Head of Lifecycle Solutions until February 16, 2020				Stephan Plenz[4] Head of Digital Technology until November 30, 2019			
	2018/2019 Objective	**2019/2020 Objective**	2019/2020 (Min)	2019/2020 (Max)	2018/2019 Objective	**2019/2020 Objective**	2019/2020 (Min)	2019/2020 (Max)
Fixed compensation[6]	408	364	364	364	408	276	276	276
Fringe benefits	25	34	34	34	14	12	12	12
Total	433	398	398	398	422	288	288	288
One-year variable compensation	367	327	0	327	367	248	0	248
Multi-year variable compensation	281	78	0	218	282	59	0	166
2018/2019 tranche[7]	281[8]	–	–	–	282[8]	–	–	–
2019/2020 tranche[7]	–	78[9]	0	218	–	59[9]	0	166
Total fixed and variable compensation components	1,081	803	398	943	1,071	595	288	702
Service cost	144	127	127	127	144	96	96	96
Total compensation	1,225	930	525	1,070	1,215	691	384	798

Figures in € thousands	Dirk Kaliebe[5] Chief Financial Officer and Head of Financial Services until August 31, 2019			
	2018/2019 Objective	**2019/2020 Objective**	2019/2020 (Min)	2019/2020 (Max)
Fixed compensation[6]	408	207	207	207
Fringe benefits	16	11	11	11
Total	424	218	218	218
One-year variable compensation	367	186	0	186
Multi-year variable compensation	282	45	0	124
2018/2019 tranche[7]	282[8]	–	–	–
2019/2020 tranche[7]	–	45[9]	0	124
Total fixed and variable compensation components	1,073	449	218	528
Service cost	144	72	72	72
Total compensation	1,217	521	290	600

Footnotes, see page 31

Allocation [1]

Figures in € thousands	Rainer Hundsdörfer Chief Executive Officer, Head of Digital Technology and Head of Lifecycle Solutions		Marcus A. Wassenberg [2] Chief Financial Officer and Head of Financial Services since September 1, 2019		Prof. Dr. Ulrich Hermann [3] Head of Lifecycle Solutions until February 16, 2020		Stephan Plenz [4] Head of Digital Technology until November 30, 2019		Dirk Kaliebe [5] Chief Financial Officer and Head of Financial Services until August 31, 2019	
	2018/2019	**2019/2020**	2018/2019	**2019/2020**	2018/2019	**2019/2020**	2018/2019	**2019/2020**	2018/2019	**2019/2020**
Fixed compensation [6]	647	662	–	229	400	359	400	273	400	207
Fringe benefits	26	27	–	12	25	34	14	12	16	11
Total	673	689	–	241	425	393	414	285	416	218
One-year variable compensation	594	0	–	0	367	40	367	248	367	186
Multi-year variable compensation	467	195	–	0	288	681	362	605	362	544
2016/2017 tranche [7]	467	–	–	–	288	–	362	–	362	–
2017/2018 tranche [7]	–	195	–	0	–	346	–	321	–	301
2018/2019 tranche	–	–	–	–	–	226	–	201	–	181
2019/2020 tranche	–	–	–	–	–	109	–	83	–	62
Total fixed and variable compensation components	1,734	884	–	241	1,080	1,114	1,143	1,138	1,145	948
Service cost [8]	234	234	–	97	144	127	144	96	144	72
Total compensation	1,968	1,118	–	338	1,224	1,241	1,287	1,234	1,289	1,020
of which: agreed personal investment	106	20	–	0	66	0	73	0	73	0

[1] Compensation paid or yet to be paid to the members of the Management Board for the respective financial year.
[2] Marcus A. Wassenberg was appointed as a member of the Management Board effective September 1, 2019.
The information here relates to the period from September 1, 2019 to March 31, 2020.
[3] Prof. Dr. Ulrich Hermann's appointment as a member of the Management Board ended on February 16, 2020.
His Management Board service agreement expired on March 31, 2020. The information here relates to the period until February 16, 2020.
[4] Stephan Plenz's appointment as a member of the Management Board ended as of November 30, 2019.
His Management Board service agreement expires on June 30, 2020. The information here relates to the period until November 30, 2019.
[5] Dirk Kaliebe's appointment as a member of the Management Board and his service agreement ended on September 30, 2019.
The information for the reporting year relates to the period until September 30, 2019.
[6] The remuneration waived by members of the Management Board in the 2019/2020 financial year amounted to €17 thousand (2018/2019 financial year: €36 thousand) in total. From October 1, 2018 the monthly fixed compensation of members of the Management Board was increased by 3 percentage points each and, furthermore, from the 2018/2019 financial year, the fixed annual compensation of Prof. Dr. Ulrich Hermann was adjusted to match that of Dirk Kaliebe and Stephan Plenz.
[7] Term: 3 years
[8] Not yet allocated in the financial year

Footnotes, page 30:
[1] In accordance with section 4.2.5 (3) of the German Corporate Governance Code in the version published on April 24, 2017
[2] Marcus A. Wassenberg was appointed as a member of the Management Board effective September 1, 2019.
The information here relates to the period September 1, 2019 to March 31, 2020.
[3] Prof. Dr. Ulrich Hermann's appointment as a member of the Management Board ended on February 16, 2020.
His Management Board service agreement expired on March 31, 2020. The information here relates to the period from April 1, 2019 to February 16, 2020.
[4] Stephan Plenz's appointment as a member of the Management Board ended as of November 30, 2019.
His Management Board service agreement expires on June 30, 2020. The information here relates to the period from April 1, 2019 to November 30, 2019.
[5] Dirk Kaliebe's appointment and his service agreement ended on September 30, 2019. The information here relates to the period April 1, 2019 to September 30, 2019.
[6] From October 1, 2018 the monthly fixed compensation of members of the Management Board was increased by 3 percentage points each and, furthermore, from the 2018/2019 financial year, the fixed annual compensation of Prof. Dr. Ulrich Hermann was adjusted to match that of Dirk Kaliebe and Stephan Plenz.
[7] Term: 3 years
[8] In the 2018/2019 financial year, this includes the fair value as of the grant date of the multi-year share-based cash compensation as follows:
Rainer Hundsdörfer: €163 thousand; Dirk Kaliebe: €101 thousand; Prof. Dr. Ulrich Hermann: €101 thousand; Stephan Plenz: €101 thousand.
[9] In the 2019/2020 financial year, this includes the fair value as of the grant date of the multi-year share-based cash compensation as follows:
Rainer Hundsdörfer: €131 thousand; Marcus A. Wassenberg: €67 thousand; Prof. Dr. Ulrich Hermann: €24 thousand (pro rata temporis amount for 10.55 months); Stephan Plenz: €18 thousand (pro rata temporis amount for eight months); Dirk Kaliebe: €14 thousand (pro rata temporis amount for six months).

invest variable compensation to build the share investment portfolio in the form of shares ends when the respective Management Board member leaves office. The respective Management Board member may only sell shares from the personal investment share portfolio during their term in office if the minimum value of the fixed annual compensation is complied with and statutory or regulatory restrictions do not prohibit the sale.

There was a special rule for the three-year period from 2017/2018 to 2019/2020. The amount resulting according to the previous rule from the objective already set for the first portion of the multi-year variable compensation of financial year 2017/2018 (2017/2018 tranche) and the related evaluation with regard to the (proportional) target compensation of no more than 30 percent of the fixed annual compensation, in the event of the agreed achievement of objectives, was counted towards this new rule and paid out after the end of the three-year period in the 2019/2020 financial year.

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.

Compensation 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
		Fixed compensation 1)	Fringe benefits	One-year variable compensation	Multi-year 2) variable compensation	
Rainer Hundsdörfer	2018/2019	647	26	594	361	1,628
	2019/2020	662	27	0	131	820
Marcus A. Wassenberg 3)	2018/2019	0	0	0	0	0
	2019/2020	229	12	0	67	308
Total	2018/2019	647	26	594	361	1,628
	2019/2020	891	39	0	198	1,128
Prof. Dr. Ulrich Hermann 4)	2018/2019	400	25	367	223	1,015
	2019/2020	359	34	40	301 5)	734
Stephan Plenz 6)	2018/2019	400	14	367	223	1,004
	2019/2020	273	12	248	263 7)	796
Dirk Kaliebe 8)	2018/2019	400	16	367	223	1,006
	2019/2020	207	11	186	233 9)	637
Total	2018/2019	1,847	81	1,695	1,030	4,653
	2019/2020	1,730	96	474	995	3,295

1) The remuneration waived by members of the Management Board in the 2019/2020 financial year amounted to € 17 thousand (previous year: € 36 thousand) in total.
In the 2018/2019 financial year: From October 1, 2018 the monthly fixed compensation of members of the Management Board was increased by 3 percentage points each and, furthermore, from the 2018/2019 financial year, the fixed annual compensation of Prof. Dr. Ulrich Hermann was adjusted to match that of Dirk Kaliebe and Stephan Plenz.

2) In the 2018/2019 financial year, this includes the fair value as of the grant date of the multi-year share-based cash compensation as follows:
Rainer Hundsdörfer: € 163 thousand; Dirk Kaliebe: € 101 thousand; Prof. Dr. Ulrich Hermann: € 101 thousand; Stephan Plenz: € 101 thousand.
In the 2019/2020 financial year, this includes the fair value as of the grant date of the multi-year share-based cash compensation as follows:
Rainer Hundsdörfer: € 131 thousand; Marcus A. Wassenberg: € 67 thousand; Prof. Dr. Ulrich Hermann: € 81 thousand; Stephan Plenz: € 81 thousand; Dirk Kaliebe: € 81 thousand.
The total expenses in the 2019/2020 financial year for multi-year share-based cash compensation of € 873 thousand (previous year: total income of € 356 thousand) breaks down as follows: Rainer Hundsdörfer: income of € 24 thousand (previous year: income of € 125 thousand); Marcus A. Wassenberg: € 2 thousand (previous year: € 0 thousand); Prof. Dr. Ulrich Hermann: € 334 thousand (previous year: income of € 77 thousand); Stephan Plenz: € 296 thousand (previous year: income of € 77 thousand); Dirk Kaliebe: € 265 thousand (previous year: income of € 77 thousand).

3) Marcus A. Wassenberg was appointed as a member of the Management Board effective September 1, 2019.
The information here relates to the period September 1, 2019 to March 31, 2020.

4) Prof. Dr. Ulrich Hermann's appointment as a member of the Management Board ended on February 16, 2020.
His Management Board service agreement expired on March 31, 2020. The information here relates to the period from April 1, 2019 to February 16, 2020.

5) The amount breaks down as follows: 2017/2018 tranche: € 53 thousand; 2018/2019 tranche: € 113 thousand; 2019/2020 tranche: € 135 thousand.

6) Stephan Plenz's appointment as a member of the Management Board ended as of November 30, 2019. His Management Board service agreement expires on June 30, 2020.
The information here relates to the period from April 1, 2019 to November 30, 2019.

7) The amount breaks down as follows: 2017/2018 tranche: € 40 thousand; 2018/2019 tranche: € 101 thousand; 2019/2020 tranche: € 122 thousand.

8) Dirk Kaliebe's appointment as a member of the Management Board and his service agreement ended on September 30, 2019.
The information for the reporting year relates to the period from April 1, 2019 to September 30, 2019.

9) The amount breaks down as follows: 2017/2018 tranche: € 30 thousand; 2018/2019 tranche: € 91 thousand; 2019/2020 tranche: € 112 thousand.

Rainer Hundsdörfer, Prof. Ulrich Hermann and Stephan Plenz invested the portions of the one-year variable compensation paid for financial year 2018/2019 as well as the corresponding portions of the multi-year variable compensation for financial years 2016/2017, 2017/2018 and 2018/2019 (2016/2017 tranche) in shares of Heidelberger Druckmaschinen Aktiengesellschaft on August 7, 2019, 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 Management Board members and published on the Heidelberger Druckmaschinen Aktiengesellschaft website on August 8, 2019.

In the year under review, FRINGE BENEFITS primarily consist of the value of the private use of a company car.

BENEFITS TO MEMBERS OF THE MANAGEMENT BOARD WHO LEFT IN THE REPORTING YEAR (total amount for all former members of the Management Board not including pension contributions for Dirk Kaliebe for the period from October 1, 2019 to September 30, 2021: € 5,499 thousand) are as follows:

DIRK KALIEBE's term in office as a member of the Management Board and his service agreement with Heidelberger Druckmaschinen Aktiengesellschaft ended on September 30, 2019 (end of contract).

An agreement was entered into between Heidelberger Druckmaschinen Aktiengesellschaft and Dirk Kaliebe on May 27, 2019 with essentially the following content:

The following regulations apply to the period until the end of his contract (September 30, 2019): Assuming the achievement of 90 percent of fixed annual compensation, Dirk Kaliebe receives pro rata temporis (6/12) one-year variable remuneration for the 2019/2020 financial year of € 186 thousand. In addition, assuming the general achievement of 90 percent of fixed annual compensation, he receives pro rata temporis (30/36) multi-year variable compensation

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

Figures in € thousands		Accrued pension funds as of the end of the reporting period	Pension contribution during the reporting year [2]	Defined benefit obligation	Service cost
Rainer Hundsdörfer	2018/2019	552	231	558	234
	2019/2020	796	234	800	234
Marcus A. Wassenberg [3]	2018/2019	0	0	0	0
	2019/2020	82	82	97	97
Prof. Dr. Ulrich Hermann [4]	2018/2019	340	143	393	144
	2019/2020	–	127	–	127
Stephan Plenz [5]	2018/2019	1,711	143	1,947	144
	2019/2020	–	96	–	96
Dirk Kaliebe [6]	2018/2019	1,799	143	2,068	144
	2019/2020	–	72	–	72

[1] The pension entitlement that can be achieved by the age of 65 (Rainer Hundsdörfer and Marcus A. Wassenberg) is dependent on personal compensation 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. 7 percent and Marcus A. Wassenberg: approx. 17 percent of the respective last fixed compensation.

[2] For Rainer Hundsdörfer and Marcus A. Wassenberg, 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. The waiver of remuneration in the 2019/2020 and 2018/2019 financial years had no effect on pensionable fixed annual compensation.

[3] Marcus A. Wassenberg was appointed as a member of the Management Board effective September 1, 2019. The information here relates to the period from September 1, 2019 to March 31, 2020. As the service cost amounts to € 0 thousand in the 2019/2020 financial year, the addition to the defined benefit obligation for the period from September 1, 2019 to March 31, 2020 is reported under "Service Cost".

[4] Prof. Dr. Ulrich Hermann's appointment as a member of the Management Board ended on February 16, 2020. His Management Board service agreement expired on March 31, 2020. The information here relates to the period from April 1, 2019 to February 16, 2020.

[5] Stephan Plenz's appointment as a member of the Management Board ended as of November 30, 2019. His Management Board service agreement expires on June 30, 2020. The information here relates to the period from April 1, 2019 to November 30, 2019.

[6] Dirk Kaliebe's appointment as a member of the Management Board and his service agreement ended on September 30, 2019. The information for the reporting year relates to the period from April 1, 2019 to September 30, 2019.

for the three-year period from 2017/2018 to 2019/2020 of € 301 thousand (including an entitlement previously established and thus already vested of € 120 thousand), assuming the general achievement of 90 percent of fixed annual compensation, he receives pro rata temporis (18/36) multi-year variable compensation for the three-year period from 2018/2019 to 2020/2021 of € 181 thousand and assuming the general achievement of 90 percent of fixed annual compensation, he receives pro rata temporis (6/36) multi-year variable compensation for the three-year period from 2019/2020 to 2021/2022 of € 62 thousand. The one-year variable compensation and the multi-year variable compensation as set out above are paid out at the same time as for active members of the Management Board.

The following regulations apply to the period from October 1, 2019 to September 30, 2021 (original agreement appointment): For the early termination of his engagement and to generally cover lost remuneration (fixed annual compensation from October 1, 2019; one-year variable compensation from October 1, 2019 to September 30, 2021 and the pro rata multi-year variable compensation for the 2019/2020 to 2021/2022 financial years), he receives a one-time severance payment of € 2,317 thousand. In calculating the severance payment, an amount of 90 percent of the fixed annual compensation per financial year, i.e. 180 percent in total, was assumed for the one-year and multi-year variable compensation. The severance payment was paid out on October 31, 2019.

From the time of this agreement becoming effective, Dirk Kaliebe is no longer under any obligation to add to or maintain a portfolio of shares.

In addition, the company car can be used beyond the end of the agreement (amendment of previous service agreement) until the end of his originally agreed appointment (September 30, 2021) under the same terms and conditions (benefit in kind: € 28 thousand); thereafter the company car can be acquired by Dirk Kaliebe at the lower of its remaining value according to the DAT system and current fair value. Furthermore, the Company has undertaken to maintain Dirk Kaliebe's cover under the current or another D&O insurance policy for a period of at least ten years after the end of his term in office as a member of the Management Board, or at least until the end of the limitation period for claims against Dirk Kaliebe in accordance with section 93 (6) AktG under the same terms and conditions as for active members of the Management Board.

On the basis of the existing pension agreement, Heidelberger Druckmaschinen Aktiengesellschaft will pay the fixed pension contribution of 35 percent of his eligible remuneration (respective pension contribution: € 145 thousand) at the due dates of July 1, 2020, July 1, 2021 and July 1, 2022 (amendment of previous service agreement), provided that the payment of benefits has not yet commenced in accordance with the provisions of the pension agreement at that time. The pro rata pension contributions amount to € 362 thousand for the period from October 1, 2019 to September 30, 2021; the corresponding past service cost amounts to € 333 thousand. Heidelberger Druckmaschinen Aktiengesellschaft has undertaken to protect his pension benefits by way of a reinsurance policy pledged to him or a pension trustee as referred to in section 246 (2) sentence 2 HGB; this will only be provided at Dirk Kaliebe's request and not before October 1, 2021 at the earliest.

In summary, the amounts of the benefits promised and granted in connection with Dirk Kaliebe leaving the Management Board are as follows:

€ thousands	
Severance pay	2,317
Fringe benefits for the period October 1, 2019 to September 30, 2021	28
Pension contributions for the period from October 1, 2019 to September 30, 2021 (past service cost: € 333 thousand)	362
Total	**2,707**

The appointment of **STEPHAN PLENZ** as a member of the Management Board was ended early by mutual arrangement on November 30, 2019; due to the fixed term, his service agreement with Heidelberger Druckmaschinen Aktiengesellschaft will end on June 30, 2020 (end of service agreement).

An agreement was entered into between Heidelberger Druckmaschinen Aktiengesellschaft and Stephan Plenz on November 28, 2019 with essentially the following content:

Stephan Plenz was released from his duty to provide services with continued pay effective December 1, 2019. His fixed monthly compensation of € 34 thousand will continue to be paid for the period from December 1, 2019 to June 30, 2020 (total amount: € 242 thousand); in addition, he was reimbursed for the compensation he waived for the period October 2019 to November 2019 (€ 3 thousand). While released from his duty to provide services (amendment of previous service agreement), he is entitled to perform other employment or activities, provided this is not in competition with the Company and does not aid competition by a third party. This applies in particular to direct or indirect consulting for companies that are shareholders of the Company so that the interests of the Company are not lastingly impaired as a result; any approval is to be granted by the Management Board of the Company. Other earnings will not be deducted from his compensation.

He can continue to use the company car provided to him for private use until the end of his service agreement (benefit in kind: € 7 thousand). Furthermore, he has the right to acquire his company car at its respective fair value by unilateral declaration, though not before the end of June 30, 2020 at the earliest. The accident insurance currently in place will be maintained until the end of his service agreement.

To cover his claims to one-year variable compensation, on the basis of the achievement of 90 percent of fixed annual compensation, he will receive an amount of € 372 thousand for the period from April 1, 2019 to March 31, 2020 and an amount of € 93 thousand for the period from April 1, 2020 to June 30, 2020. To cover his claims to multi-year variable compensation, on the basis of the achievement of 90 percent of the relevant fixed annual compensation in each case, he will receive an amount of € 362 thousand for the performance period from April 1, 2017 to March 31, 2020, an amount of € 271 thousand for the share of the performance period of the 2018/2019, 2019/2020 and 2020/2021 financial years relating to the period from April 1, 2018 to June 30, 2020, an amount of € 155 thousand for the share of the performance period of the 2019/2020, 2020/2021 and 2021/2022 financial years relating to the period from April 1, 2019 to June 30, 2020 and an amount of € 31 thousand for the share of the performance period of the 2020/2021, 2021/2022 and 2022/2023 financial years relating to the period from April 1, 2020 to June 30, 2020. The one-year variable compensation and the multi-year variable compensation as set out above are paid out at the same time as for active members of the Management Board. From the time of this agreement becoming effective, Stephan Plenz is no longer under any obligation to add to or maintain a portfolio of shares.

Furthermore, Heidelberger Druckmaschinen Aktiengesellschaft will pay Stephan Plenz a transitional allowance in the amount of one year's fixed annual compensation of € 414 thousand, which is due and payable at the end of his service agreement. Other earnings will not be deducted from his compensation.

Furthermore, Heidelberger Druckmaschinen Aktiengesellschaft has undertaken to maintain his existing D&O insurance until at least the end of his service agreement. Moreover, the Company will ensure that Stephan Plenz continues to be insured under the existing secondary liability for a period of ten years after the end of his service agreement, or at least until the start of the limitation period in accordance with section 93 (6) AktG, and for this purpose will take out secondary liability insurance covering the date at which Stephan Plenz leaves the Management Board and the limitation period in accordance with section 93 (6) AktG.

In order to fully protect his direct benefit commitments from insolvency, the Company has agreed to take out a reinsurance policy and to pledge this to Stephan Plenz. The one-time amount paid for the insurance and the HGB settlement amount as of March 31, 2020 differ only marginally.

In summary, the amounts of the benefits promised and granted in connection with Stephan Plenz leaving the Management Board are as follows:

€ thousands	
Transitional allowance	414
Fixed compensation including fringe benefits for the period December 1, 2019 to June 30, 2020	252
Performance-based compensation for the period from December 1, 2019 to June 30, 2020 [1]	339
Total	**1,005**

[1] Not including amounts attributable to share-based compensation if these were disclosed at their fair value as of the grant date in previous years

The appointment of PROF. DR. ULRICH HERMANN as a member of the Management Board was ended early by mutual arrangement on February 16, 2020; his service agreement with Heidelberger Druckmaschinen Aktiengesellschaft ended on March 31, 2020 (end of service agreement).

A cancellation agreement was entered into between Heidelberger Druckmaschinen Aktiengesellschaft and Prof. Dr. Ulrich Hermann on February 13/17, 2020 with essentially the following content:

Prof. Dr. Ulrich Hermann was released from his duty to provide services with continued pay effective February 18, 2020. His fixed monthly compensation of € 34 thousand was paid until March 31, 2020 (total amount: € 50 thousand). He was permitted to continue to use the company car provided to him for private use until the end of his service agreement (benefit in kind: € 3 thousand). Furthermore, he was granted the right to acquire his company car from March 31, 2020 at the earliest, with the purchase price to be determined by a neutral expert. The accident insurance currently in place will be maintained until the end of his service agreement.

To cover his claims to one-year variable compensation, on the basis of the achievement of 10.9 percent of fixed annual compensation, he will receive an amount of € 45 thousand for the period from April 1, 2019 to March 31, 2020. To cover his claims to multi-year variable compensation, on the basis of the achievement of 90 percent of the relevant fixed annual compensation in each case, he will receive an amount of € 360 thousand for the performance period from April 1, 2017 to March 31, 2020, an amount of € 241 thousand for the share of the performance period of the 2018/2019, 2019/2020 and 2020/2021 financial years relating to the period from April 1, 2018 to March 31, 2020 and an amount of € 124 thousand for the share of the performance period of the 2019/2020, 2020/2021 and 2021/2022 financial years relating to the period from April 1, 2019 to March 31, 2020. The one-year variable compensation and the multi-year variable compensation as set out above are paid out at the same time as for active members of the Management Board. From the time of this agreement becoming effective, Prof. Dr. Ulrich Hermann is no longer under any obligation to add to or maintain a portfolio of shares.

Heidelberger Druckmaschinen Aktiengesellschaft pays Prof. Dr. Ulrich Hermann severance pay of € 2,069 thousand (250 percent of fixed annual compensation for a period of two years) to be paid in five installments: 30 percent as of April 30, 2020, 20 percent as of August 31, 2020, 15 percent as of January 31, 2021, 15 percent as of April 30, 2021 and 20 percent as of July 31, 2021. Between December 31, 2020 and March 31, 2022, any other earnings under any other employment agreements, of which he is required to furnish the Company with evidence, must be deducted from the severance payments still outstanding in accordance with section 326 (2) sentence 2 and section 615 (2) BGB.

Furthermore, Heidelberger Druckmaschinen Aktiengesellschaft has undertaken to maintain his existing D&O insurance until the end of his service agreement.

In summary, the amounts of the benefits promised and granted in connection with Prof. Dr. Ulrich Hermann leaving the Management Board are as follows:

€ thousands	
Severance pay	2,069
Fixed compensation including fringe benefits for the period February 17, 2020 to March 31, 2020	53
Performance-based compensation for the period from February 17, 2020 to March 31, 2020 [1]	27
Total	**2,149**

[1] Not including amounts attributable to share-based compensation if these were disclosed at their fair value as of the grant date in previous years

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

In the 2018/2019 financial year, the contract with Rainer Hundsdörfer (Chief Executive Officer) was extended by around three years; Marcus A. Wassenberg was appointed as an ordinary member of the Management Board for a period of three years in the reporting year.

The pension agreement provides for a defined contribution commitment. For each contribution year, a pension contribution will be credited consisting of a fixed pension contribution and any additional contribution. This performance-based additional contribution is paid depending on the amount of the annual EBIT of the Heidelberg Group in the past contribution year. This pension capital bears interest. The fixed pension contribution is 35 percent of the corresponding fixed compensation. 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 fixed 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 on the Company's Management Board, with attributable time up to the age of 65 and a maximum pension percentage of 60 percent. If the contract of employment expires prior to the start of benefit payments, the claim to the accrued pension funds 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 Marcus A. Wassenberg are vested immediately.

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. An entitlement to multi-year variable compensation determined, established and thus already vested at the date of departure is unaffected by the severance and transitional regulations and is paid immediately after departure or, with regard to the new multi-year variable compensation, as soon as the annual financial statements of the financial year in question have been prepared, but no later than the end of the first quarter of the financial year following the departure. 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 compensation 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, with the corresponding changes, 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. If no decision on reappointment is made by at least nine months before the end of the term in office and the Management Board member is not reappointed thereafter, the Management Board member receives a severance payment in the amount of the fixed annual compensation (transitional payment). The entitlement to this fixed annual compensation arises at the time of termination of the service agreement. It does not arise if, when the decision on reappointment is made or by the time of termination of the service agreement, there is good cause for which the Management Board member is responsible that would give the Company a right to termination in accordance with section 626 BGB. The above rule applies with the corresponding changes to the payment and eligibility of other compensation.

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 annual compensation of € 40,000. The Chairman of the Supervisory Board receives three times this amount, the Deputy Chairman twice this amount. The members of the Management Committee, the Audit Committee and the Committee on Arranging Personnel Matters of the Management Board receive additional compensation for work on these committees. Each committee member receives compensation of € 1,500 per meeting for participation in a meeting of these committees. The Chairman of the Audit Committee receives compensation of € 4,500 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 per meeting. The members of the Supervisory Board also receive an attendance fee of € 500 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 VAT payable on them 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 12 members.

The members of the union and of the 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 €	2018/2019				**2019/2020**			
	Fixed annual compen-sation	Attendance fees	Committee compen-sation	Total	Fixed annual compen-sation	Attendance fees	Committee compen-sation	Total
Dr. Martin Sonnenschein [1)]	0	0	0	0	40,000	2,500	4,000	46,500
Dr. Siegfried Jaschinski [2)]	120,000	6,000	16,500	142,500	80,000	5,500	28,000	113,500
Ralph Arns [3)]	70,000	4,500	6,000	80,500	80,000	7,500	15,000	102,500
Rainer Wagner [4) 5)]	26,666	2,500	6,000	35,166	0	0	0	0
Joachim Dencker [6)]	30,000	2,500	0	32,500	40,000	6,000	0	46,000
Gerald Dörr [6)]	30,000	2,500	3,000	35,500	40,000	6,500	7,500	54,000
Mirko Geiger	40,000	6,000	7,500	53,500	40,000	7,000	7,500	54,500
Karen Heumann	40,000	3,000	4,500	47,500	40,000	5,500	7,500	53,000
Oliver Jung	40,000	4,500	3,000	47,500	40,000	7,500	10,500	58,000
Kirsten Lange	40,000	6,000	7,500	53,500	40,000	7,000	7,500	54,500
Li Li [7)]	0	0	0	0	30,000	3,500	0	33,500
Dr. Herbert Meyer [5)]	13,333	2,500	13,500	29,333	0	0	0	0
Petra Otte [6)]	30,000	2,000	0	32,000	40,000	5,500	0	45,500
Ferdinand Rüesch [6)]	30,000	3,000	3,000	36,000	40,000	6,500	7,500	54,000
Beate Schmitt	40,000	3,500	6,000	49,500	40,000	7,500	15,000	62,500
Prof. Dr.-Ing. Günther Schuh [8)]	40,000	2,500	0	42,500	13,333	1,000	0	14,333
Christoph Woesler [5)]	13,333	1,000	0	14,333	0	0	0	0
Roman Zitzelsberger [5)]	13,333	1,000	0	14,333	0	0	0	0
Total	616,665	53,000	76,500	746,165	603,333	79,000	110,000	792,333

1) Member of the Supervisory Board and Chairman of the Supervisory Board since December 1, 2019
2) Member of the Supervisory Board and Chairman of the Supervisory Board until November 30, 2019
3) Deputy Chairman of the Supervisory Board from July 25, 2018
4) Deputy Chairman of the Supervisory Board until July 25, 2018
5) Member of the Supervisory Board until July 25, 2018
6) Member of the Supervisory Board since July 25, 2018
7) Member of the Supervisory Board since July 25, 2019
8) Member of the Supervisory Board until July 25, 2019

Takeover disclosures in accordance with section 289a (1) HGB

In accordance with section 289a (1) sentence 1 nos. 1 to 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 in the management report:

As of March 31, 2020, the issued capital (share capital) of Heidelberger Druckmaschinen Aktiengesellschaft amounted to € 779,466,887.68 and was divided into 304,479,253 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 71b of the German Stock Corporation Act (AktG).

The appointment and dismissal of members of the Management Board is based on sections 84 et seq. AktG in conjunction with sections 30 et seq. of the German Codetermination Act (MitbestG).

Amendments to the Articles of Association are made in accordance with the provisions of sections 179 et seq. 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 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 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 can be exercised 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 can be exercised in full or in part in each case.

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 rights can 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 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 (3) of the Articles of Association.

The Annual General Meeting on July 25, 2019 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 the above instruments (hereinafter collectively 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 24, 2024, and to grant the bearers or creditors of the bonds options or conversion rights to up to 30,447,925 bearer shares of the Company with a pro rata amount of share capital of up to € 77,946,688.00 in total, in accordance with the further conditions of the bonds. Shareholders’ preemptive rights can be disapplied in accordance with the further conditions of this authorization. For this purpose, the share capital of Heidelberger Druckmaschinen Aktiengesellschaft was contingently increased by up to € 77,946,688.00 (Contingent Capital 2019). In addition, the Annual General Meeting on July 25, 2019 resolved to cancel Contingent Capital 2015. Details on Contingent Capital 2019 can be found in Article 3 (4) of the Articles of Association.

In accordance with the resolution of the Annual General Meeting on July 25, 2019, the Management Board was authorized, with the approval of the Supervisory Board, to increase the share capital of the Company by up to € 185,609,612.80 on one or more occasions by issuing up to 72,503,755 new shares against cash or non-cash contributions by July 24, 2024 (Authorized Capital 2019). Shareholders’ preemptive rights can be disapplied in accordance with the further conditions of this authorization. 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.

In addition, the Annual General Meeting on July 25, 2019 resolved to cancel Authorized Capital 2015 upon Authorized Capital 2019 coming into effect, provided that it has not been utilized by this date. Details on Authorized Capital 2019 can be found in Article 3 (5) of the Articles of Association.

The credit facility signed on March 25, 2011 and extended until June 2023 by way of an agreement with several banks in March 2018, 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 and a bilateral loan agreement with a German Landesbank dated May 23, 2017, 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 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 can 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.

Non-financial report

The separate combined non-financial report in accordance with sections 315b and 315c in conjunction with sections 289b to 289e HGB for the financial year 2019/2020 is permanently available on our website www.heidelberg.com under “Investor Relations”, “Reports and Presentations”.

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 annual financial statements.

Corporate Governance Declaration

The Corporate Governance Declaration in accordance with section 289f HGB and section 315d HGB has been made permanently available at www.heidelberg.com under “Company” > “About Us” > “Corporate Governance”.

Financial section 2019/2020

Income statement 2019/2020

Figures in € thousands	Note	1-Apr-2018 to 31-Mar-2019	**1-Apr-2019 to 31-Mar-2020**
Net sales	4	1,233,319	1,108,121
Change in inventories		15,265	– 38,118
Other own work capitalized		32,382	25,966
Total operating performance		**1,280,966**	**1,095,969**
Other operating income	5	62,965	165,750
Cost of materials	6	611,096	560,361
Staff costs	7	449,379	449,707
Amortization and write-downs of intangible non-current assets and depreciation and write-downs of property, plant and equipment		50,934	130,729
Other operating expenses	8	246,865	366,840
Result of operating activities		**– 14,343**	**– 245,918**
Result from financial assets	9	30,169	76,761
Other interest and similar income	10	6,970	9,097
Interest and similar expenses	11	109,144	101,766
Financial result		**– 72,005**	**– 15,908**
Taxes on income	12	1,961	1,661
Net result after taxes		**– 88,309**	**– 263,487**
Net loss for the year		**– 88,309**	**– 263,487**
Withdrawals from retained earnings	18	–	– 88,309
Net accumulated losses		**– 88,309**	**– 351,796**

Statement of financial position as of March 31, 2020

Assets

Figures in € thousands	Note	31-Mar-2019	31-Mar-2020
Non-current assets	13		
Intangible assets		108,962	43,476
Property, plant and equipment		516,636	498,108
Financial assets		861,652	971,834
		1,487,250	1,513,418
Current assets			
Inventories	14	384,749	336,536
Receivables and other assets	15	228,093	222,053
Cash and cash equivalents	16	123,761	270,963
		736,603	829,552
Prepaid expenses	17	8,565	7,614
		2,232,418	**2,350,584**

Equity and liabilities

Figures in € thousands	Note	31-Mar-2019	31-Mar-2020
Equity	18		
Subscribed capital [1)]		779,467	779,467
Treasury shares		– 366	– 366
Issued capital		779,101	779,101
Capital reserves		57,296	57,296
Retained earnings		6,952	6,952
Net accumulated losses		– 88,309	– 351,796
		755,040	491,553
Special reserves	19	7,471	7,153
Provisions			
Provisions for pensions and similar obligations	20	315,976	730,102
Other provisions	21	154,014	252,013
		469,990	982,115
Liabilities	22	998,515	869,265
Deferred income		1,402	498
		2,232,418	**2,350,584**

[1)] Contingent capital as of March 31, 2020 in the amount of € 126,177 thousand (previous year: € 180,039 thousand)

Financial section 2019/2020

Statement of changes in non-current assets

Figures in € thousands					Cost
	1-Apr-2019	Additions	Disposals	Reclassifications	**31-Mar-2020**
Intangible assets					
Internally generated rights, similar rights and assets	109,357	15,789	–	–	125,146
Purchased software, rights of use and other rights	54,897	7,169	– 657	–	61,409
	164,254	**22,958**	**– 657**	**–**	**186,555**
Property, plant and equipment					
Land and buildings	493,750	7,542	– 521	3,931	504,702
Technical equipment and machinery	296,979	2,974	– 1,772	503	298,684
Other equipment, operating and office equipment	432,758	15,950	– 24,466	1,625	425,867
Advance payments and assets under construction	9,041	8,600	– 10	– 6,059	11,572
	1,232,528	**35,066**	**– 26,769**	**0**	**1,240,825**
Financial assets					
Shares in affiliated companies	1,714,265	15,370	– 48,000	–	1,681,635
Loans to affiliated companies	10,094	–	– 3,474	–	6,620
Equity investments	3,918	1,406	–	–	5,324
Securities classified as non-current assets	2	–	–	55,759 [1]	55,761
Other loans	2	–	– 2	14,725 [1]	14,725
	1,728,281	**16,776**	**– 51,476**	**70,484**	**1,764,065**
	3,125,063	**74,800**	**– 78,902**	**70,484**	**3,191,445**

[1] See note 13 Non-current assets

Cumulative depreciation and amortization					Carrying amounts	
1-Apr-2019	Additions [2]	Disposals	Write-ups	**31-Mar-2020**	31-Mar-2019	**31-Mar-2020**
17,273	85,663	–	–	102,936	92,084	22,210
38,019	2,407	– 283	–	40,143	16,878	21,266
55,292	**88,070**	**– 283**	**–**	**143,079**	**108,962**	**43,476**
155,447	13,788	– 198	–	169,037	338,303	335,665
238,119	6,208	– 1,738	–	242,589	58,860	56,095
322,326	22,663	– 13,898	–	331,091	110,432	94,776
–	–	–	–	–	9,041	11,572
715,892	**42,659**	**– 15,834**	**–**	**742,717**	**516,636**	**498,108**
866,086	5,157	–	– 79,554	791,689	848,179	889,946
–	–	–	–	–	10,094	6,620
542	–	–	–	542	3,376	4,782
–	–	–	–	–	2	55,761
1	–	– 1	–	0	1	14,725
866,629	**5,157**	**– 1**	**– 79,554**	**792,231**	**861,652**	**971,834**
1,637,813	**135,886**	**– 16,118**	**– 79,554**	**1,678,027**	**1,487,250**	**1,513,418**

[2] Including impairment losses of € 87,410 thousand (previous year: € 7,833 thousand), € 75,018 thousand of which for capitalized development costs, € 15 thousand for technical equipment and machinery and € 7,220 thousand for other equipment, operating and office equipment. Impairment losses of € 5,157 thousand are also included in the "Shares in affiliated companies" item

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).

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

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

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 case 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. Impairment losses are recognized for permanent impairment.

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 acquired or manufactured depreciable movable non-current assets with an acquisition cost of more than € 250 (until December 31, 2017: € 150) and up to € 1,000. 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):

	2018/2019	2019/2020
Development costs	3 to 10	3 to 10
Software/other rights	3 to 31	3 to 31
Buildings	25 to 50	25 to 50
Technical equipment and machinery	12 to 31	12 to 31
Other equipment, operating and office equipment	4 to 26	5 to 26

Under financial assets, shares in affiliated companies, 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 salability through reductions in value.

Receivables and other assets are carried at their 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 the pattern of 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/her pension credit as a pension for life and, under certain conditions, have this paid out as a one-time capital payment. The installment/annuity payment option of 60 percent/40 percent constitutes a further actuarial assumption for the calculation of the pension provision. Provisions are measured on the basis of actuarial calculations using the 2018 G 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. The discount rate applied at the end of the year under review is based on the expected discount rate of 2.60 percent as of March 31, 2020 (previous year: discount rate of 3.07 percent published by Deutsche Bundesbank on March 31, 2019), as the application of the discount rate calculated and published by Deutsche Bundesbank on March 31, 2020 (2.61 percent) would have only resulted in minimal changes to the settlement amount.

Obligations under pension commitments are partly 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 cash and cash equivalents of Heidelberg Pension-Trust e.V., Heidelberg, are held in trust by the latter and serve to secure pension obligations as well as pension payments in case of delay. They do not qualify as plan assets. The fair value of the net assets covering pension liabilities 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 0.53 percent as of March 31, 2020 (previous year: 0.74 percent). Provisions for partial retirement obligations are also based on the 2018 G Heubeck 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 determined 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

	2018/2019	2019/2020
Europe, Middle East and Africa	527,936	439,400
Asia/Pacific	369,350	338,333
Eastern Europe	114,146	133,270
North America	167,833	159,594
South America	54,054	37,524
	1,233,319	**1,108,121**

€ 929 million or around 84 percent of total sales were generated outside Germany.

The business activities of Heidelberger Druckmaschinen Aktiengesellschaft are divided into the “Heidelberg Digital Technology” and “Heidelberg Lifecycle Solutions” segments. Net sales are broken down by segment as follows:

	2018/2019	2019/2020
Heidelberg Digital Technology	976,257	873,633
Heidelberg Lifecycle Solutions	257,062	234,488
	1,233,319	**1,108,121**

5 Other operating income

	2018/2019	2019/2020
Reversals of write-downs on shares in affiliated companies	–	79,554
Reversal of provisions	27,159	36,418
Income from currency translation	31,246	32,731
Income from affiliated companies	870	14,045
Income from the reversal of special reserves for investment grants	347	319
Income from operating facilities	61	49
Other income	3,282	2,634
	62,965	**165,750**

The increase in income from currency translation of € 1.5 million is offset by higher expenses of € 4.9 million (see note 8).

The increase in income from affiliated companies is due to the sale of a section of Heidelberger Druckmaschinen Aktiengesellschaft to an affiliated company.

Other operating income includes prior-period income of € 37.4 million essentially from the reversal of provisions.

Other operating income also includes extraordinary income of € 79.6 million from the reversal of write-downs on shares in affiliated companies.

The reversals of write-downs on shares in affiliated companies are discussed in note 13.

6 Cost of materials

	2018/2019	2019/2020
Cost of raw materials, consumables and supplies, and of goods purchased	549,916	509,480
Cost of purchased services	61,180	50,881
	611,096	**560,361**

The reduction in the cost of materials is primarily attributable to the lower level of net sales.

The “Cost of raw materials, consumables and supplies, and of goods purchased” item also includes restructuring expenses in connection with the discontinuation of production of Primefire and large-format printing presses in conjunction with the comprehensive package of measures announced on March 17, 2020 in the amount of € 8.6 million (previous year: € 0.0 million).

7 Staff costs and employees

	2018/2019	**2019/2020**
Wages and salaries	374,395	381,211
Social security costs and expenses for pensions and support	74,984	68,496
of which: for pensions	(9,550)	(1,485)
	449,379	**449,707**

In the year under review, the "Wages and salaries" item included restructuring expenses in connection with the adjustment of personnel capacity as part of the package of measures we announced on March 17, 2020 in the amount of € 2.5 million (previous year: € 0.0 million). In the previous year, staff costs included restructuring expenses of € 0.1 million.

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

The average number of employees was:

	2018/2019	**2019/2020**
Wiesloch-Walldorf	4,255	4,717
Brandenburg	438	437
Kiel	226	220
Heidelberg	516	38
Neuss	28	25
	5,463	5,437
Trainees	239	253
	5,702	**5,690**

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

8 Other operating expenses

	2018/2019	**2019/2020**
Net amount from additions to and utilization of provisions, relating to several types of expense	28,296	119,018
Expenses for other external services	57,538	65,903
Expenses from currency translation	28,564	33,461
Special direct selling expenses	34,524	30,167
Maintenance	22,214	19,072
Non-manufacturing overhead costs	9,653	8,848
Travel costs	5,328	4,845
Insurance expense	4,013	4,234
Rental and leasing	5,588	4,226
Other taxes	993	1,063
Advertising costs	988	867
Write-downs on receivables and other assets	4,219	381
Other costs	44,947	74,755
	246,865	**366,840**

In the year under review, restructuring expenses were primarily recognized in connection with additions to staff provisions as a result of partial early retirement agreements and the adjustment of personnel capacity. Restructuring expenses were also reported in the "Other costs" item due to the discontinuation of production of Primefire and large-format printing presses. Among other things, this was in conjunction with the comprehensive package of measures we announced on March 17, 2020 in the total amount of € 147.2 million (previous year: € 0.0 million). These expenses constituted extraordinary expenses in the year under review. In the previous year, additions to staff provisions included restructuring expenses of € 23.1 million.

The € 4.9 million increase in expenses from currency translation is offset by a € 1.5 million increase in income from currency translation (see note 5).

9 Result from financial assets

	2018/2019	2019/2020
Income from investments		
Income from profit transfer agreements	20,287	45,650
Income from other investments	11,823	72,666
	32,110	118,316
of which: from affiliated companies	(31,659)	(118,316)
Income from other securities and long-term loans	2,813	785
of which: from affiliated companies	(614)	(396)
Write-downs on financial assets and on securities classified as current assets	–	– 5,157
Expenses from profit transfer agreements	– 4,754	– 37,183
of which: from affiliated companies	(– 4,754)	(– 37,183)
	30,169	**76,761**

Results from profit transfer agreements include € 54.4 million (previous year: € 9.5 million) in indirect distributions from foreign Group companies to German Group companies.

Income from other securities and long-term loans relates to interest on five long-term loans extended to a German subsidiary, among other things.

10 Other interest and similar income

	2018/2019	2019/2020
Other interest and similar income	6,970	9,097
of which: from affiliated companies	(6,904)	(9,069)
	6,970	**9,097**

11 Interest and similar expenses

	2018/2019	2019/2020
Interest and similar expenses	109,144	101,766
of which: due to affiliated companies	(1,914)	(2,058)
of which: due to accrued interest	(73,228)	(72,333)
	109,144	**101,766**

Interest and similar expenses include expenses in connection with the convertible bond, the corporate bond, the credit facility, the development loans and additional loans (see note 22).

Expenses due to the interest cost of discounting provisions for pensions are offset against income from the plan assets measured at fair value (see note 20). These expenses include the effect of the reduction in the discount rate from 3.07 percent to 2.60 percent.

12 Taxes on income

	2018/2019	2019/2020
Current income tax expense	1,961	1,661
	1,961	**1,661**

As in the previous year, the tax expense for the year under review relates entirely to withholding tax incurred, including on dividends received.

Notes to the statement of financial position

13 Non-current assets

The carrying amounts of intangible assets decreased by € 65.5 million in net terms in the year under review, particularly as a result of write-downs of development costs capitalized in accordance with section 248 (2) HGB.

The carrying amounts of property, plant and equipment declined by € 18.5 million in the year under review.

The main reason for the reduction in intangible assets and property, plant and equipment is the discontinuation of production of Primefire and large-format printing presses in conjunction with the package of measures announced on March 17, 2020.

Write-downs of € 82.3 million were recognized for capitalized development costs, technical equipment and machinery and other equipment, operating and office equipment in the year under review as a result of permanent impairment.

Exercising the option provided by section 255 (3) sentence 2 HGB, borrowing costs are recognized in land and buildings in the amount of € 0.1 million.

Financial assets increased by a total of € 110.2 million. Of this figure, € 55.8 million related to securities (fund units) and € 14.7 million to loans. The loans, which constitute cash and cash equivalents of Heidelberg Pension-Trust e.V., Heidelberg, in the amount of € 14.7 million, are held in trust by the latter and serve to secure all pension obligations. They are currently sufficient to satisfy in full the pension obligations not already covered by the Pensions-Sicherungs-Verein (pension guarantee association) in the event of a corresponding claim while also providing a liquidity buffer for any delayed pension payments. Securities in the amount of € 55.8 million relate entirely to fund units. They relate to the retransfer of almost all the trust assets of Heidelberg Pension-Trust e.V., Heidelberg, which were previously administered by Heidelberg Pension-Trust e.V., Heidelberg, under the contractual trust arrangement (CTA) of Heidelberger Druckmaschinen Aktiengesellschaft (see note 20, which also contains disclosures on the agreement on the use of funds for these securities).

The reversals of write-downs for two subsidiaries in the amount of € 79.6 million are offset by disposals for three subsidiaries in connection with capital reductions in the amount of € 48.0 million. The regular review of the carrying amounts of investments resulted in the recognition of an impairment loss for one subsidiary in the amount of € 5.2 million. Shares in affiliated companies and equity investments increased by € 16.8 million as a result of three capital increases at subsidiaries. Loans to affiliated companies declined by a net amount of € 3.5 million as a result of regular repayments.

14 Inventories

	31-Mar-2019	**31-Mar-2020**
Raw materials, consumables and supplies	71,279	66,535
Work and services in progress	221,717	169,499
Finished goods and goods held for resale	91,497	99,890
Advance payments	256	612
	384,749	**336,536**

Write-downs of € 55.8 million were recognized in the year under review in order to adjust inventories to their net realizable value. Of this figure, € 51.9 million relates to restructuring expenses in connection with the comprehensive package of measures we announced on March 17, 2020 with a view to increasing profitability and improving liquidity.

15 Receivables and other assets

	31-Mar-2019	of which with a remaining term of more than 1 year	**31-Mar-2020**	of which with a remaining term of more than 1 year
Trade receivables	26,685	–	17,669	–
Receivables from affiliated companies	151,897	–	162,445	–
Other assets	49,511	–	41,939	–
	228,093	**–**	**222,053**	**–**

Receivables from affiliated companies include short-term loans of € 162.4 million (previous year: € 149.7 million).

Other assets primarily include tax refund claims paid, receivables from employees, and receivables from the German Federal Employment Agency. Tax refund claims of € 9.0 million did not arise until after the end of the financial year (previous year: € 1.0 million).

16 Cash and cash equivalents

Cash and cash equivalents in the amount of € 271.0 million (previous year: € 123.8 million) essentially 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. The increase in cash and cash equivalents relates to the retransfer of almost all the trust assets of Heidelberg Pension-Trust e.V., Heidelberg, which were previously administered by Heidelberg Pension-Trust e.V., Heidelberg, under the contractual trust arrangement (CTA) of Heidelberger Druckmaschinen Aktiengesellschaft (see note 20, which also contains disclosures on the agreement on the use of funds for the returned cash and cash equivalents).

17 Prepaid expenses

In accordance with section 250 (3) HGB, prepaid expenses include the difference between the issue and settlement amounts of liabilities in the amount of € 3.5 million (previous year: € 2.8 million).

18 Equity

	1-Apr-2019	Net loss for the year	**31-Mar-2020**
Subscribed capital	779,467	–	779,467
Treasury shares	– 366	–	– 366
Issued capital	779,101	–	779,101
Capital reserves	57,296	–	57,296
Retained earnings			
Legal reserve	1,507	–	1,507
Other retained earnings	5,445	–	5,445
	6,952	–	6,952
Net accumulated losses	– 88,309	– 263,487	– 351,796
Equity	**755,040**	**– 263,487**	**491,553**

Share capital/number of shares outstanding/treasury stock

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

The share capital of Heidelberger Druckmaschinen Aktiengesellschaft amounts to € 779,466,887.68 and is divided into 304,479,253 shares.

As of March 31, 2020, the Company held 142,919 treasury shares, the same number as in the previous year. The amount of these shares allocated to share capital is € 366 thousand, as in the previous year, with a notional share of share capital of 0.05 percent as of March 31, 2020 (previous year: 0.05 percent).

The shares were acquired in March 2007. The pro rata cost of the acquisition was € 4,848 thousand. Additional pro rata transaction fees amounted to € 5 thousand. The pro rata cost of the acquisition was therefore € 4,853 thousand. These shares can only be utilized to reduce the capital of Heidelberger Druckmaschinen Aktiengesellschaft or for employee share participation programs and other forms of share distribution to the employees of the

Company or a subsidiary or to individuals who are or were employed by Heidelberger Druckmaschinen Aktiengesellschaft or one of its associates.

Contingent capital

Contingent Capital 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 rights can 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 (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 is entitled to repay the convertible bond ahead of schedule in full at the nominal value plus accrued interest. This requires that the share price multiplied by the applicable conversion ratio on 20 of the 30 consecutive trading days on the Frankfurt Stock Exchange before the announcement of the date of the early repayment exceeds 130 percent of the nominal value as of each of these 20 trading days. Each holder of the convertible bond is entitled to demand the repayment of all or some of his/her bonds for which the conversion right was not exercised and for which early repayment was announced by Heidelberger Druckmaschinen Aktiengesellschaft as of March 30, 2020 at the set nominal amount plus interest incurred by March 30, 2020 (exclusively).

On July 24, 2015, the Annual General Meeting resolved the cancellation of Contingent Capital 2014 to the extent that it is not intended to serve rights under the 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 on Contingent Capital 2014 can be found in Article 3 (3) of the Articles of Association. The resolution became effective on entry in the commercial register of the Mannheim Local Court on October 2, 2015.

Contingent Capital 2019

The Annual General Meeting on July 25, 2019 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 the above instruments (collectively 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 24, 2024, and to grant the bearers or creditors of the bonds options or conversion rights to up to 30,447,925 bearer shares of the Company with a pro rata amount of share capital of up to € 77,946,688.00 in total, in accordance with the further conditions of the bonds. Shareholders' preemptive rights can be disapplied in accordance with the further conditions of this authorization. The share capital of Heidelberger Druckmaschinen Aktiengesellschaft was contingently increased by up to € 77,946,688.00 for this purpose (Contingent Capital 2019); details on Contingent Capital 2019 can be found in Article 3 (4) of the Articles of Association. In addition, the Annual General Meeting on July 25, 2019 resolved to cancel Contingent Capital

2015. The resolutions became effective on entry of the amendment in the commercial register of the Mannheim Local Court on September 6, 2019.

Authorized capital

In accordance with the resolution of the Annual General Meeting on July 25, 2019, the Management Board was authorized, with the approval of the Supervisory Board, to increase the share capital of the Company by up to € 185,609,612.80 on one or more occasions by issuing up to 72,503,755 new shares against cash or non-cash contributions by July 24, 2024 (Authorized Capital 2019). Shareholders' preemptive rights can be disapplied in accordance with the further conditions of this authorization. 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 2019 can be found in Article 3 (5) of the Articles of Association. The resolutions became effective on entry of the amendment in the commercial register of the Mannheim Local Court on September 6, 2019.

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).

In the previous year, with the approval of a committee formed by the Supervisory Board for these purposes and acting in place of the Supervisory Board, the Management Board resolved to partially utilize Authorized Capital 2015 and to increase the company's share capital by issuing 25,743,777 new bearer shares against cash contributions with shareholders' pre-emption rights disapplied. This corresponds to an increase of the existing share capital of around 9.2 percent. The issue price was € 2.68 per new share. The issue proceeds of € 68,993 thousand were reduced by issue costs of € 532 thousand. Masterwork Machinery S.à r.l., Luxembourg, Luxembourg, was exclusively permitted to subscribe to and acquire the new shares. Masterwork Machinery S.à r.l. is a wholly owned subsidiary of Masterwork Group Co., Ltd., Tianjin, China. The capital increase became effective on being entered in the commercial register of the Mannheim Local Court on March 22, 2019. The share capital was thus increased by € 65,904,069.12 to € 779,466,887.68 and is now divided into 304,479,253 shares.

Authorized Capital 2015 was reduced accordingly from € 131,808,140.80 to € 65,904,071.68.

The Annual General Meeting on July 25, 2019 resolved to cancel Authorized Capital 2015 when Authorized Capital 2019 became effective, to the extent that it had not yet been utilized.

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

The capital reserves in the amount of € 57,296 thousand were recognized in accordance with section 272 (2) nos. 1 and 2 HGB and section 237 (5) AktG.

The HGB net loss for the financial year 2019/2020 in the amount of € 263,487 thousand will be carried forward to new account in full.

As of March 31, 2020, Heidelberger Druckmaschinen Aktiengesellschaft had reserves blocked from distribution in the amount of € 106,624 thousand.

An amount of € 22,210 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 € 84,414 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 section 25 or 25a (1) of the German Securities Trading Act (WpHG) and, from January 3, 2018, in accordance with section 33 (1) sentence 1, (2) and section 38 (1) sentence 1 and section 39 (1) sentence 1 WpHG. The list contains the most recent shareholder notifications in each case:

1. Masterwork Machinery S.à r.l.

DGAP voting right notification: Heidelberger Druckmaschinen AG: publication in accordance with section 40 (1) WpHG with the intention of dissemination throughout Europe; March 26, 2019/14:43; 1. Information on issuer: name: Heidelberger Druckmaschinen AG; street, house no.: Kurfürsten-Anlage 52 – 60; postcode: 69115; city:

Heidelberg, Germany; Legal Entity Identifier (LEI): 529900ZM98OISTG16932 2. Reason for notification: acquisition/disposal of shares with voting rights 3. Information on reporting entity: natural person (first name, last name): Li Li; date of birth: June 30, 1971; 4. Names of shareholders with 3 % or more voting rights if different from 3: Masterwork Machinery S.à r.l.; 5. Date of threshold event: March 22, 2019 6. Total voting rights: share of voting rights (total 7.a.) new: 8.46 %; share of instruments (total 7.b.1. + 7.b.2.) new: 0 %; total shares (total 7.a. + 7.b.) new: 8.46 %; total number of voting rights in accordance with section 41 WpHG new: 304479253; last notification: share of voting rights (total 7.a.): n/a %; share of instruments (total 7.b.1. + 7.b.2.): n/a %; total shares (total 7.a. + 7.b.): n/a % 7. Details of voting right holdings: a. Voting rights (sections 33, 34 WpHG): ISIN: DE0007314007; absolute: direct (section 33 WpHG): 0; attributed (section 34 WpHG): 25,743,777; total: 25,743,777; in %: direct (section 33 WpHG): 0 %; attributed (section 34 WpHG): 8.46 %; total: 8.46 %; 8. Information on reporting entity: Complete chain of subsidiaries beginning with the ultimate controlling person or the ultimate controlling company: Li Li; Tianjin Mingxuan Investment Co., Ltd.; Masterwork Group Co., Ltd.; Masterwork Machinery S.à r.l. Voting rights in %, if 3 % or higher: 8.46 %; total in %, if 5 % or higher: 8.46 %; 10. Other information: date: March 26, 2019.

2. Ministry of Finance on behalf of the State of Norway

DGAP voting right notification: Heidelberger Druckmaschinen AG: publication in accordance with section 40 (1) WpHG with the intention of dissemination throughout Europe; March 26, 2019/13:37; 1. Information on issuer: name: Heidelberger Druckmaschinen AG; street, house no.: Kurfürsten-Anlage 52 – 60; postcode: 69115; city: Heidelberg, Germany; Legal Entity Identifier (LEI): 529900ZM98OISTG16932 2. Reason for notification: acquisition/disposal of instruments 3. Information on reporting entity: legal entity: Ministry of Finance on behalf of the State of Norway; registered office, country: Oslo, Norway; 5. Date of threshold event: March 25, 2019 6. Total voting rights: share of voting rights (total 7.a.) new: 0.05 %; share of instruments (total 7.b.1. + 7.b.2.) new: 4.52 %; total shares (total 7.a. + 7.b.) new: 4.57 %; total number of voting rights of issuer, new: 304479253; last notification: share of voting rights (total 7.a.): 0.06 %; share of instruments (total 7.b.1. + 7.b.2.): 4.98 %; total shares (total 7.a. + 7.b.): 5.03 % 7. Details of voting right holdings: a. Voting rights (sections 33, 34 WpHG): ISIN: DE0007314007; absolute: direct (section 33 WpHG): 0; attributed (section 34 WpHG): 165,471; total: 165,471; in %: direct (section 33 WpHG): 0 %; attributed (section 34 WpHG): 0.05 %; total: 0.05 % b.1. Instruments within the meaning of section 38 (1) no. 1 WpHG: type of instrument: securities lending transaction (claim for reassignment); maturity/expiry: n/a; exercise period at any time; voting rights absolute: 13,752,002; voting rights in %: 4.52 %; total voting rights absolute: 13,752,002; total voting rights in %: 4.52 %; 8. Information on reporting entity: Complete chain of subsidiaries beginning with the ultimate controlling person or the ultimate controlling company: State of Norway; Norges Bank; 10. Other information: date: March 26, 2019.

3. Universal-Investment-Gesellschaft mit beschränkter Haftung

DGAP voting right notification: Heidelberger Druckmaschinen AG: Publication in accordance with section 40 (1) WpHG with the intention of dissemination throughout Europe; November 7, 2018/16:46 1. Information on issuer: name: Heidelberger Druckmaschinen AG; street, house no.: Kurfürsten-Anlage 52 – 60; postcode: 69115; city: Heidelberg, Germany; Legal Entity Identifier (LEI): 529900ZM98OISTG16932 2. Reason for notification: acquisition/disposal of shares with voting rights 3. Information on reporting entity: legal entity: Universal-Investment-Gesellschaft mit beschränkter Haftung; registered office, country: Frankfurt/Main, Germany 5. Date of threshold event: November 2, 2018 6. Total voting rights: share of voting rights (total 7.a.) new: 4.89 %; share of instruments (total 7.b.1. + 7.b.2.) new: 0.14 %; total shares (total 7.a. + 7.b.) new: 5.03 %; total number of voting rights of issuer, new: 278735476; last notification: share of voting rights (total 7.a.): 5.13 %; share of instruments (total 7.b.1. + 7.b.2.): 0.14 %; total shares (total 7.a. + 7.b.): 5.27 % 7. Details of voting right holdings: a. Voting rights (sections 33, 34 WpHG): ISIN: DE0007314007; absolute: direct (section 33 WpHG): –; attributed (section 34 WpHG): 13639871; total: 13639871; in %: direct (section 33 WpHG): – %; attributed (section 34 WpHG): 4.89 %; total: 4.89 %. b.1. Instruments within the meaning of section 38 (1) no. 1 WpHG: type of instrument: convertible bond ISIN DE000A14KEZ4; expiry: March 30, 2022; exercise period/term: May 11, 2015 to May 20, 2022; voting rights absolute: 385802; voting rights in %: 0.14 %; total voting rights absolute: 385802; total voting rights in %: 0.14 %; 8. Information on reporting entity: Complete chain of subsidiaries beginning with the ultimate controlling person or the ultimate controlling company: Universal-Investment-Gesellschaft mit beschränkter Haftung; Universal-Investment-Luxembourg S.A.

4. Dimensional Holdings Inc.

DGAP voting right notification: Heidelberger Druckmaschinen AG: Publication in accordance with section 40 (1) WpHG with the intention of dissemination throughout Europe; June 20, 2018/11:25 1. Information on issuer: Heidelberger Druckmaschinen AG; street, house no.: Kurfürsten-Anlage 52 – 60, postcode: 69115; city: Heidelberg, Germany 2. Reason for notification: acquisition/disposal of shares with voting rights 3. Information on reporting entity: name: Dimensional Holdings Inc.; registered office and country: Austin, Texas, United States of America 5. Date of threshold event: June 14, 2018 6. Total voting rights: share of voting rights (total 7.a.) new: 2.84 %; share of instruments (total 7.b.1. + 7.b.2.) new: 0.71 %; total shares (total 7.a. + 7.b.) new: 3.54 %; total number of voting rights of issuer, new: 278735476; last notification: share of voting rights (total 7.a.): 3.01 %; share of instruments (total 7.b.1. + 7.b.2.): 0.15 %; total shares (total 7.a. + 7.b.): 3.16 % 7. Details of voting right holdings: a. Voting rights (sections 33, 34 WpHG): ISIN: DE0007314007; absolute: direct (section 33 WpHG): –; attributed (section 34 WpHG): 7903035; total: 7903035; in %: direct (section 33 WpHG): – %; attributed (section 34 WpHG): 2.84 %; total: 2.84 %. b.1. Instruments within the meaning of section 38 (1) no. 1 WpHG: type of instrument: claim for reassignment (securities lending transaction); voting rights absolute: 1966620; voting rights in %: 0.71 %; total voting rights absolute: 1966620; total voting rights in %: 0.71 %; 8. Information on reporting entity: Complete chain of subsidiaries beginning with the ultimate controlling person or the ultimate controlling company: Dimensional Holdings Inc.; Dimensional Fund Advisors LP; Dimensional Holdings Inc.; Dimensional Fund Advisors LP; Dimensional Fund Advisors Ltd.; Dimensional Holdings Inc.; Dimensional Fund Advisors LP; DFA Canada LLC; Dimensional Fund Advisors Canada ULC; Dimensional Holdings Inc.; Dimensional Fund Advisors LP; DFA Australia Limited.

5. 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 %, allocated (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 on 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.

6. 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 % and 5 % and amounted to 9.02 % (23,210,000 voting rights). Mr. Ferdinand Rüesch also informed us that 9.02 % (23,210,000 voting rights) of the total voting rights in Heidelberger Druckmaschinen AG were 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 % and from which 3 % 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 % and 5 % and amounted to 9.02 % (23,210,000 voting rights).

19 Special reserves

	31-Mar-2019	**31-Mar-2020**
Special reserves for investment grants for non-current assets		
Taxable subsidies	7,274	7,046
Tax-exempt allowances	197	107
	7,471	**7,153**

Taxable subsidies essentially include a KfW loan for the energy rehabilitation of our innovation center in Wiesloch-Walldorf in the financial year 2019/2020.

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

Tax-free allowances include allowances under the German Investment Allowance Act of 2005/2007/2010 for 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:	2.60 %
Salary increase rate:	2.75 %
Pension increase rate:	1.40 %
Fluctuation:	1.00 %

In the financial year 2005/2006, Heidelberger Druckmaschinen Aktiengesellschaft established a contractual trust arrangement (CTA) with the trustee Heidelberg Pension-Trust e.V., Heidelberg, to secure external financing and insolvency protection for its pension obligations. The assets transferred were not accessible by any creditors and served solely to fulfill the pension obligations. They previously qualified as plan assets.

Heidelberger Druckmaschinen Aktiengesellschaft amended the trust agreement by way of an agreement with the trustee, Heidelberg Pension-Trust e.V., Heidelberg, dated March 17, 2020. Trust assets can now be transferred back to Heidelberger Druckmaschinen Aktiengesellschaft providing they do not fall below the minimum level as newly defined in the trust agreement (€ 14.7 million; see note 13). Unlike previously, this retransfer is now also possible if the corresponding pension obligations are not yet overfunded. The trust assets affected by the amendment to the agreement are no longer classified as plan assets ex nunc/prospectively following the amendment coming into force on March 17, 2020.

By way of agreements with Heidelberger Druckmaschinen Aktiengesellschaft dated March 17, 2020, the central works council also approved this amendment to the trust agreement on behalf and in the interest of the beneficiaries.

Accordingly, Heidelberger Druckmaschinen Aktiengesellschaft ceased offsetting these assets against pension obligations in accordance with section 246 (2) sentence 2 HGB as of March 17, 2020. At the transfer date, the assets previously classified as plan assets were reported in securities classified as non-current assets (€ 55.4 million), other loans (€ 14.7 million) and cash and cash equivalents (€ 303.8 million).

The retransfer required a corresponding application by the trustors and the corresponding approval of the trustee. The trustors did not have an entitlement to the retransfer. The funds transferred may be used only for contractually defined measures in connection with the reduction of financial liabilities and the reorientation of Heidelberger Druckmaschinen Aktiengesellschaft. In the case of defined events, including breaches of these conditions for the use of the funds, there is a contractual obligation to repay a portion of the transferred funds to the trustee.

There is also a reinsurance policy that qualifies as a plan asset. This is measured at fair value and offset against the pension provisions.

The fair value of the offset assets was € 28.0 million as of the end of the reporting period at an acquisition cost of € 28.0 million. The settlement amount of the offset liabilities was € 129.0 million as of the end of the reporting period.

The plan assets measured at fair value resulted in income of € 3.6 million in the year under review (previous year: expenses of € 0.4 million). Expenses due to the interest cost of discounting provisions for pensions amounted to € 71.7 million in the year under review (previous year: € 72.5 million) (see note 11).

21 Other provisions

	31-Mar-2019	**31-Mar-2020**
Other provisions		
Sales obligations	14,005	17,021
Staff obligations	117,230	196,474
Miscellaneous	22,779	38,518
	154,014	**252,013**

Sales obligations essentially relate to guarantees. Staff obligations exist in connection with vacation and working time credit, partial retirement programs and bonuses, among other things. They also contain restructuring provisions of € 131.8 million (previous year: € 54.5 million) primarily relating to the comprehensive package of measures we announced on March 17, 2020.

22 Liabilities

	31-Mar-2019	of which with a remaining term of			**31-Mar-2020**	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	208,600	58,600	150,000	–	167,200	–	167,200	–
of which convertible	(58,600)	(58,600)	(–)	(–)	(17,200)	(–)	(17,200)	(–)
Amounts due to banks	241,025	21,805	210,225	8,995	230,455	69,011	155,661	5,783
Advance payments on orders	5,281	5,281	–	–	6,816	6,816	–	–
Trade payables	95,768	95,768	–	–	73,027	72,834	193	–
Liabilities to affiliated companies	407,932	407,932	–	–	366,898	296,448	70,450	–
Other liabilities								
In respect of taxes	6,277	6,277	–	–	4,445	4,445	–	–
In respect of social security contributions	1,162	955	207	–	991	991	–	–
Miscellaneous	32,470	32,470	–	–	19,433	19,433	–	–
	39,909	39,702	207	–	24,869	24,869	–	–
	998,515	**629,088**	**360,432**	**8,995**	**869,265**	**469,978**	**393,504**	**5,783**

Liabilities to affiliated companies include short-term loans of € 222.8 million (previous year: € 407.6 million) and trade payables of € 73.6 million (previous year: € 0.3 million).

On May 5, 2015, Heidelberger Druckmaschinen Aktiengesellschaft issued an unsecured corporate bond of € 205 million with a maturity of seven years and a coupon of 8.00 percent (corporate bond). Around € 55 million of the corporate bond was redeemed from cash in July 2018.

On March 30, 2015, Heidelberger Druckmaschinen Aktiengesellschaft issued an unsecured, unsubordinated convertible bond with an option for conversion into shares in Heidelberger Druckmaschinen Aktiengesellschaft (convertible bond). 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 every quarter. The initial exercise price is € 3.1104 per underlying share at an initial conversion ratio of 32,150.2058. In the fourth quarter of the financial year 2019/2020, most of the investors in the convertible bond exercised their right to early repayment in accordance with section 4 (5) of the terms and conditions of the bond at a nominal amount of € 41,400 thousand as of March 30, 2020. The total nominal amount of the remaining outstanding bonds was € 17,200 thousand as of March 31, 2020.

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 and further extended ahead of schedule in July 2015 until June 2019. In March 2018, this revolving credit facility with a banking syndicate was newly agreed at improved conditions with a volume of € 320 million and a term to March 2023. It was agreed with the syndicate in March 2020 to reduce the facility to around € 266.5 million.

An amortizing loan funded by the KfW in the amount of € 5 million maturing in September 2020 was issued in December 2015.

On March 31, 2016, a loan of € 100 million with a staggered term 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 was paid over the course of construction. Heidelberger Druckmaschinen Aktiengesellschaft called an initial tranche of € 5.1 million from this development loan in March 2017, a second tranche of € 20.7 million in March 2018 and a third tranche of € 16.3 million in June 2018.

In May 2017, a loan with a volume of € 25.7 million was entered into that will amortize over a term to the end of June 2027. It is secured by way of the equal participation of the lender in the existing collateral concept.

A loan of around € 32.5 million was taken over in connection with the sale of the research and development center in Heidelberg in the previous year; this will be amortized until March 2022.

A KfW loan of € 6 million was granted in July 2019 to finance investments in our IT landscape; this will be amortized until July 2024. In July and August 2019, two loans funded by KfW totaling € 4.2 million and € 3.8 million were granted to finance investments in two buildings at our Wiesloch-Walldorf production site; these will also be amortized over a term until July 2024.

The financing agreements for the revolving credit facility, the European Investment Bank loan and other significant loans contain standard financial covenants regarding the financial situation of the Heidelberg Group. Two of the key performance indicators relate to the Heidelberg Group's equity and cash funds. The minimum required liquidity of € 80 million is significantly less than the cash generated in recent financial years.

Heidelberg has a stable financing base thanks to its diversified financing structure with a maturity profile to 2023.

Collateral in connection with the revolving credit facility, the European Investment Bank loan and other significant 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
- transfer of current and non-current assets
- global assignment of certain receivables

The above liabilities to banks amount to € 230.5 million as of the end of the reporting period.

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, other provisions, and financial assets. There was also tax relief resulting from temporary differences at companies included in the tax entity. Deferred tax liabilities essentially result from temporary differences in the statement of financial position items intangible assets, property, plant and equipment, inventories, other assets and prepaid expenses. An effective tax rate of 28.07 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 € 107.1 million were incurred for the year under review. This includes development costs capitalized in the year under review in the amount of € 15.8 million.

25 Contingent liabilities

	31-Mar-2019	**31-Mar-2020**
Liabilities from the issuance and transfer of bills of exchange	13,727	9,821
of which: to affiliated companies	(13,727)	(9,821)
Liabilities from warranties and guarantees	58,217	47,338
of which: to affiliated companies	(–)	(–)
Contingent liabilities from the provision of collateral for third-party liabilities	6,029	6,502
of which: to affiliated companies	(–)	(–)
	77,973	**63,661**

Some of the revolving credit facility in place as of March 31, 2020 (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 € 12.4 million are reported under contingent liabilities. In addition, there were credit lines of € 18.0 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, 2020, the European Investment Bank loan and other significant 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. In this context, Heidelberger Druckmaschinen Aktiengesellschaft guaranteed a credit facility of € 1.9 million for a foreign subsidiary that had not been utilized as of the end of the reporting period.

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

26 Derivative financial instruments

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

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

Most of the transactions relate 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 currency and interest rate derivatives were as follows as of the end of the reporting period

Figures in € thousands	Nominal volumes		Fair values	
	31-Mar-2019	**31-Mar-2020**	31-Mar-2019	**31-Mar-2020**
Forward exchange transactions	582,587	602,322	2,868	654
Interest rate swaps	31,234	29,893	– 3,996	– 2,698

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

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

Derivative financial instruments for hedging currency risks

Forward exchange transactions with a nominal volume of € 303.2 million (previous year: € 261.3 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 thereunder were € 40.2 million (previous year: € 20.5 million) while the net liability positions amounted to € 46.9 million (previous year: € 169.2 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. Hedge effectiveness is calculated prospectively using the critical terms match method. The expected effectiveness of the hedge is 100 percent as the main measurement features of the hedge and the hedge item are consistent. At the end of the reporting period, other assets with a total amount of € 2.1 million (previous year: € 2.3 million) were capitalized for forward exchange transactions with positive fair values and other liabilities of € 2.6 million (previous year: € 0.3 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 € 157.6 million (previous year: € 166.7 million) were offset by external currency hedges with a nominal volume of € 141.5 million (previous year: € 154.6 million). Currency hedges are combined to form portfolio hedges for each currency. Other provisions of € 0.5 million (previous year: € 0.1 million) were recognized for anticipated losses. The recognized anticipated losses are largely offset by the opposing effects arising from operating hedged items.

Hedge effectiveness is reviewed prospectively using the critical terms match method.

Derivative financial instruments for hedging interest rate risks

In connection with the sale of the research and development center in Heidelberg in the previous reporting year, in addition to a floating-rate loan, an interest rate swap of the same nominal amount was entered into to hedge against rising interest rates (micro hedge). The remaining term of the interest rate swap is two years. It is accounted for using the net hedge presentation method.

Hedge effectiveness is calculated prospectively using the critical terms match method. The expected effectiveness of the hedge is 100 percent as the main measurement features of the hedge and the hedge item are consistent.

27 Off-balance-sheet transactions / other financial obligations

	2018/2019	**2019/2020**
Obligations for rental and lease payments	8,093	7,946
of which: to affiliated companies	(–)	(–)
Long-term purchase commitments for raw materials, consumables and supplies	7,180	6,175
of which: to affiliated companies	(–)	(–)
Purchase commitments from capital investment orders	10,506	4,426
of which: to affiliated companies	(–)	(–)
	25,779	**18,547**

Obligations for rental and lease payments include a sale-and-leaseback agreement for our Kiel production site (financial year 2010/2011) of € 1.1 million (previous year: € 1.4 million). The other rental and lease payment obligations predominantly relate to other real estate and operating and office equipment.

Additional information

28 Declaration of compliance in accordance with section 161 AktG

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

29 Executive bodies of the Company

Disclosures on the members of the Supervisory Board and the Management Board in accordance with section 285 no. 10 HGB are made in an appendix to the notes.

The basic characteristics of the compensation system and the individual compensation for the members of the Management Board and Supervisory Board are presented in the management report.

By resolution of the Supervisory Board on June 4, 2020, the “One-year variable compensation for the financial year 2019/2020” for Rainer Hundsdörfer and Marcus A. Wassenberg was set at zero. The following disclosures were calculated and adjusted on this basis.

The total cash compensation (= total compensation) of the Management Board, including fringe benefits, amounts to € 3,295 thousand (previous year: € 4,653 thousand), comprising the fixed compensation including fringe benefits of € 1,826 thousand (previous year: € 1,928 thousand), one-year variable compensation of € 474 thousand (previous year: € 1,695 thousand) and multi-year variable compensation of € 995 thousand (previous year: € 1,030 thousand). The multi-year variable compensation includes € 441 thousand (previous year: € 466 thousand) for the fair value calculated as of the grant date for the total shareholder return (cash-settled share-based compensation); this is not distributed over the performance period (three years).

The total cash compensation (= total compensation) for former members of the Management Board and their surviving dependents amounts to € 8,619 thousand (previous year: € 3,142 thousand), comprising € 885 thousand (previous year: € 885 thousand) in obligations to former members of the Management Board of Linotype-Hell Aktiengesellschaft and their surviving dependents, which were assumed in the financial year 1997/1998 under the provisions of universal succession, and € 5,499 thousand (previous year: € 0 thousand) in benefits recognized in profit or loss for members of the Management Board who left the Company in the year under review.

A provision of € 51,145 thousand (previous year: € 45,454 thousand) has been recognized for pension obligations to former members of the Management Board and their surviving dependents, € 7,172 thousand (previous year: € 7,447 thousand) of which relating to pension obligations of the former Linotype-Hell Aktiengesellschaft, which were assumed in the financial year 1997/1998 under the provisions of universal succession.

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

No loans or advances were granted to members of the Management Board or Supervisory Board in the reporting period; no contingent liabilities were undertaken for Management Board or Supervisory Board members.

For the year under review, the members of the Supervisory Board were granted fixed annual compensation plus an attendance fee of € 500 per meeting day and compensation for sitting on the Management Committee, the Audit Committee and the Committee on Arranging Personnel Matters, totaling € 792 thousand (previous year: € 746 thousand); this compensation does not include VAT.

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. Material other assurance services performed by the auditor for Heidelberger Druckmaschinen Aktiengesellschaft relate to services in connection with the non-financial report and the German Securities Trading Act. Other services relate to the preparation of expert opinions.

31 List of shareholdings

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

32 Events after the end of the reporting period

With effect from April 1, 2020, Heidelberger Druckmaschinen Aktiengesellschaft assumed joint liability for the existing pension obligations of Heidelberger Druckmaschinen Vertrieb Deutschland GmbH in respect of pensioners and former employees with vested pension rights. The pension provisions relating to these obligations will therefore be reported by Heidelberger Druckmaschinen Aktiengesellschaft in the future. In exchange, Heidelberger Druckmaschinen Aktiengesellschaft receives a fee from Heidelberger Druckmaschinen Vertrieb Deutschland GmbH in the amount of the respective defined benefit obligation (€ 39.1 million).

On May 15, 2020, the Management Board and the employee representatives of Heidelberger Druckmaschinen Aktiengesellschaft agreed a reconciliation of interests and a redundancy plan for the German production sites in Heidelberg and Wiesloch-Walldorf in accordance with section 112 of the German Works Constitution Act (BetrVG) with a planned workforce reduction of 980 jobs as part of the package of measures announced in March 2020.

Heidelberg, May 25, 2020/June 4, 2020

HEIDELBERGER DRUCKMASCHINEN
AKTIENGESELLSCHAFT
The Management Board

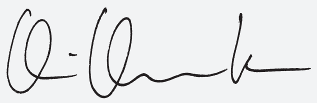
Rainer Hundsdörfer   Marcus A. Wassenberg

Responsibility statement

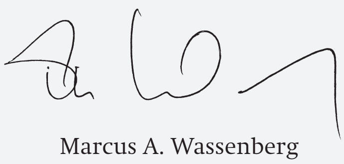
To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company, and the management report of the Company includes a fair review of the development 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 25, 2020/June 4, 2020

HEIDELBERGER DRUCKMASCHINEN
AKTIENGESELLSCHAFT
The Management Board



Rainer Hundsdörfer



Marcus A. Wassenberg

Independent auditor's report

To Heidelberger Druckmaschinen Aktiengesellschaft, Heidelberg

Report on the audit of the annual financial statements and of the management report

Audit Opinions

We have audited the annual financial statements of Heidelberger Druckmaschinen Aktiengesellschaft, Heidelberg, which comprise the statement of financial position as of March 31, 2020, the income statement for the financial year from April 1, 2019 to March 31, 2020, and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of Heidelberger Druckmaschinen Aktiengesellschaft for the financial year from April 1, 2019, to March 31, 2020. In accordance with the German legal requirements, we have not audited the content of those parts of the management report listed in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as at March 31, 2020, and of its financial performance for the financial year from April 1, 2019, to March 31, 2020, in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of those parts of the management report listed in the "Other Information" section of our auditor's report.

Pursuant to § [Article] 322 Abs. [paragraph] 3 Satz [sentence] 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from April 1, 2019, to March 31, 2020. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1 **Recoverability of shares in affiliated companies**
2 **Retransfer of assets held in trust**
3 **Recognition of a restructuring provision and depreciation and amortization in connection with the announced package of measures**

Our presentation of these key audit matters has been structured in each case as follows:

1 Matter and issue
2 Audit approach and findings
3 Reference to further information

Hereinafter we present the key audit matters:

1 **Recoverability of shares in affiliated companies**

1 In the annual financial statements of the Company shares in affiliated companies amounting to EUR 889.9 million (37.9 % of total assets) are reported under the "Financial assets" balance sheet item.

Shares in affiliated companies are measured in accordance with German commercial law at the lower of cost and fair value. If there are indications of impairment, the fair values of the respective equity investments are determined using the standardized German income approach (Ertragswertverfahren) as the present value of net cash flows associated with the object of the investment. The future net cash flows are taken from the planning projections prepared by the executive directors of the respective affiliated company. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The net cash flows are capitalized using the discount rate calculated individually for the respective financial investment. On the basis of the values determined and supplementary documentation, it was necessary to recognize both write-downs and reversals of impairment losses during the financial year.

The outcome of the valuations is dependent to a large extent on the estimates made by the executive directors of the future net cash flows and on the respective discount rates used. The valuation is therefore subject to material uncertainties. Against this background and due to the highly complex nature of the valuation, this matter was of particular significance in the context of our audit.

2 During our audit, among other things we verified and assessed the Company's methodology used to test shares in affiliated companies for impairment. We used the financial statement documents of the affiliated companies and interviewed employees of the Company to verify whether there are indications of impairment. If there were indications of impairment, we assessed in particular whether the fair values of the respective equity investments had been appropriately determined using the standardized German income approach (Ertragswertverfahren) in compliance with the relevant measurement standards. We based our assessment, among other things, on a comparison with general and sector-specific market expectations as well as on the detailed explanations given by the executive directors of the respective affiliated company regarding the key value drivers underlying the expected net cash flows. In the knowledge that these measurement models are highly sensitive, we focused our testing in particular on the parameters used to determine the discount rate applied, and assessed the calculation model.

In our view, taking into consideration the information available, the procedure used by the executive directors to test shares in affiliated companies for impairment, and the valuation parameters and underlying assumptions used, are appropriate overall for the purposes of appropriately measuring the shares in affiliated companies.

3 The Company's disclosures relating to financial assets are contained in numbers 3 and 13 of the notes to the financial statements.

2 **Retransfer of assets held in trust**

1 The existing trust agreement between Heidelberger Druckmaschinen AG and Heidelberg Pension-Trust e. V. was amended on March 17, 2020, by a corresponding amendment agreement between the Company and the trustee. The previous agreement had resulted in the corresponding assets held in trust fulfilling the definition of plan assets in accordance with §246 Abs. 2 Satz 2 HGB and being recognized and measured as such. In particular, the plan assets (totaling EUR 374 million as at March 17, 2020) were offset against the corresponding pension provisions. On the basis of the amendment agreement, on March 17, 2020, Heidelberger Druckmaschinen AG requested the retransfer of the assets held in trust totaling EUR 359 million; the respective asset transfers took place until March 31, 2020. As at the balance sheet date, the assets covered by the transaction, which no longer meet the requirements for plan assets, were mainly reported as deposits with credit institutions under cash and cash equivalents in the balance sheet; the pension provisions increased to EUR 730.1 million. In our view, this matter was of particular significance in the context of our audit due to the complexity and the material accounting effects on the assets, liabilities and financial position of the Company.

2 To evaluate the proper accounting treatment of the contractual amendment and the subsequent retransfer, we examined among other things the corporate law principles and the underlying contracts and agreements as part of our audit. For the legal assessment, we referred to the legal opinions commissioned by the contracting parties and consulted our own legal experts. On this basis, and with assistance from our national office, we assessed in particular whether the classification as plan assets only ceased to apply until the amendment of the agreement. Furthermore, we evaluated whether the assets retransferred and the pension provisions were properly reported in the annual financial statements. On the basis of our audit procedures we were able to satisfy ourselves that the estimates and assumptions made by the executive directors, taking into consideration the agreements provided to us, were appropriate overall to ensure the proper accounting treatment of the retransfer of the assets held in trust.

3 The Company's disclosures on the retransfer of assets held in trust are contained in notes 13, 16 and 20 to the annual financial statements.

3 **Recognition of a restructuring provision and depreciation and amortization in connection with the announced package of measures**

1 In connection with the announcement of a comprehensive package of measures on March 17, 2020, Heidelberger Druckmaschinen AG as at the balance sheet date recognized a EUR 108.3 million restructuring provision in accordance with §249 Abs. 1 Satz 1 HGB and depreciation and amortization in accordance with §253 Abs. 3 HGB on non-current and current assets in the amount of EUR 114.3 million. The recognition and measurement of restructuring provisions and the determination of the amount of depreciation and amortization are to a large extent subject to estimates, assumptions as well as judgement of the executive directors and are therefore subject to considerable uncertainties. Against this background and due to the material accounting effects on the assets, liabilities and financial position of the Company and its financial performance, this matter was of particular significance in the context of our audit.

2 As part of our audit, we firstly assessed whether the accounting requirements for recognizing a restructuring provision and recording the depreciation and amortization were met. Therefore, we inspected in particular the minutes of management board and supervisory board meetings as well as the information communicated to employee bodies, customers and suppliers, and evaluated those documents. Then, with the knowledge that estimated values result in an increased risk of material accounting misstatements and that the executive directors' measurement decisions have a direct impact on the Company's financial performance, we also evaluated the proper measurement of the restructuring provision and determination of the impairment losses. For this purpose, we obtained and evaluated in particular corresponding evidence from the executive directors of the Company and the employees instructed by them. In addition, we conducted interviews with the executive directors and the Company's responsible departments in order to gain explanations of the assumptions underlying the respective estimates used to determine the amount of the restructuring provision and depreciation and amortization. We were able to satisfy ourselves that the estimates and the assumptions made by the executive directors were appropriate overall to ensure the proper recognition and measurement of the restructuring provision and the proper determination of the impairment amount.

3 The Company's disclosures on the restructuring provision and the depreciation and amortization are contained in numbers 6, 7, 8, 13, 14 and 21 of the notes to the annual financial statements and supplementary in the management report.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the management report:

- the statement on corporate governance pursuant to §289f HGB and §315d HGB included in section "Legal Disclosures" of the management report
- the Corporate Governance Report pursuant to No. 3.10 of the German Corporate Governance Code.
- the separate non-financial report pursuant to §289b Abs. 3 HGB and §315b Abs. 3 HGB

Our audit opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with §317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on July 25, 2019. We were engaged by the supervisory board on July 25, 2019. We have been the auditor of Heidelberger Druckmaschinen Aktiengesellschaft without interruption since the financial year 1997.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Reference to supplementary audit

We issue this auditor's report on the amended annual financial statements and amended management report on the basis of our audit, duly completed as at May 26, 2020, and our supplementary audit completed as at June 4, 2020 related to the amendments of the disclosures regarding the management board's remuneration in the notes to the financial statements and the management report. We refer to the presentation of the amendments by the executive directors in the amended notes to the financial statements, section 29 "Executive bodies of the Company", as well as the amended management report, section "Remuneration Report – Management Board and Supervisory Board".

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Stefan Hartwig.

Mannheim, May 26, 2020/limited to the amendments stated in the "Reference to Supplementary Audit" section above: June 4, 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Stefan Hartwig	ppa. Stefan Sigmann
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Financial section 2019/2020

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					
docufy GmbH [1]	D	Bamberg	100	12,515	1,745
Gallus Druckmaschinen GmbH [1]	D	Langgöns-Oberkleen	100	2,238	– 3,926
Heidelberg Boxmeer Beteiligungs-GmbH [1]	D	Wiesloch	100	127,091	18,702
Heidelberg China-Holding GmbH [1]	D	Wiesloch	100	58,430	15,323
Heidelberg Consumables Holding GmbH [1]	D	Wiesloch	100	12,382	5,740
Heidelberg Manufacturing Deutschland GmbH [1]	D	Wiesloch	100	42,561	– 16,564
Heidelberg Postpress Deutschland GmbH [1]	D	Wiesloch	100	9,617	488
Heidelberg Print Finance International GmbH [1]	D	Wiesloch	100	34,849	3,380
Heidelberg Web Carton Converting GmbH	D	Weiden	100	5,716	2,850
Heidelberger Druckmaschinen Vertrieb Deutschland GmbH [1]	D	Wiesloch	100	33,616	– 13,357
Outside Germany [2]					
Baumfolder Corporation	USA	Sidney, Ohio	100	– 2,015	– 2,924
BluePrint Products N.V. [6]	BE	Kruibeke	100	4,041	1,649
Cerm N.V.	BE	Oostkamp	100	1,899	722
Europe Graphic Machinery Far East Ltd.	PRC	Hong Kong	100	1,724	– 166
Gallus Ferd. Rüesch AG	CH	St. Gallen	100	51,331	4,044
Gallus Holding AG	CH	St. Gallen	100	46,363	7,432
Gallus Inc.	USA	Philadelphia, Pennsylvania	100	955	83
Hi-Tech Chemicals BVBA [4]	BE	Kruibeke	100	5,199	1,409
Heidelberg Americas, Inc.	USA	Kennesaw, Georgia	100	112,075	4,697
Heidelberg Asia Pte. Ltd.	SGP	Singapore	100	7,436	897
Heidelberg Baltic Finland OÜ	EST	Tallinn	100	511	– 797
Heidelberg Benelux B.V.	NL	Haarlem	100	51,152	13,546
Heidelberg Benelux BVBA [7]	BE	Kruibeke	100	14,584	88
Heidelberg Boxmeer B.V.	NL	Boxmeer	100	35,266	14,868
Heidelberg Canada Graphic Equipment Ltd.	CDN	Mississauga	100	8,951	– 1,050
Heidelberg China Ltd.	PRC	Hong Kong	100	5,520	– 727
Heidelberg do Brasil Sistemas Graficos e Servicos Ltda.	BR	São Paulo	100	4,132	919
Heidelberg France S.A.S.	F	Roissy-en-France	100	14,507	2,253
Heidelberg Grafik Ticaret Servis Limited Sirketi	TR	Istanbul	100	2,845	– 179
Heidelberg Graphic Equipment (Shanghai) Co. Ltd.	PRC	Shanghai	100	105,647	19,201
Heidelberg Graphic Equipment Ltd. – Heidelberg Australia –	AUS	Notting Hill, Melbourne	100	14,969	– 2,057
Heidelberg Graphic Equipment Ltd. – Heidelberg New Zealand –	NZ	Auckland	100	2,204	199
Heidelberg Graphic Equipment Ltd. – Heidelberg UK –	GB	Brentford	100	25,522	– 5,319

Name	Country/Domicile		Shareholding in percent	Equity	Net result after taxes
Heidelberg Graphic Systems Southern Africa (Pty) Ltd.	ZA	Johannesburg	100	1,172	–653
Heidelberg Graphics (Beijing) Co. Ltd.	PRC	Beijing	100	17,851	7,624
Heidelberg Graphics (Thailand) Ltd.	TH	Bangkok	100	7,240	1,946
Heidelberg Graphics (Tianjin) Co. Ltd.	PRC	Tianjin	100	6,633	544
Heidelberg Graphics Taiwan Ltd.	TWN	Wu Ku Hsiang	100	2,202	–268
Heidelberg Group Trustees Ltd.	GB	Brentford	100	0	0
Heidelberg Hong Kong Ltd.	PRC	Hong Kong	100	10,546	–1,932
Heidelberg India Private Ltd.	IN	Chennai	100	1,900	–1,517
Heidelberg International Finance B.V.	NL	Boxmeer	100	12	–2
Heidelberg International Ltd. A/S	DK	Ballerup	100	57,641	2,443
Heidelberg International Trading (Shanghai) Co. Ltd.	PRC	Shanghai	100	109	–58
Heidelberg Italia S.r.L.	IT	Bollate	100	17,708	1,491
Heidelberg Japan K.K.	J	Tokyo	100	17,638	3,900
Heidelberg Korea Ltd.	ROK	Seoul	100	2,373	–2,183
Heidelberg Magyarország Kft.	HU	Kalasch	100	3,207	–1,567
Heidelberg Malaysia Sdn Bhd	MYS	Petaling Jaya	100	–4,896	–1,826
Heidelberg Mexico, S. de R.L. de C.V.	MEX	Mexico City	100	10,467	1,546
Heidelberg Philippines, Inc.	PH	Makati City	100	4,524	65
Heidelberg Polska Sp z.o.o.	PL	Warsaw	100	8,524	103
Heidelberg Praha spol s.r.o.	CZ	Prague	100	1,552	395
Heidelberg Print Finance Australia Pty Ltd.	AUS	Notting Hill, Melbourne	100	20,974	182
Heidelberg Print Finance Korea Ltd.	ROK	Seoul	100	17,171	3,026
Heidelberg Print Finance Osteuropa Finanzierungsvermittlung GmbH	A	Vienna	100	11,961	–7
Heidelberg Schweiz AG	CH	Bern	100	4,549	1,824
Heidelberg Slovensko s.r.o.	SK	Bratislava	100	927	56
Heidelberg Spain S.L.U.	ES	Cornella de Llobregat	100	8,681	–2,576
Heidelberg Sverige AB	S	Solna	100	3,417	–920
Heidelberg USA, Inc.	USA	Kennesaw, GA	100	77,505	19,207
Heidelberger CIS OOO	RUS	Moscow	100	–13,063	–1,812
Heidelberger Druckmaschinen Austria Vertriebs-GmbH	A	Vienna	100	29,410	–3,113
Heidelberger Druckmaschinen Osteuropa Vertriebs-GmbH	A	Vienna	100	7,193	–2,030
Press Parts Outlet GmbH [5]	A	Vienna	100	2,046	4
Linotype-Hell Ltd.	GB	Brentford	100	3,868	0
Modern Printing Equipment Ltd. [4]	PRC	Hong Kong	100	2,008	428
MTC Co., Ltd.	J	Tokyo	100	8,722	12
P.T. Heidelberg Indonesia	ID	Jakarta	100	9,749	1,033

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.[3]	D	Heidelberg	99.23	– 162	– 42
Heidelberg Catering Services GmbH[1]	D	Wiesloch	100	386	– 2,257
Heidelberg Digital Platforms GmbH[1]	D	Wiesloch	100	3,766	– 2,365
Heidelberg Digital Unit GmbH[1]	D	Wiesloch	90	100	163
Heidelberger Druckmaschinen Vermögensverwaltungsgesellschaft mbH	D	Walldorf	100	25	0
Heidelberg Postpress Beteiligungen GmbH[1]	D	Wiesloch	100	19	– 5
Menschick Trockensysteme GmbH	D	Renningen	100	557	172
Zaiko GmbH[8]	D	Mainz	100	– 105	– 125
Outside Germany[2]					
Gallus India Private Limited[4]	IN	Mumbai	100	96	0
Gallus Mexico S. de R.L. de C.V.[4]	MEX	Mexico City	100	– 41	0
Heidelberg Asia Procurement Centre Sdn Bhd[4]	MYS	Petaling Jaya	100	88	0
Heidelberg Hellas A.E.E.	GR	Metamorfosis	100	3,583	168
Heidelberger Druckmaschinen Ukraina Ltd.	UA	Kiev	100	127	256

Name	Country/Domicile		Shareholding in percent	Equity	Net result after taxes
Joint ventures 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	865	67
Shenzhen Heidelberg NetworX Technology Co., Ltd.	PRC	Shenzhen	52	2,465	– 236
Heidelberg NetworX Holding Company Limited	PRC	Hong Kong	52	2,701	0
Other investments (>5 percent)					
Germany					
InnovationLab GmbH [3]	D	Heidelberg	20.00	2,847	– 2

[1] Before profit transfer
[2] Disclosures for companies outside Germany in accordance with IFRS
[3] Prior-year figures as financial statements not yet available
[4] In liquidation
[5] Previously: WEB-Solution CEE Ges.m.b.H
[6] Relocated from Sint-Niklaas to Kruibeke
[7] Relocated from Brussels to Kruibeke
[8] Short financial year from January 1, 2020 to March 31, 2020

The Supervisory Board

Dr. Siegfried Jaschinski
(until November 30, 2019)
Partner of Augur Capital AG,
Frankfurt am Main
b) Augur Capital Advisors S.A., Luxembourg
(Member of the Administration Board)
Augur FIS–Financial Opportunities II
(Member of the Administration Board)
Augur General Partners S.A.R.L.,
Luxembourg
(Member of the Administration Board)
Augur Mittelstand Partners S.A.,
Luxembourg
(Member of the Administration Board)

Dr. Martin Sonnenschein
(since December 1, 2019)
Partner and Managing Director
A.T. Kearney, Berlin
b) SupplyOn AG

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

Joachim Dencker*
Head of Technology and Production
Gallus/Postpress,
Head of Heidelberg Excellence
System, Spokesperson of the
Executive Staff, Wiesloch-Walldorf

Gerald Dörr*
Deputy Chairman of the
Central Works Council,
Heidelberg/Wiesloch-Walldorf

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

Karen Heumann
Founder and Spokesperson of the
Management Board of thjnk AG,
Hamburg
a) NDR Media GmbH
Studio Hamburg GmbH
b) Commerzbank AG
(Advisory Board of the North Region)

Oliver Jung
Chairman of the Management Board
of Festo SE & Co. KG, Esslingen
a) Leistritz AG

Kirsten Lange
Management Consultant and
supervisory board member, Ulm;
Adjunct Professor of INSEAD,
Fontainebleau, France
a) ATS Automation Tooling Systems Inc.,
Toronto, Canada

Li Li
(since July 25, 2019)
Chair of Masterwork Group Co., Ltd.,
Tianjin, People's Republic of China

Petra Otte*
Trade union secretary of IG Metall
Baden-Württemberg, Stuttgart
a) Audi AG

Ferdinand Rüesch
Entrepreneur, St. Gallen, Switzerland
b) Ferd. Rüesch AG, Switzerland
(Chairman of the Administration Board)

Beate Schmitt*
Full-time member of the
Works Council,
Heidelberg/Wiesloch-Walldorf

Prof. Dr.-Ing. Günther Schuh
(until July 25, 2019)
Professor and holder of the chair
in production engineering at
RWTH Aachen University, Aachen;
Chairman of the Management Board
of e.GO Mobile AG, Aachen;
Managing Director of e.GO MOOVE
GmbH, Aachen; Managing Director
of e.SAT GmbH, Aachen
a) KEX Knowledge Exchange AG (Chairman)
b) Phoenix Contact GmbH & Co. KG
(Member of the Advisory Board)

* Employee representative
a) Membership in other statutory supervisory boards
b) Membership in comparable German and foreign control bodies of business enterprises

Committees of the Supervisory Board

MANAGEMENT COMMITTEE

Dr. Siegfried Jaschinski (Chairman) (until November 30, 2019)
Dr. Martin Sonnenschein (Chairman) (since December 1, 2019)
Ralph Arns
Gerald Dörr
Mirko Geiger
Oliver Jung (since March 26, 2020)
Ferdinand Rüesch
Prof. Dr.-Ing. Günther Schuh (until July 25, 2019)

MEDIATION COMMITTEE UNDER ARTICLE 27 PARAGRAPH 3 OF THE CODETERMINATION ACT

Dr. Siegfried Jaschinski (until November 30, 2019)
Dr. Martin Sonnenschein (since December 1, 2019)
Ralph Arns
Gerald Dörr
Ferdinand Rüesch

COMMITTEE ON ARRANGING PERSONNEL MATTERS OF THE MANAGEMENT BOARD

Dr. Siegfried Jaschinski (Chairman) (until November 30, 2019)
Dr. Martin Sonnenschein (Chairman) (since December 1, 2019)
Ralph Arns
Gerald Dörr
Karen Heumann
Ferdinand Rüesch
Beate Schmitt

AUDIT COMMITTEE

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Oliver Jung (Chairman since December 1, 2019)
Ralph Arns
Mirko Geiger
Kirsten Lange
Beate Schmitt
Dr. Martin Sonnenschein (since December 1, 2019)

NOMINATION COMMITTEE

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Dr. Martin Sonnenschein (Chairman) (since December 1, 2019)
Oliver Jung
Ferdinand Rüesch

STRATEGY COMMITTEE

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Dr. Martin Sonnenschein (Chairman) (since December 1, 2019)
Ralph Arns
Mirko Geiger
Karen Heumann
Oliver Jung
Kirsten Lange
Li Li (since July 25, 2019)
Ferdinand Rüesch
Prof. Dr.-Ing. Günther Schuh (until July 25, 2019)

The Management Board

Rainer Hundsdörfer
Heidelberg
Chief Executive Officer,
Management Board Member
Heidelberg Digital Technology and
Heidelberg Lifecycle Solutions
* Marquardt GmbH (Chairman)
** Heidelberg Americas, Inc., USA
(Chairman of the Board of Directors)
Heidelberg USA, Inc., USA
(Chairman of the Board of Directors)

Marcus A. Wassenberg
(since September 1, 2019)
Heidelberg
Chief Financial Officer,
Management Board Member
Heidelberg Financial Services,
Chief Human Resources Officer
** Heidelberg Americas, Inc., USA
Heidelberg USA, Inc., USA
Heidelberg Graphic Equipment Ltd.,
Australia
Heidelberg Japan K.K., Japan

Prof. Dr. Ulrich Hermann
(until February 16, 2020)
Heidelberg
Management Board Member
Heidelberg Lifecycle Solutions
* Heidelberger Druckmaschinen Vertrieb
Deutschland GmbH (Chairman)
** Heidelberg Graphic Equipment Ltd.,
Australia
Heidelberg Japan K.K., Japan

Dirk Kaliebe
(until September 30, 2019)
Sandhausen
Chief Financial Officer,
Management Board Member
Heidelberg Financial Services
(until August 31, 2019)
* Heidelberger Druckmaschinen Vertrieb
Deutschland GmbH
** Heidelberg Americas, Inc., USA
** Heidelberg USA, Inc., USA

Stephan Plenz
(until November 30, 2019)
Sandhausen
Management Board Member
Heidelberg Digital Technology
** Gallus Holding AG, Switzerland
(Chairman of the Administration Board)
Heidelberg Graphic Equipment (Shanghai)
Co. Ltd., China (Chairman of the Board of
Directors)

* Membership in statutory supervisory boards
** Membership in comparable German and foreign control bodies of business enterprises

Financial calendar 2020/2021

June 9, 2020	Press Conference, Annual Analysts' and Investors' Conference
July 23, 2020	Annual General Meeting
August 13, 2020	Publication of First Quarter Figures 2020/2021
November 10, 2020	Publication of Half-Year Figures 2020/2021
February 10, 2021	Publication of Third Quarter Figures 2020/2021
June 9, 2021	Press Conference, Annual Analysts' and Investors' Conference
July 23, 2021	Annual General Meeting

Subject to change

Publishing information

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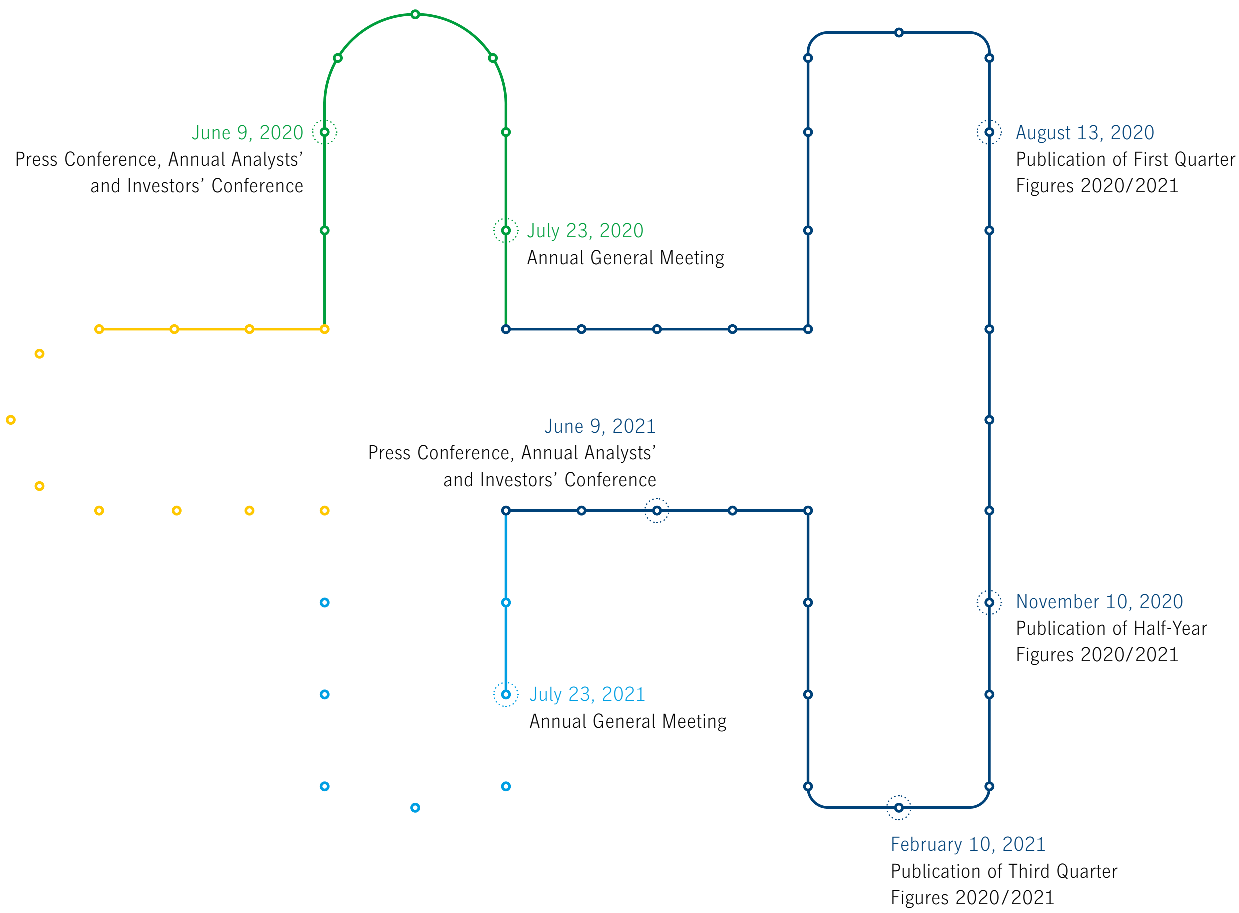

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