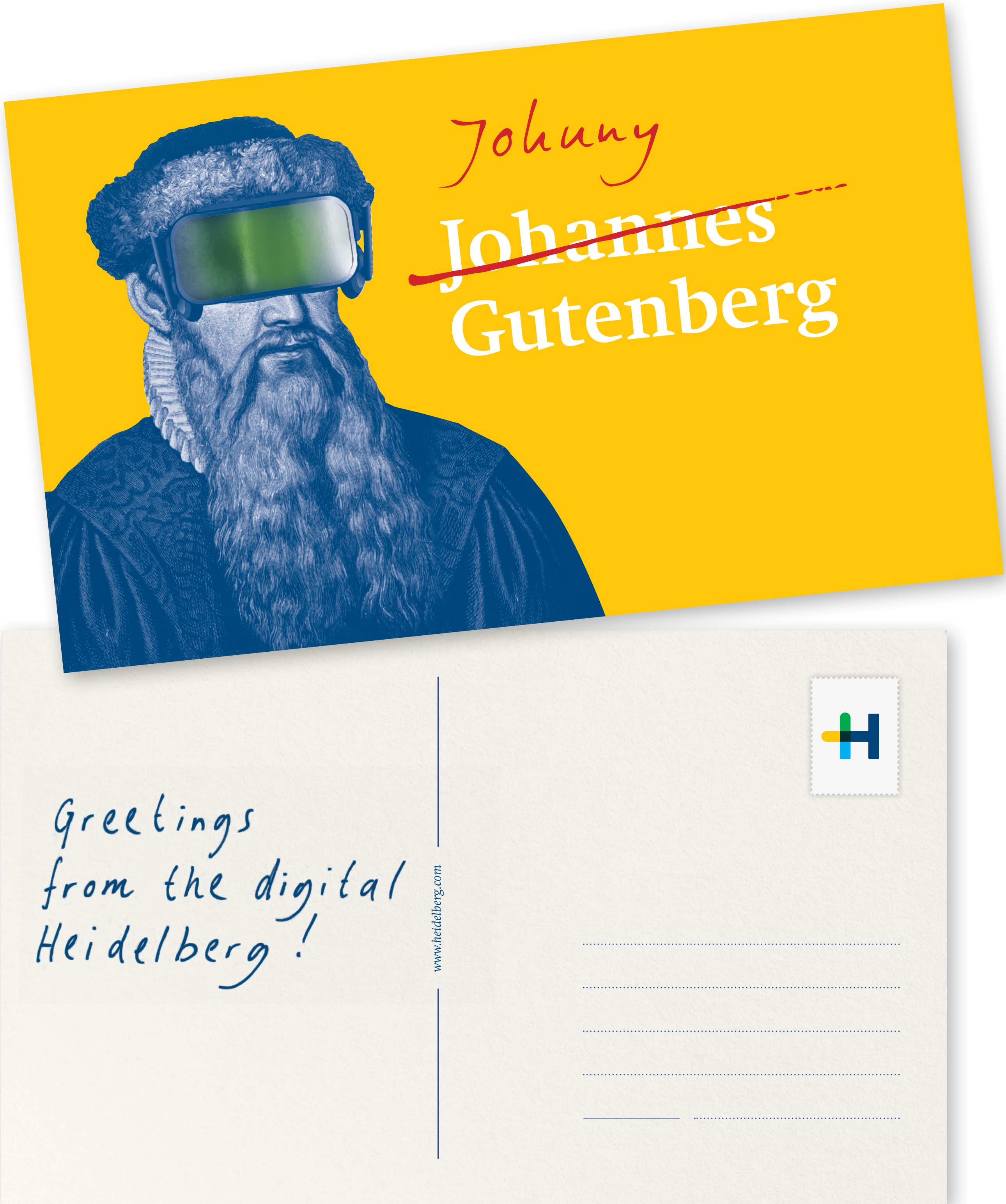
Non-consolidated financial statements 2018/2019



HEIDELBERG

Heidelberger Druckmaschinen Aktiengesellschaft

Figures in € millions	2014/2015	2015/2016	2016/2017	2017/2018	**2018/2019**
Incoming orders	1,070	1,090	1,113	1,161	1,127
Net sales [1]	1,051	1,072	1,178	1,160	1,233
Foreign sales share in percent	81.3	82.0	79.9	81.1	81.7
Result of operating activities [1]	– 57	140	89	20	– 14
in percent of sales	– 5.4	13.1	7.6	1.7	– 1.1
Net loss/profit for the year	– 127	86	71	– 45	– 88
in percent of sales	– 12.1	8.0	6.0	– 3.9	– 7.1
Investments [2]	41	40	76	119	84
Research and development costs	102	107	105	105	108
Total assets	1,953	1,956	2,070	2,157	2,232
Fixed assets	1,252	1,317	1,401	1,487	1,487
Equity	606	692	763	774	755
Subscribed capital	659	659	659	714	779
Equity ratio in percent	31.0	35.4	36.9	35.9	33.8
Earnings per share in € [3]	– 0.49	0.33	0.27	– 0.16	– 0.29
Share price at financial year-end in € [4]	2.49	1.99	2.34	3.04	1.55
Market capitalization at financial year-end	641	512	602	847	472
Average number of employees for the year [5]	6,739	5,399	5,382	5,440	5,463

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

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Basic information on Heidelberger Druckmaschinen Aktiengesellschaft

Business model of Heidelberger Druckmaschinen Aktiengesellschaft

Company profile

Heidelberger Druckmaschinen Aktiengesellschaft is the parent company of the Heidelberg Group. The Company has been a major provider for the global printing industry for many years and develops, manufactures and distributes products and services for commercial and packaging printing. In addition to manufacturing printing presses and equipment for printing plate imaging, the Company sells service parts and offers comprehensive services, as well as making its precision engineering expertise available to other companies within the framework of contract manufacturing. We offer our customers all the components tailored to their requirements for successful business operations; we provide integrated and reliable production processes, financially optimal investments and smooth access to all necessary materials.

Our mission is to shape the digital future of our industry. We are aiming to develop Heidelberger Druckmaschinen Aktiengesellschaft and its subsidiaries into an end-to-end digital system for industrial value added, assisting print shops in their own digital transformation. 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. Here we also assemble the vast majority of our sheetfed offset printing presses and the new digital printing systems. In addition to research and development at our recently opened 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 digital agenda

Profitable growth through systematic implementation of digital agenda

Heidelberger Druckmaschinen Aktiengesellschaft's strategic focus is still on the transformation of the Company that was initiated in the financial year 2017/2018 in line with the clearly defined digital agenda. Heidelberger Druckmaschinen Aktiengesellschaft's strategy, which also includes central tasks within the Heidelberg Group, is based on its established market and technology leadership as an end-to-end system provider of printing presses, consumables, software and services. The Company's aspiration is to be perceived as a pioneer in the digitization of the printing press industry. We aim to achieve even greater customer loyalty and to increasingly expand value added for the customer across the entire lifecycle.

The Company's future operating success will be built on our global installed printing press base, its digital connection and networking and the data it delivers. This will enable us to increase our customers' efficiency, profitability and success. We have started offering usage-dependent contract models that will allow us to grow in line with our customers' output.

Digital transformation

The concentration on increasingly large, industrialized print shops will continue in future. As this involves the use of larger, more powerful and thus more productive printing presses with higher utilization, the value added structure of the industry will shift towards a higher share of service, software and consumables as a result. In order to increase customers' productivity, the huge data volume generated by the software used and the countless sensors installed in the presses must be harnessed intelligently. Big data is the key to the future success of Heidelberger Druckmaschinen Aktiengesellschaft, which can already access these data on the more than 13,000 Heidelberg presses and the 28,000 Heidelberg Prinect modules installed for data transfer at any time of the day or night. Together with its subsidiaries, Heidelberger Druckmaschinen Aktiengesellschaft has developed and established the Smart Print Shop – the intelligent networking and automation of all components and processes, with the user only having to intervene in the autonomous process chain as required.

The Heidelberg Group is also the only provider in the industry that can offer its customers a full range of printing presses, services, consumables, consulting and software in an all-in contract. The optimal, data-driven interaction of all coordinated individual components enables a significant improvement in overall system effectiveness and utilization for the customer. Thus, customers not only get state-of-the-art technology, but primarily a solution that enables them to increase their competitive capability.

Heidelberger Druckmaschinen Aktiengesellschaft launched its subscription model in late 2017 in order to reap these rewards alongside its customers. Under a subscription contract, the customer no longer pays for the individual components, but rather for use over the lifecycle as well as the number of sheets printed on a performance-related basis. The new 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.

Expansion of technology leadership remains a key component of success

Around 9 percent of sales are channeled into research and development to expand our technology leadership. Heidelberger Druckmaschinen Aktiengesellschaft's innovative capability has also been boosted by the innovation center for around 1,000 employees that opened in Wiesloch-Walldorf in December 2018. The numerous development projects are focused on the expansion of the industrial digital print portfolio and, in offset printing, the further development of the Smart Print Shop.

Throughout its entire product range, Heidelberger Druckmaschinen Aktiengesellschaft is increasingly benefiting from recently developed automation functions like Push-to-Stop and the networking of printing presses, software, consumables and services within the Smart Print Shop. In light of the importance of data use, the expansion of the software range is one of the central pillars of Heidelberger Druckmaschinen Aktiengesellschaft's growth and digitization strategy.

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. Heidelberger Druckmaschinen Aktiengesellschaft and its Primefire digital printing system can also play a key role on the future packaging market with new business models like Web-to-Pack.

Operational excellence with a focus on cost efficiency and improved productivity

The future success of Heidelberger Druckmaschinen Aktiengesellschaft will be achieved firstly by increasingly focusing on profitable, high-margin activities in its core business areas and secondly by leveraging efficiency and cost-cutting potential by enhancing operational excellence throughout the Company. Improvements to logistics, site and space optimization and the standardization of printing press platforms have already been realized and will be continued.

The corporate culture, and hence the management culture, are also transitioning to a more streamlined, efficient and agile organization and being further modified to focus more on customers. With regard to our administrative, production and manufacturing structure – including in light of demographic development at our production sites – we are working on a future concept that will promote innovation while ensuring cost optimization.

Organization

In line with its operating activities, Heidelberger Druckmaschinen Aktiengesellschaft's internal reporting structure is broken down by the following segments in the 2018/2019 financial year: 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 production, sales and administration functions, which continue to be organized centrally, derive targets on the basis of these plans and implement them. This organizational approach allows us to define our strategies at the level of the respective submarkets while generating synergies within the functions and upholding the principle of "one face to the customer".

Research and development

The past financial year marked a turning point in research and development at Heidelberger Druckmaschinen Aktiengesellschaft: With the opening of the new innovation center (IVC) at the Wiesloch-Walldorf production site, Heidelberger Druckmaschinen Aktiengesellschaft is stepping up its efforts to remain the technology leader and shape the digital transformation process in the printing industry in the future.

"Open for innovation" – this is the slogan under which the new IVC officially began operations on December 13, 2018. The new innovation incubator for the graphics industry is the most state-of-the-art development center in the sector and an important driver of Heidelberger Druckmaschinen Aktiengesellschaft's continued digital transformation. It also represents the heart of our Company and the future digital campus that we are gradually establishing at the Wiesloch-Walldorf production site.

The new IVC is the core of the European development network operated by Heidelberger Druckmaschinen Aktiengesellschaft with other subsidiaries. Almost 1,000 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 with a focus on ink development for digital printing.

For our customers, digitization is the key. This applies in particular to the possibility of industrial and therefore cost-optimized individual digital printing applications, and to the digitization of all value-adding processes that enable new business models and therefore safeguard competitive capability.

The numerous development projects are focused on the expansion of the industrial digital printing portfolio and, in offset printing, 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, for example "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.

A total of 803, or around 15 percent, of our employees are active in the area of research and development. We invested € 108 million, or around 9 percent of our sales, in research and development in the year under review.

Economic report

We have already achieved key strategic targets with the implementation of our digital agenda measures. Profitable growth is a core objective of this strategic orientation.

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

The global economy continued to enjoy extremely dynamic development in 2018, expanding by 3 percent. This strong upturn was recorded not only in the industrialized nations, which saw growth of 2.1 percent, but also in the emerging economies, which generated growth of 4.5 percent in 2018.

However, the pace of growth slowed in all regions during the second half of the year.

Gross domestic product in the US performed strongly until recently on the back of substantial fiscal impetus, rising by 2.9 percent, whereas the increase in production slowed considerably in the euro zone and Japan in particular.

The economy of the euro zone expanded by just 1.8 percent due to the uncertainty surrounding Brexit, reduced foreign trade momentum and country-specific factors such as strikes and social protests in France and problems in the automotive sector and production downtime throughout the year due to extremely dry conditions in Germany, while the Japanese economy grew by a mere 0.8 percent.

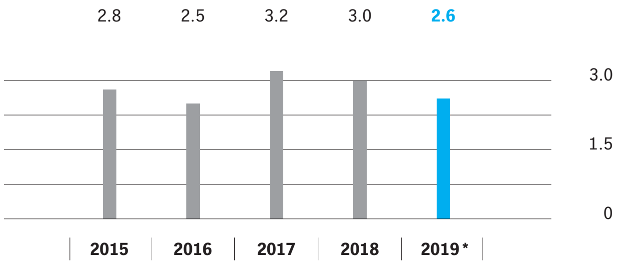
The expansion of the Chinese economy also slowed in 2018. Although the growth in gross domestic product was down only slightly on the previous year at 6.6 percent, the pace of growth declined further during the course of the year to just 6.4 percent at year-end. By contrast, the other Southeast Asian nations enjoyed strong economic performance in the past year. The same applies for Central and Eastern Europe, which continued to generate impressive growth momentum. In Brazil, however, the economy expanded by just 1.1 percent in 2018, the same level as in the previous year.

The German economy also weakened slightly at 1.5 percent, although this represented the ninth consecutive year of growth.

According to preliminary figures from the German Engineering Federation (VDMA), production in the German mechanical engineering industry in 2018 increased by 2 percent adjusted for inflation, while incoming orders rose by as much as 5 percent. Domestic orders increased by 6 percent, while demand from outside Germany rose by 4 percent. In the printing and paper technology sector, orders for printing presses increased by 2 percent adjusted for inflation, while sales declined by 4 percent.

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:
2015: 3.0 %; 2016: 2.7 %; 2017: 3.3 %; 2018: 3.2 %; 2019: 2.8 %

Source: Global Insight (WMM); calendar year; as of April 2019

The worldwide print production volume has been in excess of € 400 billion annually for years. A figure of € 423 billion is expected for 2023. Within this market, there are three fundamental changes offering interesting growth opportunities. The FIRST CHANGE is regional: While print volumes are continuing to grow overall in the emerging economies, print service providers in the industrialized nations are facing a highly dynamic and rapidly changing market environment.

The increasing substitution of printed products and business stationery by the Internet and the impact of demographic change on the buying and reading habits of the population is leading to a decline in 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 CHANGE relates to the printing technology used. Sheetfed offset printing accounts for around 40 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, particularly in industrial applications.

The THIRD CHANGE 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 price or productivity benefits, 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. 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.

In 2018, the global WTP market was estimated to account for around US$ 23.8 billion in print sales, and an annual growth rate of 5.1 percent is forecast between now and 2023. Around 60 percent of this figure is attributable to B2B production, with the remaining 40 percent attributable to B2C production. 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.

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 been offering subscription models (see "Digital transformation"), which are end-to-end solutions over the entire lifecycle of a press, 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 redefines the foundations of the customer-supplier relationship. Today, more than 1,000 customers in Japan, Switzerland, Germany, the US and Canada 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. For example, they receive a full overview of the service and maintenance status of their equipment, including data-based failure prediction. They can also access the industry's biggest knowledge base so as to fully leverage the potential of their entire value chain. Furthermore, access to big data performance analysis offers potential for further productivity enhancement.

Business development

Heidelberger Druckmaschinen Aktiengesellschaft successfully pressed ahead with its digital transformation in the financial year 2018/2019: Its business structure and organization were adapted to the challenges of digitization, new business models continued to be implemented and new products were successfully established on the market both within and outside the print media industry.

As forecast, the sales generated by Heidelberger Druckmaschinen Aktiengesellschaft were moderately higher than the previous year's level at € 1,233 million (previous year: € 1,160 million). Incoming orders decreased by around 3 percent year-on-year to € 1,127 million (previous year: € 1,161 million).

We were unable to achieve our forecast of stable year-on-year EBITDA on a like-for-like basis. The reasons for this are the non-recurring effects that exceeded planning in connection with the pay increase, the expenses for HR activities and the unforeseen amendment of the Heubeck mortality tables. There was also the effect of costs for the Company's digital transformation (business structure and organization), the implementation of new business models and products and the lower capitalization of development costs in connection with digital business series start-ups.

Prior-year EBITDA (€ 59 million) included restructuring and non-recurring effects, in particular income largely generated in connection with the addition of the Print Media Academy in Heidelberg. This positive effect was offset by expenses for HR activities, predominantly for partial early retirement agreements to manage demographic developments at German production sites. As described above, EBITDA in the year under review (€ 37 million) was also influenced by restructuring and non-recurring effects.

We continued to optimize our financing structure in the year under review. In July 2018, Heidelberger Druckmaschinen Aktiengesellschaft made a partial cash repayment of its corporate bond (around € 55 million). Our instruments and maturities are balanced and diversified. In March 2019, we strengthened our capital structure by way of a capital increase from authorized capital and acquired a new strategic anchor investor in the form of Masterwork Group Co., Ltd., China.

The reduction in the average pension discount rate by 50 basis points, which was higher than expected, made it impossible to maintain the forecast financial result at the previous year's level.

The net result after taxes decreased from € – 45 million in the previous year to € – 88 million. Adjusted for the restructuring and non-recurring effects in the year under review, Heidelberger Druckmaschinen Aktiengesellschaft's net result was a negative low amount in the double-digit million range. Thus, earnings after taxes did not improve significantly and remained close to the previous year's level. The forecast of a moderate increase in the net result after taxes on a like-for-like basis was therefore not achieved overall.

Net assets, financial position and results of operations

Net sales increased in the 2018/2019 financial year. The costs of the Company's digital transformation impacted its operating profitability (EBITDA) and its EBIT. The main factor affecting the financial result were the interest expenses for pension obligations. As a result, the effects described led to lower earnings after taxes of € – 88 million (previous year: € – 45 million).

Income statement

Figures in € millions	2017/2018	**2018/2019**
Net sales	1,160	1,233
Total operating performance	1,224	1,281
EBITDA [1]	59	37
in percent of net sales	5.1 %	3.0 %
EBIT [2]	20	– 14
in percent of net sales	1.7 %	– 1.2 %
Financial result	– 63	– 72
Taxes on income	2	2
Net result after taxes	– 45	– 88
in percent of net sales	– 3.9 %	-7.2 %

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

Net sales amounted to € 1,233 million in the year under review (previous year: € 1,160 million). The segments were reorganized as of April 1, 2018 as part of the digital transformation of the Company. Since April 1, 2018, the Heidelberg Digital Technology segment has also included the Digital Print business unit. The Digital Business and Service segment was renamed Heidelberg Lifecycle Solutions and restructured. The figures for the financial year 2017/2018 were restated accordingly. In terms of the prior-year figures, this resulted in a reclassification of around € 6 million in sales from the Heidelberg Lifecycle Solutions segment to the Heidelberg Digital Technology segment. Sales in the Heidelberg Digital Technology segment rose by € 88 million year-on-year to € 976 million (previous year: € 895 million). Sales in the Heidelberg Lifecycle Solutions segment amounted to € 257 million in the year under review (previous year: € 265 million), almost matching the previous year's level following the restatement of the prior-year figures.

Sales development varied from region to region. With the exception of the Europe, Middle East and Africa region, sales were up in all regions.

	2017/2018	**2018/2019**
Europe, Middle East and Africa	533	528
Asia/Pacific	325	369
Eastern Europe	113	114
North America	150	168
South America	39	54
	1,160	**1,233**

Europe, Middle East and Africa (EMEA)

France in particular fell short of the previous year's sales level. There were significant increases in Switzerland and Spain. Germany raised its sales level year-on-year and is the largest single market in terms of sales.

Asia/Pacific

Our key market of China experienced strong sales increases. In addition to China, smaller markets such as Singapore and Indonesia also increased their sales compared to the previous year.

Eastern Europe

Within the region, countries such as Romania and Turkey reported higher sales. By contrast, sales were down in Russia, including as a result of unfavorable exchange rate developments.

North America

The growth in sales within the North America region is essentially thanks to the US.

South America

Brazil in particular contributed to the region's sales increase, though smaller markets reported falling sales.

Other operating income declined slightly by € 6 million year-on-year to € 63 million (previous year: € 69 million) as a result of lower currency translation income and a reduction in the provision for voluntary social benefits.

Staff costs were up on account of the collectively agreed wage and salary increase of 4.3 percent and the return to the regional collective agreement (rise in weekly working time from 34.0 to 35.0 hours), both of which became effective as of April 1, 2018. This increase in staff costs is offset by temporary savings and increased productivity in production of the same amount. Despite these effects, staff costs rose by € 10 million to € 449 million (previous year: € 439 million), partly on account of the adjustment of the Heubeck mortality tables.

Other operating expenses climbed by € 12 million year-on-year to € 247 million (previous year: € 235 million). The increase essentially results from partial early retirement agreements in connection with the adjustment of personnel capacity. This was offset by lower currency translation expenses. Rental and leasing expenses were reduced further in the 2018/2019 financial year by the termination of the lease for the research and development center, Heidelberg, in June 2018 and the additions of the Print Media Academy, Heidelberg, and the World Logistics Center, Wiesloch-Walldorf, in June 2017.

The financial result declined by € 9 million year-on-year to € – 72 million (previous year: € – 63 million). The reduction of the discount rate for pensions from 3.57 percent to 3.07 percent resulted in higher interest expenses compared to the previous year. There was a positive effect from higher dividend income of around € 12 million (previous year: € 1 million) in the current financial year.

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

Balance sheet structure

Figures in € millions	31-Mar-2018	as a percentage of total assets	**31-Mar-2019**	as a percentage of total assets
Fixed assets	1,488	69.0	1,487	66.6
Current assets [1]	669	31.0	745	33.4
Total assets	**2,157**	**100.0**	**2,232**	**100.0**
Equity	774	35.9	755	33.8
Special reserves	1	0.0	7	0.3
Provisions	400	18.6	470	21.1
Liabilities [1]	982	45.5	1,000	44.8
Total equity and liabilities	**2,157**	**100.0**	**2,232**	**100.0**

[1] Including prepaid expenses/deferred income

Total assets increased by around 3 percent or € 75 million to € 2,232 million in the year under review. Fixed assets are virtually unchanged year-on-year at € 1,487 million.

Current assets increased by € 76 million year-on-year to € 745 million. On the equity and liabilities side of the balance sheet, equity declined by € 19 million. Provisions rose by € 70 million to € 470 million (previous year: € 400 million), essentially as a result of higher pension provisions. Liabilities including deferred income increased by € 18 million year-on-year to € 1,000 million.

Within fixed assets, intangible assets were up by € 12 million at € 109 million (previous year: € 97 million) as a result of the capitalization of development costs. In addition, amounts capitalized in connection with the completion of the innovation center at the Wiesloch-Walldorf production site caused property, plant and equipment to rise to € 517 million (previous year: € 505 million). Offsetting this, financial assets decreased by € 23 million to € 862 million (previous year: € 885 million).

Within current assets, inventories increased by around € 26 million year-on-year, largely as a result of finished goods and work in progress. The increase in short-term loans to affiliated companies led to higher receivables and other assets (up by € 39 million). Cash and cash equivalents amounted to € 124 million as of the end of the reporting period (previous year: € 113 million). Overall, current assets including prepaid expenses were unchanged year-on-year.

The € 19 million decrease in equity to € 755 million (previous year: € 774 million) was due to the capital increase (€ + 69 million) and, offsetting this, the net loss for the year (€ – 88 million). In March 2019, the Masterwork Group, China, acquired around 8.5 percent of Heidelberger Druckmaschinen Aktiengesellschaft's share capital by way of the issue of new shares with preemptive rights disapplied. The equity ratio amounted to a good 34 percent at the reporting date (previous year: 36 percent).

Provisions rose by € 70 million to € 470 million in the reporting year. This essentially results from higher pension obligations (up by € 76 million), mainly on account of the further reduction in the average discount rate. Offsetting this, other provisions declined by € 6 million, essentially on account of the lower provision for voluntary social benefits.

Liabilities including deferred income increased by € 18 million to € 1,000 million in the year under review. In July 2018, Heidelberger Druckmaschinen Aktiengesellschaft made a partial cash repayment of its corporate bond (around € 55 million). In addition, there was a further reduction as a result of lower cash investments by subsidiaries (down € 17 million). The rise in liabilities to banks of € 83 million essentially arose in connection with financing for real estate and reciprocal financing for the buyback of the corporate bond. Furthermore, the increase in trade payables (€ + 10 million) at the reporting date resulted in higher liabilities in the year under review.

Financing structure: Further optimization of financing sources and maturities

Our financing strategy is based on achieving adequate diversification of the overall credit framework in terms of instruments and maturities. Accordingly, capital market instruments (corporate bond and convertible bonds), the syndicated credit line and other instruments and development loans are the pillars of our financing portfolio. They are well balanced and cover net debt in the long term.

In July 2018, Heidelberger Druckmaschinen Aktiengesellschaft made a partial cash repayment of its corporate bond (around € 55 million). The syndicated credit facility of around € 320 million that was newly agreed in March 2018 affords Heidelberger Druckmaschinen Aktiengesellschaft financial flexibility and long-term planning security. In addition to the day-to-day operations of the global organization, this credit facility in particular will also provide strategic support for the further expansion of new digital business models, such as the newly established subscription business. The capital structure was also sustainably strengthened through the successful implementation of the capital increase with Masterwork.

With its range of instruments, Heidelberger Druckmaschinen Aktiengesellschaft currently has comfortable total credit facilities of around € 715 million.

We supplement our financing with operating leases where economically appropriate. Other off-balance-sheet financing instruments do not have any significant influence on the economic position of the Company. Heidelberger Druckmaschinen Aktiengesellschaft therefore continues to have a stable liquidity framework. In the future, we will continue to work on the diversification of sources and maturities in order to reduce our interest expenses.

Employees

At the reporting date, Heidelberger Druckmaschinen Aktiengesellschaft had a total of 5,489 employees (excluding trainees) across its five sites, 24 more 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, training programs on agile methods of cooperation have been created and new learning models such as micro-learning have been introduced 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. Open presentation and workshop series for managers are intended to generate new perspectives on the topic of management in a dynamic environment.

Our training rate is approximately 5 percent. On September 1 and October 1, 2018, a total of 83 trainees and students started their professional career at Heidelberger Druckmaschinen Aktiengesellschaft. In Germany, we provide training in 17 occupations and offer eight dual study programs in the areas of technology, media and business.

Number of employees per site

	31-Mar-2018	**31-Mar-2019**
Wiesloch-Walldorf	3,816	4,718
Heidelberg	965	78
Brandenburg	427	443
Kiel	229	223
Neuss	28	27
	5,465	**5,489**
Trainees	205	228
	5,670	**5,717**

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 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 non-financial 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. We define risks and opportunities as possible future developments or events that can lead to a positive or negative deviation from planning, forecasts or targets. The early identification of risks and opportunities serves as the basis for the conscious handling of risks and the targeted exploitation of potential opportunities.

Risk and opportunity management

Objectives and strategy

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

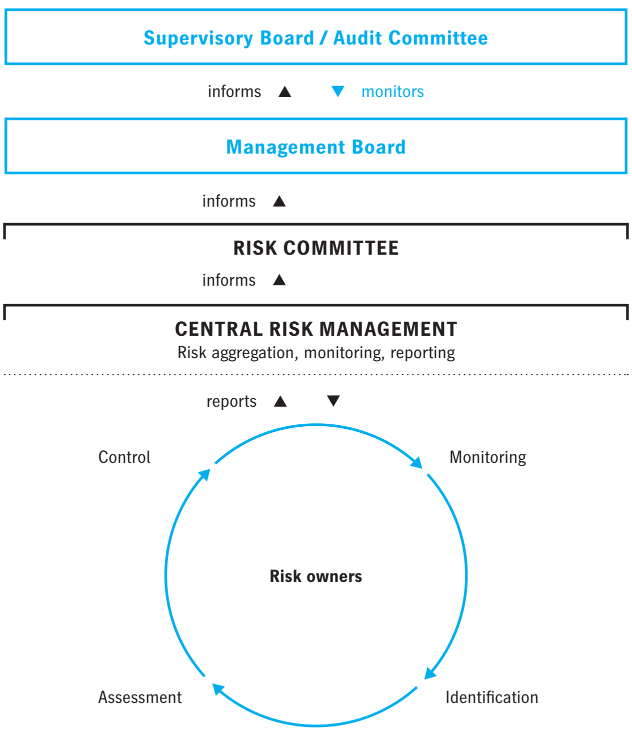
Risk and opportunity management is solidly integrated as part of corporate planning at Heidelberger Druckmaschinen Aktiengesellschaft. The Management Board is responsible for appropriate risk and opportunity management in the Company. Clear values, principles and guidelines help the Management Board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

Heidelberger Druckmaschinen Aktiengesellschaft is incorporated 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 survey methodology are set out in the guidelines. The classification into risk categories is based on the potential impact on the net results and liquidity. Reporting thresholds are set on a uniform basis. For all key areas such as Procurement, Development, Production, 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 checks the completeness, identification and compilation of the top risks in cooperation with the Risk Committee and prepares the risk report.

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

In line with audit planning, the Internal Audit department checks risk and opportunity management procedures and the effectiveness of the ICS at process level. A representative for Internal Audit is a member of the Risk Committee. Finally, the Audit Committee also deals with the effectiveness of the ICS, the risk management system and the internal audit system, examines their functionality and arranges for regular reporting (in some cases from the directly responsible executives) on audit planning and findings. The 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

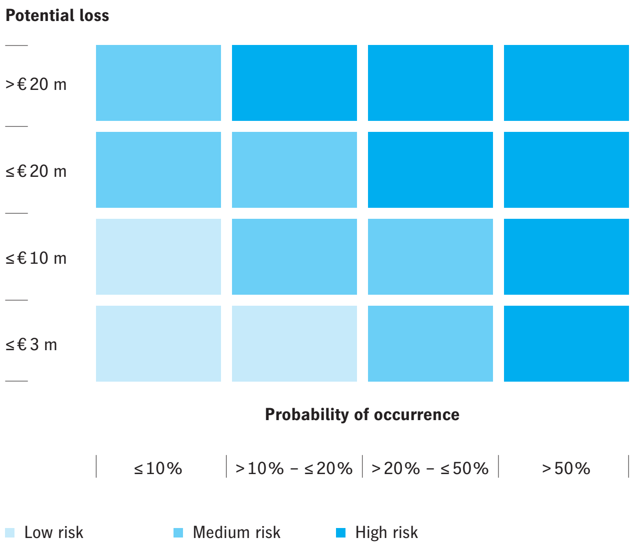
The Company-wide risk officers perform ongoing monitoring of the general economic environment, which contributes to the effective identification of risks and opportunities. Furthermore, GRM assists in the identification and categorization of risks and opportunities by preparing the risk catalog. The 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 qualitatively and quantitatively, taking risk-mitigating activities into account (net analysis). If possible, the assessment is based on objective criteria or empirical evidence. Similar individual risks are combined as an aggregated risk. The risk assessment is based on the dimensions “probability of occurrence”, “extent of damage” and “expected risk development in the planning period”.

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

Risk matrix



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

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

Monitoring of risks and opportunities
Regular risk monitoring allows the detection of changes in individual risks. Adjustments in risk management can therefore be promptly turned into the initiation of necessary measures. Within his or her own area, taking materiality limits into account, each risk manager is responsible for reporting all known risks to risk management periodically, or also to the 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	High	Constant
Industry	High	Constant
Operational		
Economy, market development	High	Constant
Sales financing	Medium	Constant
Procurement	Medium	Higher
Production	Low	Constant
Sales partnerships	Low	Constant
Information security	High	Higher
HR	Medium	Constant
Financial		
Currency and interest	Medium	Constant
Pension obligations	Medium	Constant
Taxation	Medium	Constant
Liquidity	Low	Constant
Refinancing	Low	Constant
Rating	Low	Constant
Legal and compliance	Medium	Constant

Strategic risks and opportunities

Political risks

As a key factor influencing economic conditions, political risks can have a direct impact on Heidelberger Druckmaschinen Aktiengesellschaft’s business activities and its net assets, financial position and results of operations. In particular, the situation in the Middle East with the conflict parties US and Iran as well as the resulting global political tension are a source of great uncertainty and could have a negative impact on economic conditions.

2019 is expected to see weaker growth in the world economy as well as for Germany. The International Monetary Fund and the leading economic research institutes have recently downwardly revised their growth forecasts for the German and world economies. There are increasingly significant uncertainties with regard to economic and financial policy. Experts see the main reasons for the slowdown as the sustained trade dispute between the US, China and Europe as well as the growing risk that Brexit will take place without a deal with the European Union. In addition to the global uncertainties, Germany is subject to internal risks due to the growing shortage of qualified employees and supply bottlenecks. There are also risks in the financial environment, as debt has risen significantly in recent years in the industrialized nations as well as a number of emerging economies. At the same time, asset prices(equities, government bonds and real estate) have risen to all-time highs in many countries on the back of expansive monetary policy.

The economic institutes expect Germany to return to stronger growth in 2020. The IMF also believes it is possible that the current slowdown in growth in the world economy will prove to be a temporary problem. This is supported by the announcement by the central banks in the US and Europe that their monetary policy will not be tightened any further for the time being, as well as the prospect of an end to the US-China trade dispute. Although the IMF has raised its growth forecast for China for 2019, economists expect the Chinese GDP growth rate to decline to 6.3 percent in 2019 and 6.0 percent in 2020. As the global economic slowdown at the start of the financial year was reflected in a tangible reduction in momentum in terms of orders for new machinery, and the latest annual forecast by the industry association VDMA was more pessimistic in light of the growing uncertainty on the world markets due to trade disputes and Brexit, Heidelberger Druckmaschinen Aktiengesellschaft is entering the new financial year 2019/2020 with caution. In its forecast and the planning on which the risk and opportunity report is based, however, Heidelberger Druckmaschinen Aktiengesellschaft continues to assume that the general conditions for free world trade will remain unchanged and the protectionist activities, including tariff and non-tariff barriers to trade, that can currently be observed will not have any significant monetary effect for now.

Political risks are currently regarded as high.

Industry-specific risks and opportunities

As a result of the economic conditions, which are characterized by considerable risks to the world economy as a result of economic policy uncertainties, economists at the German Engineering Federation (VDMA) are forecasting growth in machine production in Germany of around 1 percent next year after adjustment for inflation. The US, Chinese and German markets are regarded cautiously optimistic for mechanical engineering companies in general, whereas the other EU markets are viewed with relative skepticism.

The entire printing industry remains affected by overcapacity and price competition. Rapid 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 an increasingly tough competitive environment. Rising paper prices are a particularly critical development, as it is often not possible to pass on these cost increases to end customers. As such, this could negatively affect our customers' investment behavior. The increased automation of our printing presses in the context of industrial print production (e.g. Push-to-Stop) can lead to a significant increase in net productivity and hence efficiency improvements for our customers. In turn, this makes Heidelberger Druckmaschinen Aktiengesellschaft's production portfolio attractive and improves the retention of existing customers.

For the print media industry, Heidelberger Druckmaschinen Aktiengesellschaft expects a similarly challenging environment as in the past financial year on account of the sector's ongoing industrialization, with the number of larger print media service providers growing in the industrialized countries and the number of medium and smaller print shops falling. While print volumes are continuing to grow overall in the emerging economies, print service providers in the industrialized nations are facing a highly dynamic and rapidly changing market environment. The increasing substitution of printed products and business stationery by the Internet and the impact of demographic change on the buying and reading habits of the population is leading to a decline in 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. 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 sees digital business as a key growth market. The printing industry is subject to continuous technological change. Especially in digital technology, there are different solution approaches. It is not yet foreseeable which of the technological solutions available in digital printing will win out in the long term. In addition, there is the risk that the speed or extent of the market penetration of Heidelberger Druckmaschinen Aktiengesellschaft's digital offering might differ from market expectations. The Company will therefore also invest in new business applications and models in the future and cooperate with innovative partners who are the leaders in their respective segment. However, Heidelberger Druckmaschinen Aktiengesellschaft sees itself not only as a provider of equipment, but also as a partner to its customers, offering a comprehensive service for effective, reliable production processes and data-driven services.

In our research and development activities, we work in close cooperation with partners such as customers, suppliers, other companies and universities. This enables Heidelberger Druckmaschinen Aktiengesellschaft to meet the requirements of its customers and markets in a targeted and comprehensive way. Partnerships also allow us to combine the innovative strength of our partners with our own in order to respond more quickly to current market conditions and reduce our product risks. Before we invest in possible new ventures, the risks and opportunities are weighed on the basis of various scenarios.

We protect the results of our research and development work with our own property rights to the greatest possible extent, thereby reducing risks in relation to research and development.

The development of key foreign currencies against the euro can also have a major impact on our competitive situation and thus directly on our sales volumes.

Furthermore, there could be synergies from possible business combinations between some market participants, which can lead to a rise in price pressure on account of the higher market share.

The industry-specific risks arising from the market environment and competition are considered to be high.

Operational risks and opportunities

Economic and market development risks

In the business planning for the Digital Technology (HDT) and Lifecycle Solutions (HDLS) segments, we are assuming a slowdown in global economic momentum and a decline in foreign trade affecting the industrialized nations and emerging economies in equal measure.

For example, investment activity in the US is likely to slow as the fiscal impetus ends and monetary policy becomes less expansive. Weaker foreign demand has also tangibly curbed growth in the euro zone, particularly in Germany. Companies are delaying investments in response to the trade disputes between the US on the one hand and China and the EU on the other, as well as the uncertainty concerning Brexit.

The emerging economies are likely to see slightly slower economic development in the forecast period than in the last two years. Among other things, this is due to China, even though the Chinese government has announced expansive economic policy measures and made it clear that it will resist any pronounced economic weakness.

The downside risks for the world economy are considerable. One of the reasons is the high degree of economic policy uncertainty. The unresolved trade conflicts could place an additional burden on the world economy, resulting in a tangible slowdown in macroeconomic development.

If the global economy were to grow less than expected, or if key markets were to suffer an unexpected economic downturn, there is a risk that the planned sales performance will not be achieved, particularly in new machinery business (above all in the HDT segment). In terms of strategy, Heidelberger Druckmaschinen Aktiengesellschaft is focusing on the implementation of its digitization strategy in order to reduce the inherent risk of new machinery business. The Lifecycle Solutions segment is considerably less cyclical as it depends on the installed base and on the print production volume to a greater extent than on new machinery business. The share of total sales from less cyclical business with service and consumables will increase further in the coming years, thereby reducing economic fluctuations within the Company.

A continuous improvement in key business processes and constant cost control are of essential importance for further increasing Heidelberger Druckmaschinen Aktiengesellschaft's profitability. We are of the opinion that the opportunities to further optimize cost structures within the Company have not yet been exhausted. The measures initiated by management to achieve operational excellence at Heidelberger Druckmaschinen Aktiengesellschaft were taken into account in planning as cost-reducing factors.

Overall, operational risks from the economy and the markets, including the realization of planned cost reductions, are considered to be high.

Sales financing risks

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

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

In addition to the sales financing risk for existing receivables, this risk includes any liquidity risks in connection with the externalization strategy of our subscription business. Here, too, the Company's own need for financing commitments could increase in the event of limited availability of third-party financing partners. These higher requirements would tie up additional funds and hence raise the risk profile.

Sales financing commitments are regularly reviewed using internal rating processes. These (like the Basel standards) comprise both debtor-specific and transaction-specific components. Heidelberger Druckmaschinen Aktiengesellschaft operates a policy of risk provisioning that is appropriate for the business model in sales financing. Appropriate risk provisions are recognized early on for discernible risks.

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

Procurement risks

Heidelberger Druckmaschinen Aktiengesellschaft is dependent on ensuring that its suppliers and service providers can deliver the required quality at all times. Risk management is therefore a fixed component of our supplier management. The Company works closely with selected systems suppliers on a contractual basis and reduces risks relating to supplier defaults and late deliveries of components or low-quality components. It also works continuously to optimize its supply methods and procurement processes with key suppliers to ensure the reliable supply of parts and components of the highest quality. As Heidelberger Druckmaschinen Aktiengesellschaft generates around two-thirds of its sales outside the euro zone, the option of global procurement is constantly being examined and expanded. In the year under review, the currency component was again taken into account as a risk-reducing factor for procurement and included in purchase decisions.

Wherever it benefits the Company, we pursue a dual vendor strategy in order to reduce unilateral dependencies. As part of Heidelberger Druckmaschinen Aktiengesellschaft's operational excellence strategy, the bundling of procurement activities was continued further in the year under review.

The strained supply situation with longer delivery times for individual components meant that the procurement risk was higher than in the previous year.

Procurement risks are considered to be medium.

Production risks

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

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

Production risks are therefore considered to be low.

Sales partnership risks

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

This risk is considered to be low.

Information security

The digitization of all segments means Heidelberger Druckmaschinen Aktiengesellschaft could increasingly suffer damage if, for example, the availability of systems or the confidentiality of sensitive information were violated or restricted. This would have a direct impact on business operations (for example, the non-availability of products and services) and lead to a business interruption. An indirect consequence could also be a loss of image for Heidelberger Druckmaschinen Aktiengesellschaft, though this cannot be quantified. In addition to a sharp rise in the threat emanating from increasingly professional cybercrime and the greater quantity of sensitive information in connection with the subscription model, the regulatory requirements for information security are also on the rise, due in part to the EU General Data Protection Regulation that became effective in May 2018.

Comprehensive protective measures have been taken preventively to guarantee the availability and confidentiality of systems and data. These include technical protection measures such as virus protection and firewall systems, access controls, data backups and data encryption. 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.

Heidelberger Druckmaschinen Aktiengesellschaft's information security risk is considered to be high overall.

HR risks and opportunities

The success of Heidelberger Druckmaschinen Aktiengesellschaft is substantially influenced by qualified and motivated employees and management. It therefore invests both in maintaining the capabilities of its own employees and management and in improving its attractiveness to new employees in order to meet the challenges of forthcoming digitization and demographic change. Heidelberger Druckmaschinen Aktiengesellschaft has responded to the changes entailed by an aging workforce by improving its preventive healthcare. As a result of past challenges and those yet to come, it cannot be ruled out that negative financial or non-financial effects (loss of key personnel, image, attractiveness as an employer) could arise for Heidelberger Druckmaschinen Aktiengesellschaft.

This risk is considered to be medium.

Financial risks and opportunities

Currency and interest rate risks and opportunities

As an international company, Heidelberger Druckmaschinen Aktiengesellschaft conducts business in various currencies, which can lead to risks and opportunities due to exchange rate changes. The risks are identified centrally and suitable strategies and measures are derived to counteract them. Some of these measures 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 overall; interest rate risks are considered to be low.

Risks and opportunities from pension obligations

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

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

In the year under review, the lower interest rate (as against the previous year) used for the discounting of pension obligations led to an increase in pension obligations.

The risk from pension obligations is considered to be medium.

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

Risks and opportunities from 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.

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

Liquidity

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

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

Refinancing risk

Heidelberger Druckmaschinen Aktiengesellschaft is dependent on being able to refinance financial liabilities that become due, to meet existing financing commitments and to finance additional funding requirements for the development of its business activities. If reliable financing were not ensured, the willingness to pay would be at risk. Heidelberger Druckmaschinen Aktiengesellschaft has a stable financing base with a broadly diversified financing structure (banks, capital market and other financing commitments) and a balanced, long-term maturity profile to 2023. Furthermore, Heidelberger Druckmaschinen Aktiengesellschaft has demonstrated in the past that it can reduce its gearing through internal financing thanks to successful asset and net working capital management.

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

The refinancing risk is considered to be low.

Rating

The capital market uses ratings from agencies to assist lenders in assessing the risk of default by a borrower or financial instrument. The Heidelberg Group is currently rated by Moody's and Standard & Poor's. Its rating from Moody's has been B2 with outlook stable since June 2017. Its rating from Standard & Poor's has been B with outlook stable since February 2013. There is a risk that the rating agencies could downgrade the Heidelberg Group's credit rating if the relevant performance indicators (such as its dynamic gearing ratio) deteriorate and the financing costs for new financing therefore increase or this becomes more difficult.

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

Legal and compliance risks

As part of its general business operations, Heidelberger Druckmaschinen Aktiengesellschaft is involved in judicial and extra-judicial legal disputes whose outcome cannot be predicted with certainty.

There are legal disputes regarding warranty cases in connection with sales of machinery that could also lead to rescission. In addition to legal risks there are also antitrust risks, though their probability of occurrence is considered to be very low. Provisions are recognized accordingly for risks resulting from legal disputes, provided utilization is likely and the probable amount of the provision required can be reliably estimated. 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. Systematic controls of compliance with our comprehensive guidelines are performed in order to further minimize risk. In addition, our service providers, suppliers and other business partners are obliged to comply with the Heidelberg Code of Conduct. This Code of Conduct, which reflects the ten guiding principles of the UN Global Compact, was fully revised in 2017. Heidelberger Druckmaschinen Aktiengesellschaft has also commissioned an ombudsman for the Heidelberg Group to ensure that continuous communication with employees and third parties is further established as part of the Group's compliance culture. Heidelberger Druckmaschinen Aktiengesellschaft has always been committed to upholding the privacy rights of its employees, shareholders, customers, suppliers and other business partners as a matter of principle. 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 currently considered to be medium.

General statement on risks and opportunities

There are currently no discernible 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.

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

In addition to the political risks (in particular protectionist trade policy and the possible curbing of global economic momentum due to retaliatory measures), which are considered to be high, the launch of new products is subject to technical risks during the development phase and risks regarding the assessment of the sales market during the launch phase.

A high risk of failing to meet our earnings targets essentially lies in the possibility that the cautious expectations for economic development in key sales markets (Europe – in particular Germany – and the US and China) will prove to be even weaker. A weaker than expected performance by these countries could have a negative impact on sales and margins in the HDT segment in particular. Despite this risk assessment, it is assumed that the share of the print volume produced using the sheetfed offset printing method will remain stable globally.

Additionally, the provider-side barriers to market entry in sheetfed offset printing are high, meaning that no significant competition from new providers is expected.

Secondly, the precise transportation of paper sheets at high speeds remains a core competency of Heidelberger Druckmaschinen Aktiengesellschaft, making us an ideal partner for providers of new technologies. 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. Heidelberger Druckmaschinen Aktiengesellschaft is strategically well positioned not only for sheetfed offset printing processes, but also for digital printing processes, which are seeing global increases in the print volumes produced.

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

Opportunities for Heidelberger Druckmaschinen Aktiengesellschaft result in particular from strategic measures. This includes the continued transformation from being a technology-oriented company to a more customer-oriented one with a focus on expansion in the growth areas of digital, packaging, service and software with a continuous improvement in cost structures.

With new digital printing presses developed as part of cooperations and the Company’s own research and development activities, Heidelberger Druckmaschinen Aktiengesellschaft anticipates the opportunity to establish a strong position in the area of high-performance digital printing. 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 and media industry than is currently forecast. In the BRIC nations there is a possibility that economic growth will be higher than anticipated. An economic recovery in the advanced economies could lead to a rise in the investment volume there as well. 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.

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 ensures that management decisions are implemented effectively, that control systems work economically, 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.

Risks are also reduced by a number of automated controls. Authorization concepts have been implemented in the Company-wide uniform IT system. If a unit is examined by the internal auditors, these authorization models and their implementation are also reviewed. Automated controls and plausibility checks ensure the completeness and accuracy of data inputs, and in some cases data 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

Many economic indicators suggest a slowdown in global economic momentum, and not least a decline in foreign trade. Accordingly, the global economy is expected to increase by just 2.6 percent this year and next year. This economic slowdown is affecting the industrialized nations and the emerging economies alike.

As the fiscal impetus in the US ends and monetary policy becomes less expansive, investment activity is likely to slow, with economic growth forecast at just 2.4 percent in 2019 and 2.1 percent in 2020.

Weaker foreign demand has tangibly curbed growth in the euro zone, particularly in Germany. Companies are delaying investments in response to the trade disputes between the US on the one hand and China and the EU on the other, as well as the uncertainty concerning Brexit. Accordingly, the German government has lowered its growth forecast for 2019 from the original figure of 1.8 percent in its autumn report, firstly to 1.0 percent and now to just 0.5 percent.

The Japanese economy will continue to show little in the way of momentum, with growth remaining at 2018 levels at 0.7 percent this year and 0.5 percent next year.

The emerging economies are likely to see slightly slower economic development in the forecast period than in the last two years. Among other things, this is due to China, even though the Chinese government has announced expansive economic policy measures and made it clear that it will resist any pronounced economic weakness. Economists expect the growth rate in China to decline to 6.3 percent in 2019 and 6.0 percent in 2020. Despite this slowdown, China will remain a key driver of global economic growth in the future.

The downside risks for the world economy are considerable. One of the reasons is the high degree of economic policy uncertainty. The unresolved trade conflicts could place an additional burden on the world economy, resulting in a tangible slowdown in macroeconomic development. In Europe, there are additional risks due to the fact that a no-deal Brexit still cannot be ruled out. However, there are also risks in the financial environment, as debt has risen significantly in recent years both in the advanced economies and a number of emerging economies. At the same time, asset prices (equities, government bonds and real estate) have risen to all-time highs in many countries on the back of expansive monetary policy.

These economic conditions and the considerable downside risks will have a substantial impact on the propensity to invest in the mechanical engineering industry. After adjustment for inflation, the VDMA forecast for growth in machine production in Germany is therefore only around 1 percent. The majority of mechanical engineering companies are cautiously optimistic with regard to the US, Chinese and German markets, whereas they view the other EU markets with relative skepticism.

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 2019/2020 financial year. Corporate development continues to focus on the “Heidelberg goes digital” reorientation of the Company that was initiated in the past two financial years with the strategic pillars of digital transformation and expansion of technology leadership. As the global economic slowdown at the start of the financial year was reflected in a reduction in momentum in terms of orders for new machinery, and the latest annual forecast by the industry association VDMA was more pessimistic in light of the growing uncertainty on the world markets due to trade disputes – in particular the trade dispute between the US and China – and Brexit, Heidelberger Druckmaschinen Aktiengesellschaft is entering the new financial year 2019/2020 with caution and anticipates sales approximately on a par with the reporting year’s level.

In contrast to the previous year, Heidelberger Druckmaschinen Aktiengesellschaft is forecasting an operating result (EBITDA before restructuring) for the Group as a whole, whereas in the previous year it had forecast EBITDA before restructuring and non-recurring effects, and the net result after taxes, rather than the net result after taxes before restructuring and non-recurring effects as it did in the previous year.

The operating result is reduced by the additional staff costs resulting from the most recent collective bargaining agreement, the cost of series start-up in digital printing and the lower capitalization of development costs. As in the previous year, higher costs for the digital transformation of the Company (business structure and organization) will be incurred again in the 2019/2020 financial year. We anticipate a moderately lower operating result for the 2019/2020 financial year owing to the above effects.

Based on the expected stable development in sales, a reduced operating result and a slightly better financial result than in the previous year, the net result after taxes is expected to remain on a par with the previous year overall.

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)]

- Already in the previous year: Review and redesign of multi-year variable compensation and adjustment of the obligation for personal investment in shares

The Supervisory Board discussed the appropriateness of Management Board compensation and the structure of the compensation system as scheduled during the year under review. This was also done amongst other things in connection with the agreement and review of agreements on objectives with Management Board members. With the introduction of the compensation system in place since financial year 2012/2013, the procedure and the benchmarks for measuring the variable compensation elements were defined and, in respect of the multi-year variable compensation elements, adjusted to reflect the requirements of the revolving credit facility and its financial covenants. In financial year 2017/2018, the multi-year variable compensation was reviewed and redesigned. The aim was to increase variability by redesigning expected values, but also to reinforce the idea of shareholder value. These changes also influence the compensation system as a whole. Specifically:

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 financial year 2012/2013 – the 30 percent of the personal bonus will be added on to the Company bonus subordinate to the financial objectives on which it is based. The 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 previous year. Since the previous year, the multi-year variable compensation is determined according to two benchmarks: Earnings before taxes according to the IFRS consolidated income statement (EBT) and total shareholder 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

[1)] This remuneration report also forms part of the corporate governance report 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 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 is a special rule for the three-year period 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 is, in the event of the agreed achievement of objectives, counted towards this new rule and paid out after the end of the three-year period in financial year 2019/2020.

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

Figures in € thousands	Rainer Hundsdörfer Chief Executive Officer and Chief Human Resources Officer				Dirk Kaliebe Chief Financial Officer and Head of Financial Services			
	2017/2018 Objective	**2018/2019 Objective**	2018/2019 (Min)	2018/2019 (Max)	2017/2018 Objective	**2018/2019 Objective**	2018/2019 (Min)	2018/2019 (Max)
Fixed compensation [2]	650	660	660	660	402	408	408	408
Fringe benefits	26	26	26	26	18	16	16	16
Total	676	686	686	686	420	424	424	424
One-year variable compensation	585	594	0	594	362	367	0	367
Multi-year variable compensation	526	456	0	1,170	325	282	0	723
2017/2018 tranche [3]	526 [4]	–	–	–	325 [4]	–	–	–
2018/2019 tranche [3]		456 [5]	0	1,170	–	282 [5]	0	723
Total fixed and variable compensation elements	1,787	1,736	686	2,450	1,107	1,073	424	1,514
Service cost	228	234	234	234	141	144	144	144
Total compensation	2,015	1,970	920	2,684	1,248	1,217	568	1,658

Figures in € thousands	Prof. Dr. Ulrich Hermann Member of the Board Head of Lifecycle Solutions				Stephan Plenz Member of the Board Head of Digital Technology			
	2017/2018 Objective	**2018/2019 Objective**	2018/2019 (Min)	2018/2019 (Max)	2017/2018 Objective	**2018/2019 Objective**	2018/2019 (Min)	2018/2019 (Max)
Fixed compensation [2]	400	408	408	408	402	408	408	408
Fringe benefits	25	25	25	25	17	14	14	14
Total	425	433	433	433	419	422	422	422
One-year variable compensation	360	367	0	367	362	367	0	367
Multi-year variable compensation	324	281	0	720	325	282	0	723
2017/2018 tranche [3]	324 [4]	–	–	–	325 [4]	–	–	–
2018/2019 tranche [3]	–	281 [5]	0	720	–	282 [5]	0	723
Total fixed and variable compensation elements	1,109	1,081	433	1,520	1,106	1,071	422	1,512
Service cost	140	144	144	144	141	144	144	144
Total compensation	1,249	1,225	577	1,664	1,247	1,215	566	1,656

[1] In accordance with section 4.2.5 (3) of the German Corporate Governance Code in the version published on April 24, 2017
[2] 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 salary of Prof. Dr. Ulrich Hermann was adjusted to match that of Dirk Kaliebe and Stephan Plenz
[3] Term: 3 years
[4] In financial year 2017/2018, this includes the fair value as of the grant date of the multi-year share-based cash compensation as follows: Rainer Hundsdörfer: € 234 thousand; Dirk Kaliebe: € 144 thousand; Prof. Dr. Ulrich Hermann: € 144 thousand; Stephan Plenz: € 144 thousand
[5] In financial year 2018/2019, 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

Allocation [1]

Figures in € thousands	Rainer Hundsdörfer Chief Executive Officer and Chief Human Resources Officer		Dirk Kaliebe Chief Financial Officer and Head of Financial Services		Prof. Dr. Ulrich Hermann Member of the Board Head of Lifecycle Solutions		Stephan Plenz Member of the Board Head of Digital Technology	
	2017/2018	**2018/2019**	2017/2018	**2018/2019**	2017/2018	**2018/2019**	2017/2018	**2018/2019**
Fixed compensation [2]	650	647	402	400	400	400	402	400
Fringe benefits	26	26	18	16	25	25	17	14
Total	676	673	420	416	425	425	419	414
One-year variable compensation	585	594	362	367	360	367	362	367
Multi-year variable compensation	–	467	356	362	–	288	356	362
2015/2016 tranche [3]	–	–	356	–	–	–	356	–
2016/2017 tranche [3]	–	467	–	362	–	288	–	362
Total fixed and variable compensation components	1,261	1,734	1,138	1,145	785	1,080	1,137	1,143
Service cost [4]	228	234	141	144	140	144	141	144
Total compensation	1,489	1,968	1,279	1,289	925	1,224	1,278	1,287
of which: agreed personal investment	59	106	72	73	36	66	72	73

[1] Compensation paid or yet to be paid to the members of the Management Board for the respective financial year
[2] The remuneration waived by members of the Management Board in the 2018/2019 financial year amounted to € 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 salary of Prof. Dr. Ulrich Hermann was adjusted to match that of Dirk Kaliebe and Stephan Plenz
[3] Term: 3 years. For 2016/2017 tranche: Calculated pro rata temporis from November 14, 2016 for Rainer Hundsdörfer and Prof. Dr. Ulrich Hermann
[4] Not yet allocated in the financial year

The objective agreements for the multi-year variable compensation (three-year period) entered into at the beginning of financial year 2016/2017 (2016/2017 tranche) are still based on the previous rule and are accordingly ascertained and paid out on this basis. As a result, the multi-year variable compensation is scheduled to be ascertained and paid out on the basis of the previous rule for the last time at the end of financial year 2018/2019 – with the exception of the above transitional rule.

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.

Rainer Hundsdörfer, Dirk Kaliebe, Prof. Dr. Ulrich Hermann and Stephan Plenz invested the portions of the one-year variable compensation paid for financial year 2017/2018 and Dirk Kaliebe and Stephan Plenz the corresponding portions of the multi-year variable compensation for financial years 2015/2016, 2016/2017 and 2017/2018 (2015/2016 tranche) in shares of Heidelberger Druckmaschinen Aktiengesellschaft on August 8, 2018, 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 9, 2018.

In the year under review, FRINGE BENEFITS primarily consist of the value of the private use of a company car to be determined according to fiscal guidelines.

There were no BENEFITS TO FORMER MEMBERS OF THE MANAGEMENT BOARD, as no members of the Management Board left in the reporting year.

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	2017/2018	650	26	585	429	1,690
	2018/2019	647	26	594	361	1,628
Dirk Kaliebe	2017/2018	402	18	362	385	1,167
	2018/2019	400	16	367	223	1,006
Prof. Dr. Ulrich Hermann	2017/2018	400	25	360	264	1,049
	2018/2019	400	25	367	223	1,015
Stephan Plenz	2017/2018	402	17	362	385	1,166
	2018/2019	400	14	367	223	1,004
Total	2017/2018	1,854	86	1,669	1,463	5,072
	2018/2019	1,847	81	1,695	1,030	4,653

[1] The remuneration waived by members of the Management Board in the 2018/2019 financial year amounted to € 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 salary of Prof. Dr. Ulrich Hermann was adjusted to match that of Dirk Kaliebe and Stephan Plenz

[2] In financial year 2017/2018, this includes the fair value as of the grant date of the multi-year share-based cash compensation as follows: Rainer Hundsdörfer: € 234 thousand; Dirk Kaliebe: € 144 thousand; Prof. Dr. Ulrich Hermann: € 144 thousand; Stephan Plenz: € 144 thousand
In financial year 2018/2019, 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
The total income for the 2018/2019 financial year of € 356 thousand (previous year: total expense of € 437 thousand) breaks down as follows: Rainer Hundsdörfer: € 125 thousand (previous year: expense of € 153 thousand), Dirk Kaliebe: € 77 thousand (previous year: expense of € 95 thousand), Prof. Dr. Ulrich Hermann: € 77 thousand (previous year: expense of € 94 thousand) and Stephan Plenz: € 77 thousand (previous year: expense of € 95 thousand)

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

In the reporting year, the contract with Rainer Hundsdörfer (Chief Executive Officer and Chief Human Resources Officer) was extended by three years and that with Prof. Ulrich Hermann by five years; Dirk Kaliebe and Stephan Plenz have each been appointed as ordinary members of the Management Board for a period of three years. The pension agreement provides for a defined contribution for pension benefits that is essentially consistent with the defined contribution plan for executive staff (BVR). On July 1 of each year, the Company pays a corresponding contribution based on the relevant fixed compensation retroactively for the previous financial year into an investment fund. The fixed pension contribution is 35 percent of the corresponding fixed compensation.

The pension agreements for all members of the Management Board stipulate that the amount paid can rise depending on the earnings situations of the Company. The exact amount of the pension also depends on the investment success of the fund. The pension can be drawn as an early pension from the age of 60. In the event of a member of the Management Board leaving the Company, the pension will be paid from the age of 65 or 60 respectively, principally as a non-recurring payment of pension capital. In addition, the agreements also provide for disability and surviving dependents' benefits (60 percent of the disability payment or the pension) contingent on the amount of the last 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 Prof. Ulrich Hermann vest immediately. Moreover, the statutory are vested periods have been met for Dirk Kaliebe and Stephan Plenz.

In terms of **EARLY TERMINATION BENEFITS**, all service agreements provide for the following uniform regulations in the event of the effective revocation of a Management Board member's appointment or a justifiable resignation by a member of the Management Board: The service agreement ends after the statutory notice period in accordance with section 622 (1), (2) of the German Civil Code (BGB). In the event of the effective revocation of a Management Board member's appointment, the member receives a severance payment at the time of termination of the service agreement in the amount of his or her previous total compensation under the service agreement for two years, but not exceeding the amount of the compensation for the originally agreed remainder of the service agreement. An entitlement to multi-year variable compensation determined, established and thus already vested at the date of departure is not affected 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 mutatis mutandis during the originally agreed residual term. If a member of the Management Board becomes unable to work due to disability, the benefits stipulated in the respective pension agreement will be paid. 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 mutatis mutandis to the payment and eligibility of other 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	2017/2018	315	228	317	228
	2018/2019	552	231	558	234
Dirk Kaliebe	2017/2018	1,611	141	1,862	141
	2018/2019	1,799	143	2,068	144
Prof. Dr. Ulrich Hermann	2017/2018	194	140	224	140
	2018/2019	340	143	393	144
Stephan Plenz	2017/2018	1,525	141	1,750	141
	2018/2019	1,711	143	1,947	144

1) The pension entitlement that can be achieved by the age of 65 (Rainer Hundsdörfer; Dirk Kaliebe; Prof. Dr. Ulrich Hermann and Stephan Plenz) 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 funds is expected to be as follows: Rainer Hundsdörfer: approx. 7 percent, Dirk Kaliebe: approx. 36 percent, Prof. Dr. Ulrich Hermann: approx. 21 percent and Stephan Plenz: approx. 34 percent of the respective last fixed compensation

2) For Rainer Hundsdörfer, Dirk Kaliebe, Prof. Dr. Ulrich Hermann and Stephan Plenz, the pension contribution for the reporting year is calculated on the basis of the pensionable income on March 31, without taking into account the earnings-based contribution not yet determined. The waiver of remuneration in the reporting year has no effect on pensionable fixed annual salary

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 € 40,000.00. The Chairman of the Supervisory Board receives three times this amount, the Deputy Chairman twice this amount. The members of the Management Committee, the Audit Committee, and the Committee on Arranging Personnel Matters of the Management Board receive additional compensation for work on these committees. Each committee member receives compensation of € 1,500.00 per meeting for participation in a meeting of these committees. The Chairman of the Audit Committee receives compensation of € 4,500.00 per meeting; the Chairman of the Management Committee and the Chairman of the Committee on Arranging Personnel Matters of the Management Board receive compensation of € 2,500.00 per meeting. The members of the Supervisory Board also receive an attendance fee of € 500.00 per meeting for attending a meeting of the Supervisory Board or one of its committees. Furthermore, the expenses incurred by members of the Supervisory Board and value added tax thereon will be reimbursed. In order to boost the Supervisory Board's role as a controlling body, compensation does not include a variable, performance-based component. The Supervisory Board currently consists of 12 members.

The members of the union and 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 €	2017/2018				**2018/2019**			
	Fixed annual compensation	Attendance fees	Committee compensation	Total	Fixed annual compensation	Attendance fees	Committee compensation	Total
Dr. Siegfried Jaschinski [1]	120,000	5,000	7,500	132,500	120,000	6,000	16,500	142,500
Ralph Arns [2]	40,000	2,000	0	42,000	70,000	4,500	6,000	80,500
Rainer Wagner [3][4]	80,000	5,000	12,000	97,000	26,666	2,500	6,000	35,166
Joachim Dencker [5]	0	0	0	0	30,000	2,500	0	32,500
Gerald Dörr [5]	0	0	0	0	30,000	2,500	3,000	35,500
Mirko Geiger	40,000	5,000	7,500	52,500	40,000	6,000	7,500	53,500
Karen Heumann	40,000	2,500	3,000	45,500	40,000	3,000	4,500	47,500
Oliver Jung [6]	36,666	2,500	0	39,166	40,000	4,500	3,000	47,500
Kirsten Lange	40,000	4,500	6,000	50,500	40,000	6,000	7,500	53,500
Dr, Herbert Meyer [4]	40,000	5,000	22,500	67,500	13,333	2,500	13,500	29,333
Petra Otte [5]	0	0	0	0	30,000	2,000	0	32,000
Ferdinand Rüesch [5]	0	0	0	0	30,000	3,000	3,000	36,000
Beate Schmitt	40,000	2,000	4,500	46,500	40,000	3,500	6,000	49,500
Prof. Dr.-Ing. Günther Schuh	40,000	2,500	1,500	44,000	40,000	2,500	0	42,500
Christoph Woesler [4]	40,000	2,000	0	42,000	13,333	1,000	0	14,333
Roman Zitzelsberger [4]	40,000	2,000	0	42,000	13,333	1,000	0	14,333
Total	596,666	40,000	64,500	701,166	616,665	53,000	76,500	746,165

[1] Chairman of the Supervisory Board
[2] Deputy Chairman of the Supervisory Board from July 25, 2018
[3] Deputy Chairman of the Supervisory Board until July 25, 2018
[4] Member of the Supervisory Board until July 25, 2018
[5] Member of the Supervisory Board since July 25, 2018
[6] Member of the Supervisory Board since May 23, 2017

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, 2018, 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 2015 convertible bond. The share capital of Heidelberger Druckmaschinen Aktiengesellschaft is now contingently increased by up to € 48,230,453.76, divided into 18,840,021 bearer shares (**CONTINGENT CAPITAL 2014**), for this purpose; details of Contingent Capital 2014 can be found in Article 3 (3) of the Articles of Association.

On July 24, 2015, the Annual General Meeting authorized the Management Board, with the approval of the Supervisory Board, to issue warrants, convertible bonds and/or participating bonds as well as profit-sharing rights including combinations of these instruments (collectively also referred to as "bonds") up to a total nominal amount of € 200,000,000.00, dated or undated, on one or several occasions by July 23, 2020, and to grant or impose on the bearers or creditors of option warrants or option profit-sharing rights or option participating bonds, option rights or obligations, or to grant or impose on the bearers or creditors of convertible bonds, convertible profit-sharing rights or convertible participating bonds, conversion rights or obligations to up to 51,487,555 bearer shares of the Company with a pro rata amount of share capital of up to € 131,808,140.80 in total, in accordance with the further conditions of these bonds. Shareholders' preemptive 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 € 131,808,140.80, divided into 51,487,555 bearer shares (CONTINGENT CAPITAL 2015), for this purpose; details of Contingent Capital 2015 can be found in Article 3 (4) of the Articles of Association.

In accordance with the resolution of the Annual General Meeting on July 24, 2015, the Management Board was authorized, with the approval of the Supervisory Board, to increase the share capital of the Company by up to € 131,808,140.80 on one or more occasions by issuing up to 51,487,555 new shares against cash or non-cash contributions by July 23, 2020 (AUTHORIZED CAPITAL 2015). The Management Board was authorized, with the approval of the Supervisory Board, to determine the further content of share rights and the conditions for the issue of shares. Details on Authorized Capital 2015 can be found in Article 3 (5) of the Articles of Association. The cash capital increase with Masterwork Machinery S.à r.l., Luxembourg, Luxembourg, which became effective on March 22, 2019, meant that the share capital increased by € 65,904,069.12; accordingly, Authorized Capital 2015 was reduced from € 131,808,140.80 to € 65,904,071.68.

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 2018/2019 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 2018/2019

Income statement 2018/2019

Figures in € thousands	Note	1-Apr-2017 to 31-Mar-2018	**1-Apr-2018 to 31-Mar-2019**
Net sales	4	1,159,879	1,233,319
Change in inventories		22,617	15,265
Other own work capitalized		41,951	32,382
Total operating performance		**1,224,447**	**1,280,966**
Other operating income	5	68,589	62,965
Cost of materials	6	559,583	611,096
Staff costs	7	438,971	449,379
Amortization and write-downs of intangible non-current assets and depreciation and write-downs of property, plant and equipment		39,363	50,934
Other operating expenses	8	234,996	246,865
Result of operating activities		**20,123**	**– 14,343**
Result from financial assets	9	12,863	30,169
Other interest and similar income	10	6,698	6,970
Interest and similar expenses	11	82,763	109,144
Financial result		**– 63,202**	**– 72,005**
Taxes on income	12	1,451	1,961
Net result after taxes		**– 44,530**	**– 88,309**
Net loss for the year		**– 44,530**	**– 88,309**
Withdrawals from retained earnings	18		
from other retained earnings		44,530	–
Net accumulated losses		**0**	**– 88,309**

Statement of financial position as of March 31, 2019

Assets

Figures in € thousands	Note	31-Mar-2018	31-Mar-2019
Non-current assets	13		
Intangible assets		97,016	108,962
Property, plant and equipment		505,026	516,636
Financial assets		885,426	861,652
		1,487,468	1,487,250
Current assets			
Inventories	14	358,706	384,749
Receivables and other assets	15	189,268	228,093
Cash and cash equivalents	16	113,016	123,761
		660,990	736,603
Prepaid expenses	17	8,189	8,565
		2,156,647	**2,232,418**

Equity and liabilities

Figures in € thousands	Note	31-Mar-2018	31-Mar-2019
Equity	18		
Subscribed capital [1)]		713,563	779,467
Treasury shares		– 366	– 366
Issued capital		713,197	779,101
Capital reserves		54,207	57,296
Retained earnings		6,952	6,952
Net accumulated losses		–	– 88,309
		774,356	755,040
Special reserves	19	452	7,471
Provisions			
Provisions for pensions and similar obligations	20	239,518	315,976
Other provisions	21	160,852	154,014
		400,370	469,990
Liabilities	22	979,427	998,515
Deferred income		2,042	1,402
		2,156,647	**2,232,418**

[1)] Contingent capital as of March 31, 2019 in the amount of € 180,039 thousand (previous year: € 180,039 thousand)

Financial section 2018/2019

Statement of changes in non-current assets

Figures in € thousands					Cost
	1-Apr-2018	Additions	Disposals	Reclassifications	**31-Mar-2019**
Intangible assets					
Internally generated rights, similar rights and assets	87,703	21,654	–	–	109,357
Purchased software, rights of use and other rights	51,700	6,000	–2,803	–	54,897
	139,403	**27,654**	**–2,803**	**–**	**164,254**
Property, plant and equipment					
Land and buildings	441,949	20,340	–	31,461	493,750
Technical equipment and machinery	300,186	3,971	–9,368	2,190	296,979
Other equipment, operating and office equipment	443,901	23,331	–40,358	5,884	432,758
Advance payments and assets under construction	39,983	8,651	–58	–39,535	9,041
	1,226,019	**56,293**	**–49,784**	**0**	**1,232,528**
Financial assets					
Shares in affiliated companies	1,709,863	4,402	–10	10	1,714,265
Loans to affiliated companies	14,176	553	–4,635	–	10,094
Equity investments	3,928	–	–	–10	3,918
Securities classified as non-current assets	2	–	–	–	2
Other loans	27,400	–	–27,398	–	2
	1,755,369	**4,955**	**–32,043**	**0**	**1,728,281**
	3,120,791	**88,902**	**–84,630**	**–**	**3,125,063**

Cumulative depreciation and amortization					Carrying amounts	
1-Apr-2018	Additions [1]	Disposals	Reclassifications	**31-Mar-2019**	31-Mar-2018	**31-Mar-2019**
3,954	13,319	–	–	17,273	83,749	92,084
38,433	2,321	– 2,735	–	38,019	13,267	16,878
42,387	**15,640**	**– 2,735**	**–**	**55,292**	**97,016**	**108,962**
142,209	13,238	–	–	155,447	299,740	338,303
240,993	6,369	– 9,243	–	238,119	59,193	58,860
337,791	15,687	– 31,152	–	322,326	106,110	110,432
–	–	–	–	–	39,983	9,041
720,993	**35,294**	**– 40,395**	**–**	**715,892**	**505,026**	**516,636**
866,086	–	–	–	866,086	843,777	848,179
–	–	–	–	–	14,176	10,094
542	–	–	–	542	3,386	3,376
–	–	–	–	–	2	2
3,315	–	– 3,314	–	1	24,085	1
869,943	**–**	**– 3,314**	**–**	**866,629**	**885,426**	**861,652**
1,633,323	**50,934**	**– 46,444**	**–**	**1,637,813**	**1,487,468**	**1,487,250**

[1] Including impairment losses of € 7,833 thousand (previous year: € 0 thousand), € 7,203 thousand of which for capitalized development costs, € 265 thousand for technical equipment and machinery and € 365 thousand for other equipment, operating and office equipment

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

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

3 General accounting principles

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

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

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

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

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

	2017/2018	**2018/2019**
Development costs	3 to 10	3 to 10
Software/other rights	3 to 9	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	4 to 26

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

Inventories are carried at cost. The carrying amounts for all asset groups are based on the weighted average cost method. The cost of production is measured at full cost, meaning that those costs eligible for recognition as assets in accordance with section 255(2) sentences 2 to 3 HGB are included. If lower replacement prices or net values are applicable at the end of the reporting period, these are taken into account. Sufficient account is taken of the risks of holding inventory that result from prolonged storage and reduced 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 new 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. Obligations are measured using the discount rate of 3.07 percent calculated and published by Deutsche Bundesbank as of March 31, 2019 (previous year: 3.57 percent).

Obligations under pension commitments are predominantly covered by assets that are intended solely to serve pension obligations and that cannot be accessed by other creditors (plan assets). The plan assets measured at fair value are offset against pension obligations in line with section 246(2) sentence 2 HGB. 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 0.74 percent as of March 31, 2019 (previous year: 1.16 percent). Provisions for partial retirement obligations are also based on the new 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

	2017/2018	2018/2019
Europe, Middle East and Africa	533,298	527,936
Asia/Pacific	325,272	369,350
Eastern Europe	112,884	114,146
North America	150,106	167,833
South America	38,319	54,054
	1,159,879	**1,233,319**

€ 1,008 million or around 82 percent of total sales were generated outside Germany.

	2017/2018 [2]	2018/2019
Heidelberg Digital Technology	894,555	976,257
Heidelberg Lifecycle Solutions [1]	265,324	257,062
	1,159,879	**1,233,319**

[1] Until March 31, 2018: Heidelberg Digital Business and Services
[2] Prior-year figures restated

The segments were reorganized as of April 1, 2018 as part of the digital transformation. The previous "Heidelberg Digital Technology" and "Heidelberg Digital Business and Services" segments have been restructured. Since then, Heidelberger Druckmaschinen Aktiengesellschaft has been divided into the "Heidelberg Digital Technology" and "Heidelberg Lifecycle Solutions" segments. Heidelberg Digital Technology comprises sheetfed offset business, label printing, print processing and digital printing. The Lifecycle business (services, consumables), Software Solutions and Heidelberg Platforms (offerings outside the print media industry) are bundled in the "Heidelberg Lifecycle Solutions" segment. The prior-year figures have been restated accordingly.

5 Other operating income

	2017/2018	2018/2019
Income from currency translation	45,138	31,246
Reversal of provisions	15,155	27,159
Income from affiliated companies	1,833	870
Income from the reversal of special reserves for investment grants	332	347
Income from operating facilities	57	61
Other income	6,074	3,282
	68,589	**62,965**

The decrease in income from currency translation of € 13.9 million is offset by lower expenses of € 11.2 million (see note 8).

Other operating income includes prior-period income of € 27.7 million, essentially from the reversal of provisions.

6 Cost of materials

	2017/2018	2018/2019
Cost of raw materials, consumables and supplies, and of goods purchased	499,587	549,916
Cost of purchased services	59,996	61,180
	559,583	**611,096**

7 Staff costs and employees

	2017/2018	**2018/2019**
Wages and salaries	374,564	374,395
Social security costs and expenses for pensions and support	64,407	74,984
of which: for pensions	(1,021)	(9,550)
	438,971	**449,379**

Wages and salaries include restructuring expenses in connection with the adjustment of personnel capacity in the amount of € 0.1 million (previous year: € 9.8 million).

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

The average number of employees was:

	2017/2018	**2018/2019**
Wiesloch-Walldorf	3,784	4,255
Heidelberg	974	516
Brandenburg	424	438
Kiel	230	226
Neuss	28	28
	5,440	5,463
Trainees	227	239
	5,667	**5,702**

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

8 Other operating expenses

	2017/2018	**2018/2019**
Expenses for other external services	56,398	57,538
Special direct selling expenses	31,223	34,524
Expenses from currency translation	39,749	28,564
Net amount from additions to and utilization of provisions, relating to several types of expense	8,753	28,296
Maintenance	23,661	22,214
Non-manufacturing overhead costs	7,683	9,653
Rental and leasing	12,358	5,588
Travel costs	5,118	5,328
Write-downs on receivables and other assets	405	4,219
Insurance expense	4,053	4,013
Other taxes	1,139	993
Advertising costs	906	988
Other costs	43,550	44,947
	234,996	**246,865**

The € 11.2 million decrease in expenses from currency translation is offset by a € 13.9 million decrease in income from currency translation (see note 5).

In the reporting year, there were additions to staff provisions of € 23.1 million as a result of partial retirement agreements entered into in connection with the adjustment of personnel capacity.

Rental and leasing expenses were reduced further in the 2018/2019 financial year by the termination of the lease for the research and development center, Heidelberg, in June 2018 and the additions of the Print Media Academy, Heidelberg, and the World Logistics Center, Wiesloch-Walldorf, in June 2017.

9 Result from financial assets

	2017/2018	2018/2019
Income from investments		
Income from profit transfer agreements	18,049	20,287
Income from other investments	1,060	11,823
	19,109	32,110
of which: from affiliated companies	(19,109)	(31,659)
Income from other securities and long-term loans	3,463	2,813
of which: from affiliated companies	(669)	(614)
Write-downs on financial assets and on securities classified as current assets	– 3,453	–
Expenses from profit transfer agreements	– 6,256	– 4,754
of which: from affiliated companies	(– 6,256)	(– 4,754)
	12,863	**30,169**

Results from profit transfer agreements include € 9.5 million (previous year: € 12.4 million) in indirect distributions from foreign Group companies to German Group companies.

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

10 Other interest and similar income

	2017/2018	2018/2019
Other interest and similar income	6,698	6,970
of which: from affiliated companies	(5,910)	(6,904)
	6,698	**6,970**

11 Interest and similar expenses

	2017/2018	2018/2019
Interest and similar expenses	82,763	109,144
of which: due to affiliated companies	(1,960)	(1,914)
of which: due to accrued interest	(59,394)	(73,228)
	82,763	**109,144**

The increase in interest and similar expenses essentially results from the reduction in the discount rate from 3.57 percent to 3.07 percent for pension provisions and the development of the fair value of the plan assets for the pension obligations (see note 20).

Interest and similar expenses include expenses in connection with the convertible bond, the corporate bond, the credit facility, the development loans and the loan assumed in connection with the sale of the research and development center in Heidelberg (see note 22).

12 Taxes on income

	2017/2018	2018/2019
Current income tax expense	1,451	1,961
	1,451	**1,961**

As in the previous year, the tax expense for the reporting year 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 increased by € 11.9 million in net terms in the year under review, in particular as a result of the development costs capitalized in accordance with section 248 (2) HGB.

The carrying amounts of property, plant and equipment increased by € 11.6 million in the year under review. A key reason for this was amounts capitalized in connection with the completion of the innovation center at the Wiesloch-Walldorf site.

Exercising the option provided by section 255 (3) sentence 2 HGB, borrowing costs are recognized in land and buildings in the amount of € 0.5 million.

Write-downs of € 7.8 million were recognized for capitalized development costs, technical equipment and machinery and other equipment, operating and office equipment in the reporting year as a result of permanent impairment.

Financial assets declined by € 23.8 million in total as a result of the decrease in loans of € 28.2 million in particular, which mainly relates to the repayment of a former long-term loan. Shares in affiliated companies increased by € 4.4 million as a result of two capital increases at subsidiaries.

14 Inventories

	31-Mar-2018	**31-Mar-2019**
Raw materials, consumables and supplies	69,604	71,279
Work and services in progress	202,834	221,717
Finished goods and goods held for resale	85,100	91,497
Advance payments	1,168	256
	358,706	**384,749**

15 Receivables and other assets

	31-Mar-2018	of which with a remaining term of more than 1 year	**31-Mar-2019**	of which with a remaining term of more than 1 year
Trade receivables	24,327	–	26,685	–
Receivables from affiliated companies	112,636	–	151,897	–
Other assets	52,305	57	49,511	–
	189,268	**57**	**228,093**	**–**

Receivables from affiliated companies include short-term loans of € 149.7 million (previous year: € 112.2 million).

Other assets mainly include option premiums paid, tax refund claims, receivables from employees and receivables from Heidelberg Pension Trust e. V. Tax refund claims of € 1.0 million did not arise until after the end of the financial year (previous year: € 2.2 million).

16 Cash and cash equivalents

Cash and cash equivalents in the amount of € 123.8 million (previous year: € 113.0 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.

17 Prepaid expenses

In accordance with section 250 (3) HGB, prepaid expenses include the difference between the issue and settlement amount of liabilities in the amount of € 2.8 million (previous year: € 5.2 million).

18 Equity

	1-Apr-2018	Net loss for the year	Capital increase	**31-Mar-2019**
Subscribed capital	713,563	–	65,904	779,467
Treasury shares	– 366	–	–	– 366
Issued capital	713,197	–	65,904	779,101
Capital reserves	54,207	–	3,089	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	–	– 88,309
Equity	**774,356**	**– 88,309**	**68,993**	**755,040**

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. Please see the information on the cash capital increase under “Authorized capital” for details of the issue of new shares from Authorized Capital 2015 in the reporting year.

As of March 31, 2019, 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, 2019 (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 2015

On July 24, 2015, the Annual General Meeting authorized the Management Board, with the approval of the Supervisory Board, to issue warrants, convertible bonds and/or participating bonds as well as profit-sharing rights including combinations of these instruments (collectively also referred to as "bonds") up to a total nominal amount of € 200,000,000.00, dated or undated, on one or several occasions by July 23, 2020, and to grant or impose on the bearers or creditors of option warrants or option profit-sharing rights or option participating bonds, option rights or obligations, or to grant or impose on the bearers or creditors of convertible bonds, convertible profit-sharing rights or convertible participating bonds conversion rights or obligations to up to 51,487,555 bearer shares of the Company with a pro rata amount of share capital of up to € 131,808,140.80 in total, in accordance with the further conditions of these bonds. Shareholders' preemptive 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 € 131,808,140.80, divided into 51,487,555 shares, for this purpose (CONTINGENT CAPITAL 2015); details on Contingent Capital 2015 can be found in Article 3(4) of the Articles of Association.

Authorized capital

In accordance with the resolution of the Annual General Meeting on July 24, 2015, the Management Board was authorized, with the approval of the Supervisory Board, to increase the share capital of the Company by up to € 131,808,140.80 on one or more occasions by issuing up to 51,487,555 new shares against cash or non-cash contributions by July 23, 2020 (AUTHORIZED CAPITAL 2015). The Management Board was authorized, with the approval of the Supervisory Board, to determine the further content of share rights and the conditions for the issue of shares. The authorization became effective on entry of the amendment in the commercial register of the Mannheim Local Court on October 2, 2015.

With the approval of a committee formed by the Supervisory Board for these purposes and acting in place of the Supervisory Board, on March 12, 2019 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' preemptive 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. 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 (March 31, 2018: € 713,562,818.56) and is now divided into 304,479,253 (March 31, 2018: 278,735,476) shares.

Accordingly, Authorized Capital 2015 was reduced from € 131,808,140.80 to € 65,904,071.68 (March 31, 2018: € 131,808,140.80); information on Authorized Capital 2015 can be found in Article 3 (5) of the Articles of Association.

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 2018/2019 financial year in the amount of € 88,309 thousand will be carried forward to new account in full.

As of March 31, 2019, Heidelberger Druckmaschinen Aktiengesellschaft had reserves blocked from distribution in the amount of € 187,914 thousand.

An amount of € 92,084 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 € 95,830 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. Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte

DGAP voting right notification: Heidelberger Druckmaschinen AG: correction of a publication dated March 27, 2019 in accordance with section 40 (1) WpHG with the intention of dissemination throughout Europe; March 28, 2019/10:44; 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: change in total number of voting rights 3. Information on reporting entity: legal entity: Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte; registered office, country: Tübingen, Germany 5. Date of threshold event: March 22, 2019 6. Total voting rights: share of voting rights (total 7.a.) new: 2.98 %; share of instruments (total 7.b.1. + 7.b.2.) new: 0 %; total shares (total 7.a. + 7.b.) new: 2.98 %; total number of voting rights in accordance with section 41 WpHG new: 304479253; last notification: share of voting rights (total 7.a.): 3.25 %; share of instruments (total 7.b.1. + 7.b.2.): 0 %; total shares (total 7.a. + 7.b.): 3.25 % 7. Details of voting right holdings: a. Voting rights (sections 33, 34 WpHG): ISIN: DE0007314007; absolute: direct (section 33 WpHG): 9065681; attributed (section 34 WpHG): 0; total: 9065681; in %: direct (section 33 WpHG): 2.98 %; attributed (section 34 WpHG): 0 %; total: 2.98 %; 8. Information on reporting entity: reporting entity (3.) is neither controlled nor does reporting entity control other entities that hold voting rights of the issuer (1.) or to which voting rights of the issuer are attributed; 10. Other information: date: March 28, 2019.

2. 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.

3. 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.

4. 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.

5. 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.

6. 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.

7. 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-2018	31-Mar-2019
Special reserves for investment grants for non-current assets		
Taxable subsidies	26	7,274
Tax-exempt allowances	426	197
	452	**7,471**

Taxable subsidies essentially include a KfW loan for the energy rehabilitation of the new innovation center in Wiesloch-Walldorf in the 2018/2019 financial year.

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:	3.07 %
Salary increase rate:	2.75 %
Pension increase rate:	1.60 %
Fluctuation:	1.00 %

The assumed mortality is based on the 2018 G Heubeck mortality tables, which have replaced the previously valid 2005 G Heubeck mortality tables from this financial year. The transition resulted in a one-time expense of € 3.9 million reported under staff costs.

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

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

The fair value of the offset assets was € 415.2 million as of the end of the reporting period at an acquisition cost of € 591.4 million. The settlement amount of the offset liabilities was € 729.4 million as of the end of the reporting period.

The plan assets measured at fair value resulted in expenses of € 0.4 million in the year under review (previous year: income of € 11.7 million). Expenses due to the interest cost of discounting provisions for pensions amounted to € 72.5 million in the year under review (previous year: € 58.3 million) (see note 11).

21 Other provisions

	31-Mar-2018	31-Mar-2019
Other provisions		
Sales obligations	16,230	14,005
Staff obligations	123,841	117,230
Miscellaneous	20,781	22,779
	160,852	**154,014**

Sales obligations essentially relate to guarantees. Staff obligations mainly exist in connection with vacation and working time credit, partial retirement programs and bonuses. Furthermore, there are provisions of € 54.5 million (previous year: € 46.9 million) for portfolio and capacity adjustments and measures to optimize our management and organizational structure.

22 Liabilities

	31-Mar-2018	of which with a remaining term of			31-Mar-2019	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	264,000	–	264,000	–	208,600	58,600	150,000	–
of which convertible	(58,600)	(–)	(58,600)	(–)	(58,600)	(58,600)	(–)	(–)
Amounts due to banks	158,274	10,945	111,465	35,864	241,025	21,805	210,225	8,995
Advance payments on orders	11,166	11,166	–	–	5,281	5,281	–	–
Trade payables	86,153	86,153	–	–	95,768	95,768	–	–
Liabilities to affiliated companies	425,230	425,230	–	–	407,932	407,932	–	–
Other liabilities								
In respect of taxes	6,179	6,179	–	–	6,277	6,277	–	–
In respect of social security contributions	1,354	931	423	–	1,162	955	207	–
Miscellaneous	27,071	26,713	358	–	32,470	32,470	–	–
	34,604	33,823	781	–	39,909	39,702	207	–
	979,427	**567,317**	**376,246**	**35,864**	**998,515**	**629,088**	**360,432**	**8,995**

Liabilities to affiliated companies include short-term loans of € 407.6 million (previous year: € 425.1 million) and trade payables of € 0.3 million (previous year: € 0.1 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.

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.

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.

In connection with the sale of the research and development center in Heidelberg in the first quarter of the reporting year, a loan of around € 32.5 million was taken over, which will be amortized by March 2022.

The KfW-funded, amortizing loan of € 20 million issued in April 2014 and maturing in December 2018 was repaid in full by December 2018.

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.

With the existing financing portfolio, Heidelberg has total credit facilities with balanced diversification and a balanced maturity structure until 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 € 241 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 essentially results from temporary differences in the statement of financial position items provisions for pensions and similar obligations and other provisions. There was also tax relief resulting from temporary differences at companies included in the tax entity. Deferred tax liabilities 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 28.28 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 € 108.0 million were incurred for the year under review. This includes development costs capitalized in the year under review in the amount of € 21.7 million.

25 Contingent liabilities

	31-Mar-2018	31-Mar-2019
Liabilities from the issuance and transfer of bills of exchange	16,592	13,727
of which: to affiliated companies	(16,592)	(13,727)
Liabilities from warranties and guarantees	121,235	58,217
of which: to affiliated companies	(–)	(–)
Contingent liabilities from the provision of collateral for third-party liabilities	8,669	6,029
of which: to affiliated companies	(–)	(–)
	146,496	**77,973**

Some of the revolving credit facility in place as of March 31, 2019 (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 € 13.1 million are reported under contingent liabilities. In addition, there were credit lines of € 27.7 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, 2019, 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 € 4.5 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-2018	31-Mar-2019	31-Mar-2018	31-Mar-2019
Forward exchange transactions	638,552	582,587	– 204	2,868
Interest rate swaps	–	31,234	–	– 3,996

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 € 261.3 million (previous year: € 240.4 million) were concluded with external partners to hedge currency risks from the receivables and liabilities of Heidelberger Druckmaschinen Aktiengesellschaft recognized at the end of the reporting period. The hedges were portfolio hedges in the amount of the net total per currency of receivables and liabilities (net positions) with terms of up to one year. At the end of the reporting period, the nominal volumes of net receivable currency-related positions hedged thereunder were € 20.5 million (previous year: € 6.7 million) while the net liability positions amounted to € 169.2 million (previous year: € 153.9 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 € 2.3 million (previous year: € 1.5 million) were capitalized for forward exchange transactions with positive fair values and other liabilities of € 0.3 million (previous year: € 1.4 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 € 166.7 million (previous year: € 159.4 million) were offset by external currency hedges with a nominal volume of € 154.6 million (previous year: € 238.8 million). Currency hedges are combined to form portfolio hedges for each currency. Other provisions of € 0.1 million (previous year: € 0.5 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 first quarter of the 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 three 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

	2017/2018	**2018/2019**
Obligations for rental and lease payments	25,206	8,093
of which: to affiliated companies	(–)	(–)
Long-term purchase commitments for raw materials, consumables and supplies	5,117	7,180
of which: to affiliated companies	(–)	(–)
Purchase commitments from capital investment orders	30,598	10,506
of which: to affiliated companies	(–)	(–)
	60,921	**25,779**

Obligations for rental and lease payments include a sale-and-leaseback agreement for our Kiel production site (2010/2011 financial year) of € 1.4 million (previous year: € 15.2 million). The figure for the previous year also includes the sale-and-leaseback agreement for the research and development center in Heidelberg (2006/2007 financial year). This lease was terminated in June 2018. The other rental and lease payment obligations predominantly relate to other real estate and operating and office equipment.

The decrease in purchase commitments is essentially attributable to the completion of the innovation center at the Wiesloch-Walldorf site.

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 Company > About Us > 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.

The total cash compensation (= total compensation) of the Management Board, including fringe benefits, amounts to € 4,653 thousand (previous year: € 5,072 thousand), comprising the fixed compensation including fringe benefits of € 1,928 thousand (previous year: € 1,940 thousand), one-year variable compensation of € 1,695 thousand (previous year: € 1,669 thousand) and multi-year variable compensation of € 1,030 thousand (previous year: € 1,463 thousand). The multi-year variable compensation includes € 466 thousand (previous year: € 666 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 € 3,142 thousand (previous year: € 3,574 thousand), comprising € 885 thousand (previous year: € 903 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.

A provision of € 45,454 thousand (previous year: € 43,639 thousand) has been recognized for pension obligations to former members of the Management Board and their surviving dependents, € 7,447 thousand (previous year: € 7,379 thousand) of which relating to pension obligations of the former Linotype-Hell Aktiengesellschaft, which were assumed in the 1997/1998 financial year under the provisions of universal succession.

As in the previous year, former members of the Management Board held no 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 € 746 thousand (previous year: € 701 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, the German Securities Trading Act and the capital increase.

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

On May 7, 2019, the German Federal Cartel Office announced its decision not to allow the planned acquisition of the MBO Group by Heidelberger Druckmaschinen Aktiengesellschaft. As a result of this decision, the acquisition will not go ahead; the two companies will continue to operate separately and independently from one another as before. Heidelberg had announced its intention to acquire the MBO Group in October 2018 and had signed an agreement with the owner family. This was then reported to the Federal Cartel Office for approval and has been under review since that time. Even without the acquisition of the MBO Group, Heidelberg will stand by its strategy of continuing to develop its postpress portfolio towards industrial postpress services.

Heidelberg, May 23, 2019

HEIDELBERGER DRUCKMASCHINEN
AKTIENGESELLSCHAFT
The Management Board

Rainer Hundsdörfer — Dirk Kaliebe

Prof. Dr. Ulrich Hermann — Stephan Plenz

Responsibility statement

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

Heidelberg, May 23, 2019

HEIDELBERGER DRUCKMASCHINEN
AKTIENGESELLSCHAFT
The Management Board

Rainer Hundsdörfer | Dirk Kaliebe

Prof. Dr. Ulrich Hermann | Stephan Plenz

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 balance sheet as at March 31, 2019, and the statement of profit and loss for the financial year from April 1, 2018 to March 31, 2019, 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, 2018 to March 31, 2019. 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, 2019 and of its financial performance for the financial year from April 1, 2018 to March 31, 2019 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, 2018 to March 31, 2019. 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 matter of most significance in our audit was as follows:

1 Recoverability of shares in affiliated companies

Our presentation of this key audit matter has been structured as follows:

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

Hereinafter we present the key audit matter:

1 Recoverability of shares in affiliated companies

1 In the annual financial statements of the Company shares in affiliated companies amounting to EUR 848.2 million (38.0 % 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/or supplementary documentation no write-downs were required for 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 corresponding 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 As part of 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 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.

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 the "Legal disclosures" section 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, 2018. We were engaged by the supervisory board on July 25, 2018. We have been the auditor of Heidelberger Druckmaschinen Aktiengesellschaft, Heidelberg, 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).

German public auditor responsible for the engagement

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

Mannheim, May 24, 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Stefan Hartwig	ppa. Stefan Sigmann
Wirtschaftsprüfer	Wirtschaftsprüfer

Financial section 2018/2019

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	2,133	1,712
Gallus Druckmaschinen GmbH[1]	D	Langgöns-Oberkleen	100	2,238	–1,402
Heidelberg Boxmeer Beteiligungs-GmbH[1]	D	Wiesloch	100	127,091	82
Heidelberg China-Holding GmbH[1]	D	Wiesloch	100	58,430	7,644
Heidelberg Consumables Holding GmbH[1]	D	Wiesloch	100	24,382	–884
Heidelberg Manufacturing Deutschland GmbH[1]	D	Wiesloch	100	42,561	3,923
Heidelberg Postpress Beteiligungen GmbH[1]	D	Wiesloch	100	24	–1
Heidelberg Postpress Deutschland GmbH[1]	D	Wiesloch	100	25,887	1,961
Heidelberg Print Finance International GmbH[1]	D	Wiesloch	100	34,849	964
Heidelberg Web Carton Converting GmbH	D	Weiden	100	2,927	–61
Heidelberger Druckmaschinen Vertrieb Deutschland GmbH[1]	D	Wiesloch	100	54,901	4,001
Hi-Tech Coatings Deutschland GmbH[1]	D	Wiesloch	100	1,925	–1,148
Outside Germany[2]					
Baumfolder Corporation	USA	Sidney, Ohio	100	519	–333
BluePrint Products N.V.	BE	Sint-Niklaas	100	6,193	878
Cerm N.V.	BE	Oostkamp	100	1,325	339
Europe Graphic Machinery Far East Ltd.	PRC	Hong Kong	100	1,890	505
Gallus Ferd. Rüesch AG	CH	St. Gallen	100	54,027	1,662
Gallus Holding AG	CH	St. Gallen	100	83,849	529
Gallus Inc.	USA	Philadelphia, Pennsylvania	100	8,489	207
Hi-Tech Chemicals BVBA[4]	BE	Kruibecke	100	3,790	1,351
Heidelberg Americas, Inc.	USA	Kennesaw, Georgia	100	104,542	–4,251
Heidelberg Asia Pte. Ltd.	SGP	Singapore	100	7,728	–52
Heidelberg Baltic Finland OÜ	EST	Tallinn	100	1,308	74
Heidelberg Benelux B.V.	NL	Haarlem	100	50,606	10,970
Heidelberg Benelux BVBA	BE	Brussels	100	13,914	1,155
Heidelberg Boxmeer B.V.	NL	Boxmeer	100	42,146	–62
Heidelberg Canada Graphic Equipment Ltd.	CDN	Mississauga	100	10,124	5,240
Heidelberg China Ltd.	PRC	Hong Kong	100	6,050	1,984
Heidelberg do Brasil Sistemas Graficos e Servicos Ltda.	BR	São Paulo	100	4,401	1,493
Heidelberg France S.A.S.	F	Roissy-en-France	100	12,731	3,090
Heidelberg Grafik Ticaret Servis Limited Sirketi	TR	Istanbul	100	3,024	–454
Heidelberg Graphic Equipment (Shanghai) Co. Ltd.	PRC	Shanghai	100	99,150	14,381
Heidelberg Graphic Equipment Ltd. – Heidelberg Australia –	AUS	Notting Hill, Melbourne	100	19,584	–101
Heidelberg Graphic Equipment Ltd. – Heidelberg New Zealand –	NZ	Auckland	100	2,252	226
Heidelberg Graphic Equipment Ltd. – Heidelberg UK –	GB	Brentford	100	11,962	–640

Name	Country/Domicile		Shareholding in percent	Equity	Net result after taxes
Heidelberg Graphic Systems Southern Africa (Pty) Ltd.	ZA	Johannesburg	100	2,114	519
Heidelberg Graphics (Beijing) Co. Ltd.	PRC	Beijing	100	14,838	7,255
Heidelberg Graphics (Thailand) Ltd.	TH	Bangkok	100	5,422	1,288
Heidelberg Graphics (Tianjin) Co. Ltd.	PRC	Tianjin	100	8,070	2,173
Heidelberg Graphics Taiwan Ltd.	TWN	Wu Ku Hsiang	100	3,873	– 33
Heidelberg Group Trustees Ltd.	GB	Brentford	100	0	0
Heidelberg Hong Kong Ltd.	PRC	Hong Kong	100	12,059	– 1,251
Heidelberg India Private Ltd.	IN	Chennai	100	3,801	90
Heidelberg International Finance B.V.	NL	Boxmeer	100	14	– 13
Heidelberg International Ltd. A/S	DK	Ballerup	100	59,769	– 269
Heidelberg International Trading (Shanghai) Co. Ltd.	PRC	Shanghai	100	171	– 4
Heidelberg Italia S.r.L.	IT	Bollate	100	28,247	2,302
Heidelberg Japan K.K.	J	Tokyo	100	25,687	992
Heidelberg Korea Ltd.	ROK	Seoul	100	4,743	641
Heidelberg Magyarország Kft.	HU	Kalasch	100	4,774	231
Heidelberg Malaysia Sdn Bhd	MYS	Petaling Jaya	100	– 3,160	– 174
Heidelberg Mexico Services, S. de R.L. de C.V.	MEX	Mexico City	100	808	93
Heidelberg Mexico, S. de R.L. de C.V.	MEX	Mexico City	100	10,331	1,308
Heidelberg Philippines, Inc.	PH	Makati City	100	4,272	– 64
Heidelberg Polska Sp z.o.o.	PL	Warsaw	100	6,880	586
Heidelberg Praha spol s.r.o.	CZ	Prague	100	1,248	32
Heidelberg Print Finance Australia Pty Ltd.	AUS	Notting Hill, Melbourne	100	23,630	229
Heidelberg Print Finance Korea Ltd.	ROK	Seoul	100	17,638	333
Heidelberg Print Finance Osteuropa Finanzierungsvermittlung GmbH	A	Vienna	100	11,961	– 6
Heidelberg Schweiz AG	CH	Bern	100	13,146	1,668
Heidelberg Slovensko s.r.o.	SK	Bratislava	100	871	– 39
Heidelberg Spain S.L.U.	ES	Cornella de Llobregat	100	11,131	1,071
Heidelberg Sverige AB	S	Solna	100	6,022	300
Heidelberg USA, Inc.	USA	Kennesaw, Georgia	100	69,235	15,337
Heidelberger CIS OOO	RUS	Moscow	100	– 11,251	– 1,510
Heidelberger Druckmaschinen Austria Vertriebs-GmbH	A	Vienna	100	33,139	3,453
Heidelberger Druckmaschinen Osteuropa Vertriebs-GmbH	A	Vienna	100	7,072	2,786
Heidelberger Druckmaschinen WEB-Solution CEE Ges.m.b.H	A	Vienna	100	2,046	– 4
Hi-Tech Coatings International B.V.	NL	Zwaag	100	7,084	518
Hi-Tech Coatings International Limited	GB	Aylesbury, Bucks	100	3,920	998
Linotype-Hell Ltd.	GB	Brentford	100	3,995	0
Modern Printing Equipment Ltd.	PRC	Hong Kong	100	1,512	– 55
MTC Co., Ltd.	J	Tokyo	99.99	8,321	– 9
P.T. Heidelberg Indonesia	ID	Jakarta	100	9,865	809

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	– 166	– 66
Heidelberg Catering Services GmbH[1]	D	Wiesloch	100	386	– 2,396
Heidelberg Digital Unit GmbH[1]	D	Wiesloch	90	100	– 8
Heidelberger Druckmaschinen Vermögensverwaltungsgesellschaft mbH	D	Walldorf	100	25	0
Menschick Trockensysteme GmbH	D	Renningen	100	385	35
Heidelberg Digital Platforms GmbH[1]	D	Wiesloch	100	26	– 72
Outside Germany[2]					
Gallus India Private Limited	IN	Mumbai	100	98	0
Gallus Mexico S. de R.L. de C.V.	MEX	Mexico City	100	– 50	– 28
Gallus Printing Machinery Corp.	USA	Philadelphia, Pennsylvania	100	– 206	– 222
Heidelberg Asia Procurement Centre Sdn Bhd	MYS	Petaling Jaya	100	79	– 5
Heidelberg Hellas A.E.E.	GR	Metamorfosis	100	3,415	280
Heidelberg Used Equipment Ltd.[3]	GB	Brentford	100	0	0
Heidelberger Druckmaschinen Ukraina Ltd.	UA	Kiev	100	– 227	1,090

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	784	113
Heidelberg NetworX Holding Company Limited	PRC	Hong Kong	52	1	0

1) Before profit transfer
2) Disclosures for companies outside Germany in accordance with IFRS
3) Prior-year figures, since financial statements not yet available
4) Relocation

The Supervisory Board

Dr. Siegfried Jaschinski
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)

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

Joachim Dencker*
(since July 25, 2018)
Head of Technology and Production
Gallus/Postpress,
Head of Heidelberg Excellence
System, Spokesperson of the
Executive Staff, Wiesloch-Walldorf

Gerald Dörr*
(since July 25, 2018)
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
Executive 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 AG, Esslingen
a) Leistritz AG

Kirsten Lange
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Adjunct Professor of INSEAD,
Fontainebleau, France
a) ATS Automation Tooling Systems Inc.,
Toronto, Canada
b) Fritsch Holding AG
(Member of the Supervisory Board)

Dr. Herbert Meyer
(until July 25, 2018)
Independent business consultant,
Königstein/Taunus and Member of
the Consulting Board of the Auditor
Oversight Body (AOB), Berlin
a) profine GmbH
d.i.i. Investment GmbH
b) Verlag Europa Lehrmittel GmbH & Co. KG
(Member of the Advisory Board)

Petra Otte*
(since July 25, 2018)
Trade union secretary of IG Metall
Baden-Württemberg, Stuttgart
a) Audi AG
Aesculap AG

Ferdinand Rüesch
(since July 25, 2018)
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

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Professor and holder of the chair
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Chairman of the Management Board
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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
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(until July 25, 2018)
Deputy Chairman of the Supervisory
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Christoph Woesler*
(until July 25, 2018)
Head of Procurement, Chairman
of the Speakers Committee for the
Executive Staff, Wiesloch-Walldorf

Roman Zitzelsberger*
(until July 25, 2018)
Regional head of IG Metall
Baden-Württemberg, Stuttgart
a) Daimler AG
Rolls-Royce Power Systems AG
MTU GmbH

* 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)
Ralph Arns
Gerald Dörr (since July 25, 2018)
Mirko Geiger
Kirsten Lange (until July 25, 2018)
Ferdinand Rüesch (since July 25, 2018)
Prof. Dr.-Ing. Günther Schuh
Rainer Wagner (until July 25, 2018)

MEDIATION COMMITTEE UNDER ARTICLE 27 PARAGRAPH 3 OF THE CODETERMINATION ACT

Dr. Siegfried Jaschinski
Ralph Arns
Gerald Dörr (since July 25, 2018)
Dr. Herbert Meyer (until July 25, 2018)
Ferdinand Rüesch (since July 25, 2018)
Rainer Wagner (until July 25, 2018)

COMMITTEE ON ARRANGING PERSONNEL MATTERS OF THE MANAGEMENT BOARD

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Gerald Dörr (since July 25, 2018)
Karen Heumann
Ferdinand Rüesch (since July 25, 2018)
Beate Schmitt
Rainer Wagner (until July 25, 2018)

AUDIT COMMITTEE

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Mirko Geiger
Oliver Jung (since July 25, 2018)
Kirsten Lange
Dr. Herbert Meyer (until July 25, 2018)
Beate Schmitt (since July 25, 2018)

NOMINATION COMMITTEE

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Oliver Jung (since June 5, 2018)
Dr. Herbert Meyer (until July 25, 2018)
Ferdinand Rüesch (since July 25, 2018)

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Mirko Geiger
Karen Heumann
Oliver Jung
Kirsten Lange
Dr. Herbert Meyer (until July 25, 2018)
Ferdinand Rüesch (since July 25, 2018)
Prof. Dr.-Ing. Günther Schuh
Rainer Wagner (until July 25, 2018)

The Management Board

Rainer Hundsdörfer
Heidelberg
Chief Executive Officer and
Chief Human Resources Officer
* Marquardt GmbH (Chairman)
** Heidelberg Americas, Inc., USA
(Chairman of the Board of Directors)
Heidelberg USA, Inc., USA
(Chairman of the Board of Directors)

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Heidelberg
Head of the Heidelberg Lifecycle
Solutions Segment
* Heidelberger Druckmaschinen Vertrieb
Deutschland GmbH (Chairman)
** Heidelberg Graphic Equipment Ltd.,
Australia
Heidelberg Japan K.K., Japan

Dirk Kaliebe
Sandhausen
Chief Financial Officer and
Head of the Heidelberg
Financial Services Segment
* Heidelberger Druckmaschinen Vertrieb
Deutschland GmbH
** Heidelberg Americas, Inc., USA
Heidelberg USA, Inc., USA

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Sandhausen
Head of the Heidelberg Digital
Technology Segment
** 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 2019/2020

June 6, 2019	Press Conference, Annual Analysts' and Investors' Conference
July 25, 2019	Annual General Meeting
August 6, 2019	Publication of First Quarter Figures 2019/2020
November 6, 2019	Publication of Half-Year Figures 2019/2020
February 11, 2020	Publication of Third Quarter Figures 2019/2020
June 9, 2020	Press Conference, Annual Analysts' and Investors' Conference
July 23, 2020	Annual General Meeting

Subject to change

Publishing information

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